The Economist

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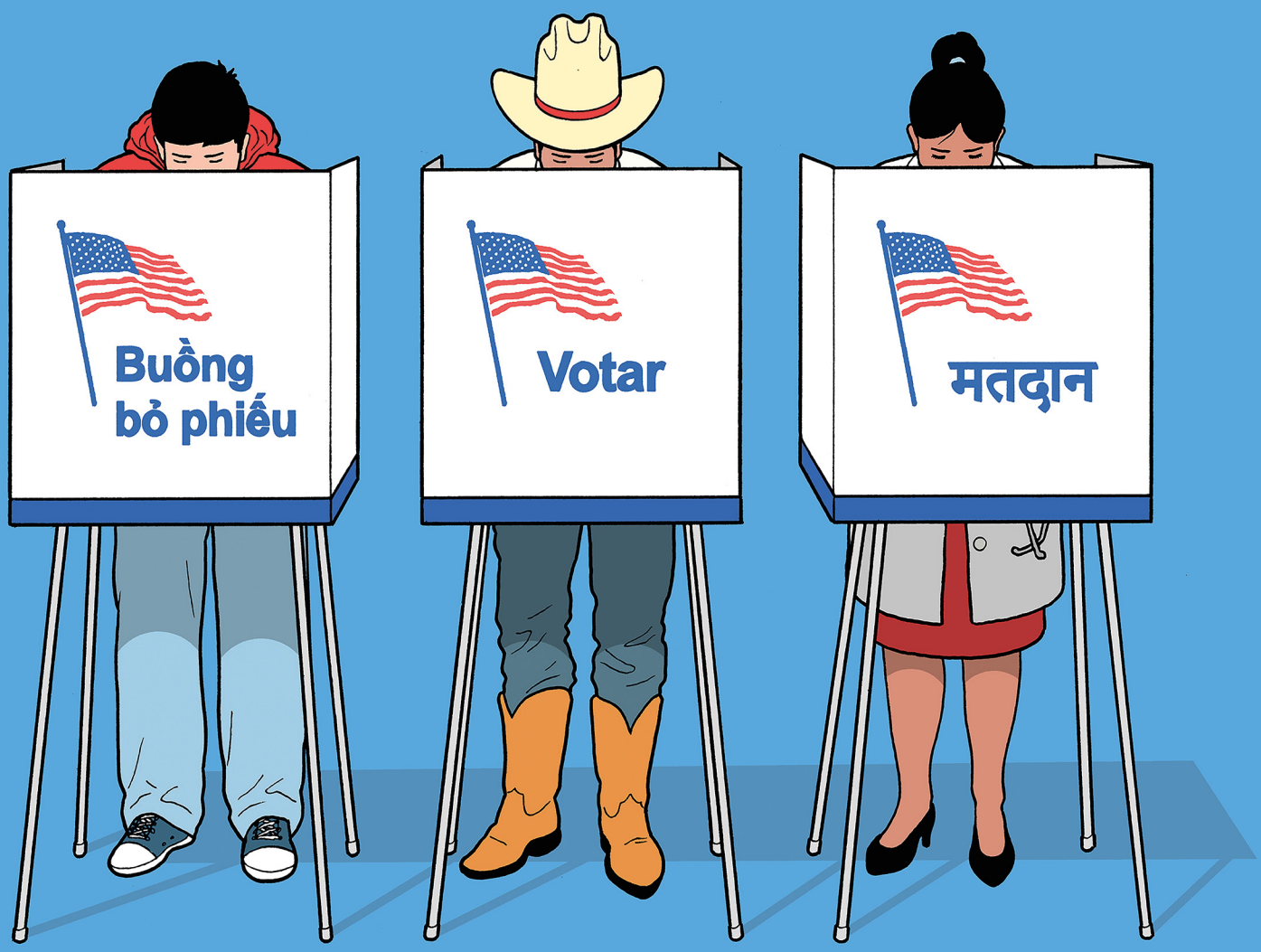
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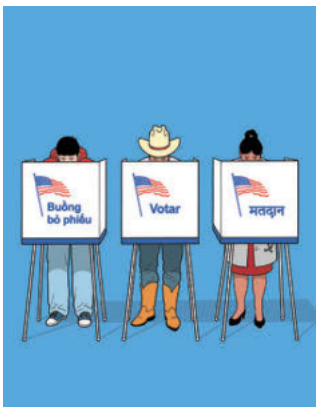
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Contents



On the cover
Hispanics and Asians have become their country's most dynamic voters: leader, *page 11*. The midterms could reshape politics far beyond Congress, *page 28*. Some Democrats are rediscovering, in Iowa and elsewhere, an appealing politics of progress: Lexington, *page 30*. Ahead of the midterms, American business is hastily trying to win favour with the Democrats, *page 59*

Bracing for Brazil's comeback king The pressure is on the re-elected president to avoid an economic slump: leader, *page 14*. Lula pulls off a historic victory—and his rival flees to the United States, *page 31*

Apprehension economics: AI and wages Fear of a technological revolution may be suppressing wages: Free Exchange, *page 71*

New fertility technology Treatments for age-related infertility are coming at last, *page 72*

The music of African politics Artists have captured a continental spirit of revolt, *page 56*

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The world this week
6 A summary of political and business news

Leaders
11 **America's midterms** Swing voters
12 **Britain's budget** A bold PM with big ideas
13 **Israel's election** Act fast, and together
13 **India** Modi's long march
14 **Brazil votes** Lula scares the markets
16 **Artificial intelligence** Let China copy

Letters
17 On mathematics and AI, Mark Carney, competition from China, tote bags, baldness

By Invitation
20 Nir Bar Dea and Greg Jensen on the dangers of letting AI rip

Briefing
21 **The battle for India** Modi's biggest test

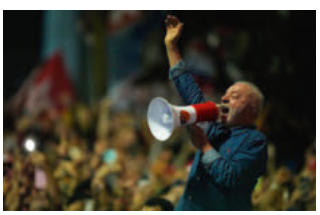
Bartleby Seven hot new sources of leadership inspiration, *page 61*



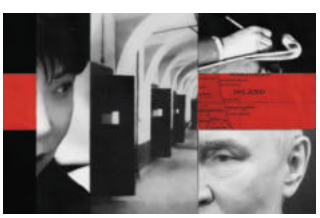
United States
25 The new swing voters
27 Predicting the election
28 The other midterm battle
29 Trumponomics
30 **Lexington** The politics of progress



The Americas
31 Lula wins
32 Spain's Latin love-in
33 Venezuela's opposition



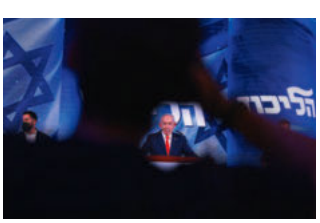
Asia
35 Why Russia has seized a Japanese journalist
36 A Pacific UBI
37 **Ashoka** Defending the Indian rupee
38 New Zealand's kingmaker?
38 Good news from the Aral



China
39 Peak infrastructure
40 Kim Jong Un visits China
41 City rankings banned
42 **Chaguan** Growing grassroots football



Middle East & Africa
43 No victory in Israel
44 A summit in Tehran
45 The ANC's reckoning
46 African education



» Contents continues overleaf

Contents

Europe



47 Serbia topples Vucic
48 A less pious Poland
49 Italy unsteels itself
49 Spanish rail disaster
50 Russia's last free press
51 **Charlemagne** Phoney peace

Britain



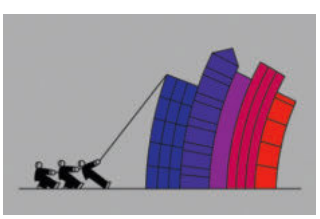
52 A defensive budget
53 A shift, of sorts, on energy
54 Sex crimes and Afghans
55 **Bagehot** The state of the state

International



56 The politics of African music
58 **The Telegram** Gulf rulers' dilemma

Business



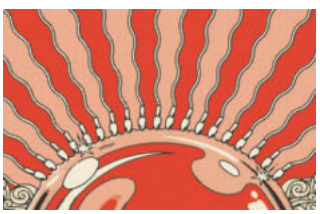
59 America Inc courts the Democrats
60 Anthropic's profits
61 **Bartleby** Leadership inspiration
62 The epic rise of IMAX
63 India's telecoms star
63 An Italian feud
64 Pest-control
65 **Schumpeter** The end of corporate loyalty

Finance & economics



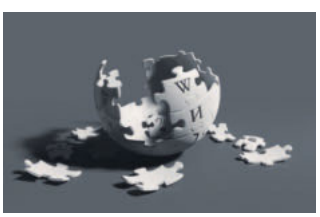
66 Rare earths, rare luck
68 China's tumbling shares
68 Why is oil so dear?
69 **Buttonwood** Faulty credit swaps
70 HDFC Bank's new boss
71 **Free Exchange** AI, fear and wages

Science & technology



72 Tackling infertility
73 AI model distillation
74 Contagious yawning
75 **Well Informed** Protein powders

Culture



76 Wikipedia turns 25
77 Harry Houdini
78 Conspiracy theories
79 John Green
79 Death in Beirut
80 **Back Story** Striving outsiders

Economic & financial indicators

81 Statistics on 42 economies

Obituary

82 Cecily "Chips" Gemmell, Churchill's personal secretary

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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



No clear winner emerged from **Israel's** election. With more than 90% of the vote counted, Binyamin Netanyahu's bloc won 53 of the 120 seats in the Knesset. The opposition parties took 67 seats, enough to command a majority. But 19 of those seats went to Arab parties, a historic high, and most of the Jewish opposition parties have refused to include them in a coalition. Once the results are finalised, coalition talks will begin. Before the election Mr Netanyahu ordered Israeli troops into Hebron, a city in the occupied West Bank, after Palestinian gunmen attacked a military checkpoint, killing two soldiers. Thousands of Palestinians were forced to leave their homes or had their homes demolished.

Officials from **Pakistan**, **Saudi Arabia** and **Turkey**, the three signatories to the new Mecca pact, travelled to Tehran to meet **Iran's** security chief and president. The meeting took place amid more attacks by the Houthis, Iranian-backed rebels in Yemen, on Saudi infrastructure and the growing threat of further American and Israeli strikes on Iran. No breakthroughs were announced.

Nine people were shot dead at a Christian funeral in **Jordan**. The country's air force struck back at "terrorist organisations" in **Syria**.

Unrelenting carnage

At least 100 people were killed and dozens more injured in an army drone strike on a market in Nyala, in **Sudan's** Darfur region, which is controlled by the rebel Rapid Support Forces. According to the UN drone strikes killed over 300 people and injured hundreds more in the first three weeks of October. Separately, drone strikes by the RSF knocked out several power plants in army-controlled areas, causing widespread power cuts.

Dozens of **African delegations** travelled to Moscow for a summit with Vladimir Putin. Mr Putin is trying to pitch Russia as a more reliable partner for African countries than the "colonial" West.

Kim Jong Un, North Korea's dictator, made a surprise visit to Dandong in China. Mr Kim was driven over a bridge crossing the Yalu river to the border city. The official reason for his trip was to commemorate China's support for North Korea during the Korean war. Speculation swirled that he was also consulting with the Chinese ahead of a possible meeting with Donald Trump.

At least 68 people were killed when two high-speed trains collided on the line between Madrid and Seville in **Spain**. One train was stationary, reportedly because of a computer-system failure. The crash has raised more concerns about maintenance of the country's railways. In January 46 people died when one train derailed and another smashed into its carriages in southern Spain.

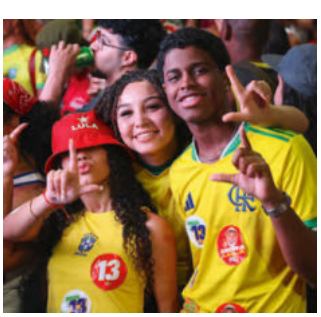
More than 1,400 people were arrested across **France** in another day of protests that were accompanied by vandalism and looting, but less so than over the previous weekend. The day before the demonstrations a black man was shot dead near Paris and seven people injured, including a child, when a 39-year-old man opened fire from his car. Emmanuel Macron called it a "racist, terrorist attack".

Marine Le Pen, the populist-right front-runner in next year's presidential election, officially launched her campaign. She made her first campaign speech in Orléans, a city closely associated with Joan of Arc. At its party congress the same weekend, her National Rally re-elected Jordan Bardella as its president. Ms Le Pen confirmed that she will appoint him prime minister if the party takes power.

In **Ukraine** a six-day ceasefire came into force to allow humanitarian aid into the **Russian**-occupied city of Oleshky. The ceasefire was reportedly extended across the Kherson region. Meanwhile, Vladimir Putin spoke by phone to the leaders of Finland and Norway ahead of forthcoming trilateral talks between Russia, Ukraine and America that will take place in Abu Dhabi.

Students get top marks

Aleksandar Vucic, who has served as either prime minister or president of **Serbia** since 2014, conceded defeat in a parliamentary election. Mr Vucic had called the snap poll after two years of student-led protests against corruption and abuses of government power. Tens of thousands of people took to the streets to celebrate the Student List's stunning victory. The list was composed of candidates selected by student bodies; the students ruled themselves out from standing. Russia has now lost two key allies in Europe: Mr Vucic in Serbia and Viktor Orban in Hungary.



Luiz Inácio Lula da Silva was re-elected as **Brazil's** president in a run-off election, winning 52% of the vote. It was the first time a candidate who had finished second in the first round went on to win the run-off. Flávio Bolsonaro, his conservative challenger and the first-round winner, described the outcome as "inexplicable" and suggested foul play, but his party accepted the result. After the election, Mr Bolsonaro left Brazil for Miami, defying a judge who ordered him to stay in the country while a pre-existing criminal investigation continues. In a social-media post he said the election had been stolen by "criminals" who have "established a tyranny".

María Corina Machado returned to **Venezuela**. The opposition leader left the country ten months ago to collect a Nobel peace prize. She had tried to return several times since January, when American special forces arrested Nicolás Maduro. Ms Machado has called for fresh elections, though her party has been excluded from talks brokered by the Trump administration on a future electoral process. Marco Rubio, America's secretary of state, says the talks are making progress and that no one should try to "derail that process".

In **Canada** the opposition Conservative Party won its first election in British Columbia in nearly 100 years. The province had been governed by the left-wing New Democratic Party since 2017. The Conservatives have pledged to slash red tape and remove limits on greenhouse-gas emissions. They also promise to increase British Columbia's output of liquefied natural gas and support a new oil pipeline from Alberta to the west coast. The party's pro-energy agenda is bound to face legal challenges.

King Charles began a tour of the **Caribbean** amid calls from some countries in the region for Britain to pay reparations for slavery. Several governments want the issue placed high on the agenda at the summit of Commonwealth governments that the king will attend in Antigua and Barbuda.

The world this week Business



Anthropic released the long-awaited prospectus for its IPO, which promises to be one of the largest ever, if not the largest. Revenue soared from $787m in the second quarter of 2025 to $11.6bn in the same quarter this year. Its spending on personnel, including stock-based compensation, rose from $320m to nearly $1.9bn. Anthropic reported a net loss of $66.3bn for the quarter, mostly because of an accounting charge related to the reassessment of the fair value of debt that could be converted into shares. It actually made an operating profit of $974m in the second quarter, compared with an operating loss of almost $1.7bn in the preceding three months. Anthropic's stock-market debut could happen in November.

More funding deals were announced in AI. With tech companies increasingly turn to Wall Street and capital markets to fund their investments, **Broadcom** is setting up a $63bn special-purpose vehicle with Bank of America and other financial firms. The SPV will buy Broadcom's chips and networking equipment and lease them to Anthropic. **Meta** is raising $37.5bn through stock offerings. It also plans to raise up to $60bn through periodic sales of newly issued shares, starting next year.

Alphabet's share price sank, after it emerged that the rate at which it is burning through cash was much higher than markets had expected. **Microsoft's** stock fared better, after it reported lower capital expenditures than Wall Street had forecast, mostly because of delays in building new data centres. Seeking to keep costs under control, Microsoft wants to shed 60,000 employees, a quarter of its global workforce, through a "voluntary exit offer" that will give staff "who may be considering a future outside the company a new choice to make that transition".

Skydance also offered a "voluntary buy-out" plan to staff as part of its effort to cut costs following its takeover of Warner Bros. It told remaining employees that from now on they would have to work in the office five days a week, because "in a creative company like ours, the best ideas come from people in the same room".

Taxing questions

The British government unveiled its **budget**, the first under Andy Burnham as prime minister and John Healey as chancellor. Among the measures, the budget raised the bank corporation-tax surcharge from 3% to 6% for 15 months to help pay for household-energy relief. Businesses will benefit from a freeze or cut in property taxes, meaning that half of all retail, hospitality and leisure properties will pay no property tax at all. From 2028, mayors and local authorities will have the power to impose a tourist tax. The government also committed to a target to spend 3% of GDP on defence by 2030, but left the details of how this would be funded to a spending review next year.

The **Federal Reserve** kept interest rates on hold at its latest meeting, leaving its benchmark rate in the 3.75-4% range. Kevin Warsh, the Fed's chairman, promised to continue dispensing "new monetary medicine" to bring inflation under control. Markets think the Fed will raise rates over the coming months.

The IPO of **JIO Platforms** was a success, raising $3.1bn. The share price of the Indian telecoms company rose by 27% on the first day of trading, leaving it with a market capitalisation of $137bn. Jio will use the proceeds to pay debt accrued as it furthers its ambitions in AI and satellite broadband.

Boeing's stock took a dive, after the company confirmed it would miss production and delivery targets for its 737 aircraft this year. Its commercial-airline division reported a quarterly operating loss of $697m, more than analysts had expected, but profits from defence, space and security surged to $492m.

Audi announced that it will build a $4bn factory in Georgia, its first plant in America. The factory will produce 200,000 sport-utility vehicles a year, creating 4,500 jobs, even as Audi's parent company, Volkswagen, slashes 100,000 jobs. Gernot Döllner, Audi's boss, made the announcement with Donald Trump at a campaign rally in Georgia. The president said Audi's decision would not have happened "without tariffs": European cars that are made in America are exempt from the duties.

Taking the high-tech road

The carmaking industry's evolution to a focus on high tech was underscored by the decision of **General Motors** to switch its share listing from the New York Stock Exchange to the Nasdaq. The Nasdaq is a natural home for our "technology-driven strategy", GM said. The company recently highlighted how it is "using frontier AI and machine-learning breakthroughs to accelerate development" in autonomous driving.





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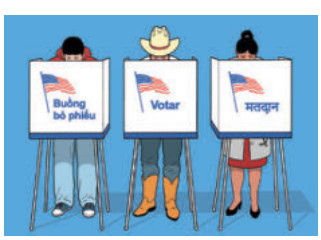
The Americans changing politics for the better

Hispanics and Asians have become their country's most dynamic swing voters

MIDTERM ELECTIONS are always a referendum on the sitting American president, but rarely has an incumbent so wilfully put himself in the spotlight in defiance of his own unpopularity. As the campaign ends, Donald Trump is commandeering rallies in Republican strongholds, a sign of his party's vulnerability and his unwavering faith in his own star power. Away from the spotlight, however, something more surprising—and more important—has been happening: Hispanics and Asians have emerged as America's most valuable voters.

The curse of American politics is its bitter partisanship. As voters have sorted themselves along racial, educational and geographical lines, the parties have spent less time trying to win converts from the other side and more whipping their own supporters into a permanent frenzy: 70% of Republicans are hostile towards Democrats and more than 80% of Democrats return the favour. The result is a style of politics that tugs public life towards the extremes, punishes compromise and puts getting people angry above getting things done.

Hispanic and Asian-American voters offer the best hope of arresting this baleful trend. They have become America's crucial swing voters, with an outsize impact on races across the country. Compared with other blocs, their numbers are growing faster, their ideology is more fluid and their priorities are less divisive. That means they are likely to be good for America not just in these midterms, but also for many elections to come.



The biggest force on November 3rd will be Mr Trump's unpopularity. His national net-approval rating stands at -27 points. The president is predicting victory in "record numbers", but our forecast model suggests Democrats have a 95% chance of winning back the House and a 54% chance of taking the Senate. Polling puts Mr Trump underwater on every policy, from inflation to immigration. His great vulnerability is that voters blame higher bills on his fondness for tariffs and his choice to go to war with Iran.

The backlash has created openings for Democrats in states such as Kansas and Iowa, where even contemplating a blue victory would once have got Republican strategists sacked. Disenchanted rural voters who chose Mr Trump in 2024 may stay at home this time, as a protest against high diesel prices and poor markets for their crops. Polls say Democrats are winning back the young and peeling off working-class whites.

It would be good for America to have more battleground states. If Democrats win in places like Kansas and Texas, the power of incumbency could make them competitive in future elections, too. No group captures the potential for opening up politics as much as Hispanics and Asian-Americans.

One reason is demography (see United States section). They are a growing fraction of the population—especially Hispanics, who are three times more numerous than Asian-Americans. Since 2006 their combined share of the electorate has increased by nine percentage points, to reach 21%. They are also highly diverse. The grandchildren of an immigrant from Ho Chi Minh City have a different outlook from a new arrival from Bangalore. Neither fits neatly into the familiar Democrat-Republican template.

And they are more likely to switch their votes. In 2012 Democrats thought they had a lock on Latinos and Asians. In 2024 the story was how they were becoming Trumpian. It has now become clear that they were swing voters all along.

White voters changed little between 2020 and 2024, while both Latinos and Asians lurched hard to the right. They were then the fastest to turn against Mr Trump in early 2025. The margin of support for Democrats has risen by 17 points among Latinos and 14 among Asians since 2024, compared with ten for whites and five for black voters. They are likely to help decide House races from suburban New York to Florida as well as Senate contests in Alaska, Kansas and Texas.

Part of the explanation for this is that these voters are the epitome of striving Americans who want to work hard and get ahead. Higher prices for food and fuel hit Hispanic voters particularly hard; housing costs affected Asian voters. Latinos are more than twice as likely to start businesses as white voters. Asians are likely to spend more time in education.

Many are recent arrivals or the children of immigrants, so their opinions have not yet hardened along party lines. In contrast to the rest of the voting population, if Hispanics and Asians hold one left-leaning position, they will not necessarily endorse others. Likewise, wanting a secure southern border does not equate to support for the hardline enforcement that has frightened Hispanic employees into staying away from work.

Instead, many are moderate. They have little truck with culture wars or polarisation. The economic policies they care about diverge from the tribal messages the parties use to stir up their bases. Whereas policies on abortion and trans rights are set at the extremes, economic management is suited to the swing voter's pragmatic preference for the common good.

Almost anything that gives the parties a reason to appeal to the centre will benefit America, especially when it involves the virtues of hard work and prosperity. Democrats will need a winning economic message and a coherent plan for immigration. Republicans should reject their ferocious deportations and the ugly ultranationalism that denigrates Hispanic and Asian citizens for not being "heritage Americans".

X marks the spot

All Americans should therefore welcome these new swing voters. Thanks to them, fewer elections will be decided by hard-core party members in primaries, and more by the average voter in the general election. If politicians win more credit by accomplishing something in government, they will perhaps spend less of their time demonising the other side. If the economy seems to matter more and culture wars less, America will be more prosperous and better governed. Hispanic and Asian immigrants want the chance to thrive. Their votes will help ensure America thrives with them. ■

Britain's budget

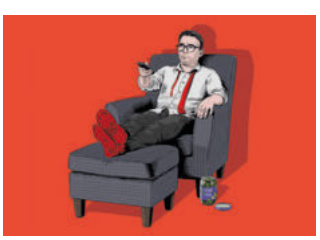
A bold PM with big ideas

A small-bore budget betrays the government's lack of ambition

YOU COULD forgive Andy Burnham for feeling chirpy. Britain's prime minister begins his second hundred days with a healthy lead in the polls and a better-than-expected run of economic growth. His chancellor, John Healey, presented a budget that succeeded in riling neither bond vigilantes nor Labour backbenchers (see Britain section). And, in news to stir any English heart, France is doing much worse, as its public finances languish and its streets are occupied by rioters.

In Britain election fever is in the air. So the need to please voters could explain why, in a budget that was mostly empty of substance, Mr Healey did find a few billion pounds to finance a £100 ($133) payment to four in five households, supposedly to offset energy bills. Shortly after the chancellor stopped speaking, the legion of Britons checking whether their house qualifies for the money crashed a government website.

Mr Burnham insists he has ruled out an election for at least 12 months—but he would say that, wouldn't he? What is troubling is that this budget epitomised the inadequacy of his approach to government. The changes are vast in the narrowest sense that they include 98 costed policy measures, comfortably more than any other recent budget. There was a smidgen of good news on streamlining data-centre approvals. Also, places will be funded more from taxes paid by local residents and businesses, giving them an incentive to stimulate growth. Mr Healey focused energy policy on cheap power, and did not succumb to the perennial temptation of new chancellors to rewrite the fiscal rules.



And yet in almost every sense that matters, the budget's changes are trifling. The sums involved were trivial and few of its measures grapple with Britain's deep economic problems. Instead it presents a spasm of tweaks that will worsen the perverse incentives which plague the tax code.

The prime minister is even more difficult to pin down than Sir Keir Starmer. True, he is cannier than his predecessor about throwing out politically popular goodies, like the £100 payments and cheaper supermarket gherkins, thanks to lower grocery tariffs. But whenever Mr Burnham is bold—as he proposes to be by limiting pensions, funding social care and reviving Britain's relations with the European Union—he puts off difficult decisions until after the next election.

That approach to governing will soon wear thin. The spending review, due in 2027, will be tough. To pay for defence and prevent harsh cuts, Mr Healey will have to raise around £30bn, says the Institute for Fiscal Studies, a think-tank. "We start from a position of strength," the chancellor said on Wednesday, not entirely convincingly. Health, pension and welfare spending will keep marching up, straining Britain's effort to fund a full-freight welfare state on the cheap, perhaps to breaking-point. Hovering above this is the question of how artificial intelligence will reshape society and the economy.

Mr Burnham's big ideas are no match for those challenges. He is a nostalgic politician, talking of an end to "40 years of neo-liberalism" at a time when the future is rushing onward. That is a pity, since there is plenty to do—and plenty where Mr Burnham and the neoliberals at *The Economist* could see eye-to-eye. Devolution is one, and there Mr Burnham has made a good start. Britain really is damagingly over-centralised. There is no reason cities must ask the Treasury to finance transport projects, rather than raising the money themselves.

Another would be reviving Sir Keir's occasional interest in pro-growth supply-side reform. Labour was elected on a manifesto which argued that faster growth was the way out of Britain's fiscal woes. Yet that deregulatory revolution has barely begun. Fewer homes are built now than when before Labour was elected. The latest forecasts from the Office for Budget Responsibility, a watchdog, suggest that the government will miss its target of 1.5m homes built over the course of this parliament by a full half million. Angela Rayner, the housing secretary, has lately taken to calling it a "stretch target".

Britain's welfare system has pulled too many young people out of work and onto ill-health benefits, something Mr Burnham has promised to legislate on next year—but which he did nothing about in the budget. The prime minister is also a long-time critic of stamp duty, a levy on property transactions that is probably Britain's most growth-destroying tax. Like the previous Labour government, he has so far dodged the need to clean up the perversities and traps in Britain's tax code. It is not too late to act.

Serious work is needed to ready Britain for the changes AI may bring. The data-centre announcements were a first step. But Britain should reform its copyright laws, so that AI models can be trained locally. And what do Mr Burnham and Mr Healey have to say about ensuring Britain captures the productivity gains of AI? Or on how to stop AI from exhausting the capacity of the British state by jamming up the courts, tribunals and official consultations with spurious, chatbot-generated slop?

In short, there is plenty to do and an urgent need to be getting on with it. The prime minister should ignore talk of the need for a new mandate. Britain is a parliamentary democracy and Mr Burnham has its confidence. Rather than remaining beholden to a manifesto that had a large picture of Sir Keir on the front, he has three years to be as bold as he chooses.

Govern, or go

What will not succeed for Mr Burnham, or for Britain, would be for the prime minister to pass the time dishing up more policy-lite optimism. Politically, voters are likely to lose patience with a government that merely treads water—even if it does throw them the occasional bung. Economically, Britain is limping along with growth rates barely above 1%. If it is to begin to solve its many problems, it needs growth.

Mr Burnham has no reason to call an election for its own sake. As Sir Keir showed, a mandate and a solid majority are no substitutes for an actual governing agenda. But if Mr Burnham cannot come up with a better vision of how to use the next few years, he should call time and go to the country. ■

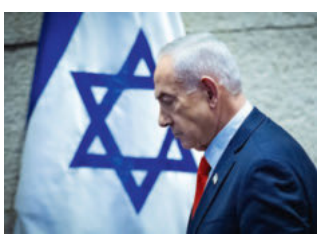
Israel's election

Act fast, and together

Israel's Jewish opposition parties should work with its Arab ones

IN MOST DEMOCRACIES when opposition parties win the most votes, and secure a majority in parliament, they strive to form a government. In Israel, however, nothing is quite so simple. With 90% of the ballots counted on October 28th, the opposition parties were between them sure to have more than half—probably 67—of the 120 seats in the Knesset, Israel's parliament. In theory, therefore, the right-wing coalition led by Binyamin Netanyahu should be swept from office.

In practice, the opposition may well prove too divided to form a ruling coalition. Of those 67 seats, about 19 are in the hands of parties representing Israel's Arab minority. During the campaign, most opposition-party leaders explicitly ruled out forming a government with them. When pressed, Gadi Eisenkot, a former general and the leader of Yashar, a centre-right party that took the second-largest share of the vote, was evasive. Yet without the backing of Arab parties, he stands little chance of forming a stable government.



There is no fundamental justification for excluding the Arabs, who make up one-fifth of the population. But they have long been sidelined. In Mr Netanyahu's first election campaign as leader of Likud, in the 1990s, his supporters ran with the slogan: "Netanyahu. Good for the Jews." When he triumphed, the defeated centre-left candidate, Shimon Peres, remarked that "Israelis lost" whereas "Jews won."

The vilification of Israeli Arabs continues. Members of Mr Netanyahu's most recent coalition included Jewish supremacists, such as Itamar Ben-Gvir, the national-security minister. He once led the youth wing of a virulently anti-Arab movement that went on to be banned in 1994 as a terrorist organisation. In September the Knesset's election committee barred Arab parties from the election, alleging they supported terrorism and rejected Israel's Jewish character. The Supreme Court overturned that. On election day, right-wingers in the streets exhorted Jewish voters to "save our home" from Arabs.

Neither are anti-Arab attitudes confined to the right (see Middle East & Africa section). Most Jewish opposition parties go along with Mr Netanyahu's demonisation of the Arab parties. The attacks of October 7th 2023, when Hamas massacred Israelis, made it a lot harder to counter such attitudes. Scaremongering has led many Jewish voters to fear that Arab-Israelis would like to see Israel destroyed. And though Arab-Israeli politicians did condemn the violence in 2023, some of them, shamefully, would not condemn Hamas as terrorists.

There is a path ahead. Israeli-Arabs responded to recent anti-Arab hysteria in the best way possible, by voting in large numbers. And there is a precedent for Arab parties to be included in governments—they are full citizens of Israel, after all. In 2021 Mr Netanyahu himself sought support from Ra'am, a moderate Islamist party, for his coalition. Though that failed, Ra'am later joined a different, short-lived, grouping led by Naftali Bennett.

A coalition of opposition parties, including the Arab ones, should thus pull together, and fast. Isaac Herzog, Israel's president, needs to judge that co-operation is possible, with a new coalition led by Mr Eisenkot, or he will opt to invite Mr Netanyahu to try first because Likud is the largest party. Mr Netanyahu has also, of late, pressed for renewed military strikes on Iran. And his government has been inflaming tensions in the Israeli-occupied West Bank. If large-scale violence resumes in either place he might argue that Israel needs him to stay on and lead an emergency "unity" government.

Israelis were under no illusions about this election's significance. For many it was a referendum on Mr Netanyahu. Some in the opposition spoke of "saving Israeli democracy". If they really believe that, then their decision is straightforward: work with the Arab-Israeli parties to form a coalition. ■

India

Narendra Modi's long march

India's leader is learning that even rapid growth won't placate voters if it fails to produce jobs

NO TWO LIVES move in perfect parallel. But the careers of Narendra Modi and Xi Jinping, both born in the early 1950s, have a certain symmetry. A quarter of a century ago each was running one of his country's coastal, industrial provinces. Mr Xi said he devoted the "prime" of his life to governing Fujian, in China's south-east. Meanwhile Mr Modi had just become chief minister of Gujarat, in India's west. Each used regional success as a springboard to the top. Mr Xi became China's president in March 2013; Mr Modi was elected as India's prime minister a year later.

This week (see Briefing) we assess Mr Modi's long record. Many, including *The Economist*, have been queasy about his stance as a Hindu nationalist. His supporters retort that his role as an economic steward matters more. They often point first to the "Gujarat model". Just see, they say, how his old state blossomed. Income per head there has risen roughly fivefold at constant prices, from a few hundred dollars in 2001 to a little over $4,000. Thank investment in industry and infrastructure. Gujarat is one of India's richer states. Voters elsewhere, for example in West Bengal, clamour for similar development.

Nationally, too, there is much to cheer. India's annual GDP growth, at about 7%, comfortably exceeds that of any other ▸▸

large economy, including China's. This week India held one of the biggest initial public offerings as investors valued Jio, a telecoms firm, at over $100bn (see Business section). Praise Mr Modi for tax reforms, rapid digitisation, fiscal prudence that limited inflation, vastly better roads, airports and much more. That, combined with well-targeted welfare, has cut the worst poverty. Though crony capitalism is alarming, some corruption has abated. His readiness to strike trade deals and tweak labour laws is welcome. His predecessors managed similar rates of economic growth, but even critics must credit Mr Modi for steady progress.

And yet, that is not enough. A lesson from Mr Xi's China is that countries must work fast to grow rich before they get old. Unfortunately, the structure of India's economy is changing too slowly. Look back again at Mr Xi's old province, Fujian, where income per person leapt more than ten times, from $1,500 to $20,000. Crucially, people there shifted from agriculture into copious—and formal—industrial jobs. The share of workers in farming tumbled from 46% to 13%.



In Gujarat, and India generally, structural change has not properly begun. The share of Gujarati workers in farming has barely budged, from 45% to 42% in 25 years. The national figures are roughly the same. Mr Modi knows this matters. Speaking to *The Economist* in 2015, he said his priority would be to create jobs and get skilled workers into manufacturing. Those goals were right, but he has not achieved them.

True, some factories have sprung up, to assemble iPhones for export, say. But foreign investment is not flowing well. Astonishingly, India has of late even exported capital. Manufacturing as a share of the economy is 16%, no more than when Mr Modi took office. India may hope to bet on a services economy. But it still needs changes of the sort he has not yet brought about: deeper and better-crafted labour and land reforms; cuts to high tariffs; a stronger workforce nurtured by better schools. Mr Modi's crony-capitalists, meanwhile, most obviously Gautam Adani, squeeze out other investors.

Unlike Mr Xi, the Indian leader must wrangle a democracy. This is where Mr Modi feels sharp consequences from years of jobless growth. The poorest are better off thanks to extra welfare (more are buying fridges and scooters), but anger is erupting among millions of young, urban and educated people slightly higher up the social ladder, frustrated by the lack of white-collar jobs. Rising energy prices add to the pain. Whatever the headline rate of growth, they are not feeling enough of the benefits. Worse, where India has created valuable jobs—in outsourcing and back-office work, say, or in coding—the threat from AI looms.

This summer a "cockroach movement" of student protesters erupted across cities, forcing Mr Modi to sack a minister for the first time. This autumn big cities have been convulsed by new street protests against the Election Commission, after it excluded 130m names from voters' rolls (no doubt many were duds, but not all). Protesters accuse the commission's head of meddling to favour the ruling Bharatiya Janata Party (BJP). Two in five Indians now think elections are not free and fair. Mr Modi should recognise that Indians are weary of his strong-arm tactics. Investors will also be deterred if they see him growing more authoritarian.

This month Mr Modi had little chance to mark his 25-year milestone. His good fortune, though not India's, is that the main opposition party, Congress, led by Rahul Gandhi offers no compelling rival vision for creating jobs. Nor does any figure in the BJP yet threaten Mr Modi. The result is that this septuagenarian, like the one running China, shows no serious sign of refreshing his government. That is a shame. India needs bolder thinking if it is to thrive. ■

Brazil's comeback king

Lula scares the markets

The pressure is on Brazil's re-elected president to avoid an economic slump

LULA WAS a goner—or at least that is what everyone had assumed. Instead, Luiz Inácio Lula da Silva, Brazil's incumbent president, pulled off a win for the history books. The left-wing leader hung on to his job by a clear margin of nearly four percentage points in a presidential run-off on October 25th, even though he had trailed his rival, Flávio Bolsonaro, in the first round of voting three weeks earlier. Never in Brazilian history has anyone come from behind in this way to clinch the presidency. In January Lula will become the country's first democratically elected president to start a fourth term.

Yet if Lula's supporters are elated, others are running scared. One was Flávio, who has sought sanctuary in the United States, claiming emptily to be the ballot's real victor. For some time investigators have been examining his ties with a businessman accused of laundering vast sums of money (both deny any wrongdoing). The day after the election, the Supreme Court judge who is handling that case required him to surrender his passports. Instead of doing that, Flávio ran away.

More significant, investors are fleeing Brazil, too. Markets rightly fear economic drift and high-spending that Brazil cannot afford. The real slumped by 8% against the dollar the day after the election result, the worst one-day fall in over 25 years. The main stock-market index, the Bovespa, closed 14% lower, having tripped a circuit-breaker on the way down. If Lula wants to lift up poor Brazilians, avoid a crisis and protect his legacy, his final four years in office will have to look very different from the past four. That starts with him persuading investors that he means to change course.

Investors had wanted Flávio to win in large part because they trust his opponent even less. For years, successive governments, including Lula's, have spent wildly. That has forced the central bank to hike the real interest rate, now at 9%. Brazil pays a larger share of GDP in interest on its debt than all but a tiny handful of big countries. All this weighs on investment, squeezes businesses and households, and squashes growth. Though Brazil has natural resources, including oil, extensive

THERE IS ETERNITY IN EVERY BLANCPAIN

The spirit to preserve.



"Creation"
Wildlife Photographer
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Grand Title winner
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Collection

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MANUFACTURE DE HAUTE HORLOGERIE

farmlands and huge stocks of critical minerals, it has for decades grown more slowly than its peers.

Cutting government spending is key to getting things moving. Lula's government runs a budget deficit of more than 9% of GDP. The IMF predicts that public debt will hit 97% of GDP this year, up from 84% in 2022. If Lula is to change his ways, he must first disavow talk from the campaign trail on which he dismissed the need for fiscal discipline. He also promised big new bungs. Expenses arising from new social policies that Lula has unveiled this year are likely to cost the government the equivalent of roughly 2% of GDP by the end of 2027.

Lula, who turned 81 on October 27th, has harnessed admirable energy in the weeks since the first round of voting humbled him (see Americas section). He regrouped his campaign and changed his strategy. Now he needs to muster the same vim to relaunch his programme of government. He should make a start by naming a finance minister whom investors will trust. He must then announce a credible plan for fiscal reform.

An urgent task is to pass a spending cap to stabilise Brazil's debt. Lula needs to scrap the many tax breaks that have proliferated and which benefit inefficient firms with well-connected lobbyists. Brazilian spending is swelling in part because of cushy pensions, particularly for civil servants and the armed forces, which are rising faster than inflation.

In his next term Lula will be able to fill an unusual number of vacancies, including two members of the Central Bank's board and positions on Brazil's financial watchdog. Especially important are the four seats on the Supreme Court, which is politicised and plagued by allegations of corruption.

No time to lose

Little of this will be easy—which is why the markets have panicked. However, if Brazil's re-elected president believes that his election victory is an excuse to double down on the policies that saw off Flávio, he will cause a fiscal crisis and a deep recession. His golden victory will turn to ashes. ■

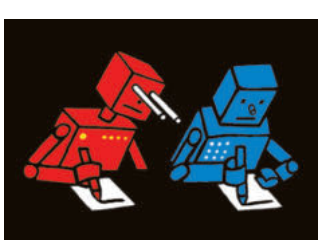
Artificial intelligence

Let China copy

Distillation annoys Anthropic and OpenAI. That is not reason enough to ban it

ANTHROPIC AND OpenAI have lately taken up an old tradition in corporate America: bemoaning the Chinese copycat. For decades firms moved assembly lines to China only to find me-too merchants rising next door. Now America's leading artificial-intelligence labs say the same thing is happening to their models, and want the federal government to stop it.

In the race to superintelligence China remains hot on America's heels. Experts say that Chinese AI labs produce models three to six months behind the American frontier. They do so, despite having fewer chips and less cash, largely because of distillation: a process by which inferior models learn to imitate the output of cleverer ones. Yet American legislators should resist calls to ban this type of copycat innovation. Distillation benefits consumers, reduces the chance of catastrophe—and, counterintuitively, locks in America's technological lead.



Anthropic and OpenAI forbid the technique in their terms of service. Both have griped to the American government that Chinese rivals are stealing their intellectual property; Anthropic wants penalties. One solution, proposed in a bill before the Senate, would be to put sanctions on distillers, stopping them from offering models in America and maybe elsewhere.

Yet the labs' commercial interests do not align with those of consumers. Users win when there are more—and more capable—models on offer. Widespread innovation forces labs to compete on price and performance, both of which will hasten adoption and potentially vast productivity gains. Distilled Chinese models, most freely downloadable on the internet, will force American labs to compete in poor countries, too.

Continued Chinese distillation is also in America's interest. Policymakers in Washington should recognise what Chinese AI bosses already do: the technique makes China's progress dependent on America. This leaves China ill prepared for an AI "take-off", in which models become self-improving—and may even condemn it to a permanent second place. Copying does not guarantee overtaking, as the Soviet Union discovered when it made chips using stolen American blueprints.

Cutting off distillation would set China back months, but no more. Better to keep that option for a crisis. China's reliance would allow America to slow both its own and its rival's progress with guardrails against rogue AI. Indeed, safeguards to restrain American models on risky subjects, such as bioweapons, already make Chinese models safer.

What of the principle? Inventors should profit from their labour; investors, from astutely allocated capital. That means protecting companies from intellectual theft. Yet Anthropic and OpenAI are hardly suffering as a consequence of distillation. The two firms have raised hundreds of billions of dollars and dominate the market, making it hard to argue that copying hurts investment at the frontier.

AI is an odd industry. Labs may restrict efforts to distil their models, as is their right, but it is hypocritical to ask for special measures. Their empires are built on the work of others, scraped from the internet. If distillation were outlawed, Anthropic and OpenAI would be the only firms with protection against their data being used to train models.

Allowing distillation does not mean overturning intellectual-property law. Machine-written output lacks a human author, so cannot be copyrighted. The labs defend their own practices by saying that training data, sucked from the web, is "fair use", in part because a model's input data are different from what it produces. The same can be said for distilled models.

China's copycats have rattled American labs and investors. Their concern is understandable. But distillation's true beneficiary is not China. It is consumers, who gain cheaper models, and America, which cements a technological lead. ■

Letters *mathematics and AI, Mark Carney, competition from China, tote bags, baldness*

The fear of all sums

Mathematicians are still attempting to fathom what the announcement of OpenAI's progress on the Navier-Stokes problem means for us ("The end of mathematics?", October 17th). In Britain mathematics research receives tens of millions of pounds in funding annually and mathematical sciences are estimated to contribute nearly £500bn ($670bn) to the economy a year. Hence it is important to have an informed public conversation about the interplay between the health of the mathematics community, the role it plays in society and the impact AI will have. One compelling proposal for a future structure of the field comes from Terence Tao's lecture at the International Congress of Mathematicians in July and subsequent writings, where "Math 2.0" moves away from valuing just theorem-proving to valuing exposition and community building.

Professor Tao, who had been openly positive about using ChatGPT for research, has now reposted a call for mathematicians to stop working with OpenAI. The term "mathpocalypse" is being bandied around. I remain broadly optimistic about the potential for accelerated science, but concerned about the lack of transparency and access. Undeniably mathematics will be changed, and ensuring that those changes are positive requires informed public debate now.

DR LINDEN DISNEY-HOGG
AI in science,
postdoctoral fellow
Imperial College London

The recent slew of AI maths papers is dominated by mechanistic, iterative methods backed by vast amounts of compute; no more flashes of paradigm-shifting insight. This change will be familiar to engineers of a certain age. Modern engineering opinions are backed by a similar digestion of a problem into umptillions of simpler, tractable units. Techniques such as finite element analysis have replaced the elegance of Timoshenko and Prandtl (unless, perhaps, you are still in the classroom). They are also quicker and cheaper.

The machines always provide an answer, to absurd levels of precision, backed by very convincing maps. The art now is deciding if you asked the right question, and thus whether the answer is nonsense.

JIM KINGSTON
Perth, Australia

Carney could do better

Mark Carney has indeed shown calm resilience as Canada's prime minister and provided leadership for other mid-size countries ("Not sorry", October 17th). His emphasis on economic growth is welcome after ten years of woke stagnation under Justin Trudeau. But the glaring flaw in Mr Carney's policies is that his party is still overspending wildly, and most of all government spending is benefiting his voter base of wealthy senior homeowners. Meanwhile, our younger citizens struggle with low economic growth, crippling taxes, high inflation and interest, and rapidly increasing government debt. None but a privileged few of our youth can afford a home. We share the same geographic space, but economically speaking old and young Canadians live in different countries.

Unless Mr Carney does something drastic for our young people he will open the door for a firebrand populist to wreak havoc.

PHIL WEBB
Vancouver

Europe's supply chains

European industry may be doing better than people think, but the threat from China is not overblown ("Glimmers of hope", October 3rd). Relying on a strategic rival for critical materials and technologies in foundational industries such as energy can imperil an entire economy. Cheaper imported components may help individual manufacturers, but erode Europe's capacity to produce the technologies that underpin its economies.

Batteries are a case in point. China produces up to 85% of certain components and 90% of key raw materials for electric-vehicle batteries. Almost all batteries used in electricity grids depend on China at some stage of their supply chain. This concentration leaves Europe exposed to disruption and coercion across energy, transport, industry, data centres and defence. The price of an imported battery does not capture that economic and security cost. Losing factories also means losing suppliers, skills and the process know-how that drives innovation.

Europe must safeguard strategic industries against unfair competition and excessive dependence, and diversify supply through trusted international partnerships.

ALBÉRIC MONGRENIER
Executive director
European Initiative
for Energy Security
Brussels

The bald truth

Did *The Economist* have to sink so low as to make John Healey's baldness a totemic reason for his apparent failures as Britain's chancellor of the exchequer (Bagehot, October 24th)? How hirsute is Bagehot and does he take pride in his follicle-driven insults? Think, too, of a more promising correlation between a recent prime minister's pilose head and his leadership shambles. Perhaps it would be sensible for Bagehot to leave the grooming tips to the lifestyle section.

This from a happily bald and reasonably intelligent, long-time reader of your weekly economic therapy bible.

PROFESSOR JAY MITRA
Research fellow
Research Centre for
Entrepreneurship
Leuphana University
Lüneburg, Germany

The tote-al vibe

The craze for Trader Joe's tote bags is not really that strange ("Dress code", October 10th). Humans will pay for a badge of belonging. We spend our lives seeking tribes: families, neighbourhoods, nations, religions, political parties and, increasingly, brands. The boundaries are fluid. A $2.99 tote, a designer handbag and a multimillion-dollar yacht differ in price, but not necessarily in purpose. Each can signal membership, status or acceptance. Marketers haven't invented this instinct; they've merely learned to put a price tag on it.

GARY BLUM
New York

It's not just bakeries and book shops that sell tote bags. *Foreign Policy*, a publication of note, offers its own to readers who sign up. Being an "insider" is itself a status signifier, no need to tell *The Economist* that. We are movers and shakers in global politics; carrying an "ultra-durable" tote is surely the best way to signal that status to the broader public.

NAREG SEFERIAN
Phnom Penh



→ *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***

Why choose one holiday home, when you could *own five*?

August creates private collections of beautiful holiday homes across Europe's finest regions. Instead of buying one house in one place, owners join a collection, and with it, every home within it, fully looked after and ready for each arrival.


Prime Collection, French Alps.


Signature Collection, Cotswolds, UK

Almost everyone has imagined a holiday home of their own. A villa in the hills above the Mediterranean, the shutters open to the morning. A farmhouse among the vineyards of Tuscany. A chalet for the first snow in the Alps. The difficulty has always been choosing. One house means one region, the same village every summer, and a home that waits, empty and in need of care, for most of the year.

August was founded on a simple question: why choose? Each August collection brings together four or five homes in different parts of Europe, held by a small group of owners. Every owner holds a place in the whole collection, not a single house, and spends time across all of its homes, approximately eight to twelve weeks a year. August takes care of everything else. Think of it as a holiday home, multiplied: one decision, and a year that moves between several of Europe's most loved regions.

"What drew me in was the idea of belonging to several homes across Europe, alongside a small group of other families, rather than tying ourselves to a single address," says one owner.

Several homes, one way of life

Easter in the French Alps, close to the slopes and the village. Early summer on the Côte d'Azur, long lunches on a shaded terrace and the sea below. High summer in Mallorca, when the evenings are warm and the island slows down. A slow autumn in Tuscany, when the grapes come in and the light turns gold.


Prime Collection, South of France

What matters most is the return. Most holidays favour novelty: a new resort, a new hotel, a fresh list of recommendations each time. A collection offers something rarer, the second visit and the tenth, in several places at once. Over time the walk to the market becomes familiar, the baker knows your order and each home becomes part of the family's year. You learn which café opens early and which path leads down to the sea.

Children, grandparents and friends gather around the same table, in a different landscape each time. Some owners plan around school holidays; others favour quieter seasons and longer



stays, working from a home for a month at a time.

"We've come to love Mallorca far more than we expected, and last winter we skied for the first time in thirteen years," the same owner says. "We travel more now, and to more places. That's the joy of it."

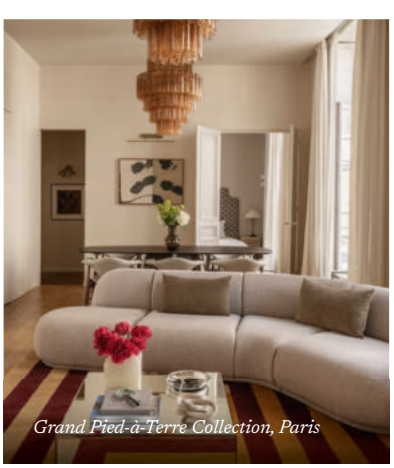
Homes that belong to their place

Every home is designed by August's interior design studio, Studio RL, with the region as its starting point: local stone, handmade ceramics, antiques and the work of nearby craftspeople. Original features are kept wherever they can be, so that a Tuscan farmhouse feels unmistakably Tuscan and an Alpine chalet belongs to its mountain.

The homes themselves are chosen for their setting, their character and the life around them: a village to walk into, a market nearby, a view worth waking up to.

A collection for every way of life

August's collections are shaped around different ways of spending time in Europe. The Pied-à-Terre and Grand Pied-à-Terre collections offer apartments in the heart of London, Paris, Rome, Barcelona and Cannes. The Signature collections bring together characterful family homes across the countryside, coast and mountains of the South of France, Tuscany, Mallorca and the French Alps, while Premium offers larger homes with more space for family and friends. Prime gathers rare homes, in the most exclusive locations, and with fewer owners in each collection.



Grand Pied-à-Terre Collection, Paris

Photography Prime Collection French Alps by Nico Wills

> *"These are homes a family returns to for generations*
>
> Mélie Dunod, co-founder and CEO

"These are homes a family returns to for generations," says Mélie Dunod, co-founder and CEO of August. "Beautifully designed, rooted in their surroundings, and made to become part of a family's story."

Simply arrive

August's regional teams look after every home throughout the year, so there is no house to open up and no list of jobs waiting. The garden is tended, the pool ready, the beds made. "With a house of your own, there's always something on your mind," the same owner says. "Here, we simply arrive."

Because each home belongs to several families, it is lived in rather than shuttered for months at a time. "Ours is used almost all year round," his wife says. "That feels right."

Owners plan their stays through Valeria, August's own platform, using points that reflect the season: a week in high summer calls for more than one in spring or autumn. This is real ownership: a registered stake in the company that owns the homes, with a Board elected by the owners and Annual Dues covering the care of every home. Should life change, an owner can move on through August's private sales, with August handling every step.

All the pleasures of a holiday home in Europe, in more than one place.

August

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BY INVITATION

Nir Bar Dea and Greg Jensen

The "let it rip" camp is wrong on AI



THE INTENSE debate of recent weeks on the risks around artificial intelligence presents an opportunity. Anthropic's Dario Amodei urged the industry to "pace the frontier". Many others echoed him, and politicians across the spectrum have signalled they are ready to act. Not everyone, however, agrees. President Donald Trump has spoken against new AI regulation, as have Meta's Mark Zuckerberg and Nvidia's Jensen Huang.

Those sceptical of regulation make four arguments: the risk is overstated; existing law already covers it; some labs are backing regulation only to entrench their lead; and if America slows down, China will overtake it and nobody will be safer.

The first claim, that the risk is small or improbable, misses the forest for the trees. Very capable models are already in the hands of those seeking to do harm. Everyone is now exposed, and what the world has seen so far is the tip of the iceberg: nefarious actors are likely to use open-weight models, which are far harder to track.

Furthermore, models with superhuman capability are here. Anthropic recently self-reported experiments suggesting that models may be months from self-replicating autonomously, without a data centre. Over time, there is a risk, however small, that superior agentic intelligence will pose an existential risk to humanity.

In the meantime, society must grapple with AI's impact on labour. Countries across the West have already been destabilised by a wave of populism following the era of globalisation, which saw a seven-percentage-point fall in manufacturing's share of non-farm employment between 1990 and 2010. We believe that a larger and faster second wave is now building, with the potential for AI to displace almost a fifth of all American jobs over a shorter time period.

People will disagree about the odds; the question is whether the aggregate risk warrants action. The risk from cyber-attacks is significant and growing. The risk linked to agentic superintelligence is uncertain, but potentially catastrophic. The risk to human labour looks inevitable, particularly if society avoids the first two. The need to regulate the aggregate is, therefore, clear.

The sceptics' second claim, that existing laws are enough, ignores that those laws were not written with AI-specific dangers in mind. Society has learned this before—with food safety after the Industrial Revolution, drug safety after the patent-medicine boom and financial rules after the 2007-09 crisis. It won't accept contaminated baby food, a drug that kills thousands or system-destabilising financial instruments just because companies will later be liable. Where the consequences are intolerable, liability is inadequate and therefore regulation cannot be applied retroactively. Each industry went on to thrive under subsequent regulation.

The third claim, that some labs favour regulation to entrench their advantage, may be true but is irrelevant. Never mind that others say these companies have too much power; they are reporting so themselves. We estimate that OpenAI and Anthropic are on track to control roughly 35% of global compute between them by 2028. Ten S&P 500 companies, nearly all in the AI supply chain, make up around 40% of its market capitalisation. Whatever the motives, this extreme concentration of power must be regulated.

The fourth claim, that China will zoom ahead if America brings in new rules, is multi-layered. The AI race is like the cold war, in which American pursuit of nuclear technology was highly regulated while the Soviet Union ran unchecked. Far from putting the Soviets ahead, looser controls led to incidents like Chernobyl, which precipitated the collapse of their empire. China understands that: it has tighter controls, consistent with enforcing stability by controlling technology, even as it distils frontier-lab models. Regulation in America would slow China down while limiting the risk of serious incidents that could alter the race.

In building a path forward, it is necessary to think about principles through three lenses: the who, the what and the how.

The question of who should regulate matters most, because the people responsible will determine the quality of everything else. Some argue that companies should police themselves given governments' limited expertise in AI. But governments are best placed to act for society because, in a democracy, their incentives are most closely aligned with society's. If a regulator suffers from an expertise gap, it can be narrowed. It is much harder to close the incentive mismatch inherent in corporations.

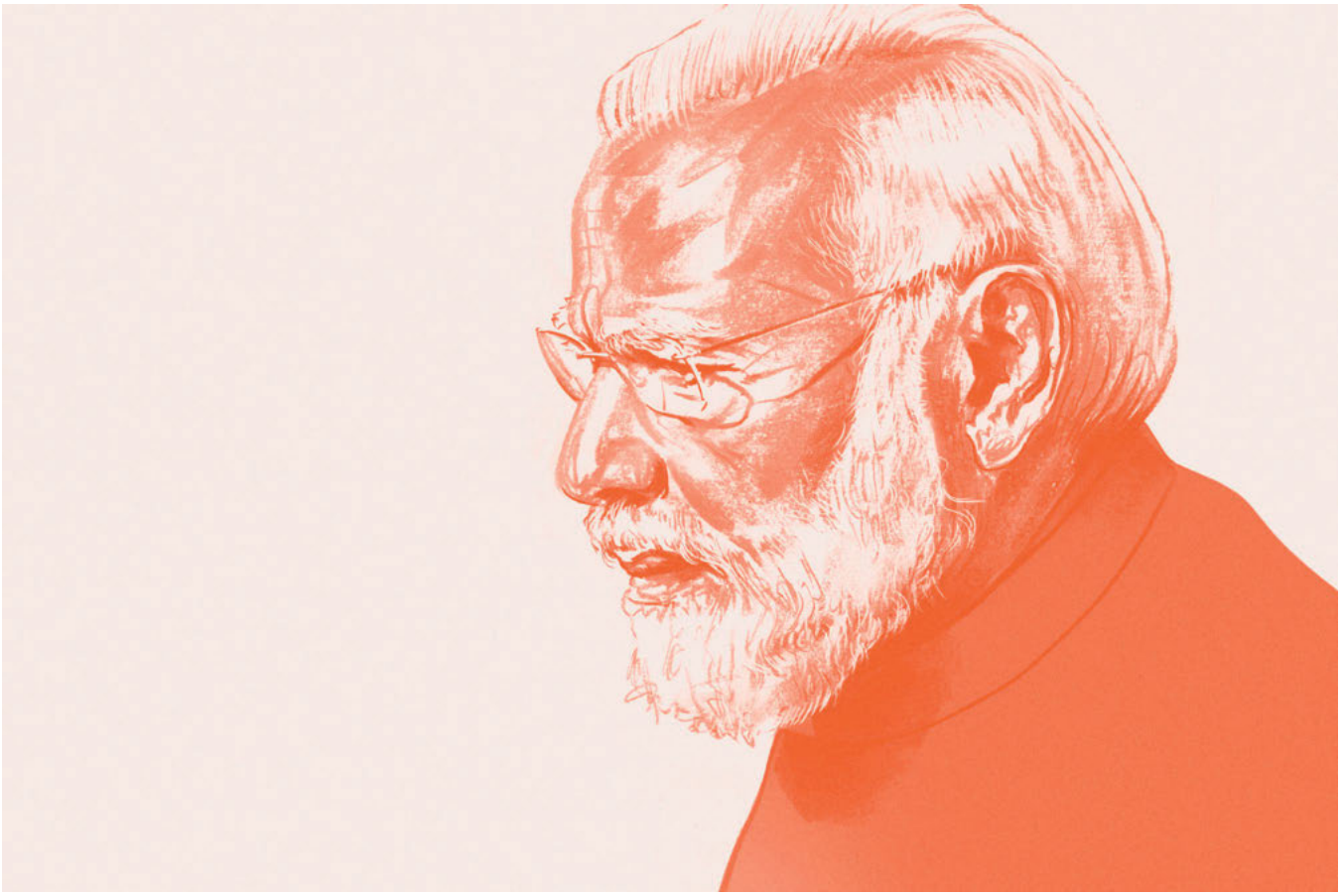
And who should be regulated? Those who can cause outsize impact. That means all who develop models and all end-users. Too narrow a view will leave loopholes.

The "what" concerns the nature and extent of regulation. It should be the minimum needed to maximise long-term benefit, or the most reward per unit of risk. Under-regulate and society is harmed, as with the unchecked child labour after the Industrial Revolution. Over-regulate, as America did to protect transportation companies in the mid-1900s, and economic growth is impeded. The goal must be rules that capture defined risks with the minimum necessary restrictions.

The "how" is the implementation, which should be fast—and fast-changing. Aviation is a model to follow: America's Federal Aviation Administration issues 300-plus airworthiness directives a year and has revised its comprehensive aircraft-certification rules more than 90 times since 1964. AI will require magnitudes more in speed and iteration.

None of this will be simple. But doing nothing is by far the worst option. With the right guardrails, AI could bring enormous benefits to humanity. Regulating it now is the only way to secure what it promises later. ■

Nir Bar Dea is the chief executive of Bridgewater Associates. Greg Jensen is the firm's managing chief investment officer.



Narendra Modi and the battle for India

After 25 years in public office, the strongman faces one of his sternest tests yet

In early October India's cabinet issued 11 pages of gushing praise to mark their leader's quarter of a century in public office. As chief minister of Gujarat, a rich western state, then as prime minister, Narendra Modi had transformed "the lives of every citizen", earning "unwavering support". His dedication and honesty showed "the strength of India's democracy".

A month of celebrations was organised to mark Mr Modi's silver jubilee, including exhibitions, tree-planting and grassroots events. It has not gone quite to plan.

Throughout October India has been gripped by protest, as unrest over the leak of an exam erupted into a broader anti-Modi movement. Gen Z activists, student groups and opposition parties accuse Mr Modi and his ruling Bharatiya Janata Party (BJP) of rigging elections, and are agitating for education reform and jobs.

The 76-year-old strongman has appeared unsure how to respond. At times he has tried to mollify activists, notably by sacrificing his education minister in July. Now he is cracking down on them. In Delhi the authorities cut off the mobile internet, cancelled trains and blocked roads while police detained thousands of protesters, beating them with sticks. All of it has been streamed around the world.

Mr Modi still has strong support, particularly among older voters. His ideology remains potent. Though opposition parties are now more unified, they lack organisational muscle and are yet to offer a coherent alternative. Still, the unrest on the streets is a striking challenge to Mr Modi's rule—both to a governing model that is no longer meeting many Indians' aspirations, and to strong-arm methods that have closed down other avenues for opposition.

That makes it a good moment to reflect on Mr Modi's 25 years in office. What kind of India has emerged under him? And what does his record suggest he will do next?

Mr Modi's arrival on the political stage was heralded by an earthquake, which in January 2001 tore through Kutch in his native Gujarat, killing more than 20,000. The BJP's ailing chief minister responded haplessly. His party installed a trusted apparatchik—a bearded, bespectacled 51-year-old who had never before stood for public office, let alone built a mass following. Few expected him to last long.

He almost did not, as a result of horrific religious violence that took place in Gujarat the next year. After a group of Hindu pilgrims was burned to death on a train, vigilante mobs went on the rampage; more than 1,000 people died, most of them Muslims. Mr Modi never accepted responsibil-

ity or apologised for the bloodshed on his watch—instead, at an election later that year, he inflamed tensions with communal speeches. The BJP won a landslide. He has since won five elections in a row, two more in Gujarat and three nationally.

One confidant from the early days attributes Mr Modi's remarkable ascent to his long training touring villages as a foot-soldier in the RSS, a Hindu-volunteer group. "His advantage has always been his grasp of the average Indian's psyche, their hopes and fears," he says. Steeped in Hindu-revivalist ideology, Mr Modi was particularly attuned to the victimhood many Hindus felt over policies that they believed had unfairly prioritised Muslims.

In Gujarat he established a governing model. Styling himself as a Hindu hardliner and a "development man", he aggressively courted foreign investment and forged close links with industrialists. He offered businesses land, tax breaks and subsidies. He kept the police, the courts and party cadres under tight control. All the while he projected an image of himself as uniquely incorruptible: ascetic, celibate and without a family to enrich.

As prime minister, Mr Modi applied this model to India. A country of 1.45bn is, in effect, ruled by a few dozen people in the prime minister's office and around Amit Shah, the home minister and Mr Modi's longtime enforcer and strategist. Many in Delhi say that Mr Modi is rarely challenged, and cabinet ministers take direction. So do BJP chief ministers.

Only twice before has India had such a dominant leader. The first was Jawaharlal Nehru, who over 17 years as prime minister forged a newly independent India as a secular democracy inspired by socialist economic thinking. The second was his daughter, Indira Gandhi, who took India leftward during her 16 years in office, often ruling as a populist authoritarian.

Mr Modi, born into poverty, defined himself against these figures. By promoting a mixture of Hindu-nationalism, probusiness reform and welfarism, he reduced their once-mighty party, Congress, to a husk. Like Gandhi, though, he took a firm grip over his party, the media and institutions, and built a personality cult. "Even Indira never had this level of control," says Neelanjan Sircar, a political scientist.

The BJP's formidable political machine was on show in May when the party unseated Mamata Banerjee, the chief minister of West Bengal, a populous eastern state. More than 70% of Indians now live in a state run by the BJP (see chart 1). Yet five months on, Mr Modi is facing the most difficult test of his premiership. "The BJP is in its strongest and its weakest position simultaneously," says Rahul Verma of Shiv Nadar University, Chennai. It has never ruled more of the country, nor has it faced such fatigue and open discontent.

To see what kind of country Mr Modi has made, consider his impact in three areas: the economy, society and democracy. On the first he has been a moderniser, though not the reformer many had hoped for. In 2014 he inherited plans for a national digital-identity and -payment system and a goods-and-services tax, to replace 17 state-level taxes. Weaker, coalition governments—long the norm before Mr Modi—had struggled to implement such changes. Mr Modi used top-down power to force them through, a massive achievement.

The result has been to knit India together with a stronger internal market, in which almost all Indians can access services and make payments online. The national highway network is 60% longer than it was when Mr Modi took power and rural households enjoy 22.6 hours of electricity a day, up from 12.5. Voters have been given free grain, electricity connections and cooking gas. Direct cash transfers have cut graft and reduced poverty, forging a direct link between Mr Modi and the poor.

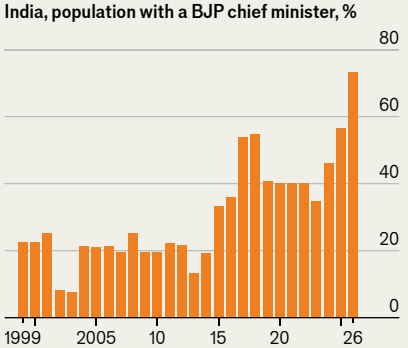
Break class...

Pro-business more than pro-market, Mr Modi has tilted India towards a model of national capitalism. Since Gujarat his rise has been bound up with that of Gautam Adani, who has built an empire spanning ports, airports, energy and defence. Tycoons like Mr Adani have, like Mr Modi, got hard things done and helped the economy grow—by around 6% a year (similar to before Mr Modi came to power). The Reserve Bank of India has largely kept inflation in check, too, avoiding the gyrations that undid previous prime ministers. Mr Modi has been unusually fiscally prudent.

But the rewards have been top-heavy. The tycoons have done as well as ever. Mr Adani's wealth has risen from $7bn in 2014 to more than $100bn. Rural workers have not. Their real wages, which typically grew by 6% a year between 2006 and 2014, have since grown by 1%. Salaried workers have done worse still: adjusting for inflation, average pay for this group, accounting for around a quarter of the Indian workforce, has fallen by 5% since 2017 (see chart 2).

One party to rule them all 1

India, population with a BJP chief minister, %



Sources: Census data; press reports; *The Economist*

Class struggle 2

India, 2017=100



Source: National statistics *Calendar years

Mr Modi's failure was that he abandoned deeper land and agriculture reforms when they triggered mass protests. Ironically, giving in to that discontent has helped lead to the discontent now. Despite steady growth, Mr Modi has not achieved the economic transformation he desired (and of which his cabinet boasts). The share of workers in agriculture has remained stubbornly at two-fifths; the share in manufacturing has grown only a little. Though India has been covered in shiny roads, informal labour remains ubiquitous. A huge expansion in higher education has not been matched by growth in salaried jobs, suppressing wages and creating a large cohort of frustrated youngsters.

"What we are seeing is Modi reaching the limits of his governing model," says Pratap Bhanu Mehta, a former vice-chancellor of Ashoka University near Delhi. He has been able to push through big changes that require raw executive power. But he has failed in areas that require consensus-building or systemic reform.

The change to Indian society, the second area, has been more dramatic. Under Mr Modi India has become more brash, nationalistic and Hindu, and, bluntly, a more forbidding place for the country's 200m Muslims (just under a seventh of the population). This is the most controversial part of his legacy. It is also where opposition to Mr Modi has been least effective.

The most visible change is that Mr Modi has fused religious nationalism with politics. As prime minister he has regularly taken part in ceremonies and rituals—above all the consecration of the Ram Temple on the site of a former mosque in Ayodhya, fulfilling a decades-long campaign. The BJP has pushed through citizenship laws and begun to overhaul Muslim family law. Although the word "secular" remains in the constitution, Mr Modi has damaged the principle that India is a republic that treats all religions equally.

This is unlikely to be reversed. "Hindutva [Hindu-ness] is still a powerful magnet for the middle class," says Rajdeep Sardesai, a TV anchor and political analyst. BJP chief ministers have emulated Mr Modi—and taken his ideology to new extremes. Opposition politicians have joined in "temple hopping" and "soft Hindutva". The Cockroach Janta Party (CJP), the youth movement at the centre of the protests, has notably steered clear of religious issues.

Since his fateful first year as chief minister in Gujarat, Mr Modi has fostered a culture of permissiveness around anti-Muslim bigotry and violence. BJP politicians call Muslims "infiltrators" and "encroachers" and issue threats against them. Communal violence has continued to fall from its peak in the 1980s, a period marred by regular bloody riots. But there has been a rise in targeted attacks on Muslims by vigilante groups, which often meet with impunity. This will be the most damaging part of Mr Modi's legacy—and it, too, will be difficult to reverse.

With his blend of modernisation and religious nationalism, Mr Modi has been remarkably successful at unifying the Hindu vote. But how long can that go on if voters fret about the economy? In the national election in 2024, voters angry about jobs turned away from the BJP, forcing Mr Modi to govern in coalition (see chart 3). Praveen Chakravarty, an MP who leads polling for Congress, claims that age is now the main electoral dividing line, with under 30s—who make up almost 30% of eligible voters—turning against Mr Modi.

...in case of Emergency

The focus of those on the street is the third area: Mr Modi's handling of elections and institutions. Protesters accuse him of "stealing democracy" through a voter-verification process called the Special Intensive Revision (SIR), under which more than 130m names were removed from draft voter rolls. On October 14th Abhijeet Dipke, leader of the CJP, sardonically compared the circumstances with "the Emergency", a period when Gandhi cancelled elections, locked up political opponents and clamped down on the press: "Declare Emergency officially," he said.

The last revision of electoral rolls took place more than two decades ago, so one was overdue. The number of removals this time was much higher than before, at least some of which might be explained by higher internal migration or voters dying. Mr Modi's defenders argue that only a small fraction of the 130m were eligible voters.

The problem is the way the process has been carried out, which has been rushed, opaque and—true to form—centralised. Millions who were wrongly removed were not given a proper chance to appeal, leaving them disenfranchised when appeals were completed, the vast majority were successful). Whereas previous exercises have been run by state and local operators, this one was run centrally from Delhi, using software that allowed little transparency about who had been removed and why.

To some, this is proof that Mr Modi is a would-be dictator who will break Indian democracy to cling to power. That is going too far. The SIR process has been murky, but there is no evidence that it has swung elections. The argument that Mr Modi holds power because he steals votes skims over the way the opposition has struggled to offer a more compelling alternative.

SIR is better seen as an extreme example of Mr Modi's strong-arm tactics. His government has extended control over Supreme Court appointments, weakening the independence of the judiciary, and has cowed the once-combative Indian media with a combination of takeovers and hostile investigations. It has similarly used the state to tie political opponents in legal knots. In all, Mr Modi has abused his powers more ruthlessly and over a longer period than any other Indian leader (though Indira Gandhi did suspend democracy, after 21 months she pulled back from the brink, called elections, and was voted out.)

And yet, Indian democracy is more resilient than many make out. The country is vast, diverse and noisy; competitive elections, while flawed, are ingrained. The scandal over SIR has shown that Indians remain deeply attached to their vote, and that the media are still capable of holding the government to account. They have put pressure on the Supreme Court and the Electoral Commission of India to improve the appeals process for excluded voters.

This is a pattern in other democracies, says Milan Vaishnav of the Carnegie Endowment for International Peace, a think-tank. "When you have a very strong leader, they can bend institutions to their will," he says. "But when their popularity begins to fade, institutions tend to bounce back."

Mr Modi has never faced stronger headwinds. At 76 he is—whisper many in Delhi—showing signs of ageing. Still, he is unlikely to back down or change his approach. Instead, he will continue to try to divide and weaken the opposition. In private, officials say ministers have been rattled by the way a handful of kids with smartphones have seized the agenda. They will aim to stop the youth protests gathering steam by keeping leaders in custody or tied up in the courts, and channel discontent into opposition parties, which they are more comfortable fighting.

It is not clear such tactics will work. So far protesters have turned crackdowns into viral clips. Attempts to brand the CJP—who wrap themselves in the Indian flag and talk of constitutional rights—as "anti-nationals" have failed. Mr Modi cannot easily take the sting out of the movement, as he did in 2021 by dropping the reforms that had angered farmers; many in his party regard more concessions as a slippery slope. But stifling legitimate dissent will also cause pressure to build.

The prime minister may look to shift the political debate onto more comfortable terrain. He could dial up the Hindu-nationalist rhetoric. Or suddenly table a controversial bill, say on delimitation, a thorny issue involving the allocation of parliamentary seats between states. The BJP will try to paint Rahul Gandhi, the grandson of Indira and leader of the Congress party who heads the opposition alliance, as a street agitator who wants "regime change" without winning elections.

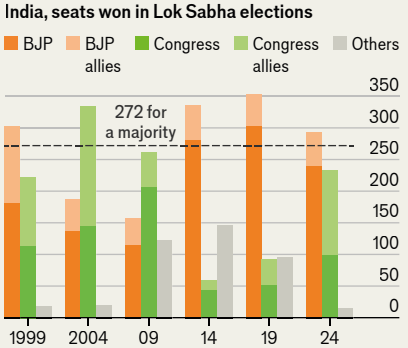
The underlying sources of discontent—education, jobs, wages—will fester. But the opposition will need to show that it has better answers. Mr Gandhi often speaks as if the mood had already turned decisively (and he had not lost three elections in a row). "We are going to destroy them," he said of Mr Modi and Mr Shah at a rally on October 6th. So far, Mr Modi's approval ratings have only dipped. Some voters dislike the BJP's authoritarianism, but also worry about how an unwieldy coalition led by Congress, which has moved to the left under Mr Gandhi, would govern.

The next big test will come in the spring with elections in several states, including the largest, BJP-run Uttar Pradesh. That one looks to be tight. If the BJP wins, it will claim that Mr Modi's enduring popularity has been proved and the opposition are sore losers. If it loses, it will be the surest sign that Mr Modi's appeal is waning.

For Mr Modi the risk now would be to believe what his outriders say—that the protests are just a small group of anarchists and anti-nationals who do not reflect Indians' real grievances. For the opposition it is the reverse: to believe that a few months of street action mean that Mr Modi is in terminal decline. Over 25 years he has proved remarkably resilient. He is not going to go down without a fight. ■

Power in the balance 3

India, seats won in Lok Sabha elections



Source: Trivedi Centre for Political Data

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The midterm elections

In full swing

BAKERSFIELD AND LOUDOUN COUNTY

Hispanic and Asian-American voters will shape these elections, and many more

THE DEATH knell for Kamala Harris's presidential campaign first sounded in Loudoun County, Virginia. Home to affluent voters, one-quarter of whom are of Asian descent, the county had plumped decisively for Joe Biden in 2020. When it was reported, early on election night in 2024, that Ms Harris had won by 16 points compared with Mr Biden's 25, pundits wondered if there had been a glitch.

The county may now move left once more. At an early-voting centre, volunteers recently handed out sample ballots in Hindi. Arjun, a man in his 50s, described a case of "buyer's remorse" after backing Donald Trump two years ago. "Everything he said was a lie," he explained. Outside Patel Brothers, a bustling supermarket, one woman said she will vote for Democrats because Mr Trump's cuts have gutted care for her disabled child. Other former Trump supporters said they were repelled by the Iran war, high prices, cuts to visas, cruel deportations and reductions in the federal workforce. "A lot of my friends lost their jobs," said Mohammed, an architect.

Mr Trump's declining popularity in Loudoun in some ways mirrors trends across the country: nationally, his net approval rating is -27. But these swings, towards Mr Trump two years ago and away from him since then, are not distributed evenly across America. Instead, they have been concentrated in states and districts that are geographically disparate but share a striking demographic similarity: they have large shares of Asian or Latino voters.

→ ALSO IN THIS SECTION

27 Predicting the election
28 The other midterm battle
29 Economic policy
30 Lexington: The politics of progress

Democrats and Republicans alike have too often conflated demography with destiny. For the left, the growing ranks of nonwhite voters seemed to ease the need to win over culturally conservative whites, while Republicans have feared that immigrants would secure lasting Democratic power. Indeed, the share of eligible voters who are Latino has risen from 9% to 16% in the past 20 years, while the share of Asian-Americans has risen from 3% to 5%. But both sides were wrong. America's fastest-growing ethnicities are also its most politically open-minded. That gives the country's newest Americans disproportionate sway in determining its direction.

In this country of immigrants, recent arrivals have shaped party politics throughout its history. The latest wave began after 1965, when immigration quotas were lifted and people began arriving once more, mainly from Latin America and Asia. They did not become rigid partisans. Exit polls showed that Ronald Reagan won 37% of Hispanics in 1980 (he described them as Republicans who "don't know it yet"), and George W. Bush won a robust 44% in 2004. In the 1990s the Republican Party fared even better with Asians, winning them outright in 1992 and 1996.

It was not until 2012, when exit polls found Barack Obama winning 73% of Asian-Americans and 71% of Latinos, that

strategists started seeing these groups as reliable Democrats. "With New Support Base, Obama Doesn't Need Right-Leaning Whites Anymore", read one headline in the *Atlantic* in 2013. Mr Trump's victory in 2016 seemed to vindicate the idea that Republicans should run up their numbers with white voters, rather than reach out to ethnic minorities.

Yet despite Mr Trump's often racist rhetoric, his share of the Hispanic and Asian vote inched up in 2020, a trend that accelerated in 2024, when he won 40% of Asian voters and 46% of Hispanic ones. In that election, according to the Co-operative Election Study (CES) at Harvard University, Asians and Latinos made up 14% of voters, but comprised 24% of those who voted for a presidential candidate from one party in 2020 and a different party four years later. That does not make them the biggest bloc of swing voters in absolute terms: non-Hispanic white voters still outnumbered them in 2024, comprising 59% of switchers. But their rejection of strict partisanship, growing numbers and reasons for changing parties are what gives them particular clout.

Even in 2012, when Mr Obama won more than 70% of Asians and Latinos, only 13% and 27% of them identified as "strong" Democrats, according to polling for *The Economist* by YouGov. Hispanic voters, as well as Asians, stand out for their heterodox positions, agreeing with Democrats on some topics and Republicans on others. Analysing a series of policy questions in the CES, *The Economist* found that around 34% of Latinos and 30% of Asians hold views which are either moderate or combine left- and right-leaning positions, compared with only 20% of white voters. Latino and Asian respondents' views on any single issue are less likely to predict how they will respond on another subject. For example, Asians are unusually supportive of both regulating pollution and work requirements for government benefits. Hispanics are more likely than other Americans to back a ban on abortion as well as cancelling student debt.

In part, these combinations of views are a product of diverse cultural traditions between these groups and within them, as well as a range of income levels (see chart). They are also a reminder that newcomers do not fit neatly in pre-existing categories. Naturalised citizens are overwhelmingly Hispanic or Asian. Just 9% of Asians and one-third of Hispanics have two native-born parents (compared with 90% of whites and 77% of blacks), making them less likely to inherit a partisan identity.

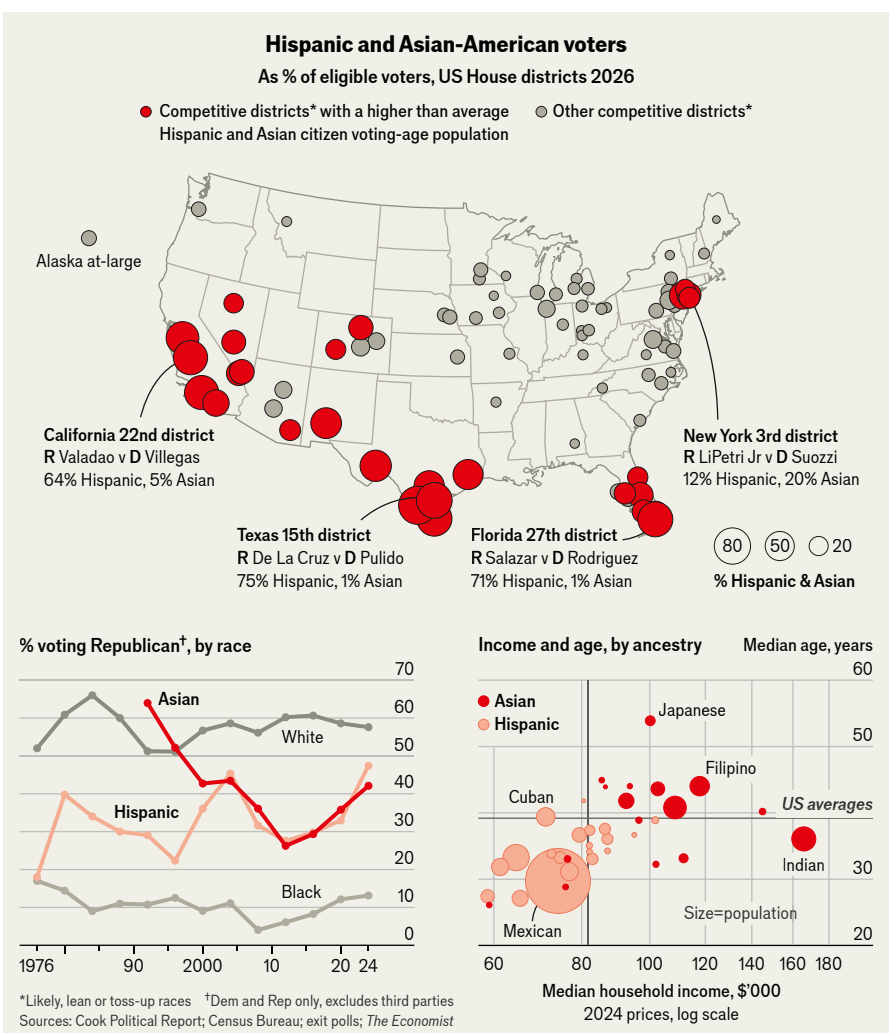
For these voters the culture wars, which bind a large and growing share of white voters to a particular party, are less important. Economic issues are paramount. In polling for *The Economist* by YouGov in September and October, the share of respondents listing consumer prices or "jobs and the economy" as their most important issue was 57% for both Asian-Americans and Latinos, compared with 50% for black respondents and 45% for white ones.

That reflects the broader priorities of Latino and Asian-American voters. They spend more time working than the average American. Latinos are more than twice as likely as whites to start a business; Asian-Americans spend more time in school. "Even if you're not yourself an immigrant, but you're descended from them, you're in this country to work hard and get ahead, and that means that economic considerations come ahead of so much else," says Carlos Odio, a researcher who specialises in surveying Latinos. As Ruben Gallego, a Democratic senator, put it last year, "every Latino man wants a big-ass truck", often described affectionately as *la troquita.*

All this set up Latino and Asian-American voters as the perfect swing group in 2024, when prices were the dominant issue. Latinos were particularly exposed to the spike in petrol prices in 2022 owing to their higher-than-average spending on cars, trucks and fuel. Later, in 2023 and 2024, the effect of inflation shifted to housing costs; that disproportionately affected Asian-Americans, who spend more on housing than other groups. This year it is Mr Trump's turn to feel their wrath.

According to a series of large-sample polls of likely voters conducted for the *Argument*, a digital news company, Democrats' margin over Republicans has risen by 17 percentage points among Hispanics and 14 among Asians since 2024, compared with ten for white voters and five for black ones. And although poll cross-tabs can be prone to errors, statewide elections since Mr Trump's inauguration show the same trend. In gubernatorial elections in New Jersey and Virginia last year and California's all-party House primaries in June, Democrats' biggest gains relative to the presidential vote of 2024 were in precincts or districts with their states' highest concentrations of Asians and Latinos.

Their discontent will play a crucial role in the midterms. Republicans in Texas pushed through a gerrymander that could net the party up to five seats in the House—if only Mr Trump could hold on to



his gains in largely Hispanic south Texas. Instead, our forecasting model favours Democrats in three of these districts, and makes Republicans only narrow favourites in two more. In total, Latinos and Asian-Americans represent a larger than average share of voters in 28 battleground House races (see map on previous page).

Latinos and Asian-Americans will bring their political heft to high-profile statewide races, too. Combined, they make up 36% of the electorate in Texas and 24% in Florida, the two largest Trump-voting states. Democrats trail by just a few points in both states' gubernatorial contests, thanks largely to leads among Hispanics of 12 points in Florida and 27 points in Texas. For the Senate, an upset in Florida is unlikely. But James Talarico is up by two points overall and 33 points among Latinos in his bid to become the first Democrat to win a Senate race in Texas since 1988.

"I've spent most of my career telling white, well-intentioned political consultants and candidates that Latinos aren't a monolith," says Chuck Rocha, a Democratic political consultant. He now says the opposite: "they're all monolithically pissed." Democrats are hammering the president for turbocharging consumer prices by imposing tariffs and beginning a war.

In California's dusty, agricultural Central Valley, Randy Villegas, a Democrat, is running to unseat David Valadao, a moderate Republican in a district whose voters are two-thirds Hispanic. "I want you to raise your hand", Mr Villegas said at a rally in Bakersfield, "if you or someone you love drives across the border to Tijuana to get cheaper prescription drugs, cheaper dental care, cheaper health care." Hands shot up all around the room.

In addition to the economy, this year immigration looms large. Voters in both groups, who by definition have already become citizens, generally support border enforcement and take a moderate view on immigration. But they see the president's tactics as going too far. In Florida María Elvira Salazar, a Miami-area Republican incumbent facing a tough Democratic challenger, ran an ad in September addressed to Mr Trump in which she said that "the same Hispanics who helped you get to the White House in 2024 feel betrayed today."

In early 2025 Immigration and Customs Enforcement agents targeted California's agricultural heartland. They are once again roaming the area ahead of the midterms. In Delano, a farm town that swung towards Mr Trump by 15 points in 2024, shop signs are mostly in Spanish and residents often greet each other with a friendly "buenos días". Now the streets are quiet and many stores remain shuttered. "I just don't love what's happening with immigration," says Griselda Aguilar, a 34-year-old mother who backed Mr Trump two years ago but attended Mr Villegas's rally. "The way it's been handled is inhumane."

In the waning days of the campaign, the White House—far from easing its rhetoric on immigrants—is playing it up. J.D. Vance, the vice-president, has touted Mr Trump's deportation campaign and wants a radical overhaul of visas for skilled workers. In Montana on October 26th, he offered adulation for Americans who "homesteaded this land" and "buried their own kin" in the state's "beautiful soil". Mr Trump has repeatedly warned, without evidence, that illegal voting by non-citizens will threaten the elections' integrity.

This obsession is hardly welcoming to Asian or Latino voters, nor does it address their main concern: the economy. If they help secure victory for Democrats, the party may assume that supporters are "coming home". The lesson of recent years, however, is that neither party should take these voters for granted. Even as more Asians and Latinos swing left, fewer identify themselves as Democrats than in 2024.

"The fact that we view it as so peculiar that Latinos are moving by 20 points is the sign of what's wrong," says Mike Madrid, author of "The Latino Century". Among other constituencies, "nobody moves despite pandemic and war and recession and depression," he says. "If people do a bad job, you fire them. Latinos are the only group doing that." ■

Forecasting the election

How the dominoes might fall

Our prediction of the midterms' outcome

When an unstoppable force meets an immovable object, one or the other has to give. For most of Donald Trump's second term, pundits have assumed that the object, Republicans' seemingly impregnable Senate map, had the edge over the force, Democrats' lead in national polls. Last year Sabato's Crystal Ball, a leading forecasting outfit, called Republicans "strong favourites" to hold their Senate majority, and classified Alaska, Iowa and Kansas as "safe" red seats. As late as this June, the group still found enough races at least "leaning" towards Republicans for the party to control the chamber.

Now, with midterm elections less than a week away, conventional wisdom holds that the force has claimed the upper hand. Crystal Ball's latest update says Democrats "have a slight advantage in the battle for the Senate", while betting markets make the party a 67% favourite to flip the chamber. Nate Silver, America's most prominent quantitative election forecaster, gives Democrats a 76% chance. But *The Economist*'s own prediction model is more cautious, putting the probability of the Senate changing hands at just 54%.

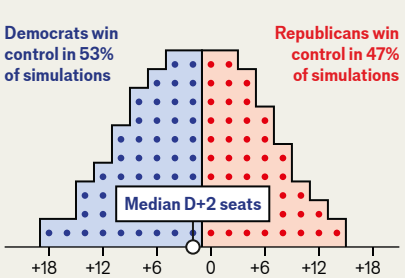
The main source of this disagreement is our model's intentional breach of a common forecasting maxim: thou shalt not attempt to predict the direction of polling errors. Although "generic-ballot" surveys, which ask respondents which party they plan to support for Congress, have an impressive record of accuracy, they also have a marked tendency to overshoot: wave elections usually prove less towering than advertised. On the eve of the 2006 midterms, for example, Democrats led these surveys by 13 percentage points on average, while their final margin in the national House vote was a mere seven. And when national polls misfire, that error usually appears in state-specific surveys as well.

This year's Democratic advantage, at around 8.5 points on the generic ballot, is less extreme than that of 2006. Nonetheless, based on history, our model projects that polls across the country will overestimate the party's margin by around a point. This gap is smaller in historically Democratic states, but larger in Republican ones—and to control the Senate, Democrats need to win at least two states that Mr Trump won by double digits in 2024.

Another potential factor is fundraising. Overall, Democratic Senate candidates have received far more in contributions from individual donors (which are capped

Control shift

US Senate forecast at October 28th 2026
One dot=250 simulated elections



Source: *The Economist*'s midterm election model

at $3,500) in their states than their opponents have. Many forecasts weight this heavily. However, Democratic Senate nominees as a group have also out-raised Republicans in this category in every other election since Mr Trump's first inauguration. This has not translated into poll-beating electoral performances. As a result, our model compares each candidate's fundraising to their own party's average. This helps Republicans' prospects in states like Iowa, where we reward their nominee for eking out a narrow financial advantage.

Relative to the consensus, our model is most pessimistic about Democratic hopes in Alaska. Betting markets make Mary Peltola a 69% favourite over Dan Sullivan, the Republican incumbent, whereas we show a 51-49 race favouring Mr Sullivan. And Ms Peltola may yet suffer from allegations that her team planted spoiler candidates on the ballot, a controversy that is likely to dominate the final week of campaigning.

Nonetheless, our model still clearly favours Democrats in enough states—including Maine, Michigan, North Carolina and Ohio—to win 50 Senate seats. It gives them even odds in two more (Alaska and Texas) that could be the majority-making 51st seat. Importantly, our model gives Democrats a 95% chance of gaining control of the House of Representatives, which would allow them to reject Mr Trump's agenda and to launch investigations of his administration. Winning the Senate would enable them to block his judicial nominees as well.

The makeup of the Senate, where terms are six years, will also strongly influence whether Mr Trump's successor, who will be elected in two, can implement a partisan agenda. Looking beyond 2028, Democrats' 52nd seat could matter just as much as their 51st. And they currently have a plausible path to winning considerably more than 52 seats. Their candidates are neck-and-neck in polls of Kansas, Iowa and even South Carolina, where Lindsey Graham, a longtime Republican incumbent, died in July and was replaced by his sister Darline, a political novice. On October 28th the *New York Times* and Siena College, America's most prominent team of pollsters, reported a tied race in South Carolina, where Mr Trump won by 18 points two years ago.

Democrats are modest underdogs in all these states. However, if even one of these dominoes falls, they may well have benefited from a nationwide polling error, raising the odds that the others fall too. Should Dan Osborn, a Nebraska independent who vowed not to caucus with either party if elected, join Democrats instead, we give the party a 15% chance of holding at least 55 seats. Even in 2006, when the generic ballot vastly overstated the Democratic advantage, the party still managed to flip six Senate seats and secure a majority. ■

Statehouses

Downballot blues

GREENDALE, WISCONSIN

The midterms could reshape politics far beyond Congress

On a recent Saturday morning in Greendale, Wisconsin, 50 people gathered outside a modest ranch house to knock on doors for the Democratic Party. Addressing the group, Ben Wikler, the former chairman of the state party, stressed the importance of their task. Democrats have a chance to undo 16 years of Republican dominance in the state.

Wisconsin is not the only state Democrats have their eye on. Though the battle for Congress gets most of the attention nationwide, Democrats also have a chance to wrest control of several state governments. Republicans have "trifectas" in 23 states—meaning they control both chambers of the state legislature and the governorship. Democrats have 16. With a big enough blue wave, Democrats could create six new trifectas, including in Wisconsin, and break several Republican ones.

The consequences of such a shift would be far-reaching. State governments wield enormous power over matters like abortion, education, health care, taxation and labour laws. They also help determine the rules governing elections and the boundaries of congressional districts, shaping the balance of power in Washington. With a trifecta, a party can enact its agenda with relative ease. Wisconsin is a case in point.

Though Tony Evers, a Democrat, became governor in 2019, Wisconsin retains a raft of conservative laws enacted by his Republican predecessor, Scott Walker, who governed with a trifecta. Mr Walker weakened unions by allowing private-sector employees to benefit from collective bargaining without paying for it. He also sharply curtailed collective-bargaining rights for public-sector workers. His administration resisted attempts to increase the minimum wage, which is a paltry $7.25 an hour, and refused to expand Medicaid under Obamacare. Before leaving office Mr Walker signed legislation weakening his successor's executive powers, making it harder for Mr Evers to reverse course.

With a trifecta, Democrats could undo Mr Walker's "legacy of destruction", says Devin Remiker, the state's party chairman. They might also legalise marijuana, enshrine abortion rights in state law and end the state's school-voucher system. Their prospects improved after a judicial election in 2023 delivered a liberal majority on the state Supreme Court. It struck down Wisconsin's electoral maps, prompting Republican legislators to approve new ones drawn by Mr Evers rather than risk even less favourable versions being imposed by the court. Under the new maps, Democrats made big gains in 2024. They now need to flip just five seats in the state's lower house and two in the upper house.

Elsewhere, the path to a Democratic trifecta varies. In Arizona, as in Wisconsin, Democrats would need to flip both legislative chambers to create the party's first trifecta in over 60 years. In Michigan, Minnesota and Pennsylvania just one chamber would need to change hands. In Nevada the critical contest is a tight governor's race. All six also happen to be presidential battlegrounds states. If the presidential election in 2028 is as closely fought as the previous two, control of their statehouses may matter. ■



The barn, at least, will remain red

Economic policy

The winners and losers of Trumponomics

WASHINGTON, DC

The president vowed to help ordinary Americans. He achieved something different

ALL POPULISTS promise much to the working man, but Donald Trump predicted a golden age. Just before the election in 2024, he told voters they were days away from "the best jobs, the biggest paycheques and the brightest economic future the world has ever seen". His unorthodox blend of tariffs, tax cuts and deportations, he claimed, would bring down living costs, revive America's industrial heartland and restore middle-class prosperity.

Has the president delivered? On October 22nd the White House claimed his economic policies were driving up wages and fuelling a "blue-collar BOOM". America's economy is indeed growing briskly, with output on course to expand at an annualised rate of around 3% in the third quarter. But many of those Mr Trump claimed he would help have lost out, while richer Americans have gained.

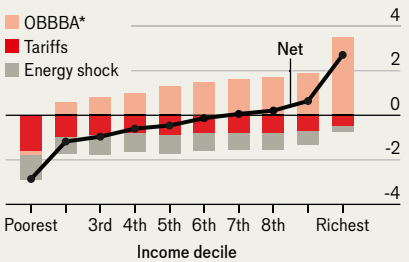
The most politically toxic policies are those that have raised daily costs. The president's sweeping tariffs have pushed up the cost of consumer goods by roughly 2%, according to the New York Fed. The Budget Lab at Yale estimates they will cost the average household $1,100 this year. The war in Iran has also sent oil prices soaring, and is set to add another $1,000 to the average household's costs by year's end.

Pushing in the other direction, Mr Trump's flagship tax-and-spending law, the One Big Beautiful Bill Act, has boosted tax refunds by around $340 on average. The law also created "Trump accounts", an effort to broaden ownership in the stock market, with eligible newborns entitled to $1,000 to invest in shares. But the biggest gains went to richer Americans through lower taxes, even as the act tightened access to food stamps—with more than 5m Americans losing benefits so far—and to Medicaid, the government health-care programme for the poor.

To tally the net effects of these gains and losses, *The Economist* combined estimates of the impact of tariffs, higher petrol prices and Mr Trump's tax-and-spending law across income groups in 2026. We estimate that Mr Trump's policies will cost the poorest tenth of American households, with average income after taxes and transfers of around $37,000, almost 3% of their income. The richest tenth, with average after-tax incomes of nearly $500,000, will gain nearly 3% (see chart). Households in the middle, with average income of roughly $100,000, lose more than $400. That does not account for the effect of a decision, taken by congressional Republicans last year and endorsed by Mr Trump, to let enhanced Obamacare subsidies expire. That has raised average premiums for individual insurance purchased on exchanges by nearly $800 a year, according to KFF, a health-policy research group.

Win some

United States, estimated change to after-tax income, 2026, %



*One Big Beautiful Bill Act
Sources: Yale Budget Lab; Congressional Budget Office; Energy Information Administration; Bureau of Labour Statistics

Staying home

Housing costs pose another problem for the president. Mortgage rates, pushed up in part by the inflationary effects of his war in Iran, have climbed above 7%, prompting existing owners to stay put. Adding new supply has become more costly. Last year builders estimated that tariffs on materials would add nearly $11,000 to the cost of a typical new home. His immigration crackdown is fuelling labour shortages, too; in September a survey from the National Association of Home Builders reported that labour costs were up by 4.2% from a year earlier. It is lower-income and middle-class voters, again, who are most pinched. In May sales of starter homes fell by 5.4% from a year earlier, even as luxury-home sales rose by 6.2%, according to Zillow, an online property firm.

When it comes to jobs, health care and social assistance have accounted for almost all private-sector gains since January 2025, to meet demand from America's ageing population. The AI boom has been another bright spot, with data-centre investment creating roughly 180,000 new jobs in industries related to the build-out. In other sectors, though, private employment has barely budged. Annual wage growth across the private sector has slowed from 4% to 3%; rising inflation means that workers' hourly pay is 0.7% lower in real terms than a year ago. Labour's share of non-farm business output has fallen to its lowest level since records began in 1947 (changes to how business owners' earnings are classified explain only some of the decline).

A renaissance in manufacturing jobs has been particularly elusive. Though manufacturing output has risen, manufacturing employment has fallen by some 20,000 since January 2025, while factory workers' wages have failed to keep pace with inflation over the past year. In North Carolina, which Mr Trump won in 2024 and which now looks set to elect a Democrat to the Senate, nearly 9,000 factory jobs have disappeared over the past year.

Americans invested in the stock market have more to celebrate, as the AI bonanza has driven up the value of the S&P 500. But the impact is, once again, lopsided. Of the $17trn increase in Americans' equity and mutual-fund wealth since the end of 2024, nearly 90% accrued to the richest tenth of households, compared with just 0.6% for the poorer half, according to data from the Federal Reserve.

These phenomena have not gone unnoticed. Nearly two-thirds of Americans think that Mr Trump's economic policies have made conditions worse, according to a recent survey by the Pew Research Centre; the same is true of 35% of Republicans and Republican-leaning independents, nearly twice the share in January. Voters who are particularly affected by rising fuel costs and tariffs, such as farmers, are tilting towards Democrats. Mr Trump is now promising $5,000 to every adult citizen if Republicans retain control of Congress on November 3rd. That will do little to reassure voters who still feel left behind. ■



At least one assessment is positive

LEXINGTON
Party down

Some Democrats are rediscovering, in Iowa and elsewhere, an appealing politics of progress



EVER SINCE Senator Tom Harkin retired after five terms in 2015, his fellow Democrats in Iowa have fared poorly. Republicans took control of what had been a divided state government and a divided congressional delegation, and Donald Trump won Iowa three times, most recently by more than 13 points. Now a bit hard of hearing and frail at 86, Mr Harkin is back on the stump, to support Democratic candidates who are mounting surprisingly strong challenges up and down the ticket.

As elsewhere, a lot of the campaigning in Iowa has been stupid and awful. Record sums are being spent to jam the airways with advertisements making nasty, misleading claims. Mr Harkin's presence is something of a tonic, and not only because he is as genial and plain-spoken as ever. When he introduces Josh Turek, who is campaigning for Mr Harkin's old Senate seat, and Mr Turek pushes himself forward in his wheelchair to take the microphone, the exchange supplies a poignant reminder of the sort of thing all this politicking is supposed to be about.

Mr Harkin was the champion of the landmark civil-rights law banning discrimination against people with disabilities. Mr Turek, who was born with spina bifida, was 11 when that law, the Americans with Disabilities Act (ADA), passed in 1990. He calls Mr Harkin his political hero and says without the law, "every economic, every occupational, educational opportunity that I've been given would not have been there." Like Mr Harkin himself, Mr Turek is quick to note something more. Mr Harkin counted on Republican allies to pass the bill. "It's an amazing example of what we can do when we're willing to work together," Mr Turek says.

And that observation illuminates something else: that the struggle under way within the Democratic Party, which will probably grow more heated after the midterm elections, is not just a fight over policy between "progressives" and "moderates". It is a contest between competing theories of how to make progress.

Mr Harkin is not surrendering the progressive label. He sees many of his differences with "my good friend" Bernie Sanders, the fiery leftist leader, as matters of style, even word-choice, not principle. He praises Mr Turek not only for having "a progressive agenda" but also for knowing "how to move it forward". Mr Harkin does not note that Senator Sanders cannot point to any legislative achievement on the scale of the ADA.

Since Mr Harkin left the Senate, "progressive" has acquired a sharper edge. Mr Turek calls himself a moderate. Yet, like Mr Harkin, he also identifies as a prairie populist, in the tradition of the radical agrarian movement that united small farmers and trade unionists against the monopolistic powers of the Gilded Age. When Mr Turek talks about taxing billionaires, challenging big corporations and raising the minimum wage, he sounds no different from Abdul El-Sayed, who is running in Michigan and is the most prominent Senate candidate of the party's populist left.

The candidates in Michigan and Iowa have important policy differences, though even those can blur. While Mr Turek says he opposes biological males competing in female sports, Dr El-Sayed has not taken a position, saying such decisions should be left to sports leagues. Unlike Mr Turek, Dr El-Sayed wants to abolish the Immigration and Customs Enforcement agency, yet he also says he supports applying immigration laws and securing the borders. Dr El-Sayed wants Medicare for All but says he would also back incremental expansions of public-health coverage favoured by Mr Turek. Dr El-Sayed wants to end military aid to Israel; Mr Turek would impose strict restrictions on such aid.

But their differences of style are stark. Dr El-Sayed has a combative, impatient approach, including to Democrats. He told donors he could intimidate Democrats who differ with him by putting "one ogre on a pike", a reference to Senator John Fetterman of Pennsylvania. Mr Turek recoils from fighting even with Republicans. Dr El-Sayed has said Mr Trump should be impeached. Mr Turek has "no interest" in that. "We gotta get back to country over party," he has said. Representative Alexandria Ocasio-Cortez, Mr Sanders's likeliest heir, recently said a win by Dr El-Sayed would prove "anybody can win anywhere". That is not so. Like Mr Turek, Dr El-Sayed is in a close race and may lose. But Michigan, where Democrats hold the governor's office and both Senate seats, should have been less of a challenge.

Beyond the blue wall

The more inclusive style, rather than the combative one, has helped make Democrats competitive again this year not just in Iowa but in Alaska, Kansas, South Carolina and Texas. That model is the one Democrats should heed as they turn to the 2028 presidential campaign. Americans have been moving from Democrat-dominated states such as New York and California to Republican states including Florida and Texas. Congressional seats and electoral votes will follow along after the census in 2030. Expanding their electoral map is becoming an existential matter for Democrats. This may seem a paradox, and it will certainly be no easy feat in the last two years of Mr Trump's polarising presidency, but to be viable as a party, Democrats need to become less partisan.

Republicans who are running scared this year are learning their version of that lesson. Mr Turek's opponent, Representative Ashley Hinson, is calling herself a "bipartisan fighter for Iowa". She barely mentioned Mr Trump at a rally in Manchester on October 25th. Americans, she said, were "feeling priced out of the American dream" because "a lot of people on, frankly, both sides of the aisle" have "forgotten how hard Iowans work". The healthiest outcome of this refreshingly competitive election season across America would be a bipartisan awakening to the obvious: that most voters want less partisanship, more progress. ■

The Americas



The comeback in Brazil

The great survivor

RIO DE JANEIRO

Lula pulls off a historic victory—and his rival flees to the United States

EVEN BY BRAZIL'S standards, it was a week of extraordinary drama. On October 25th Luiz Inácio Lula da Silva, who most pundits thought was dead and buried after the first round of voting, won Brazil's presidential election. That stunning comeback vaults Lula, as the 81-year-old left-winger is known, into an exclusive club of presidents who have won four democratic elections. Two days later his defeated rival, Flávio Bolsonaro—the son of Jair, a hard-right former president who is under house arrest for attempting a coup—fled Brazil after a Supreme Court judge investigating allegations of corruption ordered him to hand in his passports. He has taken his family to the United States.

No presidential candidate since the return of democracy in 1985 had lost the first round of voting and won the run-off. Lula trailed Flávio by 2m votes in the first ballot on October 4th. The candidates who were knocked out at that stage, who between them had received 8% of votes, also chose to back Flávio. Yet in less than three weeks Lula gained an extra 10m votes, many of them from people who had failed to turn out or spoiled their ballots in the first round (see chart on next page).

Three things explain the turnaround. The first is a change in tactics. Ahead of the first round, Lula ran a disorganised and old-fashioned campaign. He wore a Panama hat to hide scars from a recent operation; that merely reminded voters of his age. His team barely spent anything on social media. Instead they handed out lots of stickers with his face on them. But between the two rounds Lula discovered both his mojo and the internet. He lost the hat and he began posting selfie videos on Instagram. His campaign got a huge boost from André Janones, a congressman from Minas Gerais, a bellwether state, who set up a WhatsApp channel called "Lula's Army" which attracted over 10m members in two weeks. Mr Janones gave the members of this group "missions", such as reposting an image of Lula on social media, which helped his messages go viral in the final stretch of the campaign.

Second, the government opened the taps. Lula raised handouts in Brazil's flagship welfare programme by 15%. He pushed Congress into passing a law to reduce the working week by a day, without pay cuts. He pledged to make public transport free at weekends and forgive federal debts for sole traders, as well as to hand out $1,000 to a million of them. Incumbents in Brazil often make lavish giveaways before elections, but even so Lula has been generous. His team has not explained how he will fund these and other freebies, which are expected to cost 2% of GDP by the end of next year.

Finally, many Brazilians decided that

→ ALSO IN THIS SECTION

32 Spain's Latin love-in

33 Venezuela's homecoming queen

Flávio was beyond the pale. Two televised debates helped rehash his dodgy past, especially his alleged links to Rio de Janeiro's militias—groups of corrupt policemen who work as hitmen and extortionists. (Two weeks after the first-round vote, one of Flávio's allies in Rio was arrested on charges of working with militiamen and drug-traffickers.)

The debates may have been decisive. In one of them Flávio, who is a lawyer, was asked about a case in which he defended a policeman accused of killing a five-year-old girl, which many viewers had not heard about. His arrogance turned voters off, not least when he mocked Lula for having nine fingers. (Lula lost one finger while working in a factory as a teenager.) "I was a minor and working at night, because either I worked or I did not eat," Lula replied. That highlighted Flávio's better-off background, and that he got his start in politics thanks to his father.

When his defeat was announced on October 25th, Flávio seemed defiant. He refused to concede (even though he had lost by a reasonable margin, having chalked up 48% of votes compared with 52% for Lula). He argued unconvincingly that a last-minute Supreme Court decision to keep polling stations open for an additional two hours, because of extreme weather and disruptions to public transport, had disadvantaged his campaign. He called for the vote to be annulled.

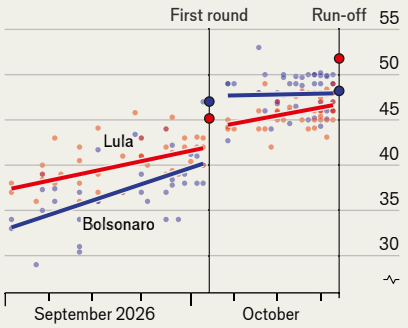
Yet then events moved very fast. Having failed in his tilt at the presidency, Flávio will in February lose the judicial immunity he has enjoyed as a sitting senator. Recently federal police have been investigating his ties to a businessman accused of massive money-laundering (both he and the businessman deny wrongdoing). The day after the election, the Supreme Court judge who is handling that case banned him from leaving the country.

Police say Flávio did not comply with a request to surrender his passports. Instead, on the evening of October 27th he and his family crossed the border into Argentina. The group then travelled to Miami via Ecuador (the US State Department had said in advance that the United States would be willing to grant them entry). Flávio's brother, Eduardo, has himself been living in the United States since 2025. In June a Brazilian court sentenced Eduardo in absentia to four years in jail for trying to unduly influence the prosecution of his father—by lobbying Donald Trump to apply sanctions on the judges who sentenced him.

After arriving in the United States Flávio published a statement in which he called himself "the leader of Brazil", said he was the victim of a "witch hunt", and vowed to keep leading the opposition from abroad. For the moment Mr Trump does not seem much inclined to back him, beyond permitting him to stay in the country. On October 26th Mr Trump told reporters that Brazil's vote "looked like another rigged election" while adding that he "didn't take sides" and saying "I like Lula, I get along with him very well." On October 28th he said, "I won't get involved".

Fool me twice

Brazil, voting intention and results in presidential election, %



Sources: Superior Electoral Court; national polls; *The Economist*

In theory, Flávio's departure could prove a chance for Brazil's right to make a fresh start. He became the right's candidate only because his father anointed him as his heir. That decision sidelined politicians who would have been much more electable. With Jair under house arrest and Flávio abroad, there could now be an opportunity for renewal.

All this has got Lula's new mandate off to a dramatic start. His honeymoon is going to be short. Though he has won the presidency, right-wingers constitute the largest caucus in both houses. That will make it difficult for Lula to govern, especially since constitutional limits (and his age) mean that he cannot run again. He could become a lame duck from day one.

Don't go out with a bang

Brazil's creaking economy must be his number-one priority. Thanks to his own spendthrift policies, the central bank has pushed up real interest rates to vertigo-inducing heights. Government debt-to-GDP has risen by over ten percentage points during Lula's current four-year term. Markets panicked when his surprise victory was announced: the real fell by 8% against the dollar—its worst day in more than a quarter of a century—and São Paulo's stock index closed down 14%. Investors are demanding that Lula appoint a heavyweight as finance minister, rather than a party cadre, and that he set out a credible plan for lower spending. It is worrying that his pre-election giveaways suggest he will not choose to do anything of the sort.

Lula beat the odds to win the presidency. But he will need a lot more luck—and much good judgment—if he is to make a success of his fourth and final term. ■

Latin America and Europe

European hedge

MADRID

Donald Trump's tantrums are an opportunity for Spain

GETTING LATIN AMERICAN leaders into one room is a feat. Getting them to agree on anything is tougher still. Only one president from the region turned up to the Ibero-American summit, a biennial gathering of leaders from Spain, Portugal and Latin America, when it was held in Ecuador two years ago—and that was the host. There are hopes Spain will do better when it holds this year's pow-wow, in Madrid, on November 4th and 5th. The organisers are aspiring to get as many as 18 heads of state, or their deputies, to attend.

The timing is propitious. Donald Trump increasingly treats Latin America as the United States' backyard. Though a wave of ostensibly Trump-aligned presidents have taken office, the region remains keen to hedge against his unpredictability by diversifying trade. Links with China are important, but also problematic. "I've never seen more desire for Europe," says a veteran Latin American diplomat.

Spain has ties to the region that neither of the world's superpowers can replicate. More than 4m people who were born in Latin America now live in Spain, many having arrived in the past decade. Back in the 1980s and 1990s Spain's transition to democracy was a model for some of its former colonies. Felipe González, prime minister from 1982 to 1996, became an adviser to governments in the region. In 1991 Spain and Mexico convened the first Ibero-American summit in Guadalajara, laying foundations for a 22-member community loosely inspired by the Commonwealth of once British-ruled countries.

Spain's influence has since waned. Spanish companies remain important investors in the region. But they have stepped back even as Latin America has strengthened ties with China. Some diplomats complain that Spanish governments have grown less interested. The current prime minister, Pedro Sánchez—who has called a general election for November 29th—wants to improve things.

That will require a change in approach. Mr Sánchez rubs along best with governments of the left. Ties with right-wing leaders have been fraught. In 2024 Spain temporarily withdrew its ambassador from Buenos Aires after Javier Milei, Argentina's president, insulted Mr Sánchez's wife in a speech. Spain has yet to accept the ambassador sent to Madrid by Colombia's new president. Lawmakers complain the emis-

sary has said rude things about Mr Sánchez on social media.

Yet even a shared worldview has not guaranteed good relations. On paper Mr Sánchez and Claudia Sheinbaum, Mexico's left-wing president, ought to get on like *churros* and chocolate. But Ms Sheinbaum's predecessor and mentor, Andrés Manuel López Obrador, picked a quarrel with Spain over its colonial past and demanded an apology from its king for the conquest. Spain's foreign ministry reacted defensively; the dispute worsened when Mexico did not invite the king to Ms Sheinbaum's inauguration in 2024.

Ms Sheinbaum has proved more willing to separate historical grievances from present-day interests. She has good reasons for doing so, notes Rafael Ch of Signum Global Advisors, a consultancy. The United States is Mexico's biggest trading partner, but Mr Trump's erratic policymaking is loosening ties. With economic growth sluggish, Ms Sheinbaum has little to gain from permitting a diplomatic quarrel with Spain to drag on.

Delcy Rodríguez, Venezuela's interim president, is likely to attend the meet-up in Madrid. Ms Rodríguez governs with Mr Trump's backing, so Latin Americans are unlikely to make a fuss about her showing up. But it would be controversial in Spain. Opponents have long accused the Spanish left of indulging Venezuela's grim regime. It would be refreshing—and good for Spain's image—if the summit were to call loudly for the country's democratic transition to speed up.

Those who gather in Madrid will discuss AI, disaster preparedness and mutual recognition of educational qualifications such as degrees. That kind of stuff will seem low-key. But other regional organisations, such as the Community of Latin American and Caribbean States and the Organisation of American States, are at a low ebb. So perhaps the most important thing is getting together at all. ■

Venezuela

Homecoming queen

CARACAS

María Corina Machado's arrival may speed the return of democracy

IT WAS, AS is her style, a homecoming laden with symbolism. On October 25th the first images to be released of María Corina Machado's return to Venezuela showed the opposition leader surrounded by supporters next to the statue of the Divina Pastora. The shrine, in a church near the city of Barquisimeto, depicts the Virgin Mary as a shepherdess guiding her flock.

Her return after a ten-month exile took millions of Venezuelans—and possibly the country's ruling regime—by surprise. For months the wildly popular politician (pictured) had been promising to come back "soon" to Venezuela. She had been there (albeit in hiding) until December, when she left the country to collect the Nobel peace prize. In recent months she had made several attempts to get back. On each occasion it seemed the regime foiled her plans. This time she crossed the land border from Colombia.

Her presence in Venezuela will complicate the unusual, cosy relationship the administration of Donald Trump has formed with the disreputable regime of Delcy Rodríguez. Ms Rodríguez, who has quietly dropped the "interim" from her presidential title in recent weeks, has been running the country since January 3rd, when special forces captured her then boss, Nicolás Maduro, and took him to face drug-trafficking charges in New York.

Mr Trump claimed not to know about Ms Machado's return when he was asked about it. "She is a very nice woman," he said on October 25th. "She gave me her Nobel prize, so how can I say anything else?" In January Ms Machado handed the medal, which she won for her campaign for democracy in Venezuela, to Mr Trump (who claimed to deserve it more). She said at the time she made the gesture in gratitude for his "decisive support of our cause".



Better than any medal

She has plenty of reason to doubt the extent of that support. Mr Trump's praise for Ms Rodríguez—whom he calls "terrific"—has always been fulsome. But he has long been ambivalent towards Ms Machado, a former congresswoman from a once wealthy industrialist family who was persecuted by Mr Maduro. She has called for new elections in Venezuela, to be held by next July, and says she will stand as a candidate. This has not got Mr Trump's backing. "I don't think they're ready [for elections] yet," he said in September.

His focus instead has been on portraying the capture of Mr Maduro and its aftermath as an unmitigated success. His government in August secured majority control of 65bn barrels of the country's oil, about a fifth of its proven reserves, in an agreement with Venezuela and a private oil company. "We took over Venezuela very successfully and they've sent me as a gift a boatload of a million barrels of oil," he bragged at a campaign event in Texas, on October 27th. He later quipped that maybe Venezuela "will become a prosperous 51st state". He often claims that Venezuelans are "dancing in the streets" in celebration of all he has achieved.

Mr Trump's problem, and Ms Machado's opportunity, is that none of this is true. Few Venezuelans view his propping up of Ms Rodríguez, or their own economic situation, as a success story. Mr Trump's own popularity in Venezuela has slumped in recent months. "He got rid of Maduro, which is good, but it is basically the same shit here," says Eduardo, a computer technician in Caracas, the capital.

America insists that it has a plan with Venezuela, and that it is on track. On October 26th an official at the State Department said the next stage of the "transition" is to replace the members of Venezuela's Supreme Court by mid-December, followed by an overhaul of the electoral council. The idea is that Ms Rodríguez would then at some point declare the presidency "vacant", triggering elections within six months. Perhaps that would be in late 2027, or 2028. The US secretary of state, Marco Rubio, said after Ms Machado's return that the Rodríguez regime would not be allowed to wait out the process until the Trump administration ends: "We have timelines that are agreed to, and so far, they've met every one."

Will Ms Machado abide by the same timeline? Or will she try to accelerate it? On October 25th a caravan of supporters accompanied her in a triumphant return to Caracas. For a giddy few hours, Venezuelans really were dancing in the streets. And it was not to Mr Trump's tune. ■

ECONOMIST ENTERPRISE



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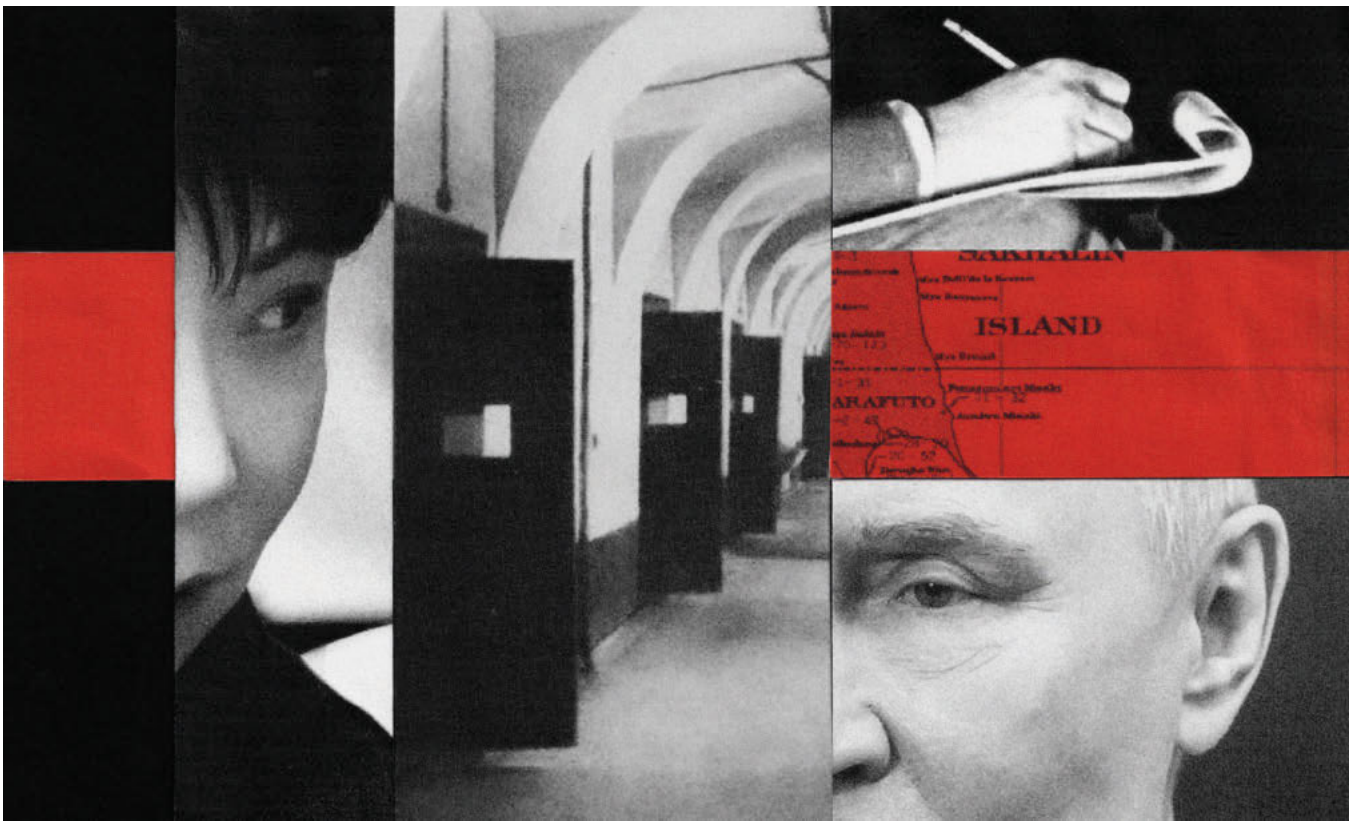
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Asia



Russo-Japanese strife

A nasty story

TOKYO

Russia jails a Japanese journalist as relations turn icy

IMAI YUKI spent years learning to read Russian literature in the original. On a student-exchange programme in St Petersburg in 2014-15, the lanky young Japanese man impressed Russian friends with his knowledge of their city and its literary luminaries, such as Fyodor Dostoyevsky. Mr Imai parlayed his language skills into a job covering Russia for the *Hokkaido Shimbun*, a regional newspaper from Japan's northernmost big island. On October 13th operatives from the Federal Security Service (FSB) burst into his hotel room on Sakhalin, off Russia's far-eastern coast, and handcuffed him. "You are suspected of espionage," a masked Russian officer says in a video released by the FSB. "*V smysle?*" a befuddled Mr Imai answers in Russian. "What do you mean?"

Mr Imai is being held at Lefortovo (pictured), a notorious prison in Moscow. The meaning of his arrest is far bigger than a local news story. His case ensures a freeze in relations between Japan and Russia will only get icier. Mr Imai may also end up embroiled in global hostage diplomacy, much like Evan Gershkovich, an American journalist who was arrested on baseless espionage charges in 2023 and was freed 16 months later in the largest prisoner swap between Russia and the West since the cold war.

Arresting a journalist for being a spy "probably means Russia is trying to get somebody home", reckons Mr Gershkovich, the author of "This Cursed Beautiful Land", a book about his experience and Russia's hostage diplomacy. In Russian, such detainees are referred to as *aktivy* (assets) in the country's *obmenny fond* (exchange fund). Officials speak openly about its status: "It may be time to fill up our exchange fund with European and American idiots in order to get our guys out," Dmitry Medvedev, a former president turned attack dog, wrote days before Mr Imai's arrest. While Mr Imai may be familiar with such terminology, the Japanese government has little first-hand experience with the practices. Another Japanese journalist was detained on spying charges in Russia in 2019, but deported within three days.

What exchange might Russia want? The Kremlin may hope that Japan—or its ally, America—can help bring a multinational deal to fruition. The exchange that freed Mr Gershkovich centred around Vadim Krasikov, a Russian operative convicted of murder and jailed in Germany; it also included two men associated with hacking and cyber-crime groups who were held in American jails.

One particular figure of interest now may be a Russian hacker from Qilin, a cyber-crime group linked to big ransomware attacks, who was nabbed on holiday in Japan and extradited to Germany less than two weeks before Mr Imai's arrest. "Instead of sushi, he's now getting cheese sandwiches in a German prison," a German

→ ALSO IN THIS SECTION

36 A Pacific UBI
37 Ashoka: Defending the rupee
38 New Zealand's new kingmaker?
38 Good news from the Aral Sea

official crowed. Russia could also have targets in mind elsewhere in Asia. Over the past two years Australia has arrested and charged at least three individuals with working for Russian intelligence.

Russia may see Japanese citizens as fungible *aktivy*. There are recent precedents. American negotiators freed two Japanese nationals from jail in Belarus as part of prisoner exchanges last year. Talk of swaps has increased as Vladimir Putin and Donald Trump explore a possible meeting at next month's Asia-Pacific summit in China: at Mr Trump's request, Mr Putin last week released an elderly American held in Russian prison for four years.

At any rate, Mr Imai's arrest comes at a low point in the complex and consequential relationship between Japan and Russia. In the waning days of the second world war, Russia took back control of Sakhalin (where Mr Imai's grandfather grew up), as well as the nearby Kuril Islands. The two have yet to sign an official peace treaty ending that war; Japan still claims sovereignty over the four southernmost Kurils, which it calls the Northern Territories. Talks to resolve that territorial dispute have been frozen, along with the overall relationship, since Russia's full-scale invasion of Ukraine in 2022, which Japan vehemently opposed.

The freeze got even colder in the months leading up to Mr Imai's arrest. In August Mr Putin observed naval exercises on Sakhalin, his first visit in more than a decade. He also made his first-ever trip to the Northern Territories. In September Russia installed a monument in its far east depicting a soldier destroying a chrysanthemum emblem, the symbol of Japan's imperial family. Japan condemned the visit and the monument; in early October Japan imposed fresh sanctions on ships linked to Russia's shadow fleet of oil tankers.

Several factors may explain Russia's recent frostiness. Japan's continuing efforts to strengthen its armed forces, while focused on countering China, also have implications for Russia, which uses the Sea of Okhotsk as a bastion for nuclear submarines. And Takaichi Sanae, the prime minister, is seeking to build up Japan's intelligence services. For Russian spooks, Japan has long been an important posting, says Andrei Soldatov, an expert on Russian intelligence: "You can't really approach Americans in America, but you can try to recruit Americans there."

The most telling factor may be China's bitter feud with Japan over Ms Takaichi's support for Taiwan. Russian pressure on Japan "allows Russia to show the Chinese that we're on the same side", says Alexander Gabuev of the Carnegie Russia Eurasia Centre, an American think-tank. Russia has echoed China's rhetoric about Japan's "new militarism"; the two now speak of the second world war as a shared battle against Japan. As Mr Imai's newspaper noted in an article about Russia's new monument, "This appears to be an attempt to convey a willingness to co-operate with China—which is at odds with Japan over the Taiwan issue—on matters such as historical interpretation."

Mr Imai's imprisonment has only chilled relations further. For now, his pretrial detention is scheduled to last until December 12th. (Ms Takaichi has denied that he is a spy.) On October 23rd Japanese diplomats managed to pass him a parcel with supplies in Lefortovo; three days later they were finally granted consular access. One thing Mr Imai will not lack there is reading material: thanks in part to a long history of well-read prisoners (including Mr Gershkovich), Lefortovo is equipped with a library of around 9,000 books. Mr Imai, sadly, may have plenty of time to brush up on his Russian classics. ■

Universal basic incomes

Marshall plan

SINGAPORE

A tiny Pacific country rolls out UBI

SOON AFTER the second world war, America went looking for a place to test its fast-expanding nuclear arsenal. It settled on the Marshall Islands, then an American-administered collection of atolls scattered across a vast stretch of the Pacific. Over 12 years the Americans carried out 67 nuclear tests. The resulting radiation did lasting damage to the health of the Marshallese, but it also shaped the islands' relationship with America.



Something for everyone

These days the country of 42,000 people is independent, but gets aid from America under a "compact of free association" in exchange for allowing it military access. Some of that money is now financing a different sort of experiment. For nearly a year every citizen in the Marshall Islands, including children, has been getting a quarterly payment of about $200. The precise amount varies, because the government shares a fixed pot equally among all those enrolled.

The programme, Enra Jen Lale Rara (sharing plates to care for those around us), is believed to be the world's first national universal basic income (UBI) scheme, a term that describes unconditional government payment given to all citizens as a supplement to or replacement for wages. (Other UBI experiments have covered small groups of people, or individual cities, provinces or groups of villages.)

David Paul, the finance minister and the programme's architect, has said it will give Marshallese "peace of mind" amid concerns over the cost of living. He also hopes it will hand them a reason to stay on the islands. Under the country's compact with America, Marshallese citizens can live and work there freely (around 44,000 already do so).

Officials insist that the payment is not intended to replace work; it is not nearly big enough to do that. At around $800 a year, it amounts to only about a tenth of the Marshall Islands' income per person. Still, in American terms, that would be equivalent to an annual payment of roughly $9,000, a not inconsiderable sum. Unsurprisingly, the transfers are popular: almost everyone has enrolled. It is however too early to draw conclusions about the impact on labour supply, says Stefania Pozzi, an economist working with the country's finance ministry.

More certain, though, are the impacts on consumption. On payment days offices empty in Majuro, the capital, which employs the bulk of the labour force, as workers queue to collect cheques; soon afterwards shops and restaurants fill up as they spend the money. "Families have found it hugely beneficial," says Giff Johnson, editor of the *Marshall Islands Journal*. Much of the spending has been on food, but people have also used the cash for bigger purchases, like air-conditioners and lawnmowers, he says. Inflation, another common concern with cash transfers, has risen, but officials attribute that largely to the economic shock from the war in Iran rather than specifically to the UBI. The scheme is reaching people on the country's more remote islands, many of which lack banks, ATMs or reliable internet.

The Marshall Islands' compact with

America has helped it overcome the biggest obstacle to UBI. The cost of it amounts to a whopping 8% or so of GDP, but is paid from an American trust fund, now worth around $1.8bn. Still, the IMF worries that the payments are already taking the place of more useful long-term spending on infrastructure and climate adaptation. Even before the first payment in November 2025, it recommended replacing the UBI with a targeted scheme at the "first available and feasible opportunity". The Marshallese government argues that deciding who should qualify would be costly and cumbersome.

No evaluation of the scheme has yet been published, but plenty of countries are watching the experiment closely. All the economies of island-states in the Pacific are to some extent dependent on remittances and are vulnerable to economic shocks. But conventional social-protection efforts are often very difficult to implement in populations that are scattered across the ocean's islands.

Bigger countries should be interested too. The emergence of artificial intelligence and its potential for job displacement have revived talk of UBI everywhere. AI-induced concern is one reason the Opportunity Party, a newish centrist group in New Zealand, is campaigning on a "citizen's income" ahead of elections next month (see next article). The Marshall Islands' UBI may be tiny, but its lessons could travel far beyond its shores. ■

ASHOKA
Century of humiliation

India's central bank has stabilised its currency. But at what cost?

THE RUPEE is back, baby! And all it took was some gentle management by the Reserve Bank of India (RBI). Over the past few months the central bank has, among other things, wooed dollar deposits from overseas Indians with juicy interest rates and currency guarantees; spent tens of billions of dollars to buy rupees in the open market; severely limited the ability of investors to speculate on the currency; and, on October 10th, imposed punitive costs on businesses that legitimately need to hedge their own foreign-currency exposure. As a result, the rupee recovered for a while from just under 97 to the dollar to just under 95. Break out the party hats.

Or perhaps not. "Just under 95", as a close-of-day price, is the level the rupee hit in late March. So unacceptable was the idea that India's beloved currency might cross that threshold that the RBI imposed a set of measures described by one analyst as rolling back a decade of market liberalisation in just a few days. The intervention brought some relief. But the currency crossed 95 within weeks, marching ever onwards towards the big "100" flashing like a neon sign in front of traders' eyes. Ajay Shah, an economist, describes this dynamic as "the recurring round-number skirmish". Few numbers are rounder than a century.

Ever since independence and even more so since a balance-of-payments crisis in 1991, any steep fall in the value of the rupee has been seen as a national humiliation. In 2013 Narendra Modi, then chief minister of the state of Gujarat, cannily used its sharp depreciation to paint the Congress-led government of the day as corrupt and incompetent. For Mr Modi to preside over the rupee's slide into triple digits now would be rather embarrassing. It would also provide the opposition with a delicious attack line just months before elections in Uttar Pradesh, a bellwether state of 240m people. The words "hoist" and "petard" come to mind.

The RBI is, of course, an independent, inflation-targeting central bank. It aims for no specific exchange rate, it says. Its measures are designed only "to ensure orderly functioning of the foreign-exchange market", it stresses. Yet its actions argue otherwise. The problem is that "a failed defence is worse than no defence", as Duvvuri Subbarao, a former governor of the bank, has noted. If the bank folds easily, markets may start to believe they can push it around and pile yet more pressure on the rupee.

And...so what? A currency is worth whatever people are willing to pay for it. That is determined by forces outside the central bank's control. In recent years global capital has been lured away because of AI investments abroad, rising interest rates in America and overvalued markets in India, lowering demand for the rupee. It has not helped that energy prices have shot up since March after someone started another needless war in the Middle East, boosting India's demand for dollars. As long as these conditions persist, the rupee will weaken.



The costs of the RBI's defence are escalating. India's foreign-exchange reserves fell by some $50bn in September alone as the central bank sold dollars to buy rupees. And bets on the currency are moving from financial markets into the real economy. Exporters anticipating further depreciation will delay bringing cash back to India. Importers will fill their warehouses. Members of India's diaspora, who sent home $144bn or about 3% of GDP last financial year, may delay remittances. Resident Indians will buy even more gold than they usually do.

Another cost is that limiting hedging—along with unpredictable policymaking followed by clarifications and reversals—could discourage the capital inflows that would help bolster the rupee. The biggest cost, though, is to the credibility of the RBI, which risks looking as if it is fighting a political battle. Traders now believe 97 is its red line to prevent a collapse to 100. But there is no good reason to defend that number.

The RBI has, for now, arrested the currency's decline. The rupee appreciated by 1% on the first trading day after the latest announcements and has since remained stable. It even enjoyed a little boost thanks to foreign demand for shares in India's biggest-ever IPO on October 21st. And, who knows, India may get lucky. A devastating defeat for the Republicans in America's midterms could weaken the dollar. The AI bubble could burst. The Iran war could end and the Strait of Hormuz could reopen. All sorts of things could happen. Until they do, the costs of defending a round number will mount ever higher.

New Zealand

A new kingmaker?

WAIHEKE ISLAND

The Opportunity Party says it is taking on the rich world's biggest problems

FOR A SMALL party in a small country, New Zealand's Opportunity Party has some big ideas about how to solve the rich world's biggest problems. Campaigning ahead of the November 7th general election, Qiulae Wong, its polished 38-year-old leader, is pitching a universal basic income of NZ$370 ($210) per week. The handout, she says, would replace most other welfare payments and offer a cushion for middle-class workers hit by layoffs because of artificial intelligence. To fund the scheme, the Opportunity Party would introduce a tax on urban land at a rate of 1.75% of its value per year.

On the campaign trail a 40-minute ferry ride from downtown Auckland, Ms Wong (rather bravely) tells a room crammed mostly with rich property owners that the new tax would help to slow rising housing costs by discouraging property speculation. It would also, she says, put capital now sunk into land to more productive use. As pensioners on the lawn outside play croquet, Ms Wong fields questions about what the plan would mean. The tax might need to be phased in, she admits.

Opportunity is polling at just above the 5% threshold needed to break into parliament. If it does so, analysts say that Ms Wong may well end up as the kingmaker between two competing minority coalitions. Both of the two biggest parties, National on the right and Labour on the left, have seen their polling numbers shrink under the weight of unpopular leaders. Christopher Luxon, the incumbent prime minister and National leader, has presided over a stagnant economy and stubborn inflation. Chris Hipkins, the Labour leader, succeeded Jacinda Ardern in 2023 but lacks her star power.

That has left many New Zealanders thinking that the real question in this election is which minor parties will help National or Labour to form a government. Mr Hipkins can call upon the Greens and the Maori Party to his left, but their culture-war style of politics makes some centre-left voters grimace. Mr Luxon's current coalition partners do much the same on the right. ACT, which started life as a libertarian party, has become more of an anti-woke protest movement. And New Zealand First, another small party, has a long record of divisive populism.

Ms Wong cannily says that she could work with either bloc, and is careful to avoid betraying her ideological biases as voters quiz her about her preferences. That has allowed Opportunity to attract voters from across the political spectrum. Rich Green voters, for instance, see in her a more business-friendly approach to setting emissions targets; libertarians are drawn to the idea of shrinking the state by getting rid of the bureaucrats who hand out means-tested benefits.

Opportunity has its critics. Helen Clark, a Labour leader who was prime minister from 1999 to 2008, has taken to calling it the "Opportunistic" party, arguing that its self-described centrism makes it an empty vessel. Politicians on both sides bitterly accuse it of just being a stalking horse for their opponents. But its most extreme critic has been Winston Peters, the foreign minister and leader of New Zealand First.

Mr Peters, who has a long record of making racist taunts at Asian New Zealanders despite his own part-Maori heritage, seemed distinctly uncomfortable on a debate stage earlier this month with Ms Wong, who immigrated to New Zealand from Fiji as an infant. And yet his discomfort may have less to do with her ethnic-Chinese father than her political strategy. Despite his populist rhetoric, Mr Peters has long positioned himself as New Zealand's kingmaker, supporting governments led by both Labour and National on two occasions each. No other minor party leader has threatened to rival him in that role—until now. ■

The Aral Sea

Back from the brink

The North Aral Sea is expanding after decades of shrinkage

THE ARAL SEA has long been a byword for ecological disaster. Once the world's fourth-largest lake, it has been steadily drying up since the 1960s, when the Soviet Union diverted rivers flowing into it to boost cotton production. The lake's exposed bed became a desert lined with the toxic remnants of fertilisers and industrial waste. Strong winds blow poisonous dust from the sands onto nearby communities.

But the Aral is not gone yet. Two much smaller bodies of water still straddle the edges of the new desert. The southern remnant lies in a trench in the lake's bed. It survives with inflows from nearby aquifers. It may last a bit longer though little can be done to enlarge it.

The North Aral is a different story, though. It is bordered by higher ground, which cuts it off from the desert except for the tiny Kokaral Strait. Kazakhstan dammed that gap in 2005, but for many years struggled to refill the rump lake.



Finally, however, a recovery is beginning. Early results are promising. Since 2022 its volume has risen by a quarter. Kazakhstan's government says it has reclaimed 870 square kilometres of desert and lowered the lake's salinity by 75%. Fish, which had vanished, have been reintroduced: locals caught 8,000 tonnes last year. After planned upgrades to the Kokaral Dam, Kazakhstan hopes to fill the lake to its highest level since the North Aral split off in 1987.

Kazakhstan's success is thanks to several factors. Canal and dam upgrades along the Syr Darya river coupled with unexpectedly high seasonal inflows account for most of the gains since 2022. In 2025 the country negotiated a new water-sharing agreement with its upriver neighbours, Kyrgyzstan and Uzbekistan, selling the former electricity in exchange for more water.

But problems persist. Roughly 60% of the water on Kazakhstan's side is soaked up by agriculture, but less than a quarter of the country's farmers use water-saving technologies like sprinklers or drip-fed irrigation. Existing infrastructure is in disrepair. The Syr Darya is at risk, too. The glaciers that feed it are slowly melting. Inflows have already fallen below peak summer demand. All the same, the North Aral Sea has begun to defy doomsayers predicting its ultimate extinction.

China



Infrastructure

Turning-point

China's spending on transport infrastructure has peaked. Is there too much?

In the south-western province of Guizhou, the Huajiang bridge straddles a yawning valley hemmed in by steep mountains. It is a mind-boggling feat of engineering. With a 1,400-metre steel deck suspended 625 metres above a river, the bridge is the world's highest: two Eiffel Towers could almost be stacked beneath it. Opened in September last year, officials boast that it cuts journey times across the canyon from two hours to two minutes.

Fewer such marvels are likely to be built. China's years-long splurge on bridges, tunnels, expressways, high-speed rail and airports is beginning to tail off. Questions are likely to grow, however, about whether it was worthwhile. The Huajiang bridge carries a motorway (or expressway, as China calls its high-speed multi-lane roads). But the area is remote and impoverished; heavy traffic is unlikely. The local government talks up the bridge-builders' technical achievement; far less so the likelihood that the 2.2bn yuan ($330m) cost will ever be recouped, despite road tolls and the tourists it has attracted.

In 2015 Bert Hofman, who was then the head of the World Bank's office in China, said that having invested so much in new transport infrastructure, the country should turn its attention to keeping it in good shape. Yet China did not apply the brakes. It was not until 2023 that investment peaked in transport-related fixed assets—3.9trn yuan was spent that year (see chart 1, next page). The authorities finally seem to agree with Mr Hofman. In July this year a senior transport official said China's main transport network was "91% complete", and the country would pivot from expanding to upgrading existing infrastructure. Mr Hofman jokes that he had not realised he was "so far-sighted".

To be sure, plenty more will be built. China's annual investment in transport infrastructure is 2.6% of GDP. That is a far lower share than after the global financial crisis of 2007-09, when it reached 9% as the country unleashed a massive stimulus package. But it remains strikingly high compared with, say, America, where the outlay was just 0.6% of GDP in 2024.

By the end of last year, China had built more than 50,000km of high-speed rail, about 70% of the global total. It plans to build another 20,000km by 2035—roughly 1.5 times the length of such tracks in operation in Europe. And China will also spend money on other types of infrastructure beyond transport. It has earmarked 25trn yuan over the next five years for electric grids, data centres, mobile-phone networks, logistics, canals and pipelines (the "six networks", as it calls such stuff).

But in the building of transport infrastructure, China's most conspicuous needs have been met. Long gone are the days when officials would pleadingly intone that "if you want to get rich, first build roads" (it's a rhyming couplet in Chinese). Since opening its first expressway in 1990,

→ ALSO IN THIS SECTION

40 Kim Jong Un's curious visit

41 A ranking scandal

42 Chaguan: Astroturf football

China has built about 200,000km of such whizzy roads—about twice the length of motorways in America. There are now about 270 commercial airports, three times as many as in 1990. America has twice the number, but the gap is narrowing—China is adding half a dozen entirely new airports a year; America rarely builds any at all.

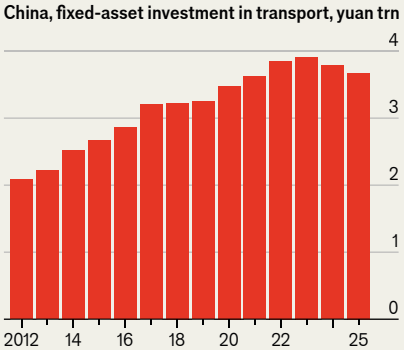
The humanitarian cost has been enormous: millions have been turfed off their land to make way for roads, railways, airports and other such projects—often without their consent and sometimes with little compensation. The country, however, has grown richer, and praise for the transport network, at home and abroad, is often effusive. Westerners gush about China's fast, comfortable trains, often contrasting them with the dilapidated state of their own rail networks. The Huajiang bridge is among numerous awe-inspiring record-setters, from the world's fastest train (430km per hour, between Shanghai and its airport) to its longest motorway tunnel (22.1km, in the far-western region of Xinjiang).

Weighing up the benefits of transport infrastructure is difficult in any country. Railways rarely pay back capital or yield a commercial profit: historical railway-building manias have ruined investors but left behind tracks that boosted economic growth for decades afterwards. China's rail and expressway networks cannot be judged in isolation. In some places they free up capacity on older lines and roads. They can cut journey times and costs for freight. Chinese people now move around much more easily. Their mobility expands labour markets and makes manufacturing more efficient, letting firms draw on workers and suppliers across a much larger area.

Some Chinese experts, however, argue that the country has invested far more than necessary. Lu Dadao of the Chinese Academy of Sciences has called high-speed rail a "great leap forward". That is not a compliment—it refers to Mao's effort in the late 1950s to make China "surpass Britain and catch up with America". That led to mass famine.

Downshift 1

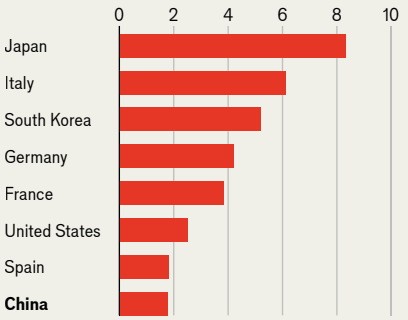
China, fixed-asset investment in transport, yuan trn



Source: Ministry of Transport

Wide open road 2

Vehicles per kilometre of motorway, 2023, '000



Source: IRF World Road Statistics

Mr Lu is not suggesting there will be such a disaster this time, but in an essay last year he argued that transport infrastructure had "significantly outpaced actual demand". He said its achievements had "come at a significant cost". Another critic is Li Xunlei, an economist at Zhongtai Securities, a state-controlled brokerage. In August Mr Li wrote that China had "overlooked excess capacity" in its building of transport infrastructure. In a country where criticism of the government is heavily muted, these are strong words.

Mr Li's analysis notes a mismatch between the wealthier coastal regions that most need fast roads—such as Shanghai and Zhejiang—and those where they are being built the fastest, such as the poorer south-western regions of Yunnan and Guangxi. "The areas with the most expressways built saw the least increase in freight demand," Mr Li wrote of the years between 2014 and 2024. In 2023 China had just under 1,800 vehicles for each kilometre of motorway, far lower than the ratio in most rich countries (see chart 2).

A lot of China's new infrastructure is underused. Fast rail services in poorer inland regions have more empty seats than, say, the highly profitable line from Beijing to Shanghai. "On many lines...revenue can cover the operation of services but is insufficient to maintain the infrastructure," said a World Bank review in 2019. Commercial airports have a similar problem. Between 2019 and 2025, 43% of them saw a drop in traveller numbers (not counting airports newly opened since 2019), according to data from the Civil Aviation Administration of China. Declines were concentrated in airports outside major hubs.

Even less economic rationale exists for the proliferation of lavish buildings linked to the new rail lines and airports. In small poorer cities, rail stations and airport terminals are often colossal—built in extravagant ultra-modern style to awe visitors. Take Yantai, a medium-sized coastal city in northern China. The glazed dome and sleek curves of its international airport, opened in 2015, won the title of "world's most beautiful airport" at the Prix Versailles last year. Such vanity projects impress slack-jawed Westerners online. Type "China infrastructure" into YouTube and feast your eyes on the results. This surely pleases leaders in Beijing.

Top officials are, however, less happy about the debts that have piled up alongside. Local authorities have borne much of the cost of building expressways and local sections of rail. Local-government debt held in off-balance-sheet vehicles may amount to 72trn yuan, or 51% of GDP. Poorer regions have relied most on such methods—Guizhou, for one. In the end, the central government will probably have to pick up the tab for the Huajiang bridge. Managing the burden will mean less money for health care and social security: both badly in need of funding, not least to encourage consumers to spend.

If the government is betting that demand will eventually catch up with the enormous expansion of transport infrastructure, it should ponder a looming problem. China's population is ageing rapidly, and the old do not travel as much as the young. By 2050 it will shrink by 150m, according to UN projections. There will thus be fewer passengers on the network. And fewer to admire the breathtaking views from the Huajiang bridge. ■

Diplomacy

Comrades in arms

North Korea's dictator rebuilds ties with China, an old friend

KIM JONG UN, North Korea's leader, rarely travels abroad. So his surprise visit on October 24th to Dandong, a Chinese city that borders on North Korea, deserves attention. Mr Kim is rebuilding ties with China after four years of cosying up to Russia (by sending it troops and supplies for the war in Ukraine). He may also be preparing for new diplomacy with America, and possibly a meeting with President Donald Trump in November.

The official purpose of Mr Kim's latest visit was to commemorate China's entry into the Korean war in 1950 to support the communist North. China and North Korea are playing up their wartime solidarity. This year is the 65th anniversary of their "friendship" treaty, a mutual-defence pact. Still, it is rare for Mr Kim to acknowledge China's war effort so prominently on Chinese soil. He was also strikingly effusive about the relationship, hailing bilateral ties "forged in blood".

It was unusual, too, for Mr Kim to show up in China without seeing its leader, Xi Jinping. The pair met in Pyongyang, the North Korean capital, in June when Mr Xi visited for the first time in seven years. That followed a summit between them in Beijing in 2025. This time, however, Mr Xi was busy preparing for a long-scheduled meeting of the Communist Party's Central Committee in Beijing, which started on October 26th. He sent Wang Huning, who ranks fourth in China's leadership, instead. On each of Mr Kim's five previous visits to China since taking power, he spoke with Mr Xi in person.

Mr Kim normally crosses the border on his personal armoured train, which can also run on Chinese tracks. This time, he was driven in a Mercedes Maybach limousine across a bridge over the Yalu river, which separates the countries. The bridge was completed in 2014 as part of an earlier Chinese push to expand cross-border transport links. But its opening was repeatedly delayed after Mr Kim executed an uncle who had pioneered the project and was later accused of planning a coup (and was considered too close to China). It opened, at last, on October 15th.

Mr Kim's visit and the bridge's opening both seem to be designed to ease Chinese concerns about Russia's growing influence over North Korea. China accounts for more than 90% of the country's official global trade. But Mr Kim and Vladimir Putin, Russia's leader, have drawn closer of late. In exchange for troops and weapons, Russia has supplied Mr Kim with fuel, food and military technology. The two countries signed a mutual-defence treaty in 2024. They have expanded their own cross-border infrastructure, including a road bridge that opened in September.

In response, Mr Xi has publicly played down his concerns about North Korea's nuclear ambitions. At the same time, China has been upgrading transport links with North Korea and relaxing restrictions on cross-border trade. In the first nine months of the year, official bilateral trade reached $2.3bn, up from $1.9bn during the same period last year. Mr Wang said the new bridge would help to "expand personnel exchanges and trade co-operation".

A friend indeed

Most intriguingly, Mr Kim's visit may have been intended to co-ordinate his diplomacy with America. Mr Trump met Mr Kim three times in his first term, hoping to strike a deal to end North Korea's nuclear programme. Before two of those meetings, Mr Kim had travelled to China a few weeks previously, to talk to Mr Xi. America's president has said that he would like to meet Mr Kim again, possibly during a summit of Asia-Pacific leaders in the southern Chinese city of Shenzhen in mid-November.



Yet another bridge

American officials have since sought to squash the idea, saying a meeting is unlikely. But some Chinese government advisers say Mr Xi is keen on one. He hopes to reassert his influence and ensure that China has a say in any potential deal between Messrs Trump and Kim. By pitting rival powers against each other, Mr Kim is once again playing a weak hand well. ■

Municipal government

Closing ranks

HEFEI

Annual city scorecards of all sorts are being torn up

A SCANDAL IS turning over tables in China. Each year apparatchiks in cities and counties across the country battle one another for coveted municipal rankings. The league tables, which are published by media and consulting firms, declare winners and losers in the race for development and attractiveness of living. The rise and fall of many county-level cadres can be traced to a "100 strong counties" list published for the past decade, until this year.

The central government wants to end such competition. New rules have banned organisations from creating data-based rankings or awarding special titles to cities and towns without permission.

Blame officials in Haicheng, a city in the rust-belt north-east, who in 2025 appeared to be so good at their jobs that they leapt from well outside the 100 strongest counties to 91st on the list. It was revealed this year that they had in fact paid CCID, the consulting firm behind the tables, around 5m yuan ($750,000) for the boost. The disclosure caused uproar among ambitious bureaucrats. One frustrated statistician in Hubei province called the incident China's newest form of corruption.

Municipal pecking orders have long been a useful, if unofficial, way of understanding a country with around 700 cities and close to 3,000 counties. Since the late 1990s most have received an informal "tier" status. The first tier—Beijing, Guangzhou, Shanghai and Shenzhen—has always been clear. Things grow murky at the fifth and sixth. Property developers have used these rankings to gauge real-estate values. The central government has never officially recognised them, although it does refer to city tiers in some property-market data.

Consulting firms have made a business out of rankings. A city-research unit at Yicai, a media group, began evaluating and scoring hundreds of cities in 2016. The same year CCID started issuing its top-counties list. Others have published scorecards focused on specific industries or administrative geographies. One online media outfit publishes a list of city districts with the strongest economies. State-backed groups also participate. The China National Institute of Standardisation (CNIS), for example, issues a report that ranks cities on natural beauty and culture, among other things.

The most closely watched list has been Yicai's, which tracks 337 cities. It has used metrics such as economic competitiveness, intercity mobility, industrial strength, consumer spending and even nightlife to devise scores for each city. Among these is the "new-first-tier" ranking, a list of China's 15 most promising second-tier cities. Officials often cite such rankings as a mark of success. Those in Haicheng made sure to highlight their incredible achievements in the county's annual work report for 2025.

The crackdown on rankings might make it more difficult to figure out who is up and who is down. CCID appears to have stopped posting its "100 strong counties" list after the Haicheng debacle. CNIS posts its ranking in October; it had not released one at the time of reporting. Yicai has continued to publish a wide range of information on Chinese cities this year but has stopped assigning them clear rankings. These are still easy to create with the data Yicai provides, wonks point out.

Perhaps it is a good time to phase out city rankings. Ma Liang, a professor at Renmin University in Beijing, has observed that city officials have started experiencing "ranking anxiety". With economic growth slowing considerably since scoring began, a property crisis sapping local finances and a perpetual anti-corruption campaign upending careers, it is one less thing for them to fret over. ■

CHAGUAN
Local goals

Provincial leagues spur spending and a hometown renaissance



On a cool autumn night, a man dressed as Guan Yu, a legendary general from 1,800 years ago, mounted his black steed and charged around a stadium. From the stands 26,000 fans erupted in cheers—and then thunderous chants for their football team: "Yiyang must win!" Nearly two hours later Yiyang had lost, 1-0, to their stronger opponents from Changsha, the capital of Hunan province. Yiyang's players, their bright orange jerseys muddy and socks torn from the hard-fought match, could not hold back tears.

Welcome to the spectacle, and the emotion, of the grassroots provincial football leagues sweeping across China. "Xiangchao (the Hunan league) is better than the World Cup," goes one local joke. The skills are—put politely—uneven, with lots of missed passes, fluffed shots and, in the Yiyang match, a goal review that took 11 excruciating minutes. But the passion is real, more so than that surrounding China's perennially inept national team.

The city-versus-city amateur competitions began only in spring 2025, starting in Jiangsu, and have inspired copycats in about 20 other provinces. Officials see the leagues chiefly as economic catalysts. Their most striking impact, though, has been social. Against the backdrop of a sluggish economy, they have given people something to cheer, and with all the devotion and irrationality of sports fans anywhere. "It's been a morale booster for us," says a sponsor of the Yiyang team.

A few hours before kick-off, the plaza outside the Yiyang stadium had a carnival atmosphere. Stalls sold spicy soup, stinky tofu, a mashed tea drink and other local delights. The biggest queues were for giveaways, including jars of Hunanese chilli relish. Superfans gathered early to bang on drums, wave oversize flags and belt out their chants. They were a good-natured bunch, joking with fans of the opposing side and wrapping Chaguan in a team scarf. Cheerleaders warmed up for their half-time performance; in keeping with the family atmosphere of the whole event, they were clad in ankle-length Chinese opera-style robes.

In the streets around the stadium, the penumbra of China's property downturn is visible in closed restaurants, half-finished buildings and unoccupied flats. A business partner of the Hunan league says it was created in part to revive economic activity. Officials had tried several things, from night markets to concerts. Nothing worked as well as football, he says. It drew spectators, young and old, as well as out-of-towners. With domestic tourism bemoaned as homogeneous and predictable—cities offer similar pedestrian streets, similar trinkets, similar virtual-reality experiences—there is something to be said for the drama and uncertainty of sport. The inaugural season of the Hunan league brought a Cinderella story when Yongzhou, much poorer than Changsha, clawed its way to the championship.

The matches also tap into a vein of local pride. Decades of migration for work have torn many Chinese from their home towns. Now that they are richer, people are searching for new forms of meaning. Football is one way to reconnect with and express their local identity. "It's your own family out there," says Mr Zhang, a convenience-store clerk. Though he worked in Changsha for many years, he could never bring himself to support the capital. "Speaking frankly, Changsha is like a landlord. They have far too many advantages." In her social-media videos, Zhou Meimei, an influencer from Yiyang, emphasises the value of friendly exchanges between Hunan's cities. Yiyang, often overlooked by other Hunanese, can show off its hospitable culture to visiting fans, she says. Yet she is competitive, too. "We all want to win because as locals we want our hometown to earn honour," she says.

The provincial leagues may help football's image in China. At the professional level, the China Super League is seen as hopelessly corrupt, marred by match-fixing scandals. The provincial leagues have a purity about them. "There's no money in these games, just people struggling to win," says one fan at the Yiyang match. Some hope the triumph of these leagues will radiate upwards to the national team, which has not reached a World Cup since 2002. But the provincial leagues come far too late in players' development to feed into the national programme. Nevertheless, rekindled enthusiasm may entice more young people to play.

Rules are in place to keep the provincial leagues resolutely amateur and local. In Hunan, for example, each team must have at least three high-school students on the pitch at all times. All players must have ties to their city, such as a *hukou* (household registration). Governments also keep ticket prices down. In Yiyang, seats were just 9.9 yuan ($1.50); nearly 90,000 people had entered the ticket lottery. When scalpers muscled in, authorities introduced facial-recognition turnstiles, ensuring that original ticket recipients could not sell their seats.

Wave the red card

For all their grassroots feel, the leagues are mostly run from the top down: bureaucrats organise the matches, vet the entertainment and manage the commercial deals. Their charm depends on that hand staying light. Much as Chinese cities compete to attract investments, they may also start treating league standings as a performance metric. Languishing at the bottom of the table could reflect poorly on a city's organisational abilities, so the pressure to lure better players or spend more on training is likely to grow.

Money is starting to wend its way into the local leagues. In Jiangsu, sponsors now include Heineken, Coca-Cola and Adidas. In Yiyang, by contrast, one of the main sponsors was a hometown producer of packets of little dried fish seasoned with a fiery sauce. Fans queued for samples of the spicy minnows and for photos with the CEO, a local success story. For now, the small fry are thriving. But the big fish are circling. ■

Middle East & Africa



Israel's elections

You win some, you lose some

JERUSALEM

Israel's election marks neither a victory nor a defeat for Binyamin Netanyahu

BINYAMIN NETANYAHU took to the stage in the early hours of October 28th knowing he had almost certainly lost his majority. And yet Mr Netanyahu and his Likud party supporters were jubilant. Likud lost some seats but it is still Israel's largest party. The coalition was punished by the voters for what most Israelis perceive as the failures by Mr Netanyahu that led to the massacres of October 7th 2023 and for his coalition's divisive policies. But the beating was not nearly as severe as most pollsters had predicted. More important, Likudniks reckon that even though the opposition has won an outright majority, it is incapable of forming a coalition to replace their own. They are probably right.

With over 90% of the vote counted Mr Netanyahu's coalition had won 53 of the 120 seats in the Knesset, Israel's parliament. The final result, still being tallied as *The Economist* went to press, is not expected to change much: the prime minister will not have the seats to form a new government. Israel's opposition is divided into two blocs. The main one, consisting of four mostly Jewish parties, is expected to win 48 seats. The second, made up of predominantly Arab parties, is on track to win 19 seats, the most Israel's Arab minority has ever won. Together, the two blocs could command a clear majority.

But of the four Jewish opposition parties, only one, the left-leaning Democrats, has explicitly said it would go into government with the Arab parties. Two larger opposition outfits are much more reluctant. Yashar, led by a former Israel Defence Forces chief, Gadi Eisenkot, and Yachad (Together), led by two former prime ministers, Naftali Bennett and Yair Lapid, have been evasive. Avigdor Lieberman, leader of Yisrael Beiteinu, a nationalist opposition party, has categorically ruled out relying even informally on the Arab parties.

For their part, the Arab parties are willing to co-operate. Under Mansour Abbas, Ra'am, a moderate Islamist group, has been eager to be part of the government since 2018. Mr Abbas reckons that is the best way to promote the interests of Israeli Arabs. The Joint List, which is a bigger electoral alliance of Arab, communist and Palestinian-nationalist parties, has been warier. Joining a coalition would mean taking joint responsibility for policies, such as security, which it opposes. But on October 10th Yousef Jabareen, leader of the Joint List, said that the group would use "all the tools" at its disposal to replace the Netanyahu government and that it would "serve as a safety net" for a new coalition, even if it would not become a member of it.

Before the election Mr Eisenkot and other Jewish opposition leaders acknowledged in private that they would need the Arab parties' seats. They touted the idea of a minority government that would rely on a confidence-and-supply deal with the Arab parties. But they made no public overtures.

Mr Netanyahu had spent the campaign

→ ALSO IN THIS SECTION

44 An awkward summit in Tehran

45 Towards a post-racial South Africa

46 A new way to learn in Senegal

accusing his opponents of planning to bring the Arabs into government. In an AI-generated video, Mr Eisenkot was portrayed astride a wooden Trojan horse, with Mr Abbas and Yair Golan, the leader of the Democrats, lurking inside. Mr Golan pointed out that there was nothing wrong with co-operating politically with Arab Israelis. Mr Eisenkot and the other party leaders ducked the question.

In the election of 1992, the Arab parties supported Yitzhak Rabin, the Labour leader, blocking Likud's path to power. They did not formally join Mr Rabin's government but backed it on crucial votes and in return got increased funding for their communities. The then leader of Likud, Yitzhak Shamir, accepted defeat without question. But his successor, Mr Netanyahu, made delegitimising the Arab vote one of his core political aims.

In his first election as Likud leader in 1996, Mr Netanyahu ran with the slogan "Netanyahu: Good for the Jews". In 2015 he released a video on election day warning his supporters that "the Arab voters are heading to the polling stations in droves" and urged them to do the same. Accusations that his opponents planned to sit in government alongside "terror-supporting" and "Muslim Brotherhood" Arab parliamentarians have been a constant in his campaigns, even though in 2021, after failing to form a coalition, he himself talked to Mr Abbas about joining one. His hard-right allies kiboshed those talks. Mr Abbas joined a short-lived (previous) coalition led by Mr Bennett and Mr Lapid instead.

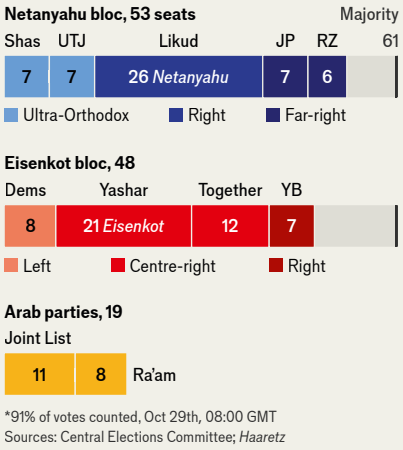
Mr Netanyahu was at it again this time. "The right-wing bloc has an overwhelming majority in the Zionist public, the Jewish public," he said on election day. "It is simply forbidden to risk Israel and form a government that relies on anti-Zionist Arab parties that oppose our very existence."

He and his coalition had been languishing in the polls ever since the attacks of October 7th. When at last they went to the country, they were widely expected to be drubbed and turfed out of office. That the coalition was not thoroughly trounced is partly because Mr Netanyahu stoked anti-Palestinian fears. This may not have boosted his own popularity, but it helped reduce support for his opponents. "I detest Netanyahu and his coalition," says Shmuel Davidson, a software engineer from Tel Aviv. "But I can't vote for an opposition which may co-operate with the Arab parties who want to kill me."

Most of the Arab politicians condemned the attacks of October 7th, but some were tone-deaf. A member of the Knesset from Ra'am described Hamas as "partly a charity organisation". Sami Abu Shehadeh, leader of Balad, one of the parties in the Joint List, called the massacre "an important historic event, militarily, politically and strategically" from which others could learn. Such statements helped Mr Netanyahu stoke Jewish Israeli fears that their Arab neighbours, who mostly identify as Palestinian, are on the opposite side in the Israeli-Palestinian conflict.

Take your seats

Israel, Knesset election result, 2026*



*91% of votes counted, Oct 29th, 08:00 GMT
Sources: Central Elections Committee; *Haaretz*

There must be something better

Desperate to see the back of the ruling coalition, Arabs turned out on October 27th in the highest numbers in decades. And their party leaders had been reaching out to their Jewish counterparts. "The Arab representation should bring influence and partnership," said Mr Abbas on election night. "We are ready and prepared to pave the way for ousting the Netanyahu government," Mr Jabareen posted on social media the next day. "Change comes through Jewish-Arab partnership."

Their Jewish counterparts have yet to respond. In speeches on election night, Messrs Eisenkot, Bennett and Lapid all spoke of trying to form "a Zionist government", without mentioning the Arab parties and their impressive gains. Since then, they have been silent. One opposition Knesset member suggested that, when the new legislature is sworn in on November 10th, Jewish and Arab opposition parties could co-operate in electing a new speaker and take control of parliamentary business. If such a move were successful, it could perhaps lead to coalition talks. But a senior aide to an opposition leader poured cold water on such ideas, saying it was more likely some of the parties would seek a unity government with Mr Netanyahu, rather than with the Arabs.

So far, in the Jewish opposition bloc, only Mr Golan has suggested a different course. "We must no longer accept Netanyahu's racist division between Jewish votes and Arab votes," he said the day after the election, calling for "a government that serves all Israeli citizens".

But Mr Netanyahu seems confident he can bide his time while the opposition blunders. Even without a majority, he will stay on as caretaker prime minister; he still seems hopeful that Donald Trump might yet agree to join him in further military strikes on Iran after America's midterm elections. Israel has a unique opportunity, he declared on election night, with "our partner, President Trump, to remove the Iranian threat once and for all". Should Mr Trump decide to join another attack, or to let Israel launch one, Mr Netanyahu feels sure some of his foes would join a unity government under his leadership, or that he would be able to run down the clock on coalition talks and gamble on another election in early 2027. ■

The Gulf war

An awkward errand

RIYADH

A summit meant to pressure Iran achieved little

FOR MONTHS Iran's allies have battered Saudi Arabia with missiles and drones. They have damaged its most important oil pipeline and killed at least 17 people at Riyadh's airport, which remains largely out of service. It raised a few eyebrows, then, when Khalid bin Salman, the Saudi defence minister, flew to Tehran on October 26th for a visit meant to "encourage dialogue". Grinning, the brother of the Saudi crown prince even posed for photos with Mohsen Rezaei, Iran's top security official.

The meeting was a surprise; even Saudi state media seemed unprepared. Both sides scrambled to spin it. Iranian officials saw a demonstration of their strength: a top Saudi royal arriving like a supplicant. One hardline MP said a "helpless" kingdom had to "beg" for mediation with the Houthis, the Iran-backed militia in Yemen that has done much of the damage.

Prince Khalid did not travel alone, though. He was joined in Tehran by the Pakistani army chief and the head of Turkish intelligence. Both countries are fellow members of the Mecca pact, a mutual-de-

fence agreement signed in Saudi Arabia in August. The Saudis cast the summit as a show of deterrence, in which three big Muslim powers jointly delivered a warning to an Iran that stood alone.

For all the drama, the summit seemed to achieve little. The Saudis raised two immediate concerns. One is the Houthis. Iran has little incentive to rein them in, though. Indeed, there were more missile attacks on Riyadh after Prince Khalid's visit.

The other is the threat of renewed war between America and Iran. Donald Trump has warned Gulf states that he is preparing another round of strikes after next week's midterm elections. America is sending warships, air-defence batteries and other equipment to the region. A third aircraft-carrier is due to arrive in November.

Much of the world is frantically trying to prevent this. Delegations from Qatar and Pakistan, which negotiated an earlier deal to halt the war, have made several visits to Tehran this month. European diplomats are working the phones. Even Vladimir Putin seems to be getting in on the act. He held talks in Moscow this week with Iran's president and Qatar's emir.

Yet this flurry of diplomacy has not produced a deal that both Iran and America will accept. The former insists on a narrow agreement centred on the Strait of Hormuz. If America ends its blockade of Iranian ports, lifts sanctions and makes other economic concessions, the regime has pledged to reopen the waterway within a week. Gulf diplomats are haggling over the timetable: perhaps Iran would agree to four days, rather than seven.

That misses a bigger problem. Mr Trump is uninterested in such a deal, which would essentially be a return to the short-lived memorandum of understanding he signed in June. The president wants Iran to make immediate concessions on its nuclear programme. So far, Iran is unwilling; it refused even to discuss the nuclear issue during the four-party talks in Tehran.

Diplomats in the region say Saudi Arabia offered Iran a carrot and a stick. If it makes concessions that enable a deal with America, the kingdom and its neighbours are willing to discuss a broader regional-security pact. If Iran refuses, and resumes attacks on Gulf states, the Mecca-pact countries will be ready to respond.

The risk is that Iran saw neither as credible. It doubts that Saudi Arabia shares its view of regional security, which includes booting American troops from the Gulf. As for the stick, the Saudis are already struggling to beat back the Houthis, and its new allies are reluctant to join offensive strikes.

After decades of relying on America, Gulf states are now engaged in trying to defuse a regional crisis themselves. It is a welcome effort—but for now, the threat of war still looms. ■

South Africa

The battle for black voters

CAPE TOWN AND JOHANNESBURG

Local elections will highlight the ANC's steep decline and the role of race in politics

As part of her campaign to become mayor of Johannesburg, Helen Zille has snorkelled in a water-filled pothole. She has directed cars when power cuts turned off traffic lights. She has paddled down a flooded street. The candidate from the Democratic Alliance (DA), South Africa's second-biggest party, has taken an old BMW "spinning", a popular pursuit in the city's black townships. The 75-year-old grandmother has stepped up to a turntable (pictured) and been dubbed "DJ Gogo".

These were stunts with a purpose. Ahead of local elections on November 4th Ms Zille wants to highlight the decay of the commercial capital under a coalition led by the African National Congress (ANC). Polls suggest the once hegemonic party will have its worst showing in a nationwide election since the end of white rule in 1994. Meanwhile Ms Zille could soon be the first white mayor of post-apartheid Johannesburg. Such a result would underline the decline of the party of Nelson Mandela—and perhaps point to the beginnings of a less racialised politics.

The ANC has been losing support for 20 years. But it is heading for a new low. An average of opinion polls in the past six months has the ANC at 32%, the DA at 27%. Five years ago the ANC won 46% to the DA's 22%. The DA's own polling reckons it could become the largest party in most of South Africa's eight largest cities.

Among the roughly 80% of the South African population that is black, the ANC remains the most popular party. It benefits from residual loyalty because of its role in ending apartheid, its patronage and because it genuinely improved the country during its early years in office. But South Africans are increasingly tired of its graft and failure to run basic services. Johannesburg, which sells itself as a "world-class African city", is the most glaring example. Nearly half of the bulk water the city supplies is never paid for because it is stolen or leaks out of pipes. It spends more money than it raises in taxes and fees, yet it consistently fails to repair infrastructure. The cost of fixing its infrastructure backlog is roughly 25 times its capital budget.

"This is our last chance to save Johannesburg," argues Ms Zille. Based on her experience running Cape Town from 2006 to 2009, she pledges to get a grip on the finances, appoint leaders to city agencies on merit and root out corruption.

Whether she gets the chance will depend on her ability to form a coalition. The DA usually benefits from "differential turnout": its core base among whites and other minorities is more likely to vote than black voters are. But since black Joburgers make up around three-quarters of the city, she will need enough of their votes, too.

Will she get them? Most former ANC supporters either do not vote or opt for an



DJ Gogo takes the decks

opposition party other than the DA. Umkhonto we Sizwe (MK), led by Jacob Zuma, a former president, targets Zulus, the largest ethnic group. The Economic Freedom Fighters (EFF) is another black-nationalist party. Other urban voters are attracted by ActionSA, whose appeal is based partly on its ability to exploit concerns about illegal immigration. "A country without order is headed for disaster," says Sanele Bhagathi, a voter from Johannesburg.

Many black South Africans are DA-curious but have resisted it because, fairly or unfairly, the DA's brand is that of a "white party". Sceptics see Cape Town, which is well run but has bleak mostly non-white outskirts, as a reason for caution. "I don't believe the party cares enough about [that inequality], and they should," says Thabo Nthuli, another voter in Johannesburg.

Yet governing in coalition with the ANC at a national level has helped detoxify the DA's image and reaffirmed its reputation for competence. It is hard for opponents to suggest that the likes of Ms Zille want to bring back apartheid—a trope of the ANC—when as a journalist under white rule she exposed the regime's abuses.

For many black voters Cape Town is a model of good governance. "I never used to have these problems or these failures," says Mandisa Maphisa, who moved to Johannesburg from there. "I'll be voting for the DA for effective service delivery that the party itself has proven is possible."

The DA thinks it will double its share of the black vote, from around 4.5% to 9% nationally, meaning it could be the third-most popular party among black South Africans. Ms Zille will probably win a higher share, though she may not meet her target of 40% of the overall vote.

The shift away from the ANC suggests that politics is beginning to catch up with society. Most South Africans say they do not mind the race of their neighbour, their sons- or daughters-in-law or the president. In a survey published in April, 70% agreed that politicians use race and colonialism as an excuse for their own failures.

An increasingly diverse middle class shapes politics, too. In 2012 black households made up 29% of those with at least 75,000 rand ($4,500) in monthly income, notes the Liberty Institute, a research group at the University of Cape Town. By 2024 they had caught up with whites (41%). The share of multiracial marriages increased from 1% to 11% between 2001 and 2022. More South Africans socialise with people of other races than in the 2000s.

There is no guarantee that Ms Zille will end up as mayor. But if she can win over enough black voters to form a coalition in Johannesburg, that will draw "a line in the sand", says William Gumede, an academic. "To get the South Africa we want, we need more blacks to cross the racial barrier." ■

Education in Africa

Going local

Does indigenous-language teaching help children learn better?

WHEN SENEGAL'S government wanted to find out in which languages to teach children, it sent officials into schools to listen to them playing. In school playgrounds across the country, the surveyors found children speaking in Wolof and Pulaar, joking in Safi, and throwing in the occasional French word.

The mapping exercise is part of an initiative to foster teaching in Senegalese languages that began in 2021. Most schools in Senegal teach in French, the country's only official language. But most children do not understand or speak it well. By starting to teach young children in local languages before transitioning to others, Senegal hopes that they will learn more.

At the moment, many children who attend French-speaking schools can barely understand their lessons. In Dakar, the capital, an estimated 55% of children do not speak French. In rural areas such as Fatick, in the south of the country, that share rises to 87%. The situation mirrors the rest of the continent. Most African schools teach in international languages, but only 10-15% of Africans are thought to be fluent in one.

They usually speak several of Africa's 1,500-3,000 indigenous languages. But because most children receive no formal instruction in their first language, it often ends up insufficiently developed to form the basis for learning a new one required at school. As a result, many struggle to study properly in any language at all. Nhlanhla Mpofu, a researcher at the University of Notre Dame Australia, says that around 80% of nine- and ten-year-old children in a South African class she studied could read a sentence perfectly, but did not understand what it meant.



Discovering another way to learn

Local-language instruction seems to help. One study in South Africa in 2024 found that children who focused on learning to read in their home language also did better in an international one, whereas weaker students who focused on the international language read less well in their home language. In Senegal, the latest effort also appears to have improved reading scores. Yet previous local-language teaching programmes funded by the World Bank and USAID faltered there, in part because parents were unhappy that textbooks were poorly made, compared with those for classes taught in French.

One important decision is which local language to teach in, given how many different ones are spoken across Africa. Senegal, for example, has six constitutionally recognised languages in addition to the official French, but there are at least 30 in total. Language statistics are old and incomplete, says Fiona McLaughlin of the University of Florida, and preferring one language to others can be politically tricky. She estimates that Wolof is the first language for around 40% of Senegalese and that 90% speak it. But its spread and status as a lingua franca in Dakar have raised fears of "Wolofisation", especially in the Christian south, where many associate the language with Islam.

To assuage such concerns, officials in Senegal make decisions about which language to recommend on a school-by-school basis. Schools are flexible, says Mamadou Ly, who runs Associates in Research and Education for Development, one of the organisations helping to implement the programme. For example, children in villages that predominantly speak Soninke in a majority-Pulaar region will learn in Soninke. In one case, a school started out teaching Wolof, but after two years some parents wanted their children to speak Pulaar. The school split the class so that both could be taught.

Perhaps the biggest challenge is reassuring parents that local-language instruction will not crowd out teaching in English, French or Portuguese. The languages of former colonial powers still dominate law, politics and business, making them essential for success. Senegal uses a gradual transition. Children start out learning in their chosen national language 80% of the time and in French 20% of the time. By age 12, the ratio reverses. "Children should be anchored in their culture, but should also be open to the world," says Mr Ly. ■

Europe



Serbia's election

Here comes everyone

BELGRADE

A leaderless anti-corruption movement toppled Aleksandar Vucic, one of Europe's most entrenched strongmen

FOR 18 MONTHS Pioneers' Park in central Belgrade has been a political hotspot. In early 2025 it was taken over by protesting students. Then forces loyal to Aleksandar Vucic, the country's leader, fenced it off and set up an encampment. On October 25th, the day of Serbia's general election, a posse of black-clad men assembled; they seemed to be pro-government thugs. But they vanished after Mr Vucic unexpectedly announced that he had lost. By the next day the fences were down and the tents destroyed, as citizens symbolically reclaimed the park.

Taking back the country's other institutions will be harder. Mr Vucic and his Serbian Progressive Party (SNS) ruled for 14 years, dominating the courts, the media and the economy. The scale of his defeat was unexpected. Opinion polls had shown the SNS running neck-and-neck with the opposition Student List, a mostly leaderless protest movement. Instead the SNS took just 39%. The students won 53%, giving them 141 MPs in the 250-seat parliament. They will try to restore the rule of law to the state that Mr Vucic captured.

Like Hungary's Viktor Orban, who was defeated by a broad popular movement in April, Mr Vucic was felled by outrage at corruption. Membership in the SNS had become a requirement for career advancement in state-linked institutions and big businesses, a communist-style practice that led to cynicism and resentment. Mass demonstrations began in 2021 in protest against a proposed lithium mine. In 2024 the collapse of a railway-station canopy that killed 16 people was blamed on shady contractors; Serbs came to feel that government corruption had left no one safe. That sparked the student movement, which started in universities, staged huge rallies throughout the country, and then met in faculty-based "plenums" to select candidates for the elections.

How the Student List will govern is unusually unclear. None of its MPs has a political background; they are members of civil society selected for their expertise. Serbs wonder whether power will lie with the new ministers, or with the students who picked them. One possible prime minister is Dejan Soskic, a former head of Serbia's national bank and now a Student List deputy. Once installed, he says, the government "will operate as any other". The MPs have signed the movement's manifesto, guaranteeing that the students will have "a very significant impact".

That manifesto, though, is full of promises to "spend the public funding responsibly" but light on detail. The students aimed to attract every voter tired of the SNS, regardless of political leanings. The movement embraces everyone from hardcore nationalists to easy-going liberals. The final election rally, which drew 150,000

→ ALSO IN THIS SECTION

48 A less pious Poland
49 Italy unsteels itself
49 Spanish rail disaster
50 Russia's last free press
51 Charlemagne: Phoney peace

people, featured headscarf-wearing Bosniak Muslims, Orthodox flags portraying Jesus and cardboard cutouts of Novak Djokovic, the Serbian tennis champion.

In the long run the movement could break up into left, centre and right factions. On foreign policy, its programme suggests little difference from that of Mr Vucic. It opposes the independence of Kosovo and eschews sanctions on Russia. Mr Soskic is ambiguous about whether Serbia will continue to sell arms to Ukraine: the students "do not support the idea of having economic benefits from disasters". But Serbia's effort to join the European Union could benefit if its government makes progress on the rule of law.

Mr Vucic had resigned as president, for which he was ineligible to run again, in order to run for prime minister. Some had feared he might resort to fraud or violence rather than give up power. Fraud there was, but not enough to affect the outcome. Ana Brnabic, an SNS member who took over as acting president when Mr Vucic stepped down, says that as the results came in and it became clear there was no path to victory, "he said 'There is no reason not to announce this...We lost, and that is it'."

The SNS is primarily a patronage machine, handing out jobs, public contracts and money. Having lost that power, it may not prosper in opposition, or even survive. Efforts to purge its apparatchiks have begun. This week supporters of the Student List angrily confronted the owner of a pro-Vucic newspaper, and demanded the resignations of editors at the public broadcaster, which had refused to report on the student protests. Ms Brnabic calls such demands "revolutionary terror". An openly gay woman of partly Croatian descent, she says that since the election she has received threatening messages calling her a "Croatian whore" and a "dead lesbian".

Yet the SNS still has resources. It is deeply entrenched in the organs of the state. Mob bosses are widely reported to be collaborating with Serbia's security services and with senior politicians. The Student List campaigned under the slogan "Serbia or the Mafia", but breaking the nexus between the state and organised crime is dangerous. One former prime minister who tried it, Zoran Djindjic, was assassinated in 2003 for his pains.

In one way Mr Vucic's defeat differs from Mr Orban's. Hungary's opposition was headed by Peter Magyar, a charismatic social-media front man with an indefatigable appetite for campaigning. Serbia's is amorphous and decentralised. That has been a strength, but could become a weakness in office. Mr Vucic has predicted that the students will collapse, and that he will be back in power in two years. Perhaps. But they have shown other countries a new way to beat a strongman. ■

Poland

Faith no more

WARSAW

Rising secularism is reshaping the right, but not moderating it

FOR MOST of the day, Gabriela's classroom in Wroclaw, a city in south-western Poland, is a hive of activity. But on Thursdays, as religion class starts, most of the kids trickle away. Religion lessons are optional and limited to one hour a week, but even that is sometimes too much for 12-year-old Gabriela, who says she envies the kids who get to opt out. Of the 18 pupils in her class, only three take religion.

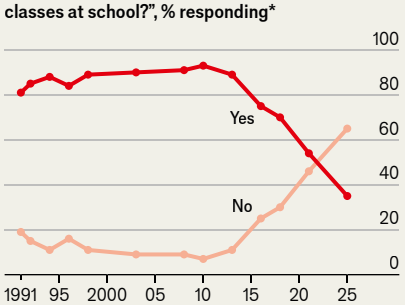
Poland is one of Europe's most religious countries, with 92% of adults identifying as Catholic. But religiosity is declining. The share of adults who do not practise at all has doubled in under a decade, to 22%. Sunday Mass attendance has fallen from 45% in 2005 to below 30%. Church weddings, baptisms and priest numbers have dropped, and the church has been forced to look abroad for recruits. At a seminary in Kielce, in southern Poland, nearly a third of the trainee priests are from Africa.

The exodus is especially acute among the young. From the 1990s, when Poland scrapped communism, until the early 2010s the share of secondary-schoolers in their final year who took religion courses hovered around 90%. By last year it had dipped to 35% (see chart). The share who are non-believers is 24%, four times the figure for adults. Youngsters everywhere tend to be less religious than their parents, but in Poland the generation gap is unusually wide. "Secularisation here is happening faster than anywhere else," says Andrzej Kobylinski, an academic and priest.

One factor is economic growth, which tends to boost secularism. Poland's record on that front is extraordinary: GDP per head, adjusted for purchasing power, has quadrupled in two decades, propelling the country to about the same real income level as Spain. Meanwhile, a rash of clerical sexual-abuse scandals in the late 2010s tarnished the church's reputation.

Holy unnecessary

Poland, "Are you currently attending religion classes at school?", % responding*



*Final-year secondary-school students
Source: Centre for Public Opinion Research

Another element was an informal alliance between church leaders and the right-wing populist Law and Justice (PiS) party, which governed from 2015-23. That alienated many youngsters, and women of all ages: hundreds of thousands protested in 2020 after the constitutional court, dominated by PiS appointees, imposed an almost total ban on abortion. Covid left a mark, too. Attendance at mass plummeted during the lockdowns, and has not recovered. Support for abortion and same-sex marriage has risen in the past decade.

But a more liberal society has not always made for liberal policies. Donald Tusk, the prime minister, heads a government spanning centrists, progressives, leftists and conservatives. During his campaign in 2023 he pledged to ease the abortion ban, but splits in his coalition have prevented that. A ruling by the European Union's top court has forced Poland to accept gay marriages conducted abroad, but the country's own laws have no provision even for same-sex civil unions. In July the president, a PiS ally, vetoed legislation that would have granted some rights to same-sex partners.

Rather than weakening the conservative opposition, secularisation is reshaping it. The Konfederacja (KWiN) party is challenging PiS as Poland's main opposition. Although many of its politicians are Catholic hardliners, KWiN's agenda pays little attention to the church. It focuses mainly on Euroscepticism, manosphere vibes, low taxes and stopping migration.

"Secularisation is not a threat to the right," says Krzysztof Bosak, KWiN's co-leader. Religion takes up "a very small fraction of our overall political message". That may explain the party's appeal among the young and religiously indifferent. Polls suggest it enjoys more support from the young than any other party.

Meanwhile PiS has seen its support fall to under 20%. In hopes of winning back voters from KWiN and the Confederation of the Polish Crown, an even more extreme (and often antisemitic) far-right group, PiS this year picked a nationalist Catholic as its candidate for prime minister. But that alienated the party's moderates. In July a group of 40 MPs headed by Mateusz Morawiecki, a former prime minister, left PiS to form a new centre-right grouping, Development Plus.

In the past, says Aleks Szczerbiak of the University of Sussex, the conservative recipe for success in Poland was to be "left-wing on economic issues, right-wing on moral and cultural issues, and very reli-

gious". That formula has expired, he says. Now the right's binding force is no longer faith but fear—whether of immigrants, woke culture or the EU. Mr Kobylinski says this mirrors developments elsewhere in Europe, pointing to the secular, populist-right Alternative for Germany.

The good news for Mr Tusk is that with less than a year before a general election, his ruling Civic Coalition (KO) is in first place in the polls. The bad news for him is that KO and its allies lack the votes to form a government. For now, PiS and the far right together have a big enough share to form a majority. The right is deeply divided; in the last campaign KWiN vowed never to rule with PiS. But should they overcome their differences and take office, it would be as a more secular yet more extreme right-wing force than ever. ■

Italian industry

Iron or lungs

TARANTO

Italy's biggest steel plant may close

In the 1970s the steelworks at Taranto, on Italy's southern coast, were among Europe's largest, with 20,000 workers churning out millions of tonnes of steel a year. Today the plant is down to 8,000 employees, and this month it halted production. In July a court in Milan ordered it shut down by October 25th to install pollution controls. The owners appealed, and the government of Giorgia Meloni, Italy's prime minister, allowed it to keep its furnaces warm so that production could resume. This week Italy's highest court will decide whether they must be turned off, which could spell the plant's end.

The steelworks' chimneys tower over the city, spewing out toxins. In the nearby district of Tamburi residents sweep red dust from their balconies every day. Studies have documented elevated rates of cancer and respiratory disease, as well as reduced cognitive performance among children. One study found over 1,000 excess deaths between 2011-19 near the plant; another found deaths from lung cancer were 30% above the regional average.

Grazia Parisi, a local paediatrician, says she sees growing numbers of children with respiratory illnesses and conjunctivitis. Her patients include children with leukaemia and brain tumours. When children get a cough, mothers fear the worst. "We are afraid to breathe, eat or let our children play in the fields," says Dr Parisi.

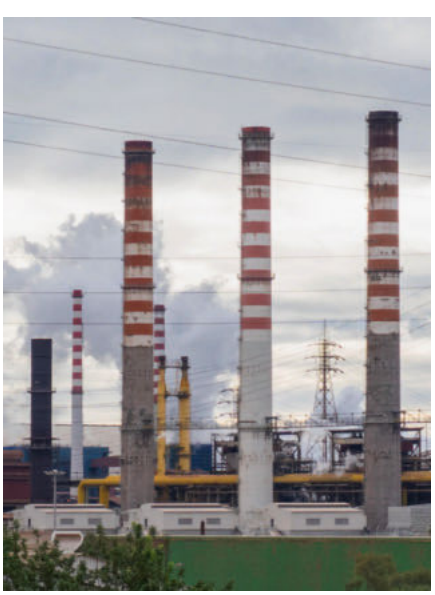
Among those suing the plant is Aurelio Rebuzzi, whose son Alessandro suffered from cystic fibrosis. He died at 16. In a church next to the plant, under a mosaic of Christ pointing at a steel factory, Mr Rebuzzi recalls doctors urging him to take his son away. "But Alessandro refused, saying 'It's not me that should leave my city that I love, but those who came and polluted it.'"

The government fears a shutdown would hurt Italian manufacturers and devastate Taranto's economy. The plant was owned by the state when it opened in 1964. It was privatised in 1995, but has struggled to cope with international competition and with court penalties for pollution. The state has intervened repeatedly to indemnify the plant and bail it out.

In mid-October workers blocked roads to protest against the shutdown. Oronzo Spagnulo, a union organiser who has worked there for 26 years, said the government should make steelmaking cleaner while preserving jobs. His father, who also worked at the plant, died of brain cancer. The workers struggle to balance concern for their livelihoods with their health. Angelo Bicchieri, a safety officer, says residents who do not work at the factory see the workers as complicit: "They hate us."

Ecco, an environmental think-tank, says the plant could switch from coal to natural gas and then green hydrogen at a cost of about €11bn ($12bn). But the workforce would shrink to 3,200. The government says European green-deal funds are available, and it hopes to find new private owners to fund the rest. But the shutdown order makes the plant less attractive.

Some residents reject even the clean-steel idea. They would prefer the region to stop making steel and shift to agriculture and tourism. Europe's steel output has shrunk by one-third over the past two decades. If Taranto's steelworks were to follow the trend, it might be no bad thing. ■



Cancer sticks

Spanish railways

Horror on the tracks

MADRID

A second collision raises questions

For the second time this year crushed train carriages lie on their sides in the Spanish countryside. On the morning of October 28th a high-speed train operated by Renfe, the state rail company, ploughed into a stationary train south of Toledo. At least 68 people died, and 58 were seriously injured. Survivors described horrific carnage in the first carriage of the Renfe train and the rear three of the stationary one, operated by Iryo, an Italian-controlled competitor.

In January, in a similar tragedy on the same line, 46 people were killed when an Iryo train derailed and was hit by one from Renfe. Until then Spain's high-speed network, the world's longest after China's, was a source of national pride. Now Spaniards are in shock. "It's not acceptable in a country like Spain" to suffer two serious rail accidents in a year, said Pedro Sánchez, the Socialist prime minister, at the scene. "The whole of Spain is grieving."

This week's accident happened after the continuous automatic train-control system, which controls signalling on the line, stopped working. Trains were halted. But in a decision that Oscar Puente, the transport minister, called "inexplicable", a traffic controller ordered the Renfe train to resume its journey, with fatal consequences 17 minutes later.

"Spain has a right to know what's happening with its infrastructure," said Alberto Núñez Feijóo, the leader of the conservative opposition. Mr Sánchez promised an investigation. But they tend to be slow and inconclusive in Spain. A police report blamed the January crash on a defective track repair but that has yet to be confirmed.

Liberalisation of the network in 2021 has led to a big increase in traffic. The government's critics say that spending on maintenance has not kept pace. And some say both Renfe and Adif, the state rail-infrastructure company, have been stuffed with political appointees. A general election is due on November 29th; most of the candidates have suspended campaigning during three days of official mourning. Soon enough, Spaniards will give their verdict on whom they blame.

Russia's press

Final edition

MOSCOW

The Kremlin shuts down the last free-thinking newspaper in Russia

A LARGE MODERNIST building in the heart of Moscow, a former printing press, with a modest nameplate: *Novaya Gazeta*. Journalists packing up books, belongings, memories. The rustle of cardboard and screech of packing tape. Boxes piled in the newsroom, under a street sign: "Politkovskaya Square", named after Anna Politkovskaya, a renowned reporter for the newspaper, killed 20 years ago this month.

A young staff member sits down next to others taking a break, just to spend a little more time with colleagues. A trolley rolls down the corridor, carrying photographic prints. "It's as if my whole life has gone by," says the newspaper's accountant. A crestfallen camerawoman records the final days of the last liberal media outlet in Russia.

Dmitry Muratov (pictured), *Novaya Gazeta*'s publisher and a Nobel peace-prize laureate, was on his way to Paris on October 19th to commemorate Politkovskaya's murder when he learned the paper was being evicted from the building it had occupied for three decades. Its financial channels would be blocked, thanks to being branded a "foreign agent". Next day he learned that Sergei Sokolov, the editor-in-chief, had been detained and questioned.

On October 26th Mr Muratov and Mr Sokolov gathered the paper's remaining staff in the basement of the building next door, telling them to leave their phones outside. The previous night someone had broken into the newspaper's offices, so it was unsafe to talk there. It was a sign of escalation, Mr Muratov explained. They might be declared an extremist organisation and their "members" arrested. The staff agreed it was time to close down the newspaper launched in 1993, the year Russia adopted its post-Soviet constitution. "We haven't died, they've killed us—along with the constitution," says Mr Muratov. "You can only laugh at Article 29 of the constitution: 'Censorship is prohibited'."

The closure of an independent anti-war newspaper in a country run by a militaristic dictatorship was hardly a surprise. What was astonishing was that it managed to carry on for nearly five years after Vladimir Putin launched his full-scale invasion of Ukraine and isolated Russia from the West. Its licence had been revoked and its website blocked, but it continued reporting, finding ever more ingenious ways to reach readers.

Novaya Gazeta's journalists had been exposing the state's violence against its own people since the war in Chechnya in the late 1990s, which secured Mr Putin's grip on power. Six of its journalists had been killed, including Politkovskaya. "I have it in for Putin," she wrote in 2004, "because of his cynicism...because of endless war...because of lies." Russia was heading towards fascism, she warned.

On October 7th 2006, Mr Putin's birthday, she was gunned down entering her apartment block. War was bound to follow sooner or later, says Mr Muratov: "When people are treated like dust and institutions are destroyed, violence inevitably spills beyond our borders."

It was *Novaya Gazeta* that revealed that the regular Russian army, not rogue separatists, were fighting in Donbas in 2014. The paper was first to report that the Wagner mercenary group was controlled by Evgeny Prigozhin, who later led a mutiny against Mr Putin and died soon after in a plane crash. In 2018 Prighozhin had funeral wreaths and severed rams' heads sent to the newspaper's offices.

The day after Mr Putin ordered the invasion of Ukraine, *Novaya Gazeta* came out in both Russian and Ukrainian with the headline "Russia. Bombs. Ukraine." Days later, after the Kremlin criminalised the word "war" and imposed de facto military censorship, the newspaper put out an edition with the headline "No Words" on the front page, followed by blank sheets of paper. When distributors stopped delivering it to newsstands, readers came to its newsroom and bought up the entire run.

After the invasion, two-thirds of the newspaper's editorial staff moved to Latvia and launched *Novaya Gazeta Europe*. Mr Muratov and about 30 others decided to stay in Moscow. Unable to cover the war in Ukraine, they reported on its consequences in Russia: political prisoners, economic deterioration, psychological trauma and censorship. Some young journalists joined up. "Give me a job," said one young woman when she applied. "Any subject, anything—I just need a place where I can say out loud that I'm against it."

The newspaper provided comfort and dignity to those who opposed the war but did not want to leave Russia. Ordinary Muscovites went there in order not to feel alone. "It was a place where you could feel as though you were in a normal world, one where criminals are not hailed as heroes," one reporter says. But even as Mr Putin escalates his attacks on Ukrainian cities, he is demolishing the few remaining free public spaces inside Russia.

Novaya Gazeta "was our city", says Mr Muratov. "They've destroyed this city, and we're leaving. But we are not leaving our work." He will donate many of the newspaper's artefacts to its readers, or "accomplices", as he calls them. On October 29th, the day of remembrance of the victims of Stalinist repression, the journalists began reading out a long list of current political prisoners. A stone from Solovetsky island, the site of one of the first gulag camps, has been placed in "Anna's garden", a patch of green in front of the building which they have planted in Politkovskaya's memory. ■



Dmitry Muratov, a hero of our time

CHARLEMAGNE
The phoney peace

Europe is gearing up for a future war Russia is already waging



FOR EIGHT months after France and Britain formally declared war on Germany in September 1939, remarkably little happened. The period became known as the "phoney war": a curious interlude during which western Europeans purported to be fighting while in fact living at peace. (Not for long, alas.) Today Europe faces the inverse predicament. In theory no part of the continent west of Ukraine is at war with Russia. But peace ain't what it used to be. Month after month Kremlin-paid stooges harass European airports with drones, sabotage railway lines, torch shopping centres, threaten defence-company executives, hack computer systems and spread morale-sapping disinformation on social networks. None of this amounts to conventional warfare—but neither does it feel like *not*-warfare. Call it the phoney peace. Russia is keeping Europe permanently off-balance, displaying too much belligerence to ignore, yet not enough to trigger direct retaliation.

War and peace, to borrow a Russian phrase, used to be mutually exclusive. Today in Europe they exist concurrently. This poses a dilemma: how much should Europe worry about threats of future invasion, and how much about the current reality of aggression? On one hand, the continent is gearing up for an old-fashioned war against Russia of the sort Leo Tolstoy might recognise, involving artillery and troop movements (and missiles and drones, these days). On the other, it is already embroiled in a different sort of conflict, one fought with sabotage and propaganda. The danger is that Europe fixates on the hard war Russia might wage tomorrow—the clear-cut one that generals have spent their careers preparing for—while neglecting the murkier one already in full swing.

For now, much of Europe's focus is on the tanks-crossing-borders threat. That is unsurprising: spooks from various countries think Russia might try to launch an invasion of NATO territory by 2030. Military materiel is thus being ordered, soldiers trained and battalions positioned accordingly. Defence budgets have soared to meet the challenge. Before 2022 most NATO countries fell short of the target of spending 2% of GDP on defence. Now they are (mostly) on track to meet a revised target of 3.5%.

Arguments rage over how these new billions should be spent. Should European countries keep buying American weapons, or pay more to develop their own? Are tanks obsolete? Such trade-offs are best left to those who know one end of a howitzer from the other. Some investments would help fend off both conventional and unconventional threats. Take drones, the break-out weapons of both the Ukraine war and Russia's low-grade attacks on other parts of Europe. Learning to deal with them will deliver rich dividends both on future battlefields and in today's murkier situation, when drone incursions have become routine.

Debates over what kit to buy risk obscuring a broader question: what is the right split between spending on defence versus on security more broadly? Much of that 3.5%-of-GDP splurge has been conceived around the risk of a war of territorial conquest that seems foolhardy even for the mercurial Vladimir Putin. Russia has spent five years trying to win a three-day war against its neighbour; taking on NATO would be a curious choice of encore.

Meanwhile, the Kremlin is already waging a war of sorts on Europe. For what else to call the constant stream of sabotage and provocation? Researchers at the International Centre for Counter-Terrorism, a Dutch outfit, have documented over 180 such incidents linked to Russia since 2022. Some amount to little more than souped-up vandalism, carried out by petty criminals hired over the internet for a few hundred euros. Others are so reckless that casualties seem inevitable sooner or later. In 2024 incendiary devices planted in parcels passing through European logistics hubs threatened to bring down cargo aircraft. In August an explosives-laden drone was discovered at Leipzig airport in Germany.

Europeans are hardly oblivious to the need to fight off so-called "grey-zone" warfare. Alongside the pledge to spend 3.5% of GDP on defence, NATO members committed to devote 1.5% to broader security needs, including protecting critical infrastructure, improving civil resilience and so on. But the latter target is loosely defined, and mainly encompasses existing spending. Nor is money the only obstacle. Territorial defence is expensive, but it is familiar territory for military types, albeit fuzzier now that drones have muddied the waters between conventional and unconventional fighting. Protecting Europe against sabotage and dirty tricks—both deterring attacks and minimising their impact—is a messier business. It often requires police forces, local authorities and private companies to work together. Nordic countries have long taken such matters seriously. In Germany they are now part of the public debate. Others need to catch up.

I know you planned it

The lesson is not that spending on security—the stuff needed to counter low-level aggression—should come at the expense of territorial defence. On the contrary: it is precisely because NATO's hard-power deterrence is so credible that Russia has resorted to unconventional warfare. Europe needs to get better at preventing such attacks, and at minimising the damage if they succeed. But how to push back against Russia—which often denies being behind attacks—without entailing dangerous escalation?

There is one easy way for Europeans to show the Kremlin that its campaign of intimidation is futile. Much of the Russian mischief is ultimately intended to undermine European support for Ukraine. In November European leaders will have to agree a new aid package to keep Ukraine solvent while it fends off its invader. A generous offer would send a strong message: Russian sabotage will not cause Europe to waver in its support. The current peace, phoney as it is, can be sustained only with steadfast resolve. ■

Britain



The budget

Playing it safe

John Healey's defensive budget did little to tackle the country's deeper problems

When Andy Burnham entered office in July, the football-mad prime minister promised to go on the attack. His government would oversee "the biggest changes in the last 40 years". Britons fed up with the status quo would "start to believe again". That ambition calls for a striker at the Treasury, a game-changing chancellor. Unfortunately John Healey's first budget, on October 28th, was all defence. It dealt with the immediate worries: modest tax rises shored up the public finances, and even more modest handouts eased the cost of living. But the budget left the big problems, whether on reforming Britain's broken tax system or finding the money for its spending ambitions, untouched.

To be fair, Mr Healey was playing on a boggy pitch. The Office for Budget Responsibility (OBR), a fiscal watchdog, cut its 2027 growth forecast from 1.6% to 1%, blaming the energy crisis caused by war in the Middle East. The conflict pushed estimated inflation for 2027 from 2% to 3.4%. Borrowing costs will be £12bn ($16bn) a year higher on average in the medium term. By 2031-32 debt-interest spending will consume 4.2% of GDP (£160bn a year), more than double the pre-pandemic level.

The chancellor's game plan was to show "fiscal discipline" and give "Britain some breathing space on the cost of living". On both counts, Mr Healey achieved short-term success but set himself up for long-term failure. The government is on track to meet its fiscal rules, with debt coming down and day-to-day spending covered by tax revenues by 2029-30. The deficit is forecast to fall by half, from 4.2% this year to 2.1% in 2029-30. If Mr Healey pulls this off, he will be doing much better than the French or the Americans.

Mr Healey chose to shrink his margin against the fiscal rules, to £15bn from £24bn in March. As the rules only bind in 2029-30, he snuck in higher spending early on. Holding the margin at even that level then required a medley of small, fiddly tax tweaks. Taxes on savings and property income will go up by two percentage points, raising £1bn a year in steady state. A time-limited surcharge on bank profits will raise £1.5bn. Gamblers and large operators of private-hire cars will also have to cough up. All these changes made the system messier, but none poses existential challenges to Britain's competitiveness.

Although it is welcome that Mr Healey did not degrade the public finances further, he should not be mistaken as a paragon of fiscal responsibility. Debt is expected to be 96.7% of GDP in 2029-30, up from 95.5% now. If the government cannot stabilise debt even outside a crisis like the covid-19 pandemic, it will have less firepower when the next one hits.

Worse, few believe Labour will stick to

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53 A shift, of sorts, on energy

54 Afghans and sex crimes

55 Bagehot: The state of the state

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— Prince William's high street

— AI's challenge to judges

its spending plans. Mr Healey delighted in setting a target to spend 3% of GDP on defence by 2030. (He could hardly have done otherwise, having resigned as defence secretary under Sir Keir Starmer over a refusal to set such a target.) He was hazy on how to pay for this important move, punting the decision to next year's spending review. The OBR reckons that, under current plans, most departments face real-terms cuts of 2.6% a year in the last three years of the forecast. The government is unlikely to get that past its backbenchers—and Mr Burnham himself wants more money for priorities such as a National Care Service.

The story on the cost of living is similar. The budget continued Mr Burnham's strategy of giving the electorate cheap goodies, like a mascot lobbing sweets into the stands at half-time. Most households will receive £100 to help with their heating bills. An energy tax-cut will be extended until July, with taxes on fuel also frozen until then. But although the public might temporarily enjoy a sugar rush, these measures will not disguise the fact that this is a grim period for living standards.

The OBR thinks that household disposable income will fall in real terms this year, and grow weakly thereafter (see chart). By the end of the decade it will be only 1% higher than before the pandemic. Ultimately it is economic growth, not handouts, that will improve living standards. The Prosperity Alliance, a pro-growth lobby stuffed with technocrats, calculates that if growth had continued along pre-2008 trends the median household would be £16,000 a year better off.

A story of missed chances

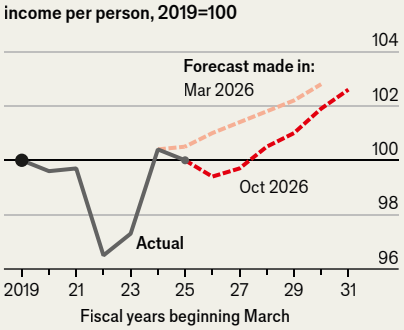
Yet the budget did little to improve the prospects for growth. There were some good measures, like a plan for building data centres more quickly and a greater focus on making cheap bills the foremost priority of energy policy (see box). The devolution of tax-raising powers to local areas should also incentivise local politicians to push for growth. But Mr Healey could have gone much further. Britain's sclerotic planning system, choc-a-bloc with veto points, remains mostly intact. The country's sky-high visa fees put off the world's brightest from joining British companies. Britons might have to wait until December to find out more about the government's plans to move people from welfare to work.

The biggest disappointment was Mr Healey's failure to reform Britain's tax system, which disincentivises growth at every turn. He left stamp duty on home sales, which stops people moving to better jobs, untouched. He failed to remove the high marginal tax rates (like 62% for those earning between £100,000 and £125,140 a year) which stop people from working longer hours. If anything, the chancellor made the system more complicated. Pensioners on £13,000 a year now face a 53% marginal tax rate if they want to make a bit of money on the side. More small businesses will be exempt from commercial-property taxes, but adult gaming centres and vape shops are exempt from the exemption.

Blame for a lacklustre budget should ultimately be laid at the foot of the team captain, the prime minister. Mr Burnham hopes to win voters over with small treats now and the promise of radical reform later. That misunderstands how governing works. The time for big moves is early, while a government still has authority and years to let its policies pay off before an election. Mr Healey mounted a successful defence. But only goals win games. ■

The long squeeze

Britain, real household disposable income per person, 2019=100



Source: OBR

Energy policy

Danger! Low voltage

The chancellor promises cheaper energy

BRITISH HOUSEHOLDS and businesses have struggled with expensive energy for years. Firms in the country pay more than in any EU member state. Domestic consumers are near the top of that undesirable league table.

Cheaper rather than greener power was the promise from John Healey, the chancellor, in his budget on October 28th. He signalled a shift away from prioritising low-carbon electricity generation at all costs. "From this point, our Labour government priority is first and foremost cheaper energy," he said.

He proposed a handful of short-term measures and some longer-term ambitions. Most Britons will get a one-off payment of £100 ($133) this winter. A previous decision to remove value-added tax from bills temporarily will be extended. The "standing charge" on gas bills, a daily payment to stay connected to the network, will be removed and a planned levy which would have funded hydrogen energy products is cancelled. Largely, this doesn't change the underlying costs; it just moves them around.

In the longer run, Mr Healey said, the government will approve green projects only if they cut costs for consumers. He promised that more "fixed-price contracts" for renewable energy will make Britain less reliant on volatile international markets for natural gas. (Left unsaid was that this could also lock in higher prices if markets go down.)

A target of generating almost all electricity from zero-carbon sources by 2030, which looks increasingly hard to reach, stays in place. Allies of Miatta Fahnbulleh, the energy secretary, and Ed Miliband, her predecessor, insist cheap power was already a priority. The short-term subsidy will be "cold comfort for households", according to the Resolution Foundation, a think-tank; average annual bills are forecast by EDF, an energy provider, to jump by 27% (or nearly £500) in January and another 8% in April.

Abolishing the standing charge puts more burden onto the variable part of the bill, pushing up the unit price of gas and making bills more expensive for heavy users. Shifting green levies onto general taxation only moves the burden to taxpayers. Mr Healey made a welcome pledge to adopt new rules to speed up the construction of nuclear power stations, but this will take years to have any effect on bills. He is resisting calls to introduce more localised pricing for electricity, which could make markets more efficient. The government has approved the exploration of a new gas-field in the North Sea, but ministers are divided over whether to give the green light to an oil project nearby.

Alarmingly, it is not clear whether the grid could handle cheaper energy if this pushed up demand. The country's power infrastructure came close to blackout during a summer heatwave, according to a leaked report from the National Energy System Operator, which runs the system. Cheap or green? Neither matters much if the lights go off.

Immigration and sex crimes

Census and sensibility

A hard look at Britain's data suggests some immigrant groups commit more sex crimes

In Bristol last November three men and a 17-year-old boy, all Afghans, gang-raped a 17-year-old girl over several hours. Beforehand they had groomed her on Snapchat and plied her with alcohol; afterwards they fled to France in a lorry. The French authorities returned them to Britain, where they were convicted and, on October 6th, sentenced to long jail terms. In court the girl described how "listening to it all again from the lawyers kept me reliving everything that happened to me".

Such horrors fuel suspicion of migrants. So did a recent state-issued booklet about Britain for asylum-seekers. Page five clarified that the legal age of consent is 16 and that rape is a serious crime. "I've never heard of someone who decided not to rape because they received a leaflet," said Kemi Badenoch, the Tory leader. The clumsy campaign fed the idea that some immigrants—notably men seeking asylum—are responsible for a disproportionate share of sex offences. Nick Timothy, the shadow justice secretary, claims that "Afghans are over TWENTY times more likely to commit sex crimes than Brits."

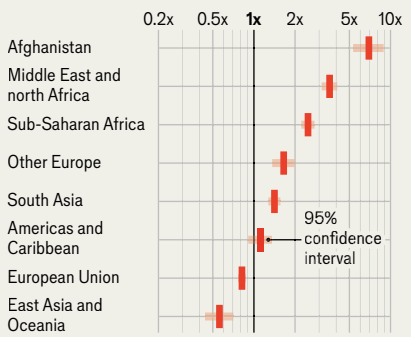
Is that true? The government does not publish crime rates by immigration status. The limited data it does release are raw counts of offences by those of each nationality, from a countrywide police database. The "20 times" claim was based on there being 13,000 Afghans in Britain, an estimate from the Office for National Statistics' Annual Population Survey. That figure is unreliable, however, having been extrapolated from a sample of fewer than 60 individuals. In 2021 the ONS stopped publishing this population estimate owing to plummeting survey-response rates.

The Economist's analysis suggests that the "20 times" claim is a wild exaggeration. But our numbers are hardly reassuring.

The Migration Observatory, a think-tank based at Oxford University, obtained figures through freedom-of-information requests to the Ministry of Justice. These count cautions and convictions in England and Wales, split by offenders' nationality, between 2010 and 2024. The data detail 8m crimes, of which 106,000 are sex offences ranging from rape to consensual sex in public. The police's recording of offenders' nationality is messy, but we found that four-fifths of sex crimes were committed by British people. Just 0.39%—409 offences over the 15-year period—were committed by people who said they were Afghan.

How disproportionate?

England and Wales, conviction rates* for sexual offences by offender's nationality, 2020-22
Multiple relative to British population, log scale



*Age- and sex-standardised
Sources: Ministry of Justice; ONS; *The Economist*

Whether 409 crimes is a lot or a little depends on how many Afghans are in the country. In March 2021 the last census reported 14,300 Afghan passport-holders living in England and Wales, and another 7,100 without a passport who said they were Afghan: a total population of 21,400.

The census is just a snapshot in time. Since 2021 some 3m people have settled in Britain and the foreign-born population has risen from 16% to 19% of the total. After the Taliban seized Kabul, in August 2021, some 38,000 Afghans flocked to Britain over the next year and a half. Accounting for those who later left and those who became citizens, we estimate that the Afghan population of England and Wales had doubled to 45,000 by the end of 2022.



Tide and prejudice

To capture more than the snapshot we analysed convictions during a three-year period, 2020-22, and averaged our population estimate over those three years. We then standardised our estimate to account for age and sex (men commit 98% of sex crimes, for example, and Afghans are about ten years younger than the population at large). This suggested Afghans are convicted of sex crimes at seven times the British rate—a far cry from Mr Timothy's "over 20 times", but disturbing nevertheless (see chart). Our number is still uncertain: it may be skewed by a few serial offenders, by quirks in reporting and detection rates for such crimes.

Evidence from other countries, using different methods, suggests that this may not be solely a British problem. The perception is certainly not. "The main group, of the worst crimes, like raping, like killing people...the main category are Syrians and Afghans," Alice Weidel, leader of Germany's populist Alternative for Germany party, told *The Economist*. In Austria, Denmark, Finland, Germany and Sweden immigrants from the Middle East, North Africa, Central Asia and the Horn of Africa are over-represented among suspects and convicts—especially for sex crimes. Where age-standardised analysis exists for those countries, the over-representation shrinks, as in Britain, but it does not vanish.

Looking at convictions by ethnicity, rather than nationality, is less unsettling. The Ministry of Justice produces detailed data on prosecutions and convictions by age and sex for 18 ethnicities. We used these to repeat our age-standardised analysis, for the same 2020-22 window. Our results suggested that Pakistani (an ethnicity, not a nationality, in those data), other Asian and other non-black minority men were no more likely to have been convicted of sex offences than white British men.

It should not be surprising that conviction rates differ between nationalities. Ben Brindle of the Migration Observatory notes that many migrants will have witnessed violence, or come from poor backgrounds. This drives criminality, and being socially isolated and jobless in Britain doesn't help. "Just as large differences in conviction rates exist among British citizens, they will be present across different nationalities, too," he says.

And the numbers need to be kept in perspective. In 2010-12 Afghan nationals were convicted of 92 sex crimes; in 2022-24 the total was 102. Ten additional sex crimes, after the Afghan population has roughly tripled, is not an epidemic. ■

BAGEHOT
The state of the state

Degen-trification: what happens when a place degenerates and gentrifies all at once?



WHEN GAIL'S, a chain of artisan bakeries, opened a store in Brixton, an always-lively part of London, on October 16th, it did not receive a warm welcome. Posters appeared of a sourdough loaf altered to look like a bomb. A petition against the store attracted 1,326 signatures. Naturally, once opened it was rammed with Brixtonians buying ham-and-cheese croissants for £5.40 ($7.20). Its windows provided a panorama of travellers streaming down the steps into Brixton Underground Station. Just before 4pm on Saturday October 24th it offered a view of a man pinning someone down and stabbing at him repeatedly.

Welcome to Brixton, where degeneration and gentrification are never far apart. To gauge the state of the British state, ignore the budget, which took place in Westminster on October 28th, and scoot down to Brixton. The area has always been the sharpest example of social change. It was a symbol of post-war immigration before it became a byword for inner-city decline and racial strife. It has since been a tale of rebirth. Gentrification ripped through the area. Handsome Victorian terraces went from five figures to six figures to seven figures. Now it is, again, a picture of something rotten. Call it degen-trification, where an area is both on the up and falling apart, all at once.

Bad behaviour increased after lockdown, says Ayesha Hazarika, a broadcaster and an organiser of Action on Anti-Social Behaviour, a local residents' group. An area that was always vibrant if edgy instead became scary. Residents complain of drug addicts defecating and masturbating in public. Robberies are up by over 40% year-on-year in 2026 so far; sexual offences by a similar rate. Robert Jenrick, an MP for the populist-right Reform UK, filmed himself marching around Electric Avenue hunting shoplifters, safe in the knowledge he would find some. A few metres from Gail's, past the site of the stabbing, someone has daubed "Destroy Brixton Gentrification". A baffled resident might channel Mahatma Gandhi's reputed thoughts on Western civilisation: "Gentrification? I think it would be a good idea."

Brixton both confirms and denies the online caricatures of London as a hellhole, depending on where one looks. Is it a no-go area? Far from it. Every evening, young Londoners erupt out of Brixton Underground Station, flicking a Revolut or American Express at the ticket barrier before scurrying into Brixton Market, a once-rundown 1920s affair but now a yuppy playground. Chishuru, a Michelin-starred Nigerian restaurant, started here; as did middlebrow fare from Franco Manca to Honest Burgers, which became successful chains. Jay Rayner, Britain's finest food critic, lived down the road, and slapped his approval on anything good.

As it is for London's yuppies, so it is for the city's crackheads, who barge through the barriers at Brixton station to sample the local delights. Brixton is blessed with, by all accounts, Michelin-grade crack cocaine, and so people travel from far and wide as they would for any new small-plates joint. At night a curiously well-manned hot-dog stand appears outside the station. It serves glass-eyed Zoomers, staggering out of the Tube. It also serves skeletal figures with a determined look who have cajoled generous passers-by into paying for a hot-dog with a flick of an iPhone. The addict is then taken round a corner and handed a small package. Brixton could well be the only place in Britain where it is possible to pay for crack with contactless.

Brixton is the story of a state that has lost the capacity to care. Every part of it has bigger things to worry about. What is a little fare-dodging when Transport for London has a backlog of £4bn in repairs on its Underground network? However well-paid Tube station staff may be, expecting them to deal with knife-wielding assailants is a bit much. Anyway, aren't the British Transport Police supposed to do that? Though London's main stations are well-staffed by men with guns, far fewer officers are available for workaday antisocial behaviour on the rest of the Tube.

In any case, Brixton Underground Station is a short walk from a police station. Arresting a drug addict or a small-time street dealer is easy. But where would they go? England's crown courts have a year-long wait; its prisons are full. At its last inspection HMP Brixton was England's most crowded category-C prison, for offenders on the path to redemption. Prisoners are doubled up in single-occupancy cells. And about 40% of prisoners said it was easy to score drugs within its walls. (That said, HMP Brixton does have an acclaimed restaurant, The Clink, staffed by inmates serving pan-fried lemon sole in a lemon-butter sauce for £26.)

Can't the council step in? It already does. It spends the best part of £250,000 a night—about £100m a year—on temporary accommodation for the homeless. This is not largesse born of being a borough in one of the world's richest cities: with a projected cumulative deficit of £93m by 2030, Lambeth is almost broke, due to obligations from Westminster being dumped on councils without funding to match. Expecting it to treat hundreds of crack and opiate addicts who live in Lambeth on top is unfair. The result is an inordinately expensive system that fails everyone from taxpayers to the people sleeping rough at Brixton station.

Crack in society

When an area tears in two directions, it becomes a discourse monster proving everyone's priors. For reactionaries it is a harbinger of what Britain will become without hanging 'em, flogging 'em or deporting 'em. For progressives it is austerity made manifest, a land of inequality incarnate where a banker will leave a £1.8m home and step over human shit on his way to work. Sometimes England's extremes are all in one place and make the solutions offered in Westminster seem inadequate. Just take a trip to Gail's in Brixton and look out of the window to see. ■

International



The ballot or the ballad

To understand African politics, just listen to the music

ADDIS ABABA, KAMPALA AND NAIROBI

Artists have captured a continental spirit of revolt

"IN THE TOWN where I grew up I have become a stranger, as though I belong to no land." So sings Teddy Afro, Ethiopia's biggest pop star, on "Das Tal", a hit song released in April. It is a denunciation of the violence and repression convulsing his country. Days after its release more than a hundred people in Addis Ababa, the capital, were reportedly arrested for listening to it in public. Police are said to have warned nightclub owners in the city not to play it. Teddy's studio was raided and two of his associates were reportedly detained.

Such cartoonish thuggery might seem excessive. But the Ethiopian government and other African regimes have good reason to fear musicians. Opposition parties in Africa tend to be weak or divided. Civil society is typically supine, the media often cowed. But on a continent teeming with disaffected youth, music remains a lively political battleground. In many countries, musicians have emerged as the most authentic—and at times the most dangerous—voices of dissent. "If you want to understand our politics, you should listen to the music," says an Ethiopian analyst.

This may come as a surprise, since Africa's best-known musical exports these days are politically anodyne. Afrobeats, for instance, might owe its name to Fela Kuti, a ludic Nigerian radical repeatedly jailed by military juntas. But most of its current stars specialise in "club bangers", apolitical anthems for the discotheque. South Africa's music scene once produced anti-apartheid icons like Miriam Makeba and Hugh Masekela. It is now most famous for Amapiano, a hypnotic and hedonistic genre of electronic dance music.

Some link these shifts to the rise of an African middle class and a well-heeled African diaspora. Both prefer revelry to revolution. "They say money don't buy you happiness," sings Teni, a Nigerian artist. "But I want all the money in the world." She means it: when Afrobeats stars like her hold concerts back home in Nigeria, the tickets can cost more than the average Nigerian earns in a month. Hip-hop fans in South Africa say their genre has been similarly gentrified since the end of apartheid. "It's music tied to a discourse of a new black bourgeoisie, enjoying the fruits of freedom," says Oliver Layman, a South African researcher at Cornell University.

Beneath this affluent crust, however, magma seethes. Millions of young Africans have no jobs or only bad ones. They blame corrupt leaders for embezzling their futures, but have few outlets for their anger. Previous generations of the downtrodden at least had clearly defined common interests. Peasants might pick up guns and fight for land; factory workers could unionise and go on strike. Today Africa's vast, informal underclass is more diverse and less coherent. Unskilled day-labourers have different interests from jobbing tradesmen. Motorbike delivery riders have little in common with barbers or maids.

Little unites Africa's "generation hustle" apart from a deep sense of disaffection. But nearly all disaffected young Afri-

→ ALSO IN THIS SECTION

58 The Telegram: Loved to death

cans listen to music, and a generation of musicians has given form to their spirit of revolt. Singing mostly in local languages, many are heavily influenced by reggae and hip-hop, drawing on those genres' emotive themes of poverty, defiance and black liberation. Their music often transcends ethnic and occupational divides. It has sometimes transformed amorphous anger into co-ordinated political action.

The most famous example is Robert Kyagulanyi—better known by his stage name, Bobi Wine. Mr Wine rose to prominence as a self-styled "ghetto president", singing songs about life in the slums of Kampala, Uganda's capital. He has since run twice to be the country's actual president, making him one of the few serious challengers to Yoweri Museveni in his 40 years in power. "Maybe his background as a musician meant he had his finger on the pulse in a way that others did not," muses an adviser to Mr Museveni. "Everything that I'm saying now, I had already said in my music," says Mr Wine, whose *nom de plume* is a tribute to his hero, Bob Marley.

Cry freedom

Musicians have orchestrated social eruptions in other countries, too. In 2023 the death (from illness) of Azagaia, a Mozambican rapper, brought thousands of people into the streets for a funeral procession. It quickly morphed into a protest against the iniquity of the elites Azagaia had railed against in his music. Those demonstrations were the overture to a mass uprising that nearly toppled the government the next year. Azagaia's song "Povo no Poder" ("People in Power") served as the posthumous anthem of the revolt.

Another rabble-rousing singer, Hachalu Hundessa, commands near-mythic adulation among the Oromo, Ethiopia's largest ethnic group, who have long felt marginalised. His songs helped inspire youth protests that brought Abiy Ahmed, the prime minister, to power in 2018—the first Oromo to hold the job. In 2020 Hachalu was assassinated, sparking a week of chaos and violence that left at least 166 dead. Many young Oromos soured on Mr Abiy (whom the musician had criticised), blaming his government for their idol's death. Protesters came to blows with security forces over where his body should be buried, as though the singer were a saint.

The continent is littered with other examples of musical dissent. Y'en a Marre (We're Fed Up), a pressure group founded by rappers from Senegal, is credited with helping force an autocrat from power in 2012. In 2015 Martial Pa'nucci, a rapper from the Republic of Congo, organised mass protests against an attempt by Denis Sassou-Nguesso, the country's dictator, to change the constitution. Pilato, another rapper, led an anti-corruption march on Zambia's parliament in 2017. One of the leading critics of the kleptocratic dictatorship in neighbouring Zimbabwe is a dancehall singer called Winky D. The ruling party, Zanu-PF, has threatened to ban his work, accusing him of fomenting a "regime-change agenda".

Bolshy music does not always emanate from a single talisman. In 2024, when Kenyans poured onto streets in opposition to tax increases, some protesters sang struggle songs that can be traced back to the Mau Mau, an anti-colonial rebel movement. Others belted out the lyrics to "Anguka Nayo" ("Fall With It"), a mindless party song by Wadagliz, a Kenyan rap duo. The message was that the government should fall: some club bangers, it turns out, work rather well on the barricades.

Kenyans also made satirical TikToks mocking William Ruto, their imperious and increasingly authoritarian president. In a viral trend, many videos were set to "Kasongo", an old song by Orchestra Super Mazembe, a Congolese band, about a wayward husband who mistreats his wife. "Kasongo" has been a ubiquitous nickname for Mr Ruto ever since. He hopes to win a second term next year. "One term for Kasongo!" has become an opposition rallying cry.

Mixing music with politics can be a risky business. In 2016 Luaty Beirao, an Angolan rapper, was charged with plotting a rebellion and jailed. Kizito Mihigo, an outspoken Rwandan gospel singer, was arrested in 2020 and found dead in his cell a few days later. This year Mr Wine was forced to flee Uganda after the country's army chief threatened to castrate him. "Unfortunately, I could not counter a man with a sword with poetry, and so I ended up in exile," the ghetto president laments.

Some artists wield a sword themselves. Many practitioners of *famo,* a genre of accordion music popular in Lesotho, are part of criminal gangs with tentacular influence over political parties and the state. Members of Tinariwen, a Grammy-winning band from northern Mali, once fought for Tuareg separatists against the Malian government. Bootleg cassettes of their early songs were passed around by fighters in the desert, in a kind of Saharan samizdat. Some are said to have been written by Iyad ag Ghali, though he later abandoned the Tuareg-nationalist cause: Mr ag Ghali is now the leader of JNIM, west Africa's most powerful jihadist group.

The civil war in Sudan has produced a flood of new jihadist music, according to Sudan War Monitor, a research group. The songs praise fighters in Islamist militias aligned with the national army, and exhort prospective new recruits to join. Ethiopia's civil war has spurred a somewhat analogous outpouring of ethno-nationalist music from Tigray, a rebellious northern province. "There are no love songs any more," a rebel musician told *Deutsche Welle* in 2021. "Now every [song] is a struggle song."

It would be wrong to suggest that all African music is anti-establishment. In Ethiopia Mr Abiy's government is said to have tried to ingratiate itself with Oromo musicians of late. In April two prominent Oromo singers released a musical rebuttal to "Das Tal", Teddy Afro's indictment of Mr Abiy's rule. The counter-diss track casts Teddy as a malign nostalgist for the Ethiopian empire, which many Oromos regard as an oppressive system under which Teddy's ethnic group (the Amhara) subjugated their forefathers. Another recent hit boasts that Oromos now rule the roost in "Arat Kilo", the palace in Addis Ababa where Ethiopia's emperors once lived and where Mr Abiy currently resides.

One popular song from last year even lauds Mr Abiy's controversial ambition to reconquer a Red Sea port in Eritrea, which seceded from Ethiopia in 1993. "When we command the rain, it falls; when we call for clear skies, they open," it runs. "Proud Oromo...move onwards to the Red Sea."

Across Africa, musicians are often paid by politicians to compose songs for election campaigns or perform at rallies. Mere months after Kenya's tax revolt in 2024, Wadagliz performed "Anguka Nayo" at a government jamboree, with a beaming Mr Ruto clapping along beside them. "Those dictators that are smart are quick to co-opt," Mr Wine observes. They offer musicians "lives of luxury and opulence", and demand obedience and flattery in return.

And yet Africa's dissident artists are unlikely to pipe down. "Africans and music are synonymous," says Ndungi Githuku, a Kenyan musician and activist. "Why is the government afraid of this? It's very simple—the government cannot sing." ■



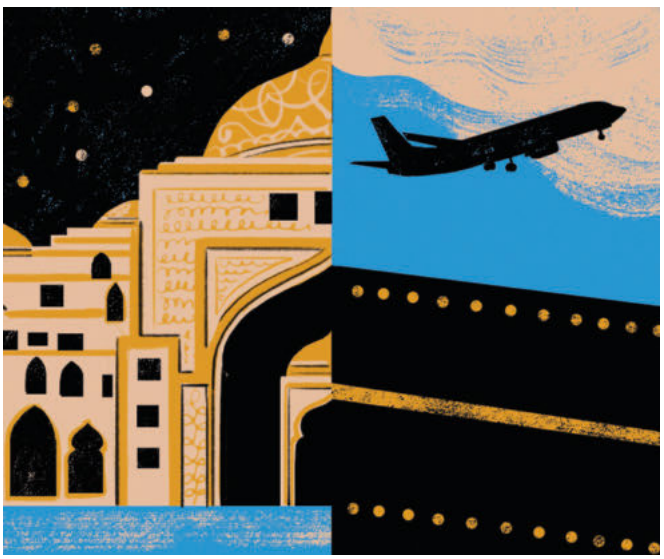
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To see and hear some of the influential hits from artists mentioned in this story, go to **www.economist.com/music-africa**. You'll find video, songs and a Spotify playlist.

THE TELEGRAM

Donald Trump loves the Middle East to death

The folly of wanting a Middle East run by nationalist strongmen and made rich by global commerce



IF PRESIDENT DONALD TRUMP loathed the Middle East, that unhappy region might be better off. Were he filled with cold disdain for Israel, Iran or the Arab monarchies of the Persian Gulf—as happened with other second-term presidents—he might by now be trying to walk away. Instead, as war clouds gather again over Iran and its neighbours, Mr Trump cannot stop meddling.

Not so long ago Middle Eastern rulers relished the attentions of the Trump clan and its patriarch. At last they had an American president who praised their iron-fisted governance and shared their transactional, show-me-the-money approach to foreign relations. Even their interior design strikes a chord with Mr Trump. "I'm seeing perfect marble. This is what they call perfecto," swooned America's president last year, touring the Emir of Qatar's palace. On that same visit in May 2025, the applause from Gulf leaders was heartfelt when Mr Trump hailed the "miracle" they had collectively wrought, in a speech in the Saudi capital, Riyadh.

Seventeen months on, in such cities as Abu Dhabi, Doha and Dubai, that Riyadh speech is recalled with grief and exasperation. Officials, scholars and investors talk with fury of America's and Israel's war on Iran, which is wrecking the very model of modernisation that Mr Trump claims to admire.

In his Saudi address, Mr Trump paid tribute to Middle Eastern rulers for two broad achievements, reflecting his beliefs about what makes for a viable world order. First, he hailed the region for embracing national pride and for staying loyal to traditional values. Middle East rulers thrived by ignoring outsiders "giving you lectures on how to live", enthused Mr Trump. Second, he praised the region's absolute monarchs and leaders for their love of money. Specifically, he lauded them for seeking peace through prosperity, and for capitalising on the Gulf's location at the crossroads of lucrative trade, shipping and aviation routes. Mr Trump described a Middle East of gleaming cities, technology companies and Formula One racetracks forging a future defined by commerce, not "the ancient conflicts and tired divisions of the past".

Back then, before the war on Iran, the Middle East's rise seemed to involve both of Mr Trump's favourite ideas working as planned. It was a region of autocratic palace-builders, reaping great wealth from oilfields and gasfields beneath their feet. It was at the same time a place of bustling container ports and airports open to the globe. Such resource-rich countries as Qatar, Saudi Arabia and the United Arab Emirates were moving to diversify their economies away from oil and gas. Harnessing their cheap energy, spare land and other resources, they planned to build AI data centres and other hubs for industries of the future.

Mr Trump's war puts all that into doubt. It has also exposed a contradiction at the heart of his vision. There is a fatal tension between his praise for unyielding nationalism as the foundation of successful societies and his hopes for a globe made peaceful by shared prosperity. For especially in the Middle East, aggressive, rule-scorning chauvinists are destroyers of peace and plenty.

Mr Trump may believe that countries asserting their self-interest is the blueprint for international stability. That is news to Gulf neighbours of Binyamin Netanyahu in Israel, of the Islamic regime in Iran or the Houthi rebels in Yemen. As seen from the Gulf, though the leaders of Israel, Iran and the Houthi rebel movement are very different political actors, a common thread links them. All are seen to seek legitimacy by appealing to narrow ideological, religious and civilisational beliefs (or ancient conflicts and tired divisions, as Mr Trump might say). All are willing to use force to defend and advance their goals.

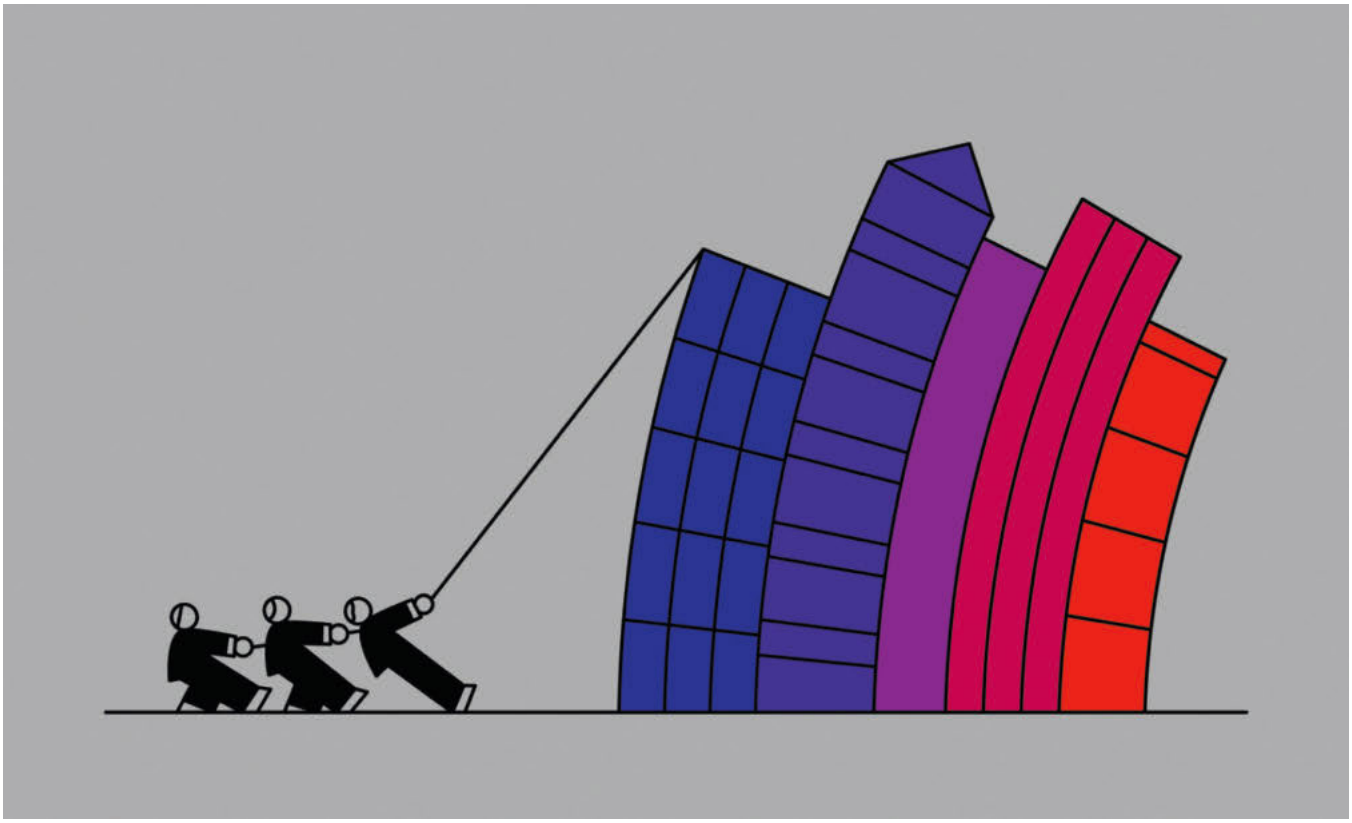
Conflict is especially deadly for the sort of economic activity which the Gulf hopes will generate future wealth. Marble palaces can be fortified. Oilfields and gasfields can be secured by national armies backed by American firepower. But when Iranian drones or Houthi missiles close Gulf shipping lanes, smash into airports or bomb data centres, as has happened several times this year, the damage goes beyond an individual site. Middle Eastern rulers hope to attract footloose foreigners, whether they are investors, shippers, air passengers or expatriates raising families in gleaming, low-tax cities. In the Gulf, there is brave talk of installing air defences at data centres or building them underground. But airports cannot be buried. Nor can desalination plants. Attack that sort of asset too often, and business will move.

A region of chauvinists or of data centres?

Seen from Gulf capitals, the American-Israeli war on Iran is an attack on connectivity as an economic model. A Gulf official quotes a leader sighing that if he could pick his country up and move it to Latin America, he would, but instead his homeland is 45 minutes by speedboat from Iran. Several Gulf officials are both angry with Iran for striking them, and desperate for a reset of relations with that country. They dread a deal that leaves Iran controlling the Strait of Hormuz like a protection racket. But rather than risk Iranian regime change, they would prefer an Iran engaged in global trade, so that it, too, has incentives to see arteries of commerce kept open. An argument heard often in Doha or Dubai is that the austere, fanatical Revolutionary Guards have little to lose from an endless conflict. For there to be even remote hope for the region, Iran needs political leaders who are more accountable to their people, and focused on their well-being, Gulf neighbours insist.

Though Mr Trump has little interest in accountability for leaders, he does claim to want Iran to choose a path of economic development. For now, though, his attacks have left Iranian hardliners stronger than before. Hence the gloom in the Gulf. Once, its rulers swooned as Mr Trump praised them. Now, they fear he may love their region to death. ■

Business



The midterms

Feeling blue

NEW YORK

America Inc is hastily trying to win favour with the Democrats

AMERICAN BOSSES once acted on the knowledge that, in politics, the wheel always turns. Parties came in and out of power, and so companies curried favour with both Republicans and Democrats regardless of who controlled the White House or Capitol Hill.

Many bosses have abandoned that even-handedness over the past two years. Companies identified a window of opportunity to advance their agendas, says Reggie Babin of Akin, a lobbying shop. Since Donald Trump's return to power, pushing through long-desired mergers or securing regulatory changes has often meant abandoning bipartisanship—and dignity, judging by the many corporate donations to Mr Trump's garish new ballroom.

In a few days, however, the president is predicted to emerge from the midterm elections with a far weaker grip on Washington. Accordingly, much of corporate America has been desperately trying to scrub off its spray tan and deflate its lip filler. But rebuilding ties with the Democrats will not be easy.

One way this shows up is in the people businesses appoint to handle government relations. In January 2025, the same month Mr Trump was inaugurated, Meta elevated Joel Kaplan, its longtime Republican-whisperer, to be the social-media giant's chief emissary. On October 20th it announced that Mr Kaplan will be leaving the business. Paramount Skydance, which recently completed its takeover of Warner Bros Discovery with the president's blessing, has hired a former staffer from the Biden administration to help court the Democrats. Other companies that have enlisted former Democratic aides in the past six months include Palantir, a maker of data-analysis tools, as well as Polymarket and Kalshi, two prediction markets.

The tilt away from Mr Trump can also be seen in America Inc's donations. Businesses are barred from giving candidates money from their own coffers. But they can co-ordinate donations by setting up political action committees (PACs), which solicit voluntary contributions, mostly from their executives. Those executives can also give to candidates directly or through trusts.

The Economist examined federal filings covering donations by business leaders and their families across these channels. In the second quarter of 2026, the latest period for which data are available in full, 33% of their giving went to Democrats, up slightly from 31% across 2025. Yet that vastly understates the shift, as a disproportionate share of mega-donors support Republicans. Strip out the ten biggest—including Elon Musk—and 51% of donations in the second quarter went to the Democrats, up

→ ALSO IN THIS SECTION

60 Anthropic's profit prospects
61 Bartleby: Leadership inspiration
62 The epic rise of IMAX
63 India's telecoms star
63 Feuding at EssilorLuxottica
64 Tough times in pest-control
65 Schumpeter: The end of loyalty

from 36% throughout last year.

For the most part, America Inc still draws the line at supporting socialists. Of the $287m that executives donated to Democrats in the first half of this year, a mere $9m has gone to progressives, including those endorsed by the Democratic Socialists of America. Take out the donations given by Saikat Chakrabarti, most of which went to the entrepreneur's own unsuccessful primary bid, and the figure drops to just over $4m.

America's bosses, however, may find that even moderate Democrats have become unreceptive to their overtures. Stopping data centres is not the only anti-corporate rallying cry that has pervaded the midterms. In Iowa big agriculture is the villain; in Alaska it is big fish. One former Democratic official sums up the party's new outlook on corporate America bluntly: "We demand blood."

In Silicon Valley the nervousness is palpable. Chris Hughes, a co-founder of Facebook and friend of the Democrats, notes that many tech bosses spent much of the past two years "running around Washington" trying to shape regulation in their interests. One venture capitalist predicts "a reckoning" after the midterms for those who cosied up to Mr Trump. "History is not going to look back particularly favourably on those who leaned in."

Sensing the threat, some have gone on the attack. Consider the contest for a Senate seat in Ohio. Sherrod Brown, the Democratic candidate seeking to return to the Senate, is a vocal critic of the crypto industry. Fairshake, its flagship PAC network, is spending $55m in a bid to prevent his comeback. But some prominent industry figures—including Chris Larsen, co-founder of Ripple, a crypto-infrastructure provider—have opposed the effort, worrying that it will create animosity with Democratic lawmakers, and that Mr Brown is unlikely to forget the attacks if he wins. Mr Larsen has donated through other channels to the Democrat's campaign.

The blue wave may end up smaller than polls suggest. Yet even if the Democrats take the House of Representatives only narrowly and lose the Senate, they will be able to cause businesses grief. Control of the lower chamber would grant committee chairs the power to subpoena company files and call executives to testify. That could cause embarrassment, or worse.

Capitol punishment

Washington lawyers say they have been fielding calls since the start of this year about potential investigations. In some cases they have already been hired to parse employees' actions and communications for indiscretions that could become public, and have been working to pick and train telegenic witnesses from their clients' ranks. Edward O'Callaghan of Cahill, one law firm, says he has been counselling some businesses to pre-emptively meet influential members of Congress in a bid to avoid public hearings. Where Democratic support seems unlikely, they can instead equip Republicans with favourable information to use in a hearing.

In many respects the next two years will be trickier than a complete change of power. At the same time as companies try to avoid congressional scrutiny, they must maintain good relations with Mr Trump and those in his orbit who could seek the presidency in 2028. "They can't ignore the fact that there's still two years of business" with the current administration, says Mr O'Callaghan. Pennsylvania Avenue may soon resemble the Strait of Messina. Few will sail through unscathed. ■

Artificial intelligence

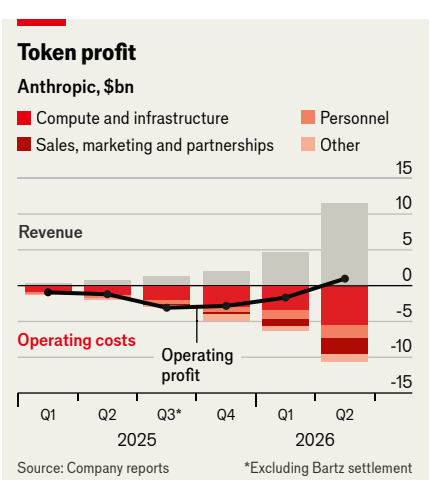
Floating point

SAN FRANCISCO

Don't expect supersize profits from Anthropic soon

BREAKNECK GROWTH is commonplace in Silicon Valley. The rise of Anthropic is something else. In the first quarter of last year—when Claude Code, its hit programming tool, was first released—the artificial-intelligence lab pulled in $376m of revenue. By the second quarter of this year that figure had risen 30-fold, to $11.6bn, surpassing corporate mainstays such as McDonald's or 3M.

In a few weeks this darling of the AI revolution will undergo an initial public offering (IPO) that will be, if not the largest of all time, then certainly close to it. On October 26th it publicly filed supporting paperwork that gave the outside world a closer look at its finances.



Anthropic's rapid growth is all the more remarkable because, unlike many zippy startups, it has already reached profitability. In the second quarter it eked out an operating profit of just under $1bn, at an 8% margin, having lost $1.7bn in the preceding three months (see chart).

The company is particularly eager to draw attention to its spending on computing power, which fell from 251% of sales in the first quarter of 2025 to just 48% in the second quarter of 2026. Anthropic claims that improvements in its AI models have made it faster and more efficient to develop and serve its technology, allowing the company to make the most of its limited resources. Its personnel costs also fell from 58% of revenue to 16% over the same period as it saw the benefits of scale.

But can Anthropic's stunning performance continue? A closer look suggests caution is warranted: growth is slowing, the company is paying higher prices to access scarce computing power and a resulting shift towards directly purchasing AI chips will guzzle up much of the cash-flow Anthropic would otherwise be on course to generate. Earlier investors who had hoped for a public valuation as high as $2trn may thus be disappointed.

Anthropic's scorching revenue growth has put a target on its back. Claude Code made it an early leader in the race to automate programming. Silicon Valley colossi such as Meta and Microsoft became huge customers, spending billions of dollars on the lab's technology. More recently those customers have been pushing staff to use internally developed alternatives. At the same time, OpenAI, Anthropic's arch-rival, has been gaining ground with its own offering, Codex, the daily use of which has risen tenfold since early August. And after the short-lived craze for "tokenmaxxing" earlier this year, companies of all stripes have been more closely monitoring their spending on AI and imposing limits on their engineers.

This month Anthropic told shareholders during a private gathering that revenue in the third quarter was up by about 45% from the preceding three months, a third of the growth rate it achieved in the second quarter. In its IPO prospectus the company warns that, as the market matures, growth could slow "more rapidly than we anticipate". Moreover, it is increasingly reliant on the tech giants to push its products. Almost half of Anthropic's revenue now comes from sales made through the cloud businesses of Alphabet, Amazon and Microsoft. The company has also upped its investment in advertising to help build demand for its products. Its spending on sales, marketing and distribution partnerships (including with the big cloud providers) absorbed 18% of revenue in the second quarter of 2026, up from 6%

in the first three months of 2025.

Another problem Anthropic faces is that, like other AI developers, it is struggling to secure the computing power it needs to serve customers. Its prospectus warns investors that use of "short-term compute" could go up in the near term, weighing on its margins. For example, Anthropic has agreed to pay SpaceX about $3.1bn per month to use its Nvidia chips into 2029. (Anthropic is able to back out from early next year with 90 days' notice.)

That explains why the lab is starting to develop more of its own computing infrastructure, rather than relying solely on cloud providers. This strategy should help keep operating costs under control, but also provides forewarning that the business will become a more capital-intensive enterprise in the long run. The initiative, called Anthropic Direct, involves procuring chips from providers such as Broadcom, which develops custom silicon, and installing them in rented data centres. That could make it harder to start throwing off the kind of free cashflow investors might hope for, and require the business to raise more money.

In Anthropic's prospectus, its founders argue that its spending plans "may seem irresponsibly large at first glance", but are justified by the exponential trajectory that AI is on. "We will aim to be bold but sane," they write. With a technology so mind-bending, striking that balance may prove surprisingly difficult. ■

BARTLEBY

From amoebae to impalement

Everywhere you look, leadership lessons

WE'RE THRILLED to share the highlights of our winter catalogue. Following the success of our recent titles on the leadership lessons of Genghis Khan and Alexander the Great, we are bringing you a series of books with management takeaways from absolutely anyone and anything we can think of. Galleys are available on request.

"Start With Die: Leadership Lessons from Vlad the Impaler" by Derek Fromage. "When a man or a prince is strong and powerful he can make peace as he wants to; but when he is weak a stronger one will come and do what he wants to him." In this contrarian take on the effects of appalling brutality within organisations, Derek Fromage, author of the bestselling "Dare to Bleed", looks at the career of Vlad III. You've read the case for psychological safety. Now learn how Vlad's high-stakes leadership philosophy can work for you.

"Rhyme and Reason: The Kindergarten CEO" by William Winkie. If you think nursery rhymes are for toddlers, think again. The traditional songs of childhood are crammed with management insights. Great leaders are consistent: it's frankly confusing to be marched to the top of the hill and then marched straight back down again. Great leaders set shared goals: what's the point in Polly putting the kettle on if Sukey is just going to take it off again? Great leaders understand the strengths of their team members: who can eat no fat, say, and who can eat no lean. Features practical takeaways on the use of tuffets.

"Meteor: The Katie Zacharia Story." Sometimes, it all comes down to one moment. No one has any idea who you are, but the eyes of the world are suddenly upon you. Can you seize your opportunity? Katie Zacharia did. In less than 15 minutes at the podium in the White House briefing room, she showed everyone just what she was capable of. To find out how to go from obscurity to household name, read Katie's stunning new memoir. Because meteors don't always rise.

"Wham Bam! Lyrics and Leadership" by Eddie Vintner-Twist. To understand their employees, leaders have to inhabit their worlds. And there is no less obvious way to do that than to listen to 1980s pop songs. From the stigma of joblessness ("Wham, bam! I am a man; Job or no job, you can't tell me that I'm not") to fears of the apocalypse ("Ninety-nine red balloons; Floating in the summer sky"), celebrated music journalist Eddie Vintner-Twist squeezes every last drop of meaning, and more besides, from the lyrics of his youth.

"Singular: What the Amoeba Can Teach Organisations in the Age of AI" by Renée Roper. Artificial intelligence makes it possible to run organisations that are leaner than any in history. But how can businesses grow without adding complexity? The secret can be found in nature. The amoeba is a single-celled organism that can adapt to any environment. Rather than creating permanent layers of bureaucracy, it uses temporary extensions called pseudopods to change its shape and make progress towards its objectives. If you want to run a unicorn, you have to think like an amoeba. Features a foreword by Sam Altman (not that Sam Altman).



"The Trojan War MBA". Felicity Jetsam takes six famous episodes from the story of the Trojan War and reveals the workplace dilemmas behind them. If the CEO humiliated you in public by poaching one of your minions, should you follow the example of Achilles and go on strike? Agamemnon's decision to sacrifice his own daughter in order to propitiate an angry goddess may seem a little harsh, but what if you had to set aside your own interests in order to calm a furious board member? And if you saw a large wooden horse outside your office, are you sure you wouldn't bring it inside?

"Four the Win! Why Table Legs Are The Ultimate Team Players" by Madge Trestle. The top of a table may take the glory, but the legs make everything possible. Without legs, a table would be just a piece of wood on the floor. Table legs cannot operate independently from their peers. They must always act together; even slight deviations in length cause everything to wobble. Features case studies on some of the most celebrated table legs in history, including the one in the Stauffenberg plot and some others that currently escape us.



Cinema

IMAXmaxxing

LOS ANGELES

The popularity of supersize screens reflects a shift in how audiences think about a trip to the movies

IMAX IS ALMOST 60 years old. Richard Gelfond, its boss, is in his 70s. In the 32 years since he acquired the supersize-screen business from its Canadian founders, IMAX has been through near-death experiences and the wilderness years of the covid-19 pandemic. Then came Nolanomics. First was "Oppenheimer", the 2023 tour de force directed by Christopher Nolan. This summer brought "The Odyssey", by far the highest-grossing film of all time for IMAX. Between June and September IMAX screens, which make up less than 1% of the global cinema total, generated 5.8% of worldwide box-office revenues. Mr Gelfond describes the success in Homeric terms. "I'm now a grandfather," he says. "I thought I could enjoy this with my children. I didn't think it would take until my grandchildren to get there."

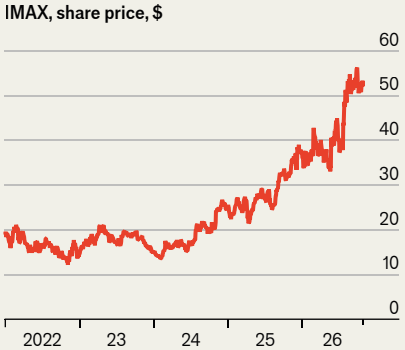
Nolanomics has underpinned a tripling of IMAX's share price over the past three years (see chart). Analysts expect record earnings when the company unveils its third-quarter results next week. Yet some on Wall Street fret that it has become a one-hitmaker wonder. Talk of a potential takeover has played a part in its surging share price.

In an interview with *The Economist*, Mr Gelfond says he expects IMAX to continue to grow next year, buoyed by what he hopes will be a wider slate of blockbuster releases and a shift in the way audiences approach entertainment. He points out that interest in IMAX has grown particularly quickly among Gen Z. Youngsters are "overdosing" on digital entertainment through their smartphones. But they are also increasingly willing to pay a premium for richly produced communal experiences such as a night at an IMAX. "There's just a global craving to be with other people enjoying entertainment together," he says.

IMAX is well-positioned to cash in on that desire, for three reasons. The first is brand. Only 41 of its 1,800 screens are the auditorium-size 70mm variety, projecting physical film twice as wide as the 35mm standard. They have a scarcity value as well as a visual richness that cinephiles love, helping explain why tickets for "The Odyssey" on some of these screens sold out a year in advance.

Epic rise

IMAX, share price, $



Source: FactSet

Even for IMAX's other screens, which rely on digital projection, that reputation rubs off, helping to make a visit feel like an experience, rather than just another trip to the cinema. That, in turn, results in premium prices—though still far cheaper than a live concert or sports match.

IMAX's reputation attracts not just audiences but film-makers. Some devotees, such as Mr Nolan, make use of special IMAX cameras (including for the entirety of "The Odyssey"). Less fanatical directors still value the prestige that comes from their films being shown on IMAX screens. One of the most anticipated movies of next year, "Narnia: The Magician's Nephew", made by Greta Gerwig of "Barbie" fame, will run in IMAX theatres before its release on Netflix, a streaming platform.

IMAX's second strength is its business model. It does not own or operate cinemas. Instead it sells or leases its projection and sound technology to them, then takes a cut of their revenue. Studios also pay it to show their films. Its presence is global: 60% of revenue comes from countries outside North America, including China, with a decent share of productions shown in languages other than English.

Mr Gelfond says that IMAX has deals to increase the number of screens by 500 over the next few years. But it is a slow and fiddly process. To kit out a giant cinema near Frankfurt, Mr Gelfond says IMAX had to paint the screen in a hockey arena with a secret formula, fold it and fly it to the venue. "You can't just snap your fingers and there's an IMAX theatre," he says.

IMAX's brand and business model reinforce a third strength: barriers to entry. Alicia Reese of Wedbush, a broker, says that IMAX has a several-year head start on would-be rivals. Even if they could catch up technologically, it would take time to build credibility with audiences and film-makers and match IMAX's global reach.

Still, competition is heating up. Disney, an entertainment giant, has recently created an umbrella brand, Infinity Vision, that it hopes will serve as an alternative to IMAX. Rather than a new technology, Infinity Vision is a certification programme that will let various other supersize-screen brands claim Disney's stamp of approval.

It will soon be put to the test. On December 18th IMAX and Infinity Vision will go head to head, launching "Dune: Part Three" and "Avengers: Doomsday" on their respective screens. Yet both may well end up benefiting if "Dunesday" turns into a reprise of the "Barbenheimer" battle in 2023, which spurred cinema-going after a quiet few years. Already 2026 is shaping up to be the best year for the box office since the pandemic, thanks not to larger audiences but higher ticket prices—including for large-format showings. Moviegoers are not IMAXed out yet. ■

Telecoms

Byte back

MUMBAI

Jio brought cheap data to India. It is set to get more expensive

THE IMPACT of Jio, India's biggest telecoms provider, can be seen everywhere in the country's megacities. Delivery drivers scroll through short-form videos as they wait at red lights; shop assistants keep a family video chat running all day underneath the counter; security guards wile away the long, boring hours sharing memes and ogling foreign beauties. Jio's super-cheap plans have allowed Indians to feast on all the internet has to offer.

Public investors can now buy a seat at the table. On October 28th Jio's shares began trading on India's two main bourses. The listing, which valued the company at 10.3trn rupees ($108bn), is the largest ever in local-currency terms (and the second-biggest in dollars). Jio's shares closed 27% above their listing price at the end of the first day of trading.

The debut was a triumph for Mukesh Ambani, one of India's richest magnates, who began building Jio in 2010 when few Indians could afford smartphones. Jio is one of the rare pieces of Reliance, Mr Ambani's sprawling conglomerate, that he, rather than his father, can take credit for building. Reliance's original telecoms arm, which Mr Ambani's brother Anil inherited, went bust in 2019.

For internet-hooked Indians, however, the listing may not be such good news. Jio's valuation suggests significant price rises may be coming. To maintain its revenue growth—around 15% in the latest financial year—it needs to either find more customers or make its service dearer. Market penetration is already high: India has 1.3bn wireless connections, 92 for every 100 people, rising to 147 connections per 100 people in cities. And thanks in part to Jio's bargains, the telecoms industry has fallen from around a dozen companies in 2016 to just four today, two of which are vestigial. Jio enjoys a market share of 39%; its main rival, Bharti Airtel, controls 38%. (Vodafone Idea, which is heavily indebted, holds 15%, with state-run BSNL on 7%.)



That points to growth through higher prices. At present Jio earns an average revenue per user of around 214 rupees ($2.28) a month, for which subscribers get an average of 44 gigabytes (GB) of data. At 4.9 rupees per GB, Jio costs a third less than the industry average in India (and 2% of what American telecoms charge). Narrowing that gap would be the fastest route to more revenue. Motilal Oswal, a local broker, predicts a 15% increase in Jio's prices by December. Airtel, which typically follows Jio with tariff rises of its own, has seen its share price jump by 11% in the past month in anticipation.

Might India's data addicts revolt? After all, Jio's rise was built on being startlingly cheap. When the firm first launched, users on its introductory offer enjoyed free high-speed data, helping it reach 100m subscribers in 170 days. Indians remain price sensitive: when the two big telecoms companies raised their fees in July 2024, Jio lost 16m subscribers in four months, with many switching to BSNL. But that did not last. Sluggish streaming speeds and patchy coverage on the former monopoly's network brought many customers back.

Mr Ambani might also try to expand Jio's other businesses, including its fixed-line offering and streaming service, which account for a fifth of its revenue. The tycoon has pledged to bring "affordable intelligence" to India, mirroring the cheap internet he brought a decade ago, and could peddle various AI services via Jio.

He is also plotting a satellite-internet offering similar to Elon Musk's Starlink, the rollout of which has been held up by regulatory hurdles. (Mr Musk recently blamed "certain oligarchs" for the delays.) It would be an odd fit for Jio, which has benefited from India's high population density: a 5G tower in one of the country's packed cities covers tens of thousands of people, keeping down costs. Satellite internet is most appealing in areas that are remote and sparsely populated—which in India typically means poor. Jio had agreed to a distribution partnership with Starlink. Why, then, would it need its own satellites? Because one customer matters above all for Mr Ambani: a government that would rather not depend on Mr Musk. ■



EssilorLuxottica

Blindsided

MILAN

A petty feud has rocked the world's biggest maker of spectacles

TWO YEARS before his death in 2022, Leonardo Del Vecchio, the Italian billionaire who built EssilorLuxottica into the world's biggest eyewear-maker, handed control of the business to his trusted confidante, Francesco Milleri. To his heirs, Del Vecchio left equal stakes in a holding company, Delfin, which owns 32% of EssilorLuxottica, alongside stakes in various other Italian companies.

For a time, there was harmony. At its peak in November last year the market value of EssilorLuxottica, which owns brands including Ray-Ban and Oliver Peoples, reached €148bn ($172bn), nearly triple what it is was worth when Mr Milleri took charge. Since then it has plunged back down to €81bn amid a governance crisis brought about by Leonardo Maria Del Vecchio (pictured), the 31-year-old heir who until August served as the company's strategy chief. Investors fear that the dysfunction is set to coincide with a period of technological upheaval for the company.

Over the past month the crisis has spilled out into the open—in sometimes bizarre fashion. First came a podcast in which Leonardo Maria lamented a lack of love from his father, shared his struggles with drug abuse, boasted of his sexual exploits (2,000 women, many seduced by singing Enrique Iglesias's "Hero")—and declared that his former mentor Mr Milleri should be "nervous" about his handling of EssilorLuxottica. Then in a rambling radio interview on October 26th the wayward ▸▸

heir claimed that Mr Milleri had been appointed chief executive only as a caretaker with the job of finding a successor, which he had failed to do.

Mr Milleri says he has known Leonardo Maria since he was a baby and has treated him like a son, which makes their falling out all the more painful. EssilorLuxottica's underlying business has continued to perform solidly. On October 20th the firm reported that its revenue was up by 9%, year on year. Insiders say that the feud instead stems from Leonardo Maria's bitterness over the failure of his plan to become the leading shareholder in Delfin by acquiring the stakes of two of his siblings, Luca and Paola, for €10bn. Mr Milleri, who chairs Delfin's board, supported the plan, but three of the five directors refused to agree to the conditions imposed by Leonardo Maria's lenders, including guaranteed dividends to help cover the interest bill. The heir blamed Mr Milleri for failing to win the board over.

Leonardo Maria's desire for change at Delfin is understandable. "The governance is broken," argues Bernardo Bertoldi, an expert on family businesses at Turin University. Delfin is set up such that each of its eight equal shareholders—the founder's six children, his stepson and his widow—in effect has a veto over the many decisions that require an 88% supermajority. The elder Del Vecchio's hope had been to keep his family united through the need for consensus. In practice, the structure he created is too rigid, argues Mr Bertoldi.

Even so, for EssilorLuxottica's investors, the drama is worrying. Mr Milleri's current term will end in April. The dysfunction at Delfin could put his reappointment in doubt (though the holding company's board has expressed its support). "Concern about governance has weighed heavily on the stock," says Luca Solca of Bernstein, a broker.

The uncertainty has coincided with growing nervousness about the long-term impact of smart glasses on EssilorLuxottica's business. For now the technology is giving a boost to the company; a partnership with Meta, a social-media giant, to develop Ray-Ban smart glasses has been a notable success. But other Silicon Valley titans, including Apple and Google, also have their sights on the opportunity. Eventually their products could eat away at EssilorLuxottica's traditional eyewear business, much as smart watches have hurt sales of timepieces.

Mr Milleri says he is confident that EssilorLuxottica will emerge a winner from the technology—which he reckons could one day replace the smartphone—pointing to EssilorLuxottica's beloved brands and global retail network. He will have to hope the Del Vecchio heirs do not get in the way of his vision. ■

Exterminators

Snared

The world's twin pest-control giants are under threat

It is a good time to be a rat. A warmer climate makes breeding easier. Busier cities provide more rubbish to eat. Bed bugs, too, are doing well, thanks to growing pesticide resistance. Then there are the termites, which have been spreading northwards, chewing through ever more of states like New York and Ohio.

Demand for pest-control has been growing for decades. Over the past ten years global spending has nearly doubled, reaching $29bn last year. The industry may be buzzing, but the world's two biggest pest-control companies—Rollins and Rentokil—are not. Rollins's share price has fallen by 44% this year. Rentokil is down by 23%.

The modern pest-control industry can trace its origins to these two giants. Orkin, Rollins's flagship service, was hatched in 1901 when Otto Orkin, a 14-year-old immigrant from Latvia, began selling rat poison door-to-door in Pennsylvania. Rentokil was the name of the fluid that in the 1920s cleared Westminster Hall's roof of the deathwatch beetles that kept falling on parliamentarians' heads. Since then the pair have dominated the industry. Today they account for half the revenue of America's 100 largest pest controllers.

So what has got under investors' skin? Rentokil is, in part, caught in a trap of its own making. Its takeover of Tennessee-based Terminix four years ago was so badly bungled it prompted investors to sue. The company's growth has stunk ever since.



In the gutter

But now Rollins, too, is plagued by poor performance. It blamed slow growth early in the year on bad weather, which it said prevented technicians from reaching customers. "They had never used weather as an excuse before," says Manav Patnaik of Barclays, a bank. The weather improved, then the company missed earnings expectations for its second quarter. And its third.

Two bigger threats are creeping into view. First is private equity. The pest-control industry is attractive to PE in part because it is defensive—people dislike living with bed bugs, and will pay to purge them whatever the state of the economy. Service providers can also keep their claws stuck into customers. In America roughly 80% of pest-control revenue is recurring, as people subscribe to regular pest-proofing in places where infestations are common.

PE-owned businesses have quadrupled their share of the revenue of America's 100 biggest pest-controllers since 2020, to over 16%, partly by gobbling up smaller providers and merging them. That has made competition fiercer and acquisitions costlier for the incumbents, whose combined market share has slipped from 53% to 51% over the past decade.

The second scourge is AI. According to Bernstein, a broker, customers are increasingly turning to chatbots rather than search engines to find pest-controllers. Because bots scrape sites like Reddit, which attract more—and rosier—reviews for local firms, these get recommended more often. The giants, meanwhile, inspire rage. "I cannot stress this enough to anyone looking for rodent removal...DO NOT HIRE ORKIN!", writes one Redditor.

That explains why search traffic for Orkin fell by 48%, year on year, between May and July. (Search activity for Terminix has suffered less badly—for now.) Data centres face increasing local opposition. Less appreciated is how the technology they support is helping small businesses compete. In the pest-control industry, AI has brought on a rat race.

SCHUMPETER
Superstar anxiety

The collapse of a top law firm illustrates the death of elite collectivism



AND JUST like that, an institution that existed at the apex of corporate America for nearly a century is more or less finished. Weil, Gotshal & Manges, a firm of lawyers, has suffered what can only be described as a run on the bank.

It started last month when a top mergers lawyer left for Cravath, Swaine & Moore. Other competitors began lining up outside the General Motors Building in Manhattan, where Weil is based, trying to hire its lawyers. The committee of partners responsible for saving Weil, no doubt handicapped by efforts to save themselves, failed to stop the exodus. The partner due to take the top job decided she wouldn't bother. Merger talks collapsed. Weil, which is best known for advising on the bankruptcies of Enron and Lehman Brothers, has now hired bankruptcy lawyers itself and is preparing to wind down. The balance-sheet of a law firm is a simple combination of office chairs and brains. When the brains start to leave, the end cannot be far away.

Law firms have collapsed before. Fear of being the last partner in a broke partnership means weak ones can disintegrate suddenly, as John Morley of Yale has written. Yet never has a name as famous fallen on such hard times so quickly. Weil is, by any measure, an extremely successful business: its partners earn, on average, almost $6m a year. The ability of Weil's lawyers to extract enormous fees from their clients is not the problem. Rather, it is the newfound ability of superstar lawyers to extract enormous pay from their own firms, and the damage they do to them when they up and leave. Such professional fleet-footedness was unthinkable a decade ago—and marks the passing of something far more important than any law firm.

In the 20th century mass layoffs severed the bonds of goodwill between ordinary workers and corporations. Yet the reward for winning the contest that is Western capitalism was still a career in an institution that resembled a medieval guild. Partnership at an investment bank, a consultancy or a law firm was the best-paid option. Success in the marketplace liberated the individual from market forces, providing a secure perch in his professional life, and also in his social life, with admission to clubs, boards and perhaps an apartment in a co-operative building near Central Park.

Such elite collectivism barely exists today. Bankers abandoned it first. In 1999 Goldman Sachs, the archetypal Wall Street partnership, followed its rivals and went public. Its bosses are still called partners, but are nothing of the sort. Smaller merger-advisory houses, which sought to recreate the old partnerships, have mostly listed their shares so their founders can cash out. The legal professions' collectivist impulses lasted far longer, because its firms never needed to raise capital. Yet the market came for them eventually, too. In recent years the "lock step" compensation model, where individuals are paid on the basis of tenure rather than performance, has given way to one where the top lawyers can name their price, and come and go far more easily. A governance model resembling a stuffy but staid co-operative has been replaced with one closer to the businesslike but impersonal condominium.

Weil is the first great law firm to suffer the death of elite collectivism. It is unlikely to be the last. That is because it is hard to say what Weil might have done differently, and what exactly marked it out for ruin. The result is disorienting: an industry of hundred-year-old stalwarts, any one of which could at any time suffer a debilitating run if the wrong lawyer defects. The partnership structure, once an instrument of stability, is now a liability. Paying an individual anything other than the fees he commands from clients is not an incentive to collegiality, but an invitation to leave. The names on the door are not an indication of shared values, but the dignified parts of an increasingly efficient corporate constitution. Loyalty counts for little; history, nothing at all.

What might law firms look like after the legal industry's Lehman moment? Lawyers can see their future in other parts of the economy where the elite collective has been supplanted by the elite individual. It is visible in every arena where the very best is worth much more than the runner-up: from the football player to the programmer to the rapper. Consider hedge funds such as Citadel or Millennium. Portfolio managers owe no obligation to each other. There isn't much chatter between them. Often they are in competition. Each knows what share of his profits he will be paid, and roughly what level of losses will get him sacked. It is easy enough to move on to the next shop. Such traders are, in essence, the world's best-paid gig workers.

All's Weil that ends Weil

Any firm that derives most of its value from superstar human capital should respond to Weil's demise with superstar anxiety. How might order be reimposed? There are legal mechanisms. Finance imposes non-compete agreements, sometimes stretching out years, to make it harder for its staff to leave (these have never been used by law firms). There are illegal mechanisms, too. Leave the mafia and it might relieve you of your fingers. But the most durable ties are cultural. On Wall Street that might once have been supplied by the division between Jewish and Protestant firms. What would similar connections look like today?

Silicon Valley has an idea, though it is unlikely to travel well. The competition to hire the best artificial-intelligence researchers is the most extreme example of the war for superstar talent; firms are frequently raided for their top researchers. Yet the frontier labs are about the only elite businesses around today that carry the collectivist impulses that once dominated. Mostly that has to do with competing belief systems about the dangers posed by their technology. Wall Street's lack of an existential philosophy is an existential problem. ■

Finance & economics



Critical minerals

The new lucky countries

America's and China's race for rare earths could transform a fortunate few

FOR BETTER or worse, many poor countries' fortunes hinge on their natural resources. Since their industries are less sophisticated and their service sectors smaller than in rich places, an underground bounty can make a big difference to their economic prospects. Rising global demand for oil or ores can spur growth, attract investment and fill fiscal holes. Many finance ministers in the poor world fondly recall the last commodity "supercycle", when rising China's insatiable demand pushed up the price of metals and fossil fuels. Oil sales helped to nearly double Angola's GDP between 2002 and 2008.

Now the world may be entering another supercycle, propelled by the race between America and China to secure supplies of minerals critical to artificial intelligence, electrification and other technologies expected to define the 21st century. Chinese minerals diplomacy, which has helped to secure deals with at least 19 countries since 2000, is alive and well. Donald Trump's administration has already signed mineral-themed agreements with more than 20. Today the rivals are both courting a much smaller group of countries capable of getting minerals out of the ground quickly.

→ ALSO IN THIS SECTION

68 The great stock-market exception
68 Why is oil still so dear?
69 Buttonwood: Faulty credit swaps
70 An Indian bank's new broom
71 Free Exchange: AI, fear and pay

On October 16th the World Bank said it would quintuple, to $20bn, a fund to help countries capture some of the surging demand. Yet in order to succeed, their governments cannot rely only on their subterranean resources or their cosiness with America and China. They must also show ability to supply stuff at speed.

The urgency is palpable. In May 2025 Mr Trump was forced to rein in tariffs he had imposed on Chinese goods, after China retaliated by restricting exports of seven rare-earth minerals used to make semiconductors and weapons. America wants to break China's chokehold. It has stockpiled minerals, offered producers guaranteed prices and poured billions into mining projects, while chivvying private investors to do the same. One Texan investor says administration officials approached him on eight separate occasions.

The wheedling has worked. According to officials, in 2025 the American government and American firms spent $15.4bn on foreign mines, up from nearly nothing in 2024, and more is expected this year. At least a tenth of that came from EXIM, a government-owned bank, and the Development Finance Corporation, a bank that once doled out loans to clinics and climate

activists but has been repurposed by Mr Trump and given $205bn to play with. In response, Chinese state-owned mining giants splurged well over $30bn abroad, far more than in 2024 (see chart, left panel). The superpowers' combined investments have not been this high since the last supercycle started to unwind a decade ago.

So far the biggest beneficiary has been the Democratic Republic of Congo (DRC). Most Western investors abandoned the vast, conflict-torn, landlocked central African country when prices of tin, diamonds and other of its abundant resources collapsed. This enabled Chinese firms to scoop up distressed assets for a song. The Chinese have pledged $1bn to expand a copper mine and propose to build a much bigger one that could churn out up to 500,000 tonnes per year, making it one of the largest copper projects in the world.

Now America is back, too. A government-financed fund is in talks to buy 40% of one of the last remaining Western-owned operating mines, a copper concern run by Glencore, a Swiss-based company. Private firms have followed. KoBold Metals, a Californian startup, is probing lithium deposits in the DRC's Manono region. Virtus, an unlikely coalition of ex-spooks and soldiers, has bought a cobalt and copper venture with headquarters in Dubai.

The DRC is so indigent that the cash is already transforming its economy. In 2025 foreign mining investment was equivalent to roughly 8% of its GDP. It was more than double the total of foreign direct investment (FDI) the year before. The DFC has expressed interest in contributing up to $1bn to build the Dilolo-Sakania Railway, which will plug into a rail link to Angola and will be the DRC's biggest infrastructure project in a decade. The Extractive Industries Transparency Initiative, a non-profit in Norway, reckons that mining will generate $8bn in government revenues between 2026 and 2030. Should other mines continue to produce at similar rates, the industry will yield $20bn for the state, roughly equivalent to a year's spending.

Two other big winners are Brazil and Kazakhstan. Neither is so poor as to be materially enriched in an instant as the DRC has been. But they are nevertheless benefiting mightily from American and Chinese interest.

America's approach has been the more focused. In Brazil it has set about building a rare-earth empire. In September USA Rare Earth, a listed company in which the government has a stake, took over Serra Verde, the only producer of four of the scarcest such minerals outside Asia. The firm has already spent $2.8bn acquiring the mine. A further package pulled together by the Department of War and a loan from the DFC will push American investment to nearly $5bn.

In Kazakhstan America is eyeing tungsten, which is vital to high-tech arms-manufacturing. In November 2025 Kaz Resources, a firm backed by the administration and by investors including Eric Trump and Donald Trump junior, two of the president's sons, is stumping up $1bn to develop deposits at Kairakty, first explored in 1958, and Northern Katpar. The deal is equivalent to nearly a twentieth of Kazakhstan's annual FDI inflow. A further $2.3bn could come via the DFC and EXIM.

China's bets in both countries have been broader. Last year Chinese firms invested around $6bn in Brazil, more than in any other country. A third of that went on mines producing minerals including nickel, copper and gold. In Kazakhstan, China, like America, wants tungsten: Kaz Resources had to pay over the odds to fend off a Chinese firm lobbying for a licence, according to two American officials involved in negotiations. But last year China and Kazakhstan also agreed on deals worth over $10bn that included copper and gold projects, as well as a tungsten mine.

Last year Mr Trump's officials spoke about recruiting countries to America's camp while pressing them to spurn Chinese advances. Most, they said, would have to pick a side. The experience of the DRC, Brazil and Kazakhstan shows that this is not how things have played out so far.

American and Chinese mineral-hunters are piling into the same handful of countries because only so many have lots of half-finished, old or dormant mines that can be completed or revived quickly and cheaply. China has long prized speed, in contrast to the preference of private-sector Western miners for the slower process of finding promising new assets and carefully optimising returns over their lifetimes. Now America is becoming impatient—and so behaving more like the Chinese.

Shock and ore

Last year just five countries—the DRC, Brazil and Kazakhstan, plus Zambia and Canada—accounted for nearly 80% of the two superpowers' combined mining investments abroad. With the exception of Canada, for which Mr Trump seems to feel special contempt, Sino-American rivalry is paying off for these fortunate few. On a visit to Beijing in March, DRC officials obtained commitments from China to share more data and invest more in local processing. China has also agreed to share the ownership of its Congolese copper project with the local state-owned diamond miner. According to the two American officials, the Kazakh government managed to extract a bigger stake in the Kairakty joint venture than America first offered.

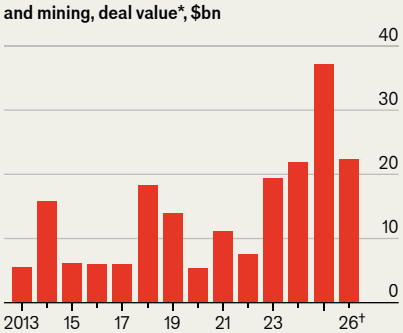
In the short run, smash-and-grab may benefit the superpower rivals, too. China started to produce lithium in the DRC earlier this year. America's expansion of Serra Verde, the Brazilian mine, should be up and running in a year. The Kazakh project should begin production by 2030.

Yet the strategy has its limits. It relies on others to prospect for and develop existing deposits, even as prospectors and developers grow more cautious. Miners' exploration budgets have never recovered from the end of the last supercycle (see chart, right panel). Despite forecasts of surging demand for copper, which may outstrip supply by 8% within ten years, the world's biggest producer of the red metal, Chile, has cut back output, largely owing to underinvestment in decaying assets.

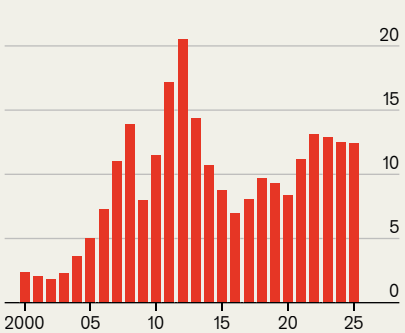
Higher prices should in theory attract investment in new projects. At least 30 countries possess viable deposits of copper, for instance. But these can take a decade or more to pinpoint and develop. In the meantime, all the meddling by the governments of America and China is confusing the price signals miners rely on to decide whether an untapped deposit is worth the hassle. The result is more investment paralysis—but, for the lucky few places with ready deposits, it's payday. ■

Mines, all mines

China, foreign investment in metals and mining, deal value*, $bn



Global mineral-exploration budget, $bn



*Includes construction contracts. Restricted to participant countries of Belt and Road Initiative †To June
Sources: University of Queensland Business School, FISF; S&P Global

Chinese equities

Fast bears

If China is winning the future, why is its stock market so glum?

ACCORDING TO MOONSHOT AI, a leading artificial-intelligence firm based in Beijing, "What truly matters lies beyond the reach of human sight." That is one reason why its Chinese name translates as "Dark Side of the Moon". (Another may be the founder's love of Pink Floyd.)

The startup, which hopes to list in Hong Kong next year, illustrates many of China's AI strengths. Its founders are talented and dedicated. Its Kimi K3 model, which it has just upgraded, is lean and powerful. The country is determined to make the most of the new technology. Its economy, like America's, Taiwan's and South Korea's, lies firmly within the orbit of the global AI boom. But unlike those places, where optimism waxes and wanes, China's stock market has been dark.

The pessimism is plainest in tech-heavy stock-market benchmarks, such as the ChiNext index in Shenzhen. It has lost about 40% in four months. The bearishness has spilled over to broader indices, such as the CSI 300, which tracks large-cap firms listed in Shanghai and Shenzhen (see chart 1). In October this index met the conventional definition of a bear market, having fallen by 20% from its June peak.

For about a decade China's regulators have instead sought to cultivate a "slow bull market" that would lift consumer sentiment and raise money for new companies without running wild. In the first half of 2026, they seemed to be getting their wish. The CSI 300 made a slow advance. CXMT, a chipmaker, listed in Shanghai in July, raising 66.6bn yuan (a lucky number worth almost $10bn). The "national team", state-owned financial institutions that prop up the market when required, felt confident enough to offload some of the stocks they had bought in past crises (see chart 2).

Things changed around the middle of the year. The culprits include AI scepticism and local fiscal caution. Doubts about end-user demand for AI apply with extra force in China. Mainland companies are notoriously reluctant to pay for software. And competition for their custom is fierce. Kimi's success, for example, poses a threat to listed rivals such as MiniMax.

China's stocks have also suffered from the government's budgetary inhibition. Many investors had hoped for a concerted effort this year to lift the economy through infrastructure investment and handouts for households. But the government has relied more on foreign demand to keep growth going. This year's export boom has allowed it to turn its attention to fiscal repair, not fiscal expansion.

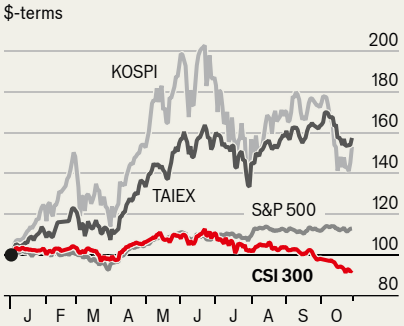
The irony is that much of that boom has been AI-related. The value of Chinese semiconductor exports, for example, more than doubled in the first nine months of the year. The world's AI spending has supported Chinese growth, obviating the need for fiscal stimulus. And that unexpected austerity has weighed on domestic demand, depressing the stock market. The AI gods give; they also take away.

Lately the national team seems to have returned to action, putting a floor under the market. Exchange-traded funds held by Central Huijin, part of China's sovereign-wealth fund, have recorded strong inflows, notes Larry Hu of Macquarie, a bank. The government is also mobilising investment for what it calls the "six networks". These include the power, computing and communications systems an AI-led economy will need. Economic growth has picked up and the CSI 300 has edged back above the symbolic 4,000 mark for now.

Contrary to popular belief the "dark" side of the moon gets two weeks of sunlight a month, just like the visible side. China's markets will hope that their day in the sun comes soon. ■

Playing different tunes 1

Stock-market indices, January 1st 2026=100
$-terms



Source: Bloomberg

Money, get back 2

China, cumulative net inflows to exchange-traded funds heavily owned by Central Huijin*, yuan bn



*A subsidiary of China's sovereign-wealth fund
Sources: Macquarie; Wind

Oil markets

The laws of thermokinetics

Why, despite stronger Gulf exports, Brent is near its Iran-war peak

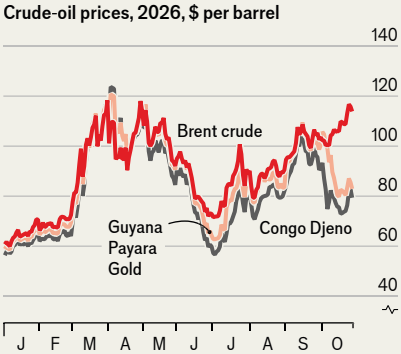
EIGHT MONTHS into the Iran war the oil-market riddle keeps deepening. Since early September exports from the Middle East have climbed. They exceeded 17m barrels per day (b/d) in the week to October 23rd, just 4m b/d below 2025 levels, reckons Vortexa, a data firm. Yet in the same period the price of Brent futures, the international benchmark for crude, has jumped by a fifth, to $115 a barrel, nearing its April peak (see chart).

Three factors explain why oil is so pricey, starting with a change in China's appetite for crude. In March its government, worried about supplies, banned exports of refined products. Refiners drew on stocks and consumers used less fuel. The result was a near-halving of crude imports between February and June, by 6m b/d. That was a big reason why the largest oil-supply shock in history did not push prices higher.

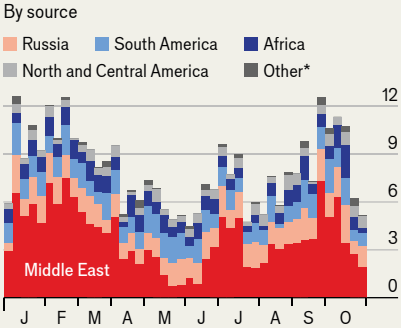
In June a detente between Iran and America caused prices to drop. Chinese refiners lobbied to lift the export ban: with ▸▸

Far and wide

Crude-oil prices, 2026, $ per barrel



China, crude-oil imports, 2026, m barrels per day
By source



Sources: FactSet; Platts; Vortexa *Includes undetermined

Gulf exports still blocked and Russian refineries pummelled by Ukraine, refiners' margins elsewhere set records. From July China resumed exports and imports rebounded. In the three weeks to October 16th they were more than 3m b/d above June's level—enough to absorb some of the jump in Middle East exports, notes Neil Crosby of FGE NexantECA, a consultancy.

Chinese imports have since edged down. But a second factor—a rise in freight costs—is still forcing up prices. The way China has been buying has played a part in this: rather than purchasing on pre-agreed schedules, it chased better prices on the spot market, creating demand for tankers that was harder to plan for and costlier to secure, according to Tom Reed of Argus Media, a price-reporting agency.

Meanwhile, the rise in Gulf exports via the Strait of Hormuz has added to tanker demand. Such voyages need fleets of state-owned tankers to shuttle clandestinely through the strait, collect cargo, then transfer it in the Gulf of Oman to other vessels that may wait for days. That ties up more vessels, pushing up freight costs worldwide. These once made up 4-7% of the cost of delivering oil to Chinese buyers; by October they accounted for 25-30%.

Such costs have spilled into the wider market. Producers in Latin America and west Africa, farther from buyers, have discounted their crude to stay competitive; North Sea drillers, by contrast, command a fuller price. This "geography premium" has

BUTTONWOOD
Tailor-made for disaster

In an AI blow-up, would credit-default swaps pay out?

IN 1912 FRANZ REICHELT, a tailor and inventor, ascended to the first level of the Eiffel Tower to offer a demonstration. He had designed a suit which could double as a parachute. After mixed results with mannequins, he decided it was time for a manned test—and fell to a grisly end. Today owners of credit-default swaps (CDSs), a form of insurance designed to pay out when borrowers go bust, likewise find themselves in mid-air with an untested parachute.

CDSs can be used to hedge exposure to debt, or to speculate. But are they a good way to do either? The instruments gained notoriety in the global financial crisis of 2007-09, then got their wings clipped during the euro-zone debt crisis. In 2011 the Greek government's initial restructuring of its debt failed to trigger CDS payouts. Although the contracts were eventually activated in 2012, by then many investors had lost faith. They lost more in 2014, after Portugal's central bank split the failing Banco Espirito Santo in two and the International Swaps and Derivatives Association (ISDA) judged its CDSs to apply to the stronger offshoot. Some investors who held the old bank's bonds faced huge losses—and Reichelt-like protection.

Despite these setbacks, the CDS is back in vogue. Concern over France's public debt has driven the cost of related five-year CDSs to its highest in 14 years. In America the cost of insuring against a default in the next five years by Oracle, a cloud-computing giant going all-in on artificial-intelligence data centres, has quadrupled in the past 12 months. If the world's mounting pile of debt comes crashing down, many CDS investors can expect a hard landing.

In some ways CDSs have been made less flaky. For example, changes to the terms of standard contracts in 2014 made it clear the redenomination of government debt into currencies other than the euro would count as a default, which was not explicit before. Bond exchanges, where an old liability is forcibly swapped for a new one more favourable to the borrower, also now count as a CDS-triggering default.

But although some of the old holes have been patched up, new tears have appeared. Since the last big update to ISDA's rules 12 years ago, corporate defaults have become as unfashionable as skinny jeans, thanks to furious legal innovation by firms facing bankruptcy, especially in America. Many now opt for liability-management exercises (LMEs), creative restructurings of their debts that avoid lengthy court battles. Since 2024 LMEs in America have outnumbered conventional defaults.

Investors waited months for a CDS payout after Altice France, a telecoms firm, announced an aggressive LME restructuring in 2024. Holders of CDSs covering the debt of Ardagh Group, a European packaging manufacturer, faced



an even rockier ride after its LME in July the same year. Prices of Ardagh CDSs fell at first, when it appeared that they would not be triggered. The payouts eventually landed, but not before investors again began to question the swaps' merit.

At least Altice and Ardagh are based in Europe, where restructuring is considered a credit event that can (in principle) trigger a CDS. Not so in North America, home to almost all of the AI companies being buffeted by the credit-market storm. The businesses making chips, building data centres and otherwise involved in the fast-moving AI economy are reaching for complicated financing arrangements. Their loans are backed by things like data-centre leases and "remaining performance obligations" (customers' promises to pay them for computing capacity). Suppliers are lending money to their customers, sometimes while borrowing loads themselves. Such complexity is a recipe for a nasty and uncertain restructuring.

Defenders argue that CDSs still provide protection in the event of a default. The sophisticated investors who most commonly buy such products are often prepared for protracted legal battles and willing to weather the volatility.

This makes CDSs sound like resource-intensive bets on distressed debt in the mould of Oaktree Capital or Elliott Management. Yet that is not how they were envisaged. Their original purpose was to make it easier to hedge exposure to debt by offering a predictable payout in the event of non-payment. When the payout is no longer predictable—and requires investors to turn into Howard Marks or Paul Singer, the hard-charging founders of Oaktree and Elliott, respectively—CDSs look as threadbare as Reichelt's wings.

opened up a spread between the cheapest and priciest grades that recently neared $60—and pulled Brent a bit higher.

But demand and freight do not fully explain why Brent sits far above "fair" value, which JPMorgan Chase, a bank, puts some $20 below the recent price. The gap reflects the third factor: fear that further violence could slow Gulf exports again. In October Iran has struck at least 30 vessels, the highest monthly tally of the war by far. Yemen's Houthi rebels have attacked Saudi Arabia's cities, airports, refineries and the country's (recently repaired) East-West oil pipeline. In the month to October 22nd, seven of the eight days on which Brent moved by more than $2.50 a barrel brought news of peace talks or worsening tensions, counts Morgan Stanley, another bank.

Mr Trump has hinted he might strike Iran again after America's midterm elections on November 3rd. Markets are waiting to see if he does: low trading volumes in Brent futures give every bullish bet outsize weight. If he holds off, prices will probably fall back within days. But large-scale bombing, alongside major Iranian and Houthi attacks, could push prices to $130-140 a barrel, reckons Jim Burkhard of S&P Global, a data firm.

China holds ample oil stocks, and rich countries retain strategic reserves; both will probably be tapped if prices go so high. And the Brent futures curve, refining margins and forward freight prices suggest markets fear disruption will last well into 2027. In April traders were close to panic. Now they are nearer to resignation. ■

HDFC Bank

Damage control

MUMBAI

The task facing the new head of India's biggest private bank

HDFC BANK started on a shoestring. In its first makeshift office, in a textile mill in Mumbai in 1995, rats gnawed at computer cables taped to the floor. Paper clips were meticulously accounted for. Staff held meetings under a peepal tree. Even as the bank grew, they were asked to bring in their own tea mugs.

Such prudence paid off. HDFC Bank soon became a formidable institution, known for efficiency, conservative lending, tight control of bad loans and steady profits. It is now India's biggest private lender. But when Anup Bagchi, its new chief executive, took charge on October 27th, he inherited a difficult legacy.

In 2023 a $40bn merger with Housing Development Finance Corporation (HDFC), a related housing-finance giant, created one of the world's largest banks. The logic was compelling. HDFC Bank's cheap current- and savings-account deposits could help fund HDFC's vast mortgage book, which had relied on dearer bonds, bank loans and longer-term deposits. The enlarged bank could also cross-sell home loans, cards and insurance to a bigger customer base.



Under new management

Reality proved harder. The loan-to-deposit ratio jumped from 85% to 108%, raising funding costs and then squeezing the net interest margin. Liquidity requirements obliging banks to park deposits at the Reserve Bank of India (RBI) and in government bonds became more onerous (as a mortgage lender HDFC had been exempt from some stricter rules applied to banks).

Broader forces affecting all banks added to the strain. Savers began moving money from low-yielding bank accounts to mutual funds on user-friendly apps, forcing banks to be more generous. And in February 2025 the RBI began cutting its policy rate after holding it steady for two years. (The central bank reversed course only this month.) While loan rates fell, banks were still paying higher deposit rates locked in earlier, explains Nitin Aggarwal of Motilal Oswal, a financial-services firm.

Some also questioned HDFC Bank's governance. They included Atanu Chakraborty, its own chairman, who quit in March citing differences over "values and ethics". (The RBI found no evidence of misconduct.) In July HDFC Bank's board fined three executives 100,000 rupees ($1,050) each after the bank reportedly channelled 450m rupees to a state road-building agency, ostensibly to sponsor a safety campaign. The sum allegedly matched the gap between the formal deposit rate and the higher rate promised to the agency.

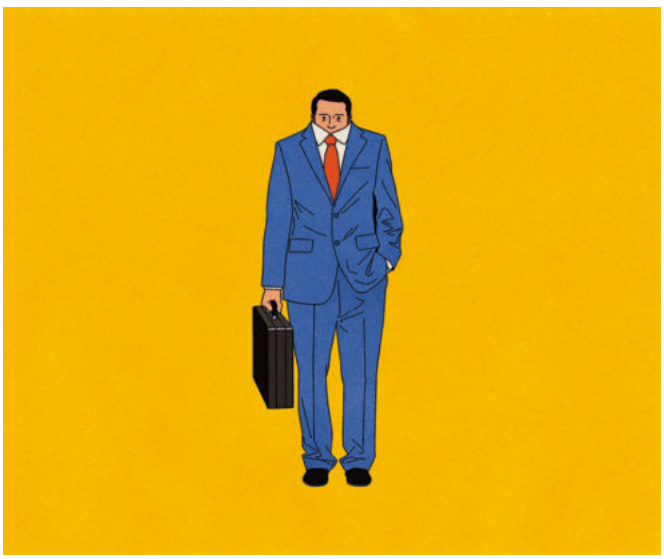
The share price has fallen by a third in the past year. But not all is gloom. In the year to September loans were up by 16% and deposits by nearly 19%, helped by an RBI scheme to attract foreign-currency deposits. In the latest quarter net profit rose by 5% year on year, to 195bn rupees. The return on equity (a gauge of profitability) was 14%—not shabby, but down from 17% the year before the merger.

So how should Mr Bagchi start earning his annual pay-packet of up to $3.7m? "Changing the culture and replenishing the talent pool" should be priorities, reckons Tamal Bandyopadhyay, author of two books on HDFC Bank. "The top and medium tiers of the bank have been faction-ridden in the past few years." Many "victims of the cross-fire" quit, he says.

Mr Bagchi spent 34 years at the ICICI group, HDFC Bank's fiercest competitor. He ran ICICI's securities and life-insurance arms and helped build its banking franchise. But the turnaround could be a long one. Big bank consolidations show that "a larger balance-sheet alone does not guarantee stronger returns," says Devang Rajkotia of Moody's, a rating agency. A banker who has pitched to Mr Bagchi praises his "attention to detail". He will need it. ■

FREE EXCHANGE
The Great Apprehension

Fear of a technological revolution may be suppressing wages



IMAGINE UNWINDING after a long day at work by reading about the end of work. A post on Reddit tells you that "The *entire* point" of artificial intelligence is to "ensure you have zero ability to work for a living". You visit Blind, an anonymous confessional for anxious tech workers, where employees trade horror stories of two-year job hunts yielding nothing but automated rejections. The best thing you can do, you decide, is to future-proof yourself by mastering the new tools. But then you read that AI is said to have made short work of the Birch and Swinnerton-Dyer conjecture. Time to change job after all? "At this point, it seems easier to get into Harvard than get a new job," warns another Redditor. Harvard rejected you, so best to stay put. At least your boss likes you.

The doomscrollers are not alone. Across America, workers increasingly fear that AI will take their jobs. Yet for now, the more immediate threat may be to their pay. Average hourly wages in the private sector have risen by just 3% in the past year. Prices have risen faster still, pushing down real wages. That is all the more surprising given productivity is growing healthily, which ought to support pay rather than squeeze it. During the dotcom productivity boom of the late 1990s, for instance, real hourly wages grew by more than 2.5% a year. Some Americans were even cheerful.

Might AI have something to do with it? As the technology takes over more tasks, firms may need fewer workers, weakening demand for labour and holding down wages. Such fears received fresh fuel on October 26th, when Microsoft offered buy-outs to 60,000 employees to contain costs while making gargantuan investments in AI. But evidence of widespread job losses attributable to AI remains thin. Unemployment is low; layoffs are scarce. In a recent survey by the Federal Reserve Bank of New York, just 4% of service firms using AI reported laying off workers in the past six months because of it, while roughly as many reported hiring more workers as hiring less. Researchers at Stanford University, studying payroll records for millions of Americans, have likewise found little evidence of widespread AI-driven displacement.

Even so, fear of AI could still be having an effect, by causing workers to cling to the jobs they have rather than seek new ones. Businesses' demand for workers remains healthy, judged by job openings. But workers are reluctant to jump ship. *The Economist* estimates that Americans are quitting 13% less often than job openings and the unemployment rate would predict, based on the pattern of the past 25 years. In professional and business services, a sector filled with AI-exposed jobs, the quit rate is nearly a third lower than in 2019, and almost as low as it was during during the global financial crisis of 2007-09. Wage growth in the sector has tumbled, too. When workers are happy to stay, employers face less pressure to raise pay to keep them.

Consider the reaction to Microsoft's offer: "Taking a buyout means you may never have a job in tech ever again," warned one viral post on X. And workers seem more spooked by the prospect of finding another job than by that of losing their current one, making them all the more determined to stay put. A survey by the Boston Fed found that just one worker in ten was concerned about AI-related job losses, but that six in ten expected AI to lead to layoffs in their industries. Another survey in July showed that Americans' confidence in finding a new job was near a record low, even as they saw little increase in the risk of losing the one they had in the short term.

Research supports the idea that workers are acting on their fears by doing nothing. Economists at the Atlanta Fed examined how workers' expectations about the labour market affect their decisions to switch jobs. They find that a rise of ten percentage points in the perceived risk of not finding work is associated with roughly 13% fewer job switches, even after accounting for differences among workers and in local labour-market conditions. All told, changing expectations may explain roughly half the decline in job-hopping since 2022.

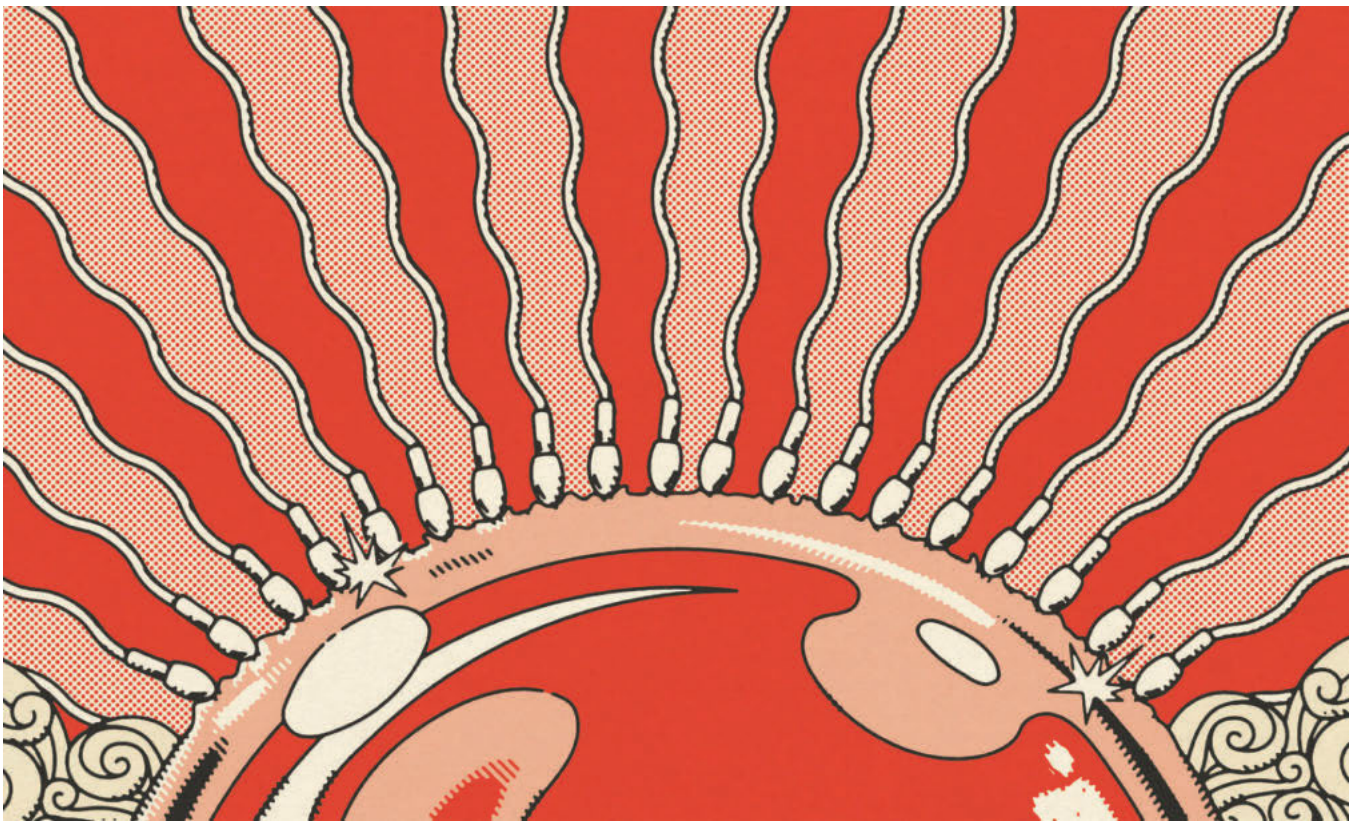
Economists have long understood that expectations can become self-fulfilling. Bank runs occur when nervous depositors withdraw their money, bringing down the very bank they fear might fail; expectations of inflation can spur spending and wage demands, helping to push up prices. Something similar may be happening in the labour market, though the panic works in reverse. AI anxiety may cause workers to cling to their jobs, leaving employers fewer vacancies to fill—roughly half of job openings come from firms replacing departing workers. This in turn leaves other workers with fewer opportunities, further weakening labour's bargaining power. Karl Marx wrote of an "industrial reserve army" weighing down the "active labour-army". Today, the mere spectre of an agentic army may be doing the same.

Still, dismal scientists cannot blame dismal thinking alone. Even if AI isn't fuelling firings, it does appear to be slowing hiring in some sectors, particularly of young workers. Other factors may also explain workers' new clinginess. Homeowners paying rock-bottom mortgage rates may be reluctant to move for a new job and a pricier loan. And the Great Resignation of 2021-22, when Americans switched jobs in large numbers, may have left many happily settled with their employers. Not all job-hugging is driven by fear.

A raise in confidence

Workers may have more power than they think. AI should make them more productive—and more valuable. But they will have to claim their share. The Boston Fed survey found that workers who felt AI had boosted their productivity were more than four times as likely to report willingness to ask for a pay rise. Just as pessimism can sap bargaining power, confidence can strengthen it. Doomscrollers of the world, know your worth! ■

Science & technology



Reproductive science

Fertile ground

Treatments for age-related infertility are being developed at last

FOR MANY well-known reasons, women around the world are increasingly choosing to have babies in their mid-30s and into their 40s. They face a considerable challenge: genetic errors in their eggs increase as they get older, leading to fewer pregnancies and more miscarriages.

In-vitro fertilisation (IVF) has long been the only solution offered to these women but, as it stands today, it is not fit-for-purpose and can be an expensive and heartbreaking gamble. If they can tolerate the financial, physical and emotional burden, would-be mothers are advised to try the process as many times as they can bear.

Change may be on its way. Two European startups want to increase women's chances of having a baby with treatments to improve the viability of human eggs. They are building on research that has peered deep inside the human egg to explain exactly why baby-making becomes so error-prone as women age. By identifying the molecules and processes responsible for faulty eggs, the companies hope to improve IVF outcomes for older women.

A woman's oocytes (immature eggs) are some of the oldest cells in her body. They were formed when she was a fetus; her ovarian reserve peaked in the millions while she was still in her mother's womb. By puberty, the stock has plummeted to 300,000-400,000. She will continue to lose oocytes every month up until reserves are virtually depleted at menopause.

It is not only the quantity of oocytes that drops with time: so does their quality. Older ones are more likely to carry chromosomes in abnormal numbers. Healthy human cells have 23 pairs of matching chromosomes. As egg cells develop, each pair is joined and lined up carefully, ensuring that they can be split such that half—one complete set—are discarded. This leaves mature eggs with 23 single chromosomes that can partner with the corresponding number in a sperm. If something goes wrong in the process, an "aneuploid" egg can be formed: one that has either too few or too many chromosomes.

Aneuploidy is a leading cause of infertility. In women in their 20s over 20% of oocytes have an incorrect number of chromosomes. The share rises to 50% in those over the age of 40. No one has yet developed a solution to the problem.

Around the beginning of the decade a team led by Melina Schuh of the Max Planck Institute for Multidisciplinary Sciences in Göttingen, Germany, began mapping out the molecular causes of aneuploidy. They showed that levels of cohesin, a molecule which holds chromosome pairs together as an egg develops, decline with age. Diminished cohesin disrupts the chromosomal choreography and can result in aneuploid eggs. The team also found that a protein called Shugoshin 1 (derived from a Japanese word meaning "guardian spirit") plays a crucial role in preventing cohesin's decay, and thus lowers the risk of

→ ALSO IN THIS SECTION

73 China's reliance on American AI

74 Canines catching yawns

75 Well Informed: Protein powders

oocytes turning into aneuploid eggs.

In January 2025 Dr Schuh and her collaborator Agata Zielinska founded a company, Ovo Labs, to turn these discoveries into treatments. Ovo Labs is developing a product called EmbryoProtect 1, based on Shugoshin 1, that can be injected into immature egg cells before aneuploidy develops. In lab experiments the team injected EmbryoProtect 1 first into mouse eggs and later into more than 100 human eggs donated by IVF patients.

Early results appear promising. "When a mouse gets older, 60% of the eggs become chromosomally abnormal," says Dr Zielinska. "But when you treat an old mouse egg with EmbryoProtect 1 you can see that you almost fully eliminate the chromosomal defects." A first generation of healthy mouse pups has been born by fertilising eggs treated with EmbryoProtect 1. When the team injected oocytes with the product, they found that the proportion that developed chromosomal errors fell by roughly half compared with an untreated control group.

Dr Schuh says data from Ovo Labs and her laboratory at the Max Planck Institute show that in oocytes from women aged 34-40, the proportion of chromosomally normal eggs more than doubled after treatment. Dr Zielinska and her collaborator Debojit Saha, now at Princeton University, presented these results, which are not yet peer reviewed, at the annual meeting of the American Society for Reproductive Medicine, in Baltimore, on October 26th and October 28th. If their findings translate into clinical practice, women undergoing IVF could have "substantially more" chromosomally normal eggs available for their IVF cycles, says Dr Schuh.

A second startup, U-Ploid Biotechnologies based in Oxford, was created by Alexandre Webster and Chloe Charalambous, two former members of Dr Schuh's lab. Instead of replicating Shugoshin 1, the firm has developed a molecule called Lyvanta that slows down separase, an enzyme which cleaves Shugoshin 1, leading to less cohesin and, eventually, more aneuploidy.

In experiments on mice publicised in 2025, Lyvanta reduced the incidence of chromosomal defects in 84% of eggs. U-Ploid is now testing their molecule in human cells. In preliminary results also presented in Baltimore, it said that treating immature eggs with Lyvanta had almost doubled the number which matured to be chromosomally normal. The team said that 66% of cells treated with Lyvanta did not have any chromosome errors, compared with 36% of untreated eggs.

Ovo Labs is exploring two further approaches to reduce aneuploidy. One is an engineered cohesin that would help its natural counterpart hold chromosomes together as eggs mature. The first results are expected to be published in a scientific journal on November 5th.

The other approach builds on an understanding of how immature human eggs shed their excess chromosomes. That process involves microscopic spindles which line up the chromosomes inside the egg as it divides. Dr Schuh's research has shown that this spindle structure is particularly unstable in human eggs, even in younger women, in comparison with other mammals. This could explain why one in five eggs from women in their 20s is aneuploid, as well as why miscarriages are common even in younger women.

Comparisons with mice, cows and pigs revealed that human oocytes have very low levels of a spindle-stabilising protein called KIFC-1. Injecting KIFC-1 back into human egg cells reduced the risk of aneuploidy. Dr Schuh says Ovo Labs is exploring this avenue in the hopes that boosting spindle stability could improve IVF outcomes for both younger and older patients.

Rita Vassena, a fertility specialist and industry veteran at CooperSurgical, an American health-care firm based in Connecticut, calls preclinical data from both U-Ploid and OvoLabs "encouraging" but cautions that the technologies "will need to prove their short- and long-term safety and efficacy". Still, says Dr Vassena, "Fixing the problem at the source brings about an unprecedented potential for treatment-efficiency gains."

New conceptions

Demand will be high if any of these approaches pass clinical testing. In America more than 40% of women seeking fertility treatments were over 38 in 2018. In Britain, one in six patients starting IVF in 2023 was aged 40 and above. The researchers at Ovo Labs and U-Ploid say they frequently have to turn away women wanting to get in early on clinical trials that do not yet exist. ■

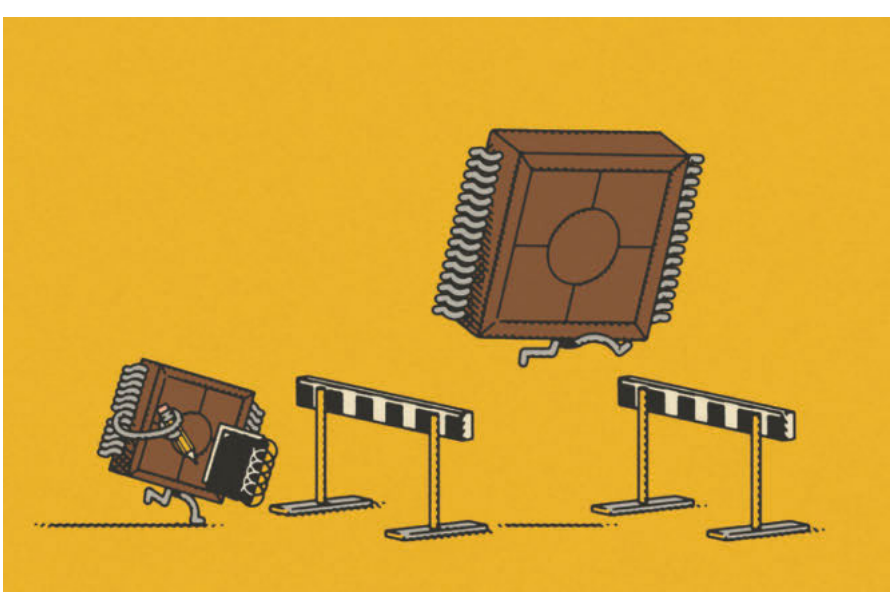
Technological competition

Disturbing distilling

China increasingly depends on copying American artificial intelligence

CONSIDER A WATER-SKIER. Surfing in the wake of a speedboat, they may at times go faster than the vessel pulling them along—but they never overtake it. Lately some experts have turned to this analogy to describe China's race with America for supremacy in artificial intelligence. They suggest that the impressive progress of Chinese labs largely relies on the pace of their American peers pushing out the frontier. If America speeds up, so might China. If America were to throttle down, Chinese labs would slow too.

The reason is "distillation": the training of an AI model on the output of another, rather than from scratch. As AI becomes more capable, the extent to which Chinese firms are distilling the best American models has become an urgent question. America's companies need users to pay for their



expensive models rather than use cheap knock-offs. And America wants to stay far ahead of China: President Donald Trump has said that "Whoever wins AI, wins." Yet the widespread distillation of frontier AI models may not be quite as bad for America, nor as good for China, as it seems.

The idea of distillation is simple. In the early stages of training, large language models (LLMs) are usually taught to mimic text on the internet. Distillation teaches them instead to mimic other LLMs. The words generated by American models exhibit precisely the sorts of skills and reasoning Chinese developers want their own models to learn. As such, their output is useful fodder for training.

American developers on the frontier have no more advanced models to distil, and the text on the internet is all but exhausted. They instead increasingly rely on a less efficient technique called reinforcement learning (RL). It involves setting a goal for their model, such as solving a complex maths problem, and letting it experiment in search of a solution. American firms now spend more than half of their computing resources on RL-related techniques, up from a twentieth in early 2024.

Chinese firms can thus distil the capabilities that American models learn through expensive RL training. Like a student with a tutor, their AIs learn faster than American ones working things out alone. A small model trained by DeepSeek, a Chinese lab, on 800,000 examples produced by their most powerful model went from a score of 15% to 46% on a popular mathematics test, according to a study published in the *Findings of the Association for Computational Linguistics* in July.

Far more data are needed to match the capabilities of frontier models—but Chinese labs appear to be distilling at scale. A report published in September by Anthropic found that five Chinese firms had collected more than 180m messages from its models in five months. Chinese models bear a measurable resemblance to American ones (see chart), and sometimes even identify themselves as Claude or ChatGPT.

How much does distillation matter? Much of China's progress in AI is homegrown. More than half the world's top AI researchers are of Chinese origin, as measured by papers presented at NeurIPS, the main global AI conference. But brainpower goes only so far. Advanced computer chips are today the main driver of AI progress, and America's tech giants individually have more than all of their Chinese competitors combined. Distillation helps Chinese firms compensate. Researchers reckon Chinese AI is about three to six months behind the best American models. Without distillation the gap could almost double, estimates Saif Khan of the Centre for Technology & Statecraft in Washington.

Anthropic and OpenAI are keen to cut the rope. They have moved to end an exploit, found in August, that gives Chinese firms access to the reasoning that their models produce while solving problems. They have also stepped up their detection of distillation campaigns. Anthropic has begun charging for Claude requests even if the model senses what is going on and refuses to respond—making failed attempts at distillation costly.

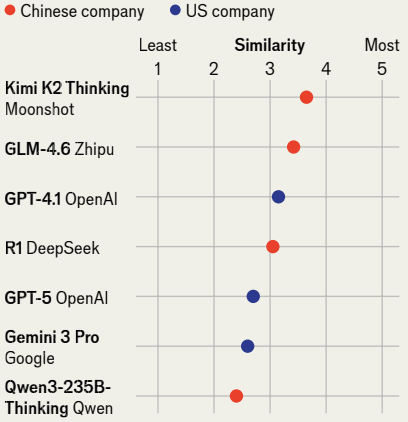
Anthropic has said these new measures may not be lastingly effective, but have so far reduced the amount of data harvested by distillers by 90-99%. As a result it might give up about 5-7% of its revenue; distillers are still users, after all. The company argues that Chinese model-makers were releasing near-frontier models without guardrails against misuse, and that such models posed a national-security risk.

Yet, if they succeed, American labs may come to regret closing off access to their rivals. Chinese researchers have their doubts about the wisdom of relying on distillation. Few believe that training on American models is ethically wrong—frontier labs built their own systems on freely obtained internet data. But some bosses think that relying on the technique will condemn China to permanent second-place. Researchers at Chinese labs further suggest that, if it happens, recursive self-improvement—AI models that autonomously build their own successors—may rely on sophisticated RL infrastructure which distillers will not have.

Zhang Yiming, the founder of ByteDance, a Chinese internet firm, told his staff in July that the company would not use distillation to soup up its models. LatePost, a Chinese tech blog, paraphrased Mr Zhang's comments, saying that distillation "will, at best, allow us to continually close the gap [with the frontier], but it will be difficult to truly surpass". Mr Zhang acknowledged that letting go of the cord that tethers Chinese progress to the American frontier was leading ByteDance to fall behind. But the firm, unlike some of its rivals in China, has other streams of revenue and can afford to offer inferior models while it becomes more self-sufficient.

Free riders?

Behavioural similarity to Claude Sonnet 4.5 (thinking mode)*



*Response pattern similarity (1-5). Similarity does not establish distillation (the training of one model on the output of another)
Source: "When agents look the same: quantifying distillation-induced similarity in tool-use behaviours", by C. Yang et al., July 2026

Caught in the wake

As for America, distillation is an annoyance, but may be better than Chinese firms skiing their own way to the frontier. The technique could make it easier to regulate AI, too. Mr Trump's administration has been reluctant to slow down the progress of AI while it is made safer, lest America hand the competitive advantage to China. But if China is like a water-skier, it might not overtake even a slowing towboat. ■

Animal behaviour

Pack mentality

Why dogs catch yawns from their owners but not other dogs

YAWNING IS CONTAGIOUS. And not only among humans. The mimicry has been seen in chimpanzees, elephants, pigs, wolves and even, allegedly, parrots. Its purpose, however, remains unclear. Many suspect it is a form of behavioural mirroring that helps animals strengthen social bonds and enhance group cohesion. In chimpanzees, for example, contagious yawning is more common among individuals who know one another.

Dogs yawn too. But, though these wolf-descended canids often do so after their owners, yawning after other dogs is rare. It therefore looks likely that, as part of the evolutionary process which created Man's Best Friend, the bond-forming role of yawning has been transferred from one species to another. Federica Amici of the Max Planck Institute for Evolutionary Anthropology in Leipzig, and Paolo Ciucci of La Sapienza University in Rome, teamed up to investigate by comparing the yawning behaviour of purebred wolves with that of wolf crossbreeds carrying dog DNA.

Domestication is probably central to the story. Researchers suspect that over the course of 30,000-40,000 years living with (and being bred by) people, dogs have developed traits which made them more aware of human behaviours. Along the way, this process seems to have diminished their awareness of their own kind too. But

that raises the question of what happens when dog genes migrate into wolves.

Drs Amici and Ciucci, and a group of their colleagues, headed to wilderness enclosures in the mountains of Germany and Italy to investigate. There they observed 20 captive purebred wolves and 13 captive canids that were the result of wolves and dogs crossbreeding in the wild for two or three generations. The animals were in small packs of eight and 12 among the purebreeds, and three, four and six for the crossbreeds. Each wolf was closely observed for 22 15-minute sessions. Yawns were studiously noted, as was the behaviour of other animals in the enclosure.

The researchers' findings, as reported in *Animal Cognition*, were striking. When purebred wolves witnessed a yawn, there was a 41% chance they followed suit within two minutes. Such copycatting was seen only 24% of the time in the crossbreeds—supporting the idea that dogs' shift to copying human yawns rather than those of their own kind is, indeed, a genetically evolved phenomenon.

Yawn apart

Drs Amici and Ciucci also tested what made an individual likely to trigger a contagious yawn. Intriguingly, holding positions of power within a pack did not matter. What did was how well-connected an animal was. The wolves most likely to get others yawning were the socialites of the pack—those who spent time with the widest variety of packmates—among both the purebreds and crossbreeds.

The strength of the relationship between yawner and yawn observer was also found to have no effect in triggering a follow-up yawn. That is surprising because in primates, such as chimpanzees and bonobos, the strength of a social bond, for example being close friends or family, is a crucial factor in determining whether one yawn follows another.

The loss of the contagious yawn in wild populations, as a result of interbreeding between dogs and wolves, may seem trifling. But, with her conservationist's hat on, Dr Amici worries that it might end up having adverse consequences.

A range of other subtle behavioural changes associated with domestication, as yet unspotted by researchers, may well be migrating into wild wolf populations. This, in turn, could easily create a cascade of profound ecological repercussions. Indeed, if dog DNA ends up disrupting important elements of wolf biology—such as pack cohesion or co-ordination during hunts—it will ultimately impact the wolves' ability to produce offspring which survive and reproduce themselves. Wolves are one of the most social species on the planet. It could prove fatal if they were to tire of one another's company. ■

Well Informed

What to look for in protein powder

Pure whey is the way to go

ALCHEMISTS SOUGHT to turn base metals into gold. They failed. But for body builders, Eugene Schiff, a pharmacist from Detroit, managed the next best thing. In 1936 he turned whey, the liquid waste from cheesemaking, into a protein powder. Athletes and gym rats now pay top dollar for the stuff. And whey has been joined by powders made from its fellow dairy product, casein, and from leguminous plants, namely peas and soyabeans. Which is best?

A crucial ingredient to look for is leucine. This is about 12% of whey powder's mass and one of the 20 amino acids from which proteins are composed. It is one of the nine dubbed "essential", because humans cannot make them, so they must arrive in food. But leucine has many talents. It also activates a biochemical pathway, called the mechanistic target of rapamycin (mTOR), that encourages protein synthesis.

After exercise, mTOR gets to work replenishing muscle fibres. Leucine thus helps provide not only the signal, but also the raw materials. Put another way, says Stuart Phillips, a kinesiologist at McMaster University, leucine is both brick and bricklayer. In younger, active adults, leucine's muscle-building might goes only so far, says Brad Schoenfeld of Lehman College in New York: there is no additional benefit to taking more than that found in a standard 25g scoop of whey powder. Older people's muscles are tougher to stimulate. For them, whey with extra leucine can be beneficial for building brawn, according to a study of 20 people in *Nutrition Journal* in 2014.



The other amino acids are important too. Writing in the *Journal of Physiology*, in 2012, Dr Phillips and his colleagues gave three groups of young men different combinations of whey, leucine and other amino acids immediately after a leg workout. Some took full whey, for example, whereas others had a quarter dose topped up with extra leucine. The researchers then took samples one, three and five hours later from the quadriceps above each participant's knee. While leucine triggered the muscles' response across the board, those who had received a full dose of whey enjoyed the most prolonged period of muscle synthesis.

How does whey compare to rival protein powders? Casein, the protein of the solid curds from which whey is separated during cheesemaking, is less leucine-heavy; it makes up 8% of the powder's mass. That means it will not be as effective immediately after a workout, but it does contain a good balance of other essential amino acids. Pea and soya powders, in contrast, have less protein per serving overall.

Whey itself comes in refined varieties. There are isolates with less lactose for those wanting to avoid calories, and hydrolysates pre-digested with enzymes to make the powder easier on the gut. Such concoctions are often touted as offering greater benefits owing to their more refined nature. But a study published in *Nutrition & Metabolism* in 2021 found little evidence they boost muscle synthesis any more than pure whey. For gym buffs looking for a quick recovery after a workout, then, a full dose of unadulterated whey is the best bet.

A few ingredients are best avoided. Some powders are leavened with glycine and taurine, amino acids that can be synthesised cheaply. These inflate a product's amino-acid count while doing little to stimulate muscle growth. Some makers bulk up their products with starches, gums and emulsifiers too. Buyers should remember: not all that glitters is muscle-building gold.

Culture



Wikipedia

The last man-made encyclopedia

One of the internet's unlikeliest successes faces new threats

The Last Best Place on the Internet.
By Richard Cooke. *W.W. Norton & Company; 320 pages; $29.99. Granta Books; £18.99*

Written on nearly 23,000 rolls of manuscript, the Yongle encyclopedia, commissioned by a Ming emperor in the 15th century, was the largest reference work in history. It held that title for around 600 years—until Wikipedia, a startup run out of a chaotic office in Florida, overtook it after just six years in business. Today the collaborative online encyclopedia runs to 30bn words in more than 300 languages. Its Latin edition alone has more articles than the "Encyclopedia Britannica".

As Wikipedia celebrates its 25th anniversary this year, it faces big problems. It is shedding both readers and volunteer editors. It is at the centre of an escalating culture war. And AI poses an existential threat. As Richard Cooke, an Australian journalist, observes in a thought-provoking new book, Wikipedia is the largest encyclopedia ever written by humans—and it is likely to hold that title for ever. (Any future rival is sure to be made with the help of AI.)

As the world's go-to crowd-written reference source, Wikipedia serves as both an oracle and a mirror. Its story can be traced back to a childhood purchase. When Jimmy Wales was three years old his mother bought a copy of the "World Book Encyclopedia", which the family updated each year using stickers sent by post. Decades later, Mr Wales was casting around for business ideas. An online encyclopedia never need go out of date, he reasoned. So with a colleague, Larry Sanger, he founded Nupedia in 2000. Its seven-step process of editing and fact-checking meant that after five months it had approved a single article (on "atonality" in music). So to speed things up, they changed tack, launching a crowd-sourced encyclopedia in 2001.

Wikipedia was dreadful—and this was the secret of its rapid early growth. "The average person seeing the young Wikipedia for the first time thought they could do better," Mr Cooke writes. Later that year the site came into its own, as more than 100 articles about the September 11th terrorist attacks were added in less than a month.

Seeing its commercial potential, its bosses considered selling ads. Yet after defections from volunteer editors who didn't want to work for "WikiPAIDia", they backed down and ran it as a non-profit. Mr Wales has called it "either the smartest or the dumbest thing that I ever did": he has not made much money out of the phenomenon he co-founded.

Mr Cooke's book is an enjoyable rabbit hole of information, rather like its subject. It paints an affectionate portrait of the many oddballs and misfits who have made the site what it is. The second-largest lan-

→ ALSO IN THIS SECTION

77 Lessons from Harry Houdini
78 The allure of conspiracy theories
79 John Green's adult turn
79 Death in Beirut
80 Back Story: Striving outsiders

guage on Wikipedia is Cebuano, a minority tongue of the Philippines, which has 6m articles—mostly about insects—that have been uploaded by a bot made by a Swede who married a Filipina. A user called Giraffedata cannot bear the phrase "comprised of", and has spent 15 years removing tens of thousands of occurrences. No one will be surprised to learn that most Wikipedia editors are men.

The make-up of Wikipedia editors is reflected in the site's content. Its article about Scrappy Doo, a cartoon character, was at one stage 2,000 words longer than the one for Poland. And although editors wear their national dress on the first day of the annual Wikimania conference, in a multinational display of diversity, they are not an especially diverse bunch. For Wikipedia's first ten years, half of all edits came from five countries; there were more editors in the Netherlands than in Africa.

But now Wikipedia faces even bigger challenges. One is the febrile political climate. Certain topics have always provoked "edit wars": the most contested pages include Israel, Jesus and Donald Trump. There have long been problem contributors (the Church of Scientology was the first organisation to be banned from editing Wikipedia, in 2009). But recent arguments about misinformation and censorship have been harder to deal with. Mr Sanger, whose relationship with Mr Wales soured, has denounced Wikipedia's "globalist, academic, secular and progressive" bias. Last year Elon Musk, a former fan of the site, announced Grokipedia, an alternative to what he called "Wokepedia".

The charged political atmosphere has exacerbated a second problem: a lack of editors. Early Wikipedia welcomed newbie contributors. But after some sticky cases of defamation, it tightened up its rules, particularly regarding articles about living people. Since 2017 new editors have been banned from creating fresh entries. Trigger-happy editors even deleted an entry by Mr Wales—on Mzoli's Meat, a South African barbecue restaurant—for failing the notability test. As Mr Cooke puts it, anyone can edit Wikipedia in the same way that anyone can, in theory, represent themselves in court. For amateurs it can be a complex, hostile experience. The number of active editors in English has fallen by a third since its peak in 2007.

The third, most ominous threat is AI. Wikipedia played a crucial role in training large language models (LLMs) with its vast, free, multilingual dataset. It is probably "the single most important training corpus in the history of artificial intelligence", writes Mr Cooke. This has had the side-effect of immortalising the site's many errors and hoaxes. Ask ChatGPT who invented the electric toaster, and it may still tell you it was Alan MacMasters, a Scottish prankster who once credited himself as its inventor on Wikipedia as a joke.

AI's absorption of Wikipedia means that more people than ever are reading its content. Yet it also means that fewer people are visiting the site itself. When a Wikipedia link is suggested by a search engine, nearly a tenth of users click through. When Wikipedia is cited by an LLM, the click-through rate is only 0.33% (and not all credit their sources). Since 2022 Wikipedia has lost almost a quarter of its readership—and with it, opportunities to solicit donations and recruit new editors. Wikipedians are "a smaller club working harder to maintain something fewer people see", laments one longtime contributor.

Wikipedia's billions of words, written, edited and categorised by millions of human volunteers, helped create the conditions for AI. Now AI's use of that material threatens to suffocate the very source that helped bring it to life. ■

Working his magic

Harry Houdini's greatest trick

Hint: it did not involve handcuffs or a straitjacket

YOU COULD call it a re-appearing act. After he died on Halloween in 1926, Harry Houdini's spirit supposedly returned. In Santa Monica his spectre was seen making a dramatic escape from handcuffs; in Chicago people saw the magician's spirit swagger into a séance. His widow, Bess, dismissed such claims: if Houdini wanted to reach out from beyond the grave, he would use their secret code. Bess waited to hear from Houdini for ten years before declaring that "spirit communication in any form is impossible."



All dressed up with nowhere to go

This year fans are conjuring up Houdini again. On October 31st, to mark the centenary of his death, many will gather in dimly lit rooms to summon his spirit. In Europe and America magic shows will recreate his most daring tricks. There are new exhibitions: "Houdini's Library" at the Harry Ransom Centre in Austin, for example, shows he was a bibliophile as well as a showman. A new docuseries, "Houdini: Back from the Dead", uses AI to render the magician and have him narrate his life. A council of magic enthusiasts has even planned HOUDINI100™, a four-day commemoration in Budapest that includes a lock-picking contest and a trip "to meet Houdini, the local celebrity rabbit".

The fanfare is for good reason: Houdini is probably the most celebrated illusionist of all time. His name haunts dictionaries (the noun "houdini" is "a person or animal that is very good at escaping") and pop songs ("catch me or I go Houdini," trills Dua Lipa in one song). Houdini is famous in part because he was the "master of mystery". But also because he was, as John Cox, a Houdini expert, puts it, "a master at understanding how to promote himself". Just as you can study Houdini's performances to understand magic, you can study his career to understand fame.

Houdini offers three lessons for anyone looking to sell something. First, work hard to polish your product. The magician trained like an athlete to ensure he could get out of tight spaces and straitjackets and learned how to hold his breath for minutes on end for underwater escapes. Houdini was also one of the first people "to take the scholarship of magic seriously", notes Eric Colleary, curator of "Houdini's Library". He collected biographies of magicians and histories of sorcery; his research helped him refine his craft and invent new tricks, such as being buried alive or making an elephant disappear.

Second, learn the art of self-promotion. The "golden age" of magic in the 19th century was bolstered by mass media. Rather than buying an advert near the back of a newspaper, Houdini would pull off a stunt to get on the front page. "I'm not an advertiser, I'm news," he once quipped. In every city he visited he dared police to lock him up so he could escape, and freed himself from straitjackets while hanging upside down from cranes (see picture). He was among the first magicians to use radio and movies to help promote his shows.

Houdini also understood corporate partnerships. "How Houdini Made Magic", a new podcast, looks at his "brand deal" with Joshua Tetley & Son, a brewer, in 1911. Rather than escaping from a sealed milk

can full of water, he was challenged to get out of one filled with beer. But the stunt went awry: Houdini, who didn't drink beer, apparently passed out from the stench in the container and had to be rescued. But that made the episode only more headline-worthy.

Lastly, Houdini understood the importance of protecting his brand. Like the organisers of his centennial celebration in Budapest, Houdini tried to ™ lots of his tricks. It did not always work, in part because a patent spells out the secrets. So instead he launched attacks on his imitators, who called themselves things like Boudini, Hardini, Houdeen and Oudini. He challenged copycats to beat him on stage and threatened to expose the secrets of their tricks to the public. He also copyrighted illusions as "playlets", that he performed to just one person, and then tried to sue anyone who copied him. If you can't beat them, enjoin them. ■

Conspiracy theories

The paranoid style

Conspiracy. By Nicolas Guilhot. *Belknap Press; 280 pages; $32.95 and £27.95*
The Hidden History of Conspiracy Theory. By Andrew McKenzie-McHarg. *Princeton University Press; 696 pages; $42.95 and £35*
Illuminati. By Michael Taylor. *Liveright; 448 pages; $35. Bodley Head; £25*

JOHN F. KENNEDY JUNIOR died in a plane crash in 1999. Or did he? Some Americans insist he faked his death and is secretly working with Donald Trump to vanquish the "deep state". In September heroic passengers and a wounded captain stopped a deranged co-pilot from flying a packed jet into Israel's main airport. Or, online commentators suggest, they were all participants in a "false-flag operation" staged by Israel's government.

Conspiracy theories are nothing new. Plenty of people have an uncle happy to argue after a few drinks that the moon landing was faked, or have walked past pamphleteers blaming some shadowy group for all the world's ills. But never have so many spread so fast, so far and—with political leaders across the world eager to stoke conspiracy theories when it suits them—so high. To understand why, turn to three new books that show how conspiracy theories thrive at times of social upheaval.

Andrew McKenzie-McHarg, a historian, says two characteristics distinguish conspiracy theories from ordinary rumours or smears. First, they posit plots by the powerful. People spin conspiracy theories to explain secret forces shaping the world, not, say, why their dishwasher fails to clean between fork tines. And second, they refer "not just to a conspiracy but to a *non-existent conspiracy*". Watergate and the Iran-contra affair, for instance, are infrequent subjects for theorising because they were actual conspiracies. (They were also exposed and punished.) By contrast, conspiracy theories focus on "hidden" plots.

The phrase "conspiracy theory" may have first appeared in the *New York Times* in 1863, in a letter rebutting the charge that Britain was "going out of her way to meddle with America" during the civil war. But the concept is much older. In the 14th century Jews were accused of spreading the Black Death by poisoning wells. Many Londoners said Catholics started the Great Fire of London in 1666. "The Protocols of the Elders of Zion", first published in Russia in 1903, purported to reveal a Jewish plot for world domination. These theories emerged at times of social upheaval: wars, pandemics and the crumbling of the old imperial order. They provided simple explanations for complicated events—and a villain to blame.

Michael Taylor, another historian, explores the quintessential conspiracy theory of this type in his terrifically entertaining book, "Illuminati". The Illuminati existed, but far from being an all-powerful group of string-pullers, they were a bunch of fissiparous nerds. The group was founded in Bavaria in 1776 to spread Enlightenment values. Were they a secret society? Yes, but secret societies flourished across Europe at that time. Did they want to reform and liberalise society? Yes, but there is nothing inherently sinister about that.

Bavaria's authorities hounded the Illuminati out of existence after barely a decade, but the group lived on in the imagination. In 1797 a reactionary French priest called Augustin Barruel blamed thinkers including Voltaire and Denis Diderot for seeking to destroy Christianity with the help of Freemasons and the Illuminati. Revolutionary terror, he thundered, embodied "the black arts of Illuminism". Like many conspiracy theorists, he spun a web of fantasy around a kernel of truth: the Illuminati really were a secret group opposed to religious repression. But that was a far cry from plotting to destroy Christianity.

In 1919, more than a century later, Nesta Webster revived Barruel's theory. The English author wrote that the "diabolical methods employed by the Jacobins of France, indoctrinated by the Illuminati, have been repeated in Russia with terrible effect". She added a nasty wrinkle: "a conspiracy of the Jewish race that began perhaps at Golgotha" had, in league with the Illuminati, inspired the French and Russian revolutions,



the uprisings of 1848, the Paris Commune of 1871 and the rise of trade unionism. Nutty as that sounds, even Winston Churchill once called for "the schemes of the international Jews" to be exposed.

Even today, if you search "Illuminati" on any social-media platform, you will be faced with a deluge of lunacy, much of it antisemitic. In 2021 a poll of 25,000 people in 24 countries found that, on average, 37% believed "there is a single group of people who secretly control events and rule the world together". Why do so many people buy such bunkum?

In "Conspiracy" Nicolas Guilhot, a French academic, writes that conspiracy theories "reflect a diffuse social malaise" and frustration with an "obsolescent variety of liberalism". But disillusionment does not inevitably lead to delusion. Plenty of people agitate for political change by organising and voting, rather than posting about Democrats drinking children's blood (the core of the QAnon conspiracy that raged during Mr Trump's first term).

Mr Taylor suggests that people obsess over the Illuminati—or the Bilderberg Group, Freemasons, Jews or any other imagined conspirators often credited with superhuman powers of cunning and dominion—because they "have been unable or unwilling to accept that, sometimes, events are beyond the control of even the most competent actors".

Revolutions, wars, pandemics and economic crises happen for complex reasons; many find it easier and more comforting to believe in a planned reality rather than one largely driven by chance and contingency. Small wonder that, as the post-war political order breaks down, people are again finding solace in conspiracy theories. Or maybe that's just what the lizard people want you to think. ■

A bestselling novelist returns

No longer green

Hollywood, Ending. By John Green. *Dutton Books; 304 pages; $32. Penguin; £22*

JOHN GREEN has many fans, among them Taylor Swift, who once called him "My. Favourite. Author." He has sold over 50m copies of his young-adult books worldwide; more people have bought "The Fault in Our Stars", a romance from 2012 about two young cancer patients, than "The Grapes of Wrath" or "Catch-22". However, some have also found fault with the star writer. His first novel, "Looking for Alaska" (2005), has been the most banned book in American schools since PEN America, a free-speech group, began counting in 2021. (It contains swearing, drinking and an awkward sex scene censured as "pornographic".)

Mr Green's books offer earnest aphorisms that teenagers find profound, such as: "That's the thing about pain, it demands to be felt." He has written cringey musings ("my thoughts are stars I can't fathom into constellations") and musings on cringiness ("'cringe' is what people who can't feel things call feelings"). Now Mr Green is back on top of the bestseller list. "Hollywood, Ending", his first tale for adults, follows two actors in their 20s who become famous overnight.

"Hollywood, Ending" considers attention in the age of social media. Few authors understand the power of the internet quite like Mr Green: his career reveals how the relationship between writers and readers is changing in the digital age. In 2007, just two years after YouTube launched, Mr Green and his brother started a channel called Vlogbrothers, posting about their everyday lives. They were an unashamedly geeky pair: their fans were "nerdfighters" who came together "to do awesome things...and fight against world suck".

The whole thing was terribly corny—but terribly popular. The Green brothers built a nerdy media empire—which includes educational videos about science and history—that has accumulated more than 6bn views on YouTube.

Mr Green's online profile helped boost his book sales. He would read excerpts of his drafts for his fans on YouTube, or reveal he did not yet have a cover design (fans would then eagerly make and post hundreds of potential covers). He also promised to sign every pre-order, driving his books to the top of bestseller lists before they were published. He did this so often, in fact, that he was awarded a Guinness World Record in September for the most autograph pages ever signed by an author (see picture).

His fanbase also helped him understand who he was writing for. Authors of young-adult tales are often asked "When are you going to write a real book?" says Mr Green. He is "careful not to engage with that cliché because I think some of the most important novels of the last few decades have been written for teenagers".

In the 2010s, when young-adult shelves were stuffed with fantasy romances such as "Twilight" or dystopian sagas like "The Hunger Games", Mr Green instead published books about normal folk. He enjoyed interacting with his readers online and even based some of his characters on fans he met: Hazel Grace Lancaster, the protagonist of "The Fault in Our Stars", was modelled in part on Esther Grace Earl, a "nerdfighter" who died of thyroid cancer in 2010. His books inspired other emotional, realistic books for teens, a trend some dubbed "GreenLit".

Mr Green's sincere, sentimental style just about worked in teen fiction. But does his book for adults hold up? "Hollywood, Ending" is more sophisticated than his earlier books. It muses on the entertainment industry, trauma and how well you can ever know someone. Yet some of the lines are less neat aphorisms than clunky tautologies: "The miracle of love is that yes, I am here and you are there, but the door is ajar...we break down the door with love."

Fans will repost that sort of sappy line on their social-media feeds. Some may even notice that, as the author puts it, "we continue to come of age in different ways as we grow up." John Green's readers may have grown up—but they do not seem likely to outgrow him. ■



A novel achievement

Death in Beirut

Murder, she wrote

The Best Kind of American. By Kim Ghattas. *Henry Holt; 496 pages; $32.99. Bloomsbury Continuum; £25*

FEW PLACES have fallen farther from their glory days. Beirut, Lebanon's capital, was once a small corner of freedom in the Arab world, known for dance parties and louche living. Then in 1975 it descended into a vicious sectarian conflict. Israel and Syria occupied swathes of its territory. America sent marines to Beirut, and Iran cultivated Hizbullah, a Shia militia. By the end of the civil war in 1990 around 350,000 people, a tenth of the population, had been killed or wounded.

Into this carnage stepped Malcolm Kerr, who became president of the American University of Beirut (AUB) in 1982. Kerr's parents, who taught at AUB, had raised him on its leafy campus overlooking the Mediterranean from west Beirut. "I figure there's a 50-50 chance that I'll get bumped off," Kerr confided to his daughter. But the university was a symbol of Lebanon's cosmopolitanism, and he wanted to help keep it running. Less than two years later he was shot dead outside his office.

Kerr's assassination is now little remembered. But Kim Ghattas, a journalist who grew up in wartime Beirut, puts it at the centre of her absorbing account of the war and its aftermath. Part murder mystery, part geopolitical history, "The Best Kind of American" uses the story of Kerr's murder to explore how a small country's conflict shaped America's and Israel's struggle against Iran.

For all its glamour, pre-war Lebanon was a powder keg. The government was weak; armed groups flourished. In 1970 it became the main base of Yasser Arafat's Palestine Liberation Organisation (PLO), after it was expelled from Jordan. As the PLO's conflict with Israel spread to Lebanon, tensions grew between the country's religious sects. In 1975 the *Wall Street Journal* compared Beirut to Belfast: the city had become divided between the mostly Muslim west and the mostly Christian east.

AUB was "a microcosm of Lebanon", writes Ms Ghattas. Students and faculty included right-wing Christians and downtrodden Shias. When Kerr arrived, there was cause for optimism. The PLO was leaving Lebanon for Tunisia, and America was preparing a peace plan. Those hopes would soon be dashed. In September 1982 Lebanon's president-elect was assas- ▸▸

BACK STORY
The talentless Mr Ripleys

Once portrayed as heroes, striving outsiders have become TV villains

He is a philandering tech baron; she is a preening actor. When they split up, how much of his fortune should she get? The answer to the big question in "War" is: who cares? As a dispatch from the front lines of duelling spouses and divorce lawyers, the glitzy new drama flops. It is, however, a telling snapshot of a different conflict—the class struggle—waged here by a revealing figure: the working-class villain.

Rags-to-riches fables are staples of fiction, from Charles Dickens to "The Great Gatsby" and beyond. Is it possible, these stories ask, to rise above disadvantage and vested interests, and what does it take to do so? The portrayal of the lower-class outsider as a baddie—in "War" and other recent TV shows—is a striking turn in an age-old narrative, which suggests a fatalistic social mood.

The high-powered solicitors in "War" spend lots of time striding portentously in and out of lifts and saying things that only fictional lawyers ever do, such as "See you in fucking court!" One of them, though, is not like the rest. Played by Archie Renaux (pictured), Johnny is a working-class boy who claws his way into a job at one of the swish, brawling law firms. He has also landed a posh, devoted girlfriend. You might expect the show's verdict to be: good for Johnny!

Instead (spoiler alert) he is a liar and traitor, sneaked into his job by the firm's hated rivals so he can spy for them. At risk of being rumbled, he incriminates a blameless colleague. When a snarling superior calls him a "jumped-up little twat", it is hard to argue. He does the dirty on his girlfriend, too.

Speaking of girlfriends: "The Girlfriend", a daft hit last year, has the same air of justified snootiness. Laura, a high-rolling mother, distrusts her son's brassy new love interest. Laura thinks her name, Cherry, is déclassé. Cherry claims her dad was an architect (he was a builder) and to have attended a fancy school (she didn't). She is disappointingly bad at tennis. Is Laura's condescension out of order? *Au contraire.* She is entirely vindicated; Cherry is a malignant sociopath.

Meanwhile in "Sirens", another recent hit, two hardscrabble sisters worm their way into a gazillionaire's New England estate. Is the imperious matriarch secretly a murderer? No. Instead she is heartlessly usurped by one of the sisters; the other is a sex addict. Or consider "Industry", a multi-series saga in which Harper, a young black woman from a troubled family, penetrates the citadel of high finance by forging her academic credentials. Before long she is insider trading and back-stabbing her friends. (Tom in "Succession" is an upscale version of these interlopers: a middle-class cynic who tramples to the top by betraying his wife.)

This is a departure. In recent, egalitarian decades, storytellers have generally sided with the underdog. So did many of their predecessors: even Victorian novels that satirise social-climbing—such as "Vanity Fair" and "The Way We Live Now"—tend to ridicule the snobs at least as much as the parvenus. "War" and other contemporary dramas are much harsher on their little guys. If "Slumdog Millionaire" were remade now, its hero might actually cheat to win the quiz jackpot; Rocky might take a fall for the mob in the fifth. Today's upstart characters are heirs to Tom Ripley—Patricia Highsmith's anti-hero, who prospers through lies, murder and impersonation—only mostly without his talent.



This newly jaundiced view of aspiration reflects a bleak reality of stalling dreams. Rates of social mobility in Britain and America have long trailed those in other rich countries. From a low base, they have on some measures declined in both places. Research across the rich world has found that, for people from modest backgrounds, going to university is a less reliable leg-up than it used to be.

So Johnny's experience in "War", as he struggles to capitalise on his education, is representative of his generation. Law is presented as a viperous profession, just as, in "Industry", finance is a snakepit. In "Sirens" all the women are subject to a rich man's whims. Life in all these stories is harsh and unfair; to join the wealthy, hustling outsiders first have to beat them. You could see all that as a frank reflection of prevailing conditions.

Except that the tone in "War" and "The Girlfriend", say, often feels less sympathetic to these efforts than judgmental. It isn't just that the odds are long; these working-class villains don't deserve to overcome them. In a pessimistic commentary on a stratified era, they keep being told that they don't belong—and, by and large, they don't.

sinated, and Christian paramilitaries slaughtered Palestinians in refugee camps, with the tacit approval of Israeli troops.

Meanwhile the Iranian regime, which came to power in the Islamic revolution in 1979, spied an opportunity to use Lebanon in its struggle against Israel and America. Iranian operatives turned the Beqaa valley into a stronghold for their proxy Shia militias. In time these groups morphed into Hizbullah. In 1983 they bombed the American embassy and Marine barracks, killing hundreds. Kerr's murder the following year was Hizbullah's first high-profile political assassination and, Ms Ghattas suggests, part of a Shia takeover of west Beirut.

Many of these events read like a prelude to the present. Hizbullah's creation was championed by Ali Khamenei, Iran's president and later its supreme leader, who was killed on the first day of America's and Israel's war with Iran this year. Binyamin Netanyahu first appears as a suave young diplomat on American TV in 1982, defending Israel's invasion of Lebanon. Today Israeli troops are there again; Mr Netanyahu went on to become Israel's longest-serving prime minister. America's failure in Lebanon was one of the superpower's many botched efforts to fix the region.

This timely book has a few heroes, mostly the academics and activists who fought for peace. Like Kerr, many of them died prematurely. Those who wrecked the Middle East—in the region and beyond—would do well to learn from them. ■

Economic & financial indicators

	Gross domestic product, % change on year ago				Consumer prices, % change on year ago			Unemployment rate, %		Current-account balance, % of GDP, 2026†	Budget balance, % of GDP, 2026†	Interest rates, 10-yr gov't bonds		change on year ago, bp	Currency units, per $	% change on year ago
	latest		quarter*	2026†	latest		2026†					latest, %			Oct 29th	
United States	2.2	Q2	2.2	2.3	3.7	Sep	3.3	4.2	Sep	-3.5	-6.5	5.0		106	-	
China	4.5	Q3	4.9	4.7	0.9	Sep	0.9	5.2	Sep‡§	4.3	-5.4	1.3	§§	-26	6.67	6.5
Japan	0.9	Q2	1.4	0.8	2.1	Sep	1.8	2.5	Aug	4.0	-1.8	2.9		121	158	-3.6
Britain	1.4	Q2	2.1	1.3	3.5	Sep	3.3	4.7	Jul††	-3.4	-5.2	5.3		85	0.75	nil
Canada	1.1	Q2	3.3	0.9	3.1	Sep	2.8	6.5	Sep	-0.3	-2.1	3.9		82	1.40	-0.7
Euro area	1.2	Q2	2.6	0.9	3.8	Sep	3.0	6.4	Aug	2.4	-3.6	3.4		76	0.90	-4.5
Austria	0.6	Q2	-0.5‡	0.4	3.6	Sep	3.1	6.7	Aug	1.2	-4.1	3.6		73	0.90	-4.5
Belgium	0.7	Q2	0.6	0.3	4.5	Sep	3.6	5.9	Aug	0.2	-5.2	4.4		119	0.90	-4.5
France	0.5	Q2	0.1	0.4	3.4	Sep	2.5	8.2	Aug	-0.4	-5.4	4.9		151	0.90	-4.5
Germany	1.0	Q2	1.3	1.0	3.3	Sep	2.8	4.0	Aug	4.4	-4.2	3.4		76	0.90	-4.5
Greece	1.8	Q2	1.4	2.0	5.1	Sep	3.8	7.4	Aug	-5.5	0.6	4.3		101	0.90	-4.5
Italy	1.0	Q2	0.6	0.9	4.2	Sep	2.9	6.2	Aug	0.7	-3.0	4.5		112	0.90	-4.5
Netherlands	1.6	Q2	2.6	1.6	3.0	Sep	2.8	4.0	Sep	8.1	-3.0	3.5		69	0.90	-4.5
Spain	2.6	Q2	2.8	2.6	5.0	Sep	3.6	10.0	Aug	2.4	-2.5	4.0		93	0.90	-4.5
Czech Republic	1.8	Q2	1.1	1.6	2.5	Sep	2.2	3.0	Q2‡	nil	-2.8	5.4		103	21.8	-4.4
Denmark	5.8	Q2	3.6	2.7	2.2	Sep	1.9	3.1	Aug	11.3	1.2	3.2		67	6.70	-4.3
Norway	2.0	Q2	2.7	1.5	3.4	Sep	3.0	4.6	Aug‡‡	13.0	10.0	4.5		46	9.26	7.9
Poland	4.1	Q2	4.5	3.5	4.1	Sep	3.2	5.8	Sep§	-2.2	-7.0	6.5		110	3.95	-7.9
Russia	1.3	Q2	8.3	0.8	6.3	Sep	6.2	2.2	Sep§	3.1	-3.2	16.4		132	80.9	-1.3
Sweden	3.2	Q2	6.4	2.1	1.1	Sep	1.6	8.1	Sep§	5.2	-2.3	3.1		58	9.91	-5.3
Switzerland	2.8	Q2	7.8	1.8	1.0	Sep	0.6	3.1	Sep	7.9	0.1	0.5		32	0.83	-3.6
Turkey	2.3	Q2	4.6	2.7	29.7	Sep	30.6	8.5	Sep§	-2.4	-3.5	33.0		356	49.8	-15.8
Australia	2.1	Q2	1.7	2.1	4.3	Sep	4.0	4.7	Sep	-3.3	-1.0	5.3		117	1.42	7.0
Hong Kong	4.3	Q2	-2.5	4.1	1.9	Sep	1.9	3.9	Sep‡‡	8.2	-2.6	4.0		110	7.85	-1.0
India	7.8	Q2	6.8	7.2	5.5	Sep	4.6	4.0	Sep	-1.5	-4.3	7.4		90	95.2	-7.3
Indonesia	5.3	Q2	4.4	5.2	3.3	Sep	3.4	4.7	Feb§	-2.1	-2.9	7.6		164	18,157	-8.6
Malaysia	5.3	Q3	4.7	5.6	1.8	Sep	1.9	2.9	Aug§	3.0	-3.6	4.0		50	4.08	2.9
Pakistan	4.0	2026**	na	3.0	10.3	Sep	9.0	6.9	2025	-1.1	-4.7	12.8	†††	96	277	1.6
Philippines	2.3	Q2	2.4	2.9	7.2	Sep	5.8	6.0	Q3§	-4.6	-6.3	8.2		222	64.0	-7.5
Singapore	5.4	Q3	4.4	5.7	2.2	Sep	2.1	1.9	Q2	15.8	1.3	2.3		47	1.28	0.8
South Korea	3.4	Q3	3.9	3.5	2.9	Sep	2.7	2.0	Sep§	13.6	-0.6	4.1		117	1,342	6.7
Taiwan	12.9	Q2	5.7	12.0	2.7	Sep	2.1	3.3	Sep	24.9	1.6	2.0		72	32.4	-5.7
Thailand	1.9	Q2	-0.7	2.1	2.8	Sep	1.9	0.9	Sep§	-0.3	-5.5	2.2		53	33.7	-4.0
Argentina	2.0	Q2	-2.3	0.5	33.4	Sep	32.6	7.9	Q2§	0.2	0.1	na		na	1,542	-4.4
Brazil	2.0	Q2	1.9	1.8	4.6	Sep	4.6	5.3	Aug§‡‡	-2.6	-7.3	15.3		161	5.35	0.2
Chile	-0.2	Q2	-0.1	-0.3	4.1	Sep	3.8	9.6	Aug§‡‡	-0.9	-1.8	6.0		46	988	-4.6
Colombia	3.4	Q2	5.2	2.5	6.3	Sep	6.0	9.4	Aug§	-2.0	-7.3	13.0		134	3,162	22.5
Mexico	2.1	Q2	5.8	1.3	3.5	Sep	3.8	2.6	Sep	-0.4	-4.0	9.4		61	18.6	-1.1
Peru	2.6	Q2	-1.0	2.8	4.5	Sep	3.9	4.0	Sep§	3.3	-2.2	6.8		100	3.45	-2.0
Egypt	4.7	Q2	4.0	5.1	14.0	Sep	13.7	5.8	Q2§	-4.2	-5.3	25.6		50	56.0	-15.4
Israel	7.2	Q2	15.4	4.3	1.6	Sep	1.9	3.0	Sep	1.5	-3.3	4.2		26	3.12	4.5
Saudi Arabia	-4.7	Q2	-17.9	-4.8	1.9	Sep	1.9	3.0	Q2	-3.5	-5.9	na		na	3.75	nil
South Africa	0.9	Q2	-1.0	1.1	4.4	Sep	4.1	33.6	Q2§	-0.1	-3.9	8.7		-16	16.6	3.3

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 Oct 28th	% change on: one week	Dec 31st 2025
United States S&P 500	7,744.0	-0.2	13.1
United States NAS Comp	26,549.9	-0.6	14.2
China Shanghai Comp	3,681.5	-0.8	-7.2
China Shenzhen Comp	2,174.2	-2.3	-14.1
Japan Nikkei 225	63,954.2	-1.0	27.0
Japan Topix	3,991.7	-1.3	17.1
Britain FTSE 100	10,694.5	-0.5	7.7
Canada S&P TSX	36,265.1	-0.2	14.4
Euro area EURO STOXX 50	6,167.8	-0.6	6.5
France CAC 40	7,887.0	-0.4	-3.2
Germany DAX*	25,704.0	0.2	5.0
Italy FTSE/MIB	49,824.3	0.4	10.9
Netherlands AEX	1,135.6	-0.6	19.4
Spain IBEX 35	18,883.5	-2.3	9.1
Poland WIG	160,348.6	-0.1	36.8
Russia RTS, $ terms	682.8	-27.4	-38.4
Switzerland SMI	14,581.1	0.2	9.9
Turkey BIST	11,165.4	-3.6	-0.9
Australia All Ord.	8,971.4	0.2	-0.5
Hong Kong Hang Seng	23,094.8	-2.4	-9.9
India BSE	73,246.0	-0.6	-14.1
Indonesia IDX	5,282.3	-0.9	-38.9
Malaysia KLSE	1,613.9	0.7	-3.9

	Index Oct 28th	% change on: one week	Dec 31st 2025
Pakistan KSE	165,736.8	-0.1	-4.8
Singapore STI	5,397.9	-0.7	16.2
South Korea KOSPI	6,012.4	4.8	42.7
Taiwan TWI	47,035.6	0.3	62.4
Thailand SET	1,566.1	0.6	24.3
Argentina MERV	2,848,945.3	nil	-6.6
Brazil BVSP*	171,006.1	-17.2	6.1
Mexico IPC	69,182.4	-1.5	7.6
Egypt EGX 30	49,281.2	-6.8	17.8
Israel TA-125	4,007.0	-2.4	9.4
Saudi Arabia Tadawul	10,023.5	1.0	-4.5
South Africa JSE AS	109,759.0	0.1	-5.2
World, dev'd MSCI	4,937.0	-0.3	11.4
Emerging markets MSCI	1,607.8	-0.5	14.5

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2025
Investment grade	99	93
High-yield	370	354

Sources: FactSet; Moscow Exchange; Standard & Poor's Global Fixed Income Research *Total return index

Commodities

The Economist **commodity-price index** 2020=100	Oct 20th	Oct 27th*	% change on month	% change on year
Dollar Index				
All items	149.3	147.0	-3.7	6.2
Food	149.2	144.8	-5.4	0.4
Industrials				
All	149.5	148.9	-2.4	11.4
Non-food agriculturals	156.7	154.8	0.8	22.8
Metals	147.6	147.4	-3.2	8.7
Sterling Index				
All items	143.3	141.9	-4.5	6.0
Euro Index				
All items	151.7	150.8	-2.1	11.1
Gold				
$ per oz	4,124.5	4,057.2	-2.5	2.8
Brent				
$ per barrel	108.8	113.9	11.0	76.8

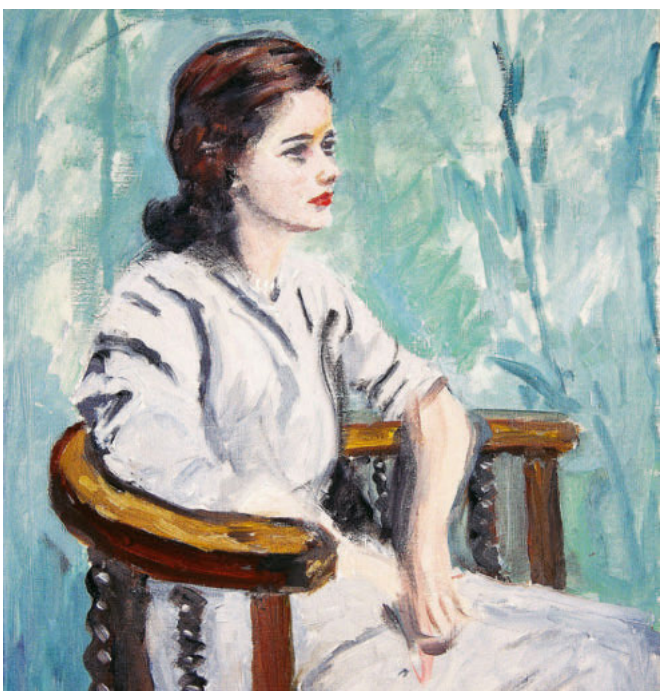
Sources: CME Group; FactSet; LME; NOREXECO; NZ Wool Services; S&P; Thompson Lloyd & Ewart; USDA *Provisional. Note: new series for gold, oil and cotton

For historical indicators data, visit economist.com/economic-and-financial-indicators

OBITUARY

Cecily "Chips" Gemmell

Churchill's last personal secretary died on October 8th, aged 97



HEAVEN KNOWS why the old man had painted her portrait. He didn't do many; landscapes were more his style. Perhaps it was a reward for her washing his oil-caked paint brushes, a foul task that made her hands so rough and red. But she was the paints girl, who ordered his colours in for him because at the weekends she was at Chartwell, his country retreat, on duty. Perhaps that was why she looked sad, as well as rather too glamorised, and why she was holding her hands in her lap in that peculiar way.

She suspected that she had just been sitting around when he had the idea. But there certainly wasn't much idling when one was employed by Mr Churchill. She did four years, covering most of his time as leader of the Opposition before, in 1951, he was prime minister again. She spent a good deal of it feeling utterly exhausted and trembling with fear, whenever she smelt that cigar smoke or heard that rumbling voice, that she was going to annoy the great man in some way. She spent much of the rest of it laughing.

When she first joined, in 1947 at the age of 18, she took months working 9 to 5 to sort his papers out. With not a jot of archive training and usually alone, she was faced with hundreds of black tin boxes and thousands of papers in no order, stowed in a perfectly stifling sub-basement right next to the furnace. The only window was under the front step, so she learned to identify famous visitors by their socks. Anthony Eden's were pink.

Against anyone's expectations, she laid the basis of the whole official archive. Her main task for the next three years, however, was "take-down", typing up from dictation his speeches and the first draft of his war memoirs. Each evening after dinner she would hear that booming voice, like a dinner-gong, calling "Come!" She would leave the office, where the secretaries worked as a little team, take her book and climb the back stairs, to find the old man in the study or, sometimes, in his four-poster bed, which would be a total mess of newspapers, cigars, brandy, ashtrays and the occasional cat. He said: "Good evening. Put your paper in."

The typewriter sat on a card table next to him. It was a brand-new model, electric, so clack-less, but the action was slow and hard and his flow of words was absolutely constant. He would speak and compose all at once, so driven that she didn't dare ask him to stop. His speech impediment added to the nightmare. After her first session he came down the next morning and threw her pages on the ground, crying "You haven't got one word in 50 right!" Worse was when she typed "Never in the field of human conflict" as "Never in the field of human conscience", a mistake that stung him terribly because, as he tearfully reminded her, that was one of the greatest quotations in the world.

After the shouting, he would quickly start over again. That was what she found marvellous about him. But working with the old man was never exactly easy. When one was sitting ready at the table he might sit reading for an hour or so, often his own works. ("He's very good, you know.") Take-down sessions usually lasted til 2 or 3am, and long before that one's eyes got so bleary that one would have to go downstairs and throw water on one's face to stay awake. ("Don't be long!" he would shout.) By that time she couldn't safely get back to her room in Westerham, the nearest village, so she stayed in the Butler's Cottage. That still entailed a fearful walk through the steep grounds in the dark, branches in her hair and burrs in her stockings, with the wind howling.

Yet she thought she had been picked for the job because she looked the toughest of the graduates from Mrs Hoster's Secretarial College for "well-educated women", where one learned to put three spaces after full stops and other essentials. She had been born in Bangalore, where her father was a map surveyor for the Indian army, and educated at Calcutta's New School, aka "Harrow on the Hooghly". Her nickname, "Chips", came from an uncle killed in the Great War. The old man probably liked that background. At their first meeting, when again he was in bed, she felt bold enough to shake his hand. This, she was told, was not done.

After that, she was readier with her deferential thankyous. With the other girls in the office, though, she could go into fits about him. His awful striped siren suit was his "rompers". His slow walk (shuffle, shuffle, in his monogrammed slippers) caused hilarity, as well as his voice, which she could imitate from shriek to growl. On one occasion they were so paralysed with giggles that the old man, who was painting in his studio, roared at his sergeant to take them out for a walk.

What did he make of her? Difficult to say. All the secretaries were just "Miss" to him. He would call "Miss!" to wait outside the bathroom door (loud sounds of splashing), so that she could take-down as soon as he came out. When in bed, he would stick his feet out sometimes for her to take off his socks. She was pleased to.

She left when Churchill became prime minister, feeling she would have to be so terribly responsible. For a while she worked as personal secretary to his wife Clementine, which mostly meant shopping for her and chasing up people for lunch. She left Downing Street in 1953 for New York, which she adored, secretarial work for *Life* and Time Inc and joyful partying in jazz clubs. She was now pretty good at late nights.

At their last meeting, on one of her rare returns, she sat beside Churchill at lunch at Chartwell. As he passed the mustard he scanned her face and asked, "Do I know you?" "Yes," she replied; "I used to work for you." "How long for?" "Four years." "Oh," came the comment. "What a long time." ■

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