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China's Walt Disney

Syriza hits the ground running, backwards

Teachers can be a class act

Arctic life comes out of the freezer

How to write a bestseller

Putin's war on the West


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imagination
and the other
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Tel: 020 7830 7000

Rue de l'Athénée 32
1206 Geneva, Switzerland
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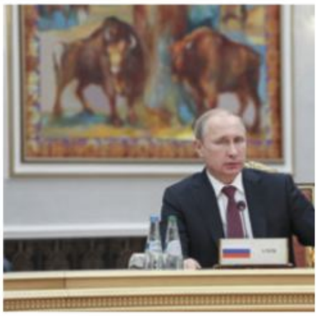
Politics



A summit on **Ukraine** in Minsk, the capital of Belarus, between the leaders of France, Germany, Russia and Ukraine concluded with Vladimir Putin, Russia's president, announcing a ceasefire. Fighting in south-eastern Ukraine intensified in the run-up to the meeting, raising doubts about the deal. Barack Obama, who had earlier warned Mr Putin that Russia's military intervention would be costly, reserved the right to send arms to Ukraine if diplomacy fails.

Greece's problems mounted as the parliament voted strongly in favour of ending the country's current bail-out agreement. A Eurogroup meeting of finance ministers broke up without even agreeing to disagree. And the Greek prime minister promised to reverse unpopular reforms and spend more public money.

The United Nations said that hundreds of would-be migrants drowned trying to cross the **Mediterranean** from north Africa when their dinghies overturned. The UN High Commissioner for Refugees condemned the EU's search-and-rescue operation at sea as "inadequate".

In **Italy** the captain of the *Costa Concordia*, which capsized off the Italian coast in 2012, killing 32 people, was found guilty of manslaughter and sentenced to 16 years in prison. He will appeal against the verdict.

A court in **Belgium** jailed the leader of a group that sent jihadist fighters to Syria to 12 years in prison. It also handed out sentences to 44 other members of the group, which was called Sharia4Belgium.

An insecure democracy

Nigeria's electoral commission, an independent body, postponed for six weeks presidential elections that were due to take place on February 14th, throwing the country into a period of uncertainty. The commission delayed the vote after the police and army said they could not secure polling stations in the north of Nigeria while also battling Boko Haram, a jihadist group that has overrun large parts of three states there.

The war with **Boko Haram** has meanwhile widened to involve more neighbouring countries. Niger declared a state of emergency after several attacks on Diffa, a border region abutting Nigeria. An attack by the militants in Cameroon led to the kidnapping of as many as 30 people.

The United Nations backed out of supporting a planned offensive in the east of the **Democratic Republic of Congo** against the FDLR, a rebel militia, because two generals assigned to lead the government's forces are accused of human-rights abuses.

Fuel-price protesters

Protests erupted in **Haiti** against the cost of fuel. Although prices have been reduced lately, the protesters want more cuts in line with the plunge in oil prices. The trouble followed demonstrations earlier this year to demand that national and local elections, which are long overdue, be held. The president, Michel Martelly, has ruled by decree since January, when parliament was dissolved.

At least three people were killed and ten wounded in a gas explosion on a drilling rig operated by Petrobras, **Brazil's** state-controlled oil giant. The disaster adds to Petrobras's troubles. It recently lost its chief executive, amid a rumbling multi-billion-dollar bribery scandal.

Venezuela's government took over a private supermarket chain and arrested its boss. The president, Nicolás Maduro, claimed that the retailer was "waging war against the population" by hoarding food. Shortages of basic consumer goods have created long queues across Venezuela for months, which economists blame on price controls and a lack of foreign exchange to pay for imports.

Back into the fray?

Barack Obama formally asked Congress to authorise American **military action** against Islamic State in Iraq and Syria. The president's decision last summer to launch air strikes against IS without congressional approval was controversial, though the administration says it was legal. Mr Obama wants Congress to approve combat against IS for up to three years. Doves fear that America will drift into another war. Hawks fret that putting an expiry date on military action will encourage IS to wait for America to grow weary.

Meanwhile it was confirmed that Kayla Mueller, an **American aid worker** held by IS, had been killed. The circumstances of her death were unclear, but the jihadists claim she died when Jordanian jets attacked one of its bases.

The first gay marriages in **Alabama** were celebrated, amid confusion. A federal judge had struck down the state's ban on same-sex nuptials, but Alabama's chief justice ordered officials to defy the ruling. Some towns went ahead and issued marriage licences; others refused. The US Supreme Court is expected to issue a definitive ruling on gay marriage in June.

The new Republican governor of **Illinois**, Bruce Rauner, started to curb the power of public-sector unions. He ordered the state to stop automatically collecting union dues from public employees who do not want to join unions. The unions say they are entitled to this cash because non-members benefit from their collective-bargaining efforts. But Mr Rauner described the arrangement, which helps bankroll Democrats, as "corrupt".

A bloody nose for Modi

India's ruling Bharatiya Janata Party was trounced in an election in Delhi, the capital, handing Narendra Modi his first serious political defeat since becoming prime minister in May 2014. The anti-corruption Aam Aadmi Party won 67 of the 70 seats in the local assembly, while the opposition Congress party failed to pick up a single district.

Australia's prime minister, Tony Abbott, survived a leadership challenge initiated by a backbencher in his Liberal Party, although 39 of his MPs voted against him. Mr Abbott's approval rating has slumped to 24% amid a series of gaffes, including giving a knighthood to Prince Philip.

The president of **Timor-Leste** accepted the resignation of Xanana Gusmão as prime minister. The former "poet-warrior" led the struggle against Indonesian rule and has been either president or prime minister since independence in 2002.

Business

HSBC was embarrassed by the publication of a trove of documents purporting to show that its bankers in Switzerland helped clients spirit away almost $120 billion in secret accounts, much of it to evade taxes. The allegations, published by several media companies in a manner similar to the WikiLeaks revelations, also suggest HSBC Suisse marketed tax-avoidance strategies to its customers. France, America, Argentina and others are investigating.

Funny that

The number of people revoking their **American citizenship** or residency rose to a new record high of 3,415 last year, according to a list published by the Treasury. No reason was given explaining why they have renounced their citizenship, but the number has leapt since 2010, when Congress passed the Foreign Account Tax Compliance Act.

Sweden's central bank surprised markets by cutting its main interest rate to -0.1%, joining just a handful of countries with negative rates. It also launched a programme of quantitative easing. Inflation has been below the Riksbank's target rate of 2% for three years. However, Sweden's economy is growing faster than that of the euro zone, which is also battling deflation.

General Motors said that Harry Wilson, a former member of the task-force that restructured the carmaker as it sought to emerge from bankruptcy protection in 2009, is seeking a seat on its board with the express intent of getting it to buy back $8 billion-worth of shares. Mr Wilson is backed by four hedge funds, in what is the latest example of activist investors pressing a company for higher returns.

China's competition regulator fined **Qualcomm** $975m for abusing its market power when licensing patents for smartphone chips. It is the biggest antitrust penalty to date levied against a single company in China and comes after a 14-month investigation that drew comments from observers on the hurdles faced by Western firms there. Chinese smartphone-makers will also pay lower royalties to Qualcomm. Its troubles may not be over; according to reports it faces an antitrust investigation in South Korea, too.

After a two-year takeover battle, **Fosun**, the largest privately owned conglomerate in mainland China, won its bid for **Club Méditerranée**, a holiday-resort firm that was wildly popular in the 1970s but has struggled over the past decade. It is revamping its Club Med villages to appeal to the high end of the holiday market and is expanding in China. Eighty per cent of its new customers in 2013 were either Chinese or Brazilian.

There was some evidence that OPEC's decision to maintain production levels in the face of plummeting **oil prices** in order to retain market share may be working. The cartel raised the forecast for demand for its oil this year slightly, to 29.2m barrels a day, and lowered its estimate of output from non-OPEC producers, as cheap oil forces American and European oil companies to curtail their capital spending. In a report the International Energy Agency said it expects the market to "rebalance", as the global demand for oil grows "slightly faster than supply capacity".

Reaching for the sun

Apple became the first company to notch up a stockmarket valuation above $700 billion at the close of trading. It was valued at $710 billion on February 10th, $300 billion more than Exxon Mobil, which has the second-highest market value. Meanwhile, Apple announced that it is investing $850m in a solar-energy plant in California that will generate enough power for its new campus-headquarters as well as for local shops and businesses.

Boosted in part by a weaker euro, **Germany** exported a record €1.1 trillion ($1.5 trillion) in goods last year. It also imported more stuff, but still posted a trade surplus of €217 billion, the second-highest in the world after China's.

American employers created 257,000 **jobs** in January, which was much more than had been expected. The unemployment rate rose slightly to 5.7%, but this was reckoned to be because more people who have been out of work are choosing to return to a buoyant labour market. The labour-force participation rate rose to 62.9% from 62.7%.

Lies, damn lies and...

Controversy continued to surround the revision to **India's GDP** statistics, as figures showed the economy growing by 7.5% year on year in the last three months of 2014, a slightly faster pace than China had recorded. India's number-crunchers recently updated the base year for calculating GDP to 2011-12, thus revising GDP growth for 2013-14 up to 6.9% from a previous estimate of 4.7%. Some analysts question the data, pointing out that the evidence from small businesses suggests that the economy is struggling to accelerate.

Other economic data and news can be found on pages 84-85

Putin's war on the West

As Ukraine suffers, it is time to recognise the gravity of the Russian threat—and to counter it

HE IS ridiculed for his mendacity and ostracised by his peers. He presides over a free-falling currency and a rapidly shrinking economy. International sanctions stop his kleptocratic friends from holidaying in their ill-gotten Mediterranean villas. Judged against the objectives Vladimir Putin purported to set on inheriting Russia's presidency 15 years ago—prosperity, the rule of law, westward integration—regarding him as a success might seem bleakly comical.

But those are no longer his goals, if they ever really were. Look at the world from his perspective, and Mr Putin is winning. For all his enemies' machinations, he remains the Kremlin's undisputed master. He has a throttlehold on Ukraine, a grip this week's brittle agreement in Minsk has not eased. Domesticating Ukraine through his routine tactics of threats and bribery was his first preference, but the invasion has had side benefits. It has demonstrated the costs of insubordination to Russians; and, since he thinks Ukraine's government is merely a puppet of the West (the supposed will of its people being, to his ultracynical mind, merely a cover for Western intrigues), the conflict has usefully shown who is boss in Russia's backyard. Best of all, it has sown discord among Mr Putin's adversaries: among Europeans, and between them and America.

His overarching aim is to divide and neuter that alliance, fracture its collective approach to security, and resist and roll back its advances. From his tantrums over the Middle East to his invasion of Georgia and multiple misadventures in Ukraine, Mr Putin has sometimes seemed to stumble into accidental disputes with the West, driven by a paranoid fear of encirclement. In hindsight it seems that, given his outlook, confrontation may have been inevitable. Either way, the contest he insists on can no longer be dodged. It did not begin in poor Ukraine and will not end there. Prevailing will require far more resolve than Western leaders have so far mustered.

What the Kremlin wants

Last year Mr Putin lopped off Crimea, redrawing Europe's map by force. The war he hallucinated into reality in eastern Ukraine has killed thousands. Even if the ceasefire scheduled for February 15th holds (unlikely, on past form), he seems certain to get what he wants there: a wretched little quasi-state in the Donbas, which he can use to stall and warp Ukraine's development. Yet these incursions are only his latest bid to bludgeon former Soviet states into submission, whether through energy blackmail, trade embargoes or war. For Mr Putin the only good neighbour is a weak one; vassals are better than allies. Only the wilfully blind would think his revanchism has been sated. Sooner or later it may encompass the Baltic states—members of both the European Union and NATO, and home to Russian minorities of the kind he pledges to "protect".

The EU and NATO are Mr Putin's ultimate targets. To him, Western institutions and values are more threatening than armies. He wants to halt their spread, corrode them from within and, at least on the West's fragile periphery, supplant them with his own model of governance. In that model, nation-states trump alliances, states are dominated by elites, and those elites can be bought. Here, too, he has enjoyed some success. From France to Greece to Hungary he is cultivating parties on Europe's far right and left: anyone who might lobby for Russian interests in the EU, or even help to prise the union apart (see pages 19-22). The biggest target is NATO's commitment to mutual self-defence. Discredit that—by, for example, staging a pro-Russian uprising in Estonia or Latvia, which other NATO members decline to help quell—and the alliance crumbles.

Mr Putin's stranglehold on his own country means he has time and freedom for this campaign. As he has amply demonstrated, he has no qualms about sacrificing Russians' well-being to satisfy his coterie's greed or to further his geopolitical schemes. He persecutes those who protest. And in the echo chamber his propaganda creates, the nationalism he peddles as a consolation for domestic woes is flourishing.

What is to be done?

The first task for the West is to recognise the problem. Barack Obama has blithely regarded Russia as an awkward regional power, prone to post-imperial spasms but essentially declining. Historians will be amazed that, with Ukraine aflame, the West was still debating whether to eject Russia from the G8. To paraphrase Trotsky, Western leaders may not have been interested in Mr Putin, but Mr Putin was interested in them.

The next step is to craft a response as supple as the onslaught. Part of the trouble is that Mr Putin plays by different rules; indeed, for him, there are no inviolable rules, nor universal values, nor even cast-iron facts (such as who shot down flight MH17). There are only interests. His Russia has graduated from harassing ambassadors and assassinating critics to invasions. This is one of his assets: a readiness to stoop to methods the West cannot emulate without sullying itself.

The current version of this quandary is whether, if the latest ceasefire fails, to arm Ukraine. Proponents think defensive weapons would inflict a cost on Mr Putin for fighting on. But anyone who doubts his tolerance of mass casualties should recall his war in Chechnya. If arms really are to deter him, the West must be united and ready to match his inevitable escalation with still more powerful weapons (along, eventually, with personnel to operate them). Yet the alliance is split over the idea. Mr Putin portrays the war as a Western provocation: arming Ukraine would turn that from fantasy to something like fact, while letting him expose the limits of Western unity and its lack of resolve—prizes he cherishes. If fresh Russian aggression galvanises the alliance, arming Ukraine will become a more potent threat. Until that point, it would backfire.

A better strategy is to eschew his methods and rely on an asset that he, in turn, cannot match: a way of life that people covet. If that seems wishy-washy beside his tanks, remember that the crisis began with Ukrainians' desire to tilt towards the EU—and Mr Putin's determination to stop them. Better than arms, the West must urgently give Ukraine as much aid as it needs to build a state and realise that dream (and as much advice as it ▸▸

takes to ensure the cash is not misspent or stolen). The IMF deal announced on February 12th should be only a start. Mr Putin wants Ukraine to be a lesson in the perils of leaning West. It should instead be an exemplar of the rewards.

Just as urgently, those former Soviet countries that have joined Western institutions must be buttressed and reassured. If the case for sending arms to the Donbas is doubtful, that for basing NATO troops in the Baltics is overwhelming, however loudly Mr Putin squeals. Western leaders must make it clear, to him and their own people, that they will defend their allies, and the alliance—even if the struggle is covert and murky.

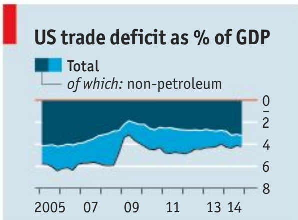
And it isn't only its allies who appreciate the West's virtues. So do many Russians, including shameless Putinists who denounce the West's decadence but exploit its schools and stockmarkets. It is long past time for every Russian parliamentarian and senior official to join the sanctions list. Far from being relaxed as, after Minsk, fellow-travellers may suggest, sanctions must be tightened—and sanctions-busting curtailed (see page 59). In the end, they will prove a stronger lever than weapons.

At the same time, the West should use every available means to help ordinary Russians, including Russian-sympathisers in the Baltics and Ukraine, learn the bloody, venal truth about Mr Putin. It should let them know that Russia, a great nation dragged down a terrible path, will be embraced when it has rulers who treat the world, and their own people, with respect not contempt, however long that takes. ■

The unbalanced global economy

American shopper

The world is once again relying too much on American consumers to power growth



A GLOBAL economy running on a single engine is better than one that needs jump leads. The American economy is motoring again, to the relief of exporters from Hamburg to Hangzhou. Firms added more than 1m net new jobs in the past three months, the best showing since 1997 (see page 24). Buoyed up by cheap petrol, Americans are spending; in January consumer sentiment jumped to its highest in more than a decade. The IMF reckons that American growth will hit 3.6% in 2015, faster than the world economy as a whole. All this is good. But growing dependence on the American economy—and on consumers in particular—has unwelcome echoes.

A decade ago American consumers borrowed heavily and recklessly. They filled their ever-larger houses with goods from China; they fuelled gas-guzzling cars with imported oil. Big exporters recycled their earnings back to America, pushing down interest rates which in turn helped to feed further borrowing. Europe was not that different. There, frugal Germans financed debt binges around the euro area's periphery.

After the financial crisis, the hope was of an end to these imbalances. Debt-addicted Americans and Spaniards would chip away at their obligations; thrifty German and Chinese consumers would start to enjoy life for once. At first, this seemed to be happening. America's trade deficit, which was about 6% of GDP in 2006, had more than halved by 2009.

But now the world is slipping back into some nasty habits. Hair grows faster than the euro zone, and what growth there is depends heavily on exports. The countries of the single currency are running a current-account surplus of about 2.6% of GDP, thanks largely to exports to America. At 7.4% of GDP, Germany's trade surplus is as large as it has ever been.

China's growth, meanwhile, is slowing—and once again relying heavily on spending elsewhere. It notched up its own record trade surplus in January. China's exports have actually begun to drop, but imports are down by more. And over the past year the renminbi, which rose by more than 10% against the dollar in 2010-13, has begun slipping again, to the annoyance of American politicians.

America's economy is warping as a result. Consumption's contribution to growth in the fourth quarter of 2014 was the largest since 2006. The trade deficit is widening. Strip out oil, and America's trade deficit grew to more than 3% of GDP in 2014, and is approaching its pre-recession peak of about 4%.

The world's reliance on America is likely to deepen. Germans are more interested in shipping savings abroad than investing at home (see page 45). Households and firms in Europe's periphery are overburdened with debt, workers' wages squeezed and banks in no mood to lend. Like Germany, Europe as a whole is relying on exports. China is rebalancing, but not fast enough: services have yet to account for more than half of annual Chinese output.

Diverging monetary policies will exacerbate the problem. The prospect of quantitative easing by the European Central Bank has sent the euro tumbling against the greenback, further helping European exporters. Central banks in Tokyo, Beijing and Mumbai are all easing. The Federal Reserve appears ready to begin raising interest rates this summer. That is sending yield-hungry capital to America, and the dollar skyward.

Shop until you droop

Two dangers loom. The short-term worry is that weak exports, a rising dollar and a slowdown in energy investment (because of falling oil prices) will stifle the American expansion. Rather than pull others along, America will be dragged down by their weakness. That is why the Fed should be none too eager to raise interest rates. With inflation below target it has no need to rush to tighten.

The longer-term fear is that growing imbalances will repeat the financial cycle of the 2000s, in which exporters to America once again finance reckless consumer borrowing. The ratio of Americans' debt to income has fallen from a pre-crisis high of more than 120% to around 100%, but consumers still have too much incentive to load up on debt. Politicians would do well to get rid of subsidies like tax relief on mortgage interest.

But the burden to act does not lie just on America. Leaders from Brussels to Beijing should not allow falling currencies to become a substitute for structural reform, or for efforts to boost spending at home. A strong American economy is a boon to the world. It should not be taken for granted. ■

Greece and the euro

Hitting the ground running—backwards

Unless Syriza changes course, Greece is inexorably heading out of the euro

WHEN the far-left Syriza party won the Greek election last month, the hope was that the new prime minister, Alexis Tsipras, would moderate his demands so as to compromise with his country's creditors. After all, he (like the vast majority of Greeks) wants to stay in the single currency. But even as he prepared to meet fellow European Union leaders for the first time this week, he was making a Greek exit from the euro ever more likely.

Mr Tsipras has put forward some good arguments against the austerity that has been imposed on Greece as the price of its bail-outs. He has sound ideas on attacking corruption, fighting tax evasion and shaking up Greece's cosy business elite. His ministers now talk of keeping 70% of the old government's reforms (see page 63). But his first moves in office included promises to raise the minimum wage to pre-crisis levels, reverse labour-market reforms, restore pension increases, rehire thousands of public servants and scrap privatisation projects. These would not just breach Greece's bail-out terms, but also wreck the country's economic prospects.

To reverse course in this way when Greece's economy is at last growing and unemployment is falling is perverse. Greece needs more, not fewer reforms: despite progress in regaining lost competitiveness, its exports remain weak. In its business climate it lags behind neighbouring Bulgaria, the poorest EU country, in areas such as enforcing contracts, registering property and providing credit.

Keeping Greece in the euro will require compromises. Greece's creditors need to decide what to trade, and when. Mr Tsipras foolishly refuses to prolong Greece's bail-out programme when it expires at the end of the month, talking instead of a bridging loan that would create time for negotiations to take place without monitoring by the hated "troika" of the European Commission, the European Central Bank and the IMF. There is a case for removing the ECB, which is politicised by its involvement in the troika. But Mr Tsipras cannot expect more loans without conditions, as the bad-tempered break-up of this week's Eurogroup meeting demonstrated. Instead, he needs to extend the bail-out fast, and then enter talks.

A doable debt deal

In those talks there is scope for a deal. Greece's total debt stock stands at an unpayable 175% of GDP (up from 109% before the euro crisis). Mr Tsipras has dropped his demands for an immediate debt write-down. The maturity and interest cost of the debt, two-thirds of which is owed to official European creditors, are so generous that Greece pays a smaller share of GDP in debt service than Portugal and Italy. These terms could be made more generous still. And the creditors should be prepared to adopt a version of the IMF's old highly indebted poor countries (HIPC) initiative for Africa: a promise to write down debt in stages at indeterminate future dates, but only in return for defined progress on reforms.

It should also be possible to give Greece more fiscal breathing-space. The government is now required to run a primary (ie, pre-interest) budget surplus of 3% of GDP this year, rising to 4.5% from 2016 onwards. Mr Tsipras wants to cut that to no more than 1.5%. A compromise of around 2.5% would allow him to spend more on social programmes.

Here, then, is a simple message for European leaders to give Mr Tsipras. They will negotiate, but only once the bail-out is extended. They will help him on debt and the budget, but only if he is prepared to make his economy more competitive. If an athlete insists on running backwards, even the most patient trainer cannot help him. ■

Teacher recruitment

Those who can

How to turn teaching into a job that attracts high-flyers

IMAGINE a job where excellence does nothing to improve your pay or chances of promotion, and failure carries little risk of being sacked. Your pay is low for your qualifications—but at least the holidays are long, and the pension is gold-plated.

Teaching ought to be a profession for hard-working altruists who want to improve children's life prospects. But all too often school systems seem designed to attract mediocre timeservers. Many Mexican teachers have inherited their jobs; Brazilian ones earn less than other public servants, and retire much earlier. Each school-day a quarter of Indian teachers play truant. In New York it is so hard to sack teachers that even those accused of theft or assault may be parked away from pupils, doing "administrative tasks" on full pay, sometimes for years.

You can find outstanding individuals in the worst school systems. But, as lazy and incompetent teachers get away with slacking, the committed ones often lose motivation. In America and Britain surveys find plummeting morale. Jaded British teachers on online forums remind each other that it is just a few months till the long summer break—and just a few years till retirement. No wonder so many children struggle to learn: no school can be better than those who work in it.

Yet it is possible to persuade the hardworking and ambi- ▸▸

tious to teach. Finland pays teachers modestly but manages them well; ten graduates apply for each training place. South Korea recruits teachers from the top 5% of school-leavers and promises them fat pay cheques. In both countries teachers are revered—and results are among the world's best.

Even where the profession is in disrepute, high-flyers can be lured into the classroom. Teach for America, which sends star graduates from elite universities for two-year stints in rough schools, is being copied around the globe (see page 53). Private employers snap up its alumni—but many stay in teaching. Teach First, Britain's version, has helped raise standards in London and is one of the country's most prestigious graduate employers. Such schemes are small, but show that when teaching is recast as tough and rewarding, the right sort clamour to join.

Spreading the revolution to the entire profession will mean dumping the perks cherished by slackers and setting terms that appeal to the hardworking. That may well mean higher pay—but also less generous pensions and holidays. Why not encourage teachers to use the long vacation for catch-up classes for pupils who have fallen behind? Stiffer entry requirements would raise the job's status and attract better applicants. Pay rises should reward excellence, not long service. Underperformers should be shown the door.

Standing in the way, almost everywhere, are the unions. Their willingness to back shirkers over strivers should not be underestimated: in Washington, DC, when the schools boss (a Teach for America alumna) offered teachers much higher pay in return for less job security, their union balked.

Class action

But against the unions is a growing coalition: the leaders in public administration and private enterprise who have been through Teach for America and its ilk. They know what it takes to succeed in difficult schools, and what it would take for success to become the norm. They know that what good teachers want most of all is good colleagues. As they become more numerous and influential, they need to argue for a new deal for teachers. The good ones deserve it—and pupils do, too. ■

China's army

Lifting the veil

Xi Jinping is bringing a corrupt army to heel. Now he must make it behave responsibly

SO SECRETIVE is China's army that it began admitting foreign journalists to its monthly—and highly uninformative—briefings only last year. But in the past few months extraordinary revelations have appeared in the Chinese media about corruption in the highest ranks of the People's Liberation Army (PLA): a deputy chief of logistics built a mansion for himself modelled on the Forbidden City (among his treasures was a statue of Mao Zedong, in gold); the country's most senior uniformed officer had a basement stacked high with cash; and in January it emerged that no fewer than 15 generals, including a former deputy chief of the nuclear arsenal, were being investigated for graft (see page 39). Never before in China's history have so many high-ranking officers faced such charges at once.

The lifting of the veil that normally shrouds the world's largest military force is evidence of the clout of Xi Jinping, the chief of the Communist Party, state president and, most importantly, commander-in-chief of what Mr Xi insists on reminding officers is the party's army. No leader since Deng Xiaoping in the 1980s has held such sway over the armed forces. His purge of its highest echelons may be partly aimed at crushing potential rivals. But it is also part of Mr Xi's campaign against corruption throughout the party and government and it has struck fear into the hearts of politicians and military officers, regardless of their loyalties.

Mr Xi should now use his grip over the PLA to achieve more than just suppress the rampant practice of buying ranks and doing dodgy business deals. The army remains largely unchanged in two important, and worrying, ways. First, it is still deeply wary of contacts with its Western counterparts. During the cold war, America and the Soviet Union worked out codes of conduct to prevent accidents between their warships or fighter planes. In November China and America inched in the same direction. But the agreement between Mr Xi and Barack Obama is full of loopholes. China's army does not accept the kind of surveillance that the Americans and Russians routinely carried out near each other's territory during the cold war. The scarcity of "mil-mil" contacts makes it harder for America and China to communicate in times of crisis.

Secondly, the PLA fosters a paranoid fear within its ranks that America is bent on China's destruction. A new directive published this month calls for tighter ideological background checks on soldiers to prevent "sabotage by hostile forces". Mr Xi, like his predecessors, sees this as important for discipline.

It is only natural for the PLA to be suspicious of the American army and vice versa. But if the two countries are to cultivate a "new type of great-power relationship", as Mr Xi often says he wants and the world clearly needs, then their relations have to be built on stronger foundations. Mr Xi, it was announced this week, will travel to America in September for his first state visit. It would help if he curbed his army's tendency to portray America as China's arch-enemy.

Carrier diplomacy

America, too, sometimes wears cold-war spectacles. This month the Pentagon said it would not send an aircraft-carrier on a visit to China this year, an idea that both sides had been mulling. Pentagon officials, it seems, agree with John McCain, a hawkish Republican senator, who said that sending "one of the most sophisticated and lethal military tools in world history" would be a mistake at a time of anxiety in Asia about China's "aggressive" behaviour in the region. In fact, it would be a bigger mistake not to send the carrier. Such a gesture could help to forge ties with a military establishment that America needs to know better. And it would be a timely reminder to Chinese generals—some of whom speak dismissively of American strength—that America still wields a very big stick. ■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Letters

The inheritance of privilege

America has a problem with social mobility ("An hereditary meritocracy", January 24th). So does Britain, where it is more intractable. There are private schools on America's east coast that cater to the elite, such as Groton, St Paul's, Andover, Exeter and Hotchkiss, but they leave a pin prick on American life. None is associated with power in the way that Eton is in Britain. American commentators do not see the need to run stories similar to those in the British media about how many businessmen, judges, army officers, lawyers, journalists and actors come from the 7% who are privately educated.

Rich Americans send their children to state schools in a way rich Britons do not. Granted, localised funding in America provides wealthy areas with schools that achieve better academically, but these schools are still part of the state system and its culture. Their alumni do not stand out in the same way they often do in Britain. Walk down a street in St Andrews or Durham and you will see what I mean.

SIMON BARROW
London

You charted the rapidly rising cost of college tuition and fees in America. However, what really matters is that the burden for paying those costs has shifted greatly from the states to students and their families. The anti-tax agenda has substantially diminished the ability of states to underwrite the cost of higher education.

One of America's most important innovations was the creation of great public universities. What had been an extraordinary public good and a remarkable vehicle for upward social mobility is increasingly a private good, available to students from families who can afford it. To a distressing degree America has broken faith with its commitment to public higher education, and with those for whom it represents a way up.

JEFFREY RIEDINGER
Seattle

Focused knowledge

Thomas Aquinas's phrase "beware of the person of one book" was not an admonishment against "unscholarly types" ("Spotify for books", January 24th). Rather, Aquinas stood by St Augustine's view that "the curious man is always a fornicator: he perverts study and investigation", meaning that a man who concentrated his learning on a single book was to be feared.

MICHAEL BRACKEN
London

Trying to prevent suicide

Your article on suicide in America ("An awful hole", January 31st) reminded me of an incident I saw in Japan, of the body of a young woman being removed from under a train. Japan has some of the world's strictest gun-control laws. It also has the seventh-highest suicide rate. Jumping in front of a train is one of the most common ways to commit suicide. The bullet trains have separate rail tracks that are often fenced off at stations to prevent access by "leapers".

Suicide there also lacks the stigma it has in America. Removing that stigma and controlling access to guns would not, as you suggest, lower America's suicide rate. People would resort to other means. Furthermore, cognitive behavioural therapy is better at treating depression and reducing suicidal urges than drugs.

It is 20 years later and I still remember the thin gold watch on her limp arm.

JAMES KIRWIN
Dobson, North Carolina

Deserving pensioners

There is nothing "dubious" about Britain's state pension being based on past contributions ("Golden oldies", January 31st). Yes, it is paid out of the tax pot rather than a discrete pension fund. But for most recipients, the state pension is related to national-insurance contributions. That is why thousands of non-resident British citizens, such as myself, opt to pay voluntary contributions to get a full state pension when they retire.

There is a big distinction between the state pension and the various non-means-tested giveaways that you mentioned. The state pension is a part-contributory, part-tax-funded system for ensuring a minimum income to the elderly. Free bus passes, winter heating allowances and the like are indefensible if they are paid out regardless of wealth.

EDWARD VICKERS
Associate professor of comparative education
Kyushu University
Fukuoka, Japan

Cancer advice

You advised young women to "have an anti-papilloma vaccination" to reduce the chances of cervical cancer ("Chancing your arm", January 10th). But boys and young men should also get the jab as it reduces the likelihood of contracting other types of cancer caused by the human papillomavirus.

DAVID BUCHANAN
Vancouver

Southern comfort

May I ask my beloved *Economist* to consult the facts first before being unkind to a lady ("Go ahead, Angela, make my day", January 31st)? Far from remaining "stuck with near-zero growth" those countries of the southern euro zone that have followed Angela Merkel's prescription of labour-market reform and fiscal repair started to recover nicely some four to six quarters ago. In the last two quarters for which we have data, annualised growth averaged 2.4% for Spain, 2.2% for Greece and 1.2% for Portugal.

For Spain and Portugal, leading indicators project stronger gains ahead while, sadly, Greek indicators have started to nosedive with the rise of the Syriza threat. The medicine was bitter, and probably dished out as an overdose in the case of Greece. But it is working. Italy is the one country that sticks out. It has a mild recession precisely because it has not yet swallowed the labour-reform pill.

If Greece now reverses its own labour reforms it will probably sink back into recession. But blame that on Alexis, not Angela.

HOLGER SCHMIEDING
Chief economist
Berenberg
London

Greece's debt looks unpayable only if one looks at the wrong statistics, such as the debt stock as a share of GDP, which you regrettably do. Greece's debt is at extremely concessional terms, resulting in an effective interest rate on public debt that is lower than Germany's, and a public debt-service burden that, as a share of GDP, is about the same as America's.

HENRY KASPAR
Washington, DC

Scent by post

One of the hyenas depicted on the February 7th cover is cocking a leg while urinating. Hyenas do not do that. A hyena may indeed pee on Wall Street, but it would do so discreetly.

ALEXANDER BORBÉLY
Zurich

Missing u

"The disunited states of cannabis" (January 17th) on America's marijuana laws situated Washington within the "District of Colombia". If so, one up to the cartels indeed.

CLINTON LEEKS
Houghton-le-Spring, Tyne and Wear ■

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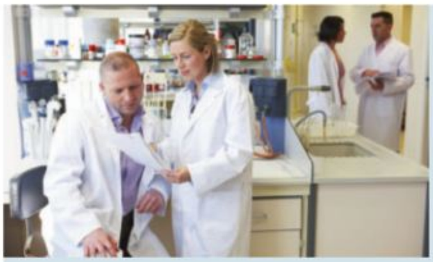

Academic publishing

Peer review—the process by which academics check the work of their colleagues before it goes to print—is evolving. Various publishers are trying to get rid of bad reviewer behaviour. Some of their experiments might work

Hungary's angry media baron

The invective that Hungary's most powerful businessman has unleashed over the past few days towards his country's prime minister is exceptional. Beyond the colourful language, the spat is the most serious break yet in Viktor Orban's governing Fidesz party

Chocolate on Valentines day: why?

None of the popular hagiographies of St Valentine give any hint of him liking chocolate. It was not until the late 18th century that the two became associated. But the confection is good for the heart in more ways than one

From our blogs

Business travel: Standing room
Yet again a story has surfaced of an airline trying to get approval for a standing section on a plane. Is service really spiralling down this fast?

Employment: America's jobs report
America's jobs report, released on February 6th, shows that the economy is in rude health. What's more, wages have increased

Religion: Private lives
People who work for religious organisations should think about the consequences for their personal lives. They cannot claim the right to privacy

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Cads and dads

Featured comment

"'A woman's evolutionary reasons to play fast and loose are less obvious, for having many lovers will not bring her more children. It will, however, bring her children who are more genetically diverse..' There's a new way to do this - three-parent children! Demand for cads will fall as supply of genetic labs rises"—on "Cads and Dads", February 7th 2015

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From cold war to hot war

BRUSSELS, LONDON AND MOSCOW

Russia's aggression in Ukraine is part of a broader, and more dangerous, confrontation with the West

THE pens were on the table in Minsk, Belarus's capital, for the leaders of France, Germany, Russia and Ukraine to sign a deal to end a year-long war fuelled by Russia and fought by its proxies. But on February 12th, after all-night talks, they were put away. "No good news," said Petro Poroshenko, Ukraine's president. Instead there will be a ceasefire from February 15th. A tentative agreement has been reached to withdraw heavy weaponry.

But Russia looks sure to be able to keep open its border with Ukraine and sustain the flow of arms and people. The siege of Debaltseve, a strategic transport hub held by Ukrainian forces, continues. Russia is holding military exercises on its side of the border. Crimea was not even mentioned.

Meanwhile the IMF has said it will lend Ukraine $17.5 billion to prop up its economy. But Mr Putin seems to be relying on a familiar Russian tactic of exhausting his negotiating counterparts and taking two steps forward, one step back. He is counting on time and endurance to bring the collapse and division of Ukraine and a revision of the post-cold war world order.

Nearly a quarter-century after the collapse of the Soviet Union, the West faces a greater threat from the East than at any point during the cold war. Even during the Cuban missile crisis of 1962, Soviet leaders were constrained by the Politburo and memories of the second world war. Now, according to Russia's chief propagandist, Dmitry Kiselev, even a decision about the use of nuclear arms "will be taken personally by Mr Putin, who has the undoubted support of the Russian people". Bluff or not, this reflects the Russian elite's perception of the West as a threat to the very existence of the Russian state.

In this view Russia did not start the war in Ukraine, but responded to Western aggression. The Maidan uprising and ousting of Viktor Yanukovych as Ukraine's president were engineered by American special services to move NATO closer to Russia's borders. Once Mr Yanukovych had gone, American envoys offered Ukraine's interim government $25 billion to place missile defences on the Russian border, in order to shift the balance of nuclear power towards America. Russia had no choice but to act.

Even without Ukraine, Mr Putin has said, America would have found some other excuse to contain Russia. Ukraine, therefore, was not the cause of Russia's conflict with the West, but its consequence. Mr Putin's purpose is not to rebuild the Soviet empire—he knows this is impossible—but to protect Russia's sovereignty. By this he means its values, the most important of which is a monopoly on state power.

Behind Russia's confrontation with the West lies a clash of ideas. On one side are human rights, an accountable bureaucracy and democratic elections; on the other an unconstrained state that can sacrifice its citizens' interests to further its destiny or satisfy its rulers' greed. Both under communism and before it, the Russian state acquired religious attributes. It is this sacred state which is under threat.

Mr Putin sits at its apex. "No Putin—no Russia," a deputy chief of staff said recently. His former KGB colleagues—the Committee of State Security—are its guardians, servants and priests, and entitled to its riches. Theirs is not a job, but an elite and hereditary calling. Expropriating a private firm's assets to benefit a state firm is therefore not an act of corruption.

When thousands of Ukrainians took to the streets demanding a Western-European way of life, the Kremlin saw this as a threat to its model of governance. Alexander Prokhanov, a nationalist writer who backs Russia's war in Ukraine, compares European civilisation to a magnet attracting Ukraine and Russia. Destabilising Ukraine is not enough to counter that force: the magnet itself must be neutralised.

Russia feels threatened not by any individual European state, but by the European Union and NATO, which it regards as ex- ▶▶

pansionist. It sees them as "occupied" by America, which seeks to exploit Western values to gain influence over the rest of the world. America "wants to freeze the order established after the Soviet collapse and remain an absolute leader, thinking it can do whatever it likes, while others can do only what is in that leader's interests," Mr Putin said recently. "Maybe some want to live in a semi-occupied state, but we do not."

Russia has taken to arguing that it is not fighting Ukraine, but America in Ukraine. The Ukrainian army is just a foreign legion of NATO, and American soldiers are killing Russian proxies in the Donbas. Anti-Americanism is not only the reason for war and the main pillar of state power, but also an ideology that Russia is trying to export to Europe, as it once exported communism.

Anti-Westernism has been dressed not in communist clothes, but in imperial and even clerical ones (see page 73). "We see how many Euro-Atlantic countries are in effect turning away from their roots, including their Christian values," said Mr Putin in 2013. Russia, by contrast, "has always been a state civilisation held together by the Russian people, the Russian language, Russian culture and the Russian Orthodox church." The Donbas rebels are fighting not only the Ukrainian army, but against a corrupt Western way of life in order to defend Russia's distinct world view.

Mistaken hopes

Many in the West equate the end of communism with the end of the cold war. In fact, by the time the Soviet Union fell apart, Marxism-Leninism was long dead. Stalin replaced the ideals of internationalism, equality and social justice that the Bolsheviks had proclaimed in 1917 with imperialism and state dominance over all spheres of life. Mikhail Gorbachev's revolution consisted not in damping down Marxism but in proclaiming the supremacy of universal human values over the state, opening up Russia to the West.

Nationalists, Stalinists, communists and monarchists united against Mr Gorbachev. Anti-Americanism had brought Stalinists and nationalists within the Communist Party closer together. When communism collapsed they united against Boris Yeltsin and his attempts to make Russia "normal", by which he meant a Western-style free-market democracy.

By 1993, when members of this coalition were ejected by pro-Yeltsin forces from the parliament building they had occupied in Moscow, they seemed defeated. Yet nationalism has resurfaced. Those who fought Yeltsin and his ideas were active in the annexation of Crimea and are involved in the war in south-east Ukraine. Alexander Borodai, the first "prime minister" of the self-proclaimed Donetsk People's Republic, who fought with anti-Yeltsin forces, hails Mr Putin as the leader of

the nationalist movement in Russia today.

Yet for a few years after Mr Putin came to power he built close relations with NATO. In his first two presidential terms, rising living standards helped buy acceptance of his monopoly on state power and reliance on ex-KGB men; now that the economy is shrinking, the threat of war is needed to legitimise his rule. He forged his alliance with Orthodox nationalists only during mass street protests by Westernised liberals in 2012, when he returned to the Kremlin. Instead of tear gas, he has used nationalist, imperialist ideas, culminating in the annexation of Crimea and the slow subjugation of south-east Ukraine.

Hard power and soft

Mr Putin's preferred method is "hybrid warfare": a blend of hard and soft power. A combination of instruments, some military and some non-military, choreographed to surprise, confuse and wear down an opponent, hybrid warfare is ambiguous in both source and intent, making

it hard for multinational bodies such as NATO and the EU to craft a response. But without the ability to apply hard power, Russia's version of soft power would achieve little. Russia "has invested heavily in defence," says NATO's new secretary-general, a former Norwegian prime minister, Jens Stoltenberg. "It has shown it can deploy forces at very short notice…above all, it has shown a willingness to use force."

Mr Putin drew two lessons from his brief war in Georgia in 2008. The first was that Russia could deploy hard power in countries that had been in the Soviet Union and were outside NATO with little risk of the West responding with force. The second, after a slapdash campaign, was that Russia's armed forces needed to be reformed. Military modernisation became a personal mission to redress "humiliations" visited by an "overweening" West on Russia since the cold war ended.

According to IHS Jane's, a defence consultancy, by next year Russia's defence spending will have tripled in nominal terms since 2007, and it will be halfway through a ten-year, 20 trillion rouble ($300 billion) programme to modernise its weapons. New types of missiles, bombers and submarines are being readied for deployment over the next few years. Spending on defence and security is expected to climb by 30% this year and swallow a more than a third of the federal budget.

As well as money for combat aircraft, helicopters, armoured vehicles and air-defence systems, about a third of the budget has been earmarked to overhaul Russia's nuclear forces. A revised military doctrine signed by Mr Putin in December identified "reinforcement of NATO's offensive capacities directly on Russia's borders, and measures taken to deploy a global anti-missile defence system" in central Europe as the greatest threats Russia faces.

In itself, that may not be cause for alarm in the West. Russian nuclear doctrine has changed little since 2010, when the bar for first use was slightly raised to situations in which "the very existence of the state is under threat". That may reflect growing confidence in Russia's conventional forces. But Mr Putin is fond of saying that nobody should try to shove Russia around when it has one of the world's biggest nuclear arsenals. Mr Kiselev puts it even more bluntly: "During the years of romanticism [ie, detente], the Soviet Union undertook not to use nuclear weapons first. Modern Russian doctrine does not. The illusions are gone."

Mr Putin still appears wedded to a strategy he conceived in 2000: threatening a limited nuclear strike to force an opponent (ie, America and its NATO allies) to withdraw from a conflict in which Russia has an important stake, such as in Georgia or Ukraine. Nearly all its large-scale military exercises in the past decade have featured simulations of limited nuclear strikes, including one on Warsaw.

Mr Putin has also been streamlining his armed forces, with the army recruiting 60,000 contract soldiers each year. Professionals now make up 30% of the force. Conscripts may bulk up the numbers, but for the kind of complex, limited wars Mr Putin wants to be able to win, they are pretty useless. Ordinary contract soldiers are also still a long way behind special forces such as the GRU Spetsnaz (the "little green men" who went into Crimea without military insignia) and the elite airborne VDV troops, but they are catching up.

Boots on the ground

South-east Ukraine shows the new model army at work. Spetsnaz units first trained the Kremlin-backed separatist rebels in tactics and the handling of sophisticated Russian weapons. But when the Ukrainian government began to make headway in early summer, Russia had regular forces near the border to provide a calibrated (and still relatively covert) response.

It is hard to tell how many Russian troops have seen action in Ukraine, as their vehicles and uniforms carry no identifiers. But around 4,000 were sent to relieve Luhansk and Donetsk while threatening the coastal city of Mariupol—enough to convince Mr Poroshenko to draw his troops back. Since November a new build-up of Russian forces has been under way. Ukrainian military intelligence reckons there may be 9,000 in their country (NATO has given no estimate). Another 50,000 are on the Russian side of the border.

Despite Mr Putin's claim last year that he could "take Kiev in two weeks" if he wanted, a full-scale invasion and subsequent occupation is beyond Russia. But a Russian-controlled mini-state, Novorossiya, similar to Abkhazia and Transdniestria, could be more or less economically sustainable. And it would end Ukraine's hopes of ever regaining sovereignty over its territory other than on Russian terms, which would undoubtedly include staying out of the EU and NATO. Not a bad outcome for Mr Putin, and within reach with the hard power he controls.

The big fear for NATO is that Mr Putin turns his hybrid warfare against a member country. Particularly at risk are the Baltic states—Latvia, Estonia and Lithuania—two of which have large Russian-speaking minorities. In January Anders Fogh Rasmussen, NATO's previous secretary-general, said there was a "high probability" that Mr Putin would test NATO's Article 5, which regards an attack on any member as an attack on all—though "he will be defeated" if he does so.

A pattern of provocation has been established that includes a big increase in the number of close encounters involving Russian aircraft and naval vessels, and snap exercises by Russian forces close to NATO's northern and eastern borders. Last year NATO planes carried out more than 400 intercepts of Russian aircraft. More than 150 were by the alliance's beefed-up Baltic air-policing mission—four times as many as in 2013. In the first nine months of the year, 68 "hot" identifications and interdictions occurred along the Lithuanian border alone. Latvia recorded more than 150 incidents of Russian planes entering its airspace.

There have also been at least two near-misses between Russian military aircraft and Swedish airliners. This is dangerous stuff: Russian pilots do not file flight plans. They fly with transponders switched off, which makes them invisible to civil radar. On January 28th two Russian, possibly nuclear-armed, strategic bombers flew down the English Channel, causing havoc to commercial aviation. Such behaviour is in-

Russia's European supporters

In the Kremlin's pocket

Who backs Putin, and why

POPULIST parties of both right and left, many pro-Russian, did well in last May's European elections, taking between them a quarter of the seats. This has raised fears of a coherent pro-Russian block forming in Strasbourg.

In Greece, the now-ruling radical-left **Syriza** party leans towards Russia. On February 11th Nikos Kotzias, the new foreign minister, went to Moscow—his first visit to a foreign capital outside the European Union. Syriza is cool on sanctions against Russia, and opposed to expanding them. Another left-wing, broadly pro-Russian upstart is **Podemos** in Spain, which leads in the polls. Its leader has accused the West of double standards in dealing with Russia.

France's **National Front**, the foremost right-nationalist party, openly admires Mr Putin. Its leader, Marine Le Pen, has made several trips to Moscow. It recently accepted a €9.4m ($10.6m) loan from First Czech Russian Bank, a lender with indirect links to the Kremlin. It is said to be the first tranche of a €40m loan (a huge sum for the party, if true). Ms Le Pen says it was turned away by Western banks.

Hungary's far-right **Jobbik** party, which won 20% of the vote in parliamentary elections last April, is avowedly pro-Russian. In 2013 its leader described Russia as the guardian of Europe's heritage, contrasting it with the "treacherous" EU. Its most controversial figure, Bela Kovacs, a member of the European Parliament, has lobbied on behalf of Russian interests and supported the invasion of Crimea. But Fidesz, Hungary's ruling party, once fiercely anti-communist, has also been cultivating closer Russian ties. In July the prime minister, Viktor Orban, said he was striving to build "an illiberal state" within the EU.

There have also been rumours, less well substantiated, of Russian support for British and Italian parties, including the anti-EU **UK Independence Party**. And UKIP's leader, Nigel Farage, has called Mr Putin the world leader he most admires—at least as a political operator.

There is, however, scant evidence that Europe's populist parties, FN apart, have accepted Russian money—though it is hard to be sure, given their opaque finances. Anton Shekhotsov, an expert on fringe parties, thinks that the loan to the French party is the exception rather than the rule. He points out that the Kremlin, in the past at least, preferred to provide "fees" to individual politicians than financial support to their parties.

Russia has already found a use for its European friends: to legitimise (to some) its dodgy elections. A motley crew of populists were flown in to give ringing endorsements of the Crimea referendum and the election in the Donbas, organised by separatists. Among them were Mr Kovacs and Aymeric Chauprade, an adviser to Ms Le Pen. Russian media falsely portrayed these lackeys as official, independent election observers.

Unsuitable friends 2

Russia's relationship with Europe, February 2015

Country	Russian leadership's approval rating*	Selected populist parties relations with Russia: Committed/Open or neutral/Hostile
Bulgaria	40	Attack *(Right)*
Greece	35	Golden Dawn *(R)*
		Syriza *(Left)*
Hungary	32	Jobbik *(R)*
Austria	16	Freedom Party *(R)*
France	15	National Front *(R)*
Britain	14	BNP *(R)*
		UKIP *(R)*
Spain	14	Podemos *(L)*
Italy	13	Northern League *(R)*
		Forza Italia *(R)*
Germany	11	National Democratic Party *(R)*
		AfD *(R)*
Belgium	10	Vlaams Belang *(R)*
Finland	9	Finns Party *(R)*

Sources: Political Capital; Gallup Analytics; *The Economist* *2014, % of respondents tended to test Western air defences, and was last seen in the cold war. Mr Stoltenberg calls it "risky and unjustified".

Since 2013, when Russia restarted large-scale snap military exercises, at least eight have been held. In December the Kremlin ordered one in Kaliningrad, an exclave that borders Lithuania and Poland, both NATO members. It mobilised 9,000 soldiers, more than 55 navy ships and every type of military aircraft. "This pattern of behaviour can be used to hide intent," says General Philip Breedlove, NATO's most senior commander. "What is it masking? What is it conditioning us for?"

A huge problem for NATO is that most of what Russia might attempt will be below the radar of traditional collective defence. According to Mr Stoltenberg, deciding whether an Article 5 attack has taken place means both recognising what is going on and knowing who is behind it. "We need more intelligence and better situational awareness," he says; but adds that NATO allies accept that if the arrival of little green men can be attributed "to an aggressor nation, it is an Article 5 action and then all the assets of NATO come to bear."

For all the rhetoric of the cold war, the Soviet Union and America had been allies and winners in the second world war and felt a certain respect for each other. The Politburo suffered from no feelings of inferiority. In contrast, Mr Putin and his KGB men came out of the cold war as losers. What troubles Mr Stoltenberg greatly about Mr Putin's new, angry Russia is that it is harder to deal with than the old Soviet Union. As a Norwegian, used to sharing an Arctic border with Russia, he says that "even during the coldest period of the cold war we were able to have a pragmatic conversation with them on many security issues". Russia had "an interest in stability" then, "but not now".

Meddling and perverting

Destabilisation is also being achieved in less military ways. Wielding power or gaining influence abroad—through anti-establishment political parties, disgruntled minority groups, media outlets, environmental activists, supporters in business, propagandist "think-tanks", and others—has become part of the Kremlin's hybrid-war strategy. This perversion of "soft power" is seen by Moscow as a vital complement to military engagement.

Certainly Russia is not alone in abusing soft power. The American government's aid agency, USAID, has planted tweets in Cuba and the Middle East to foster dissent. And Mr Putin has hinted that Russia needs to fight this way because America and others are already doing so, through "pseudo-NGOs", CNN and human-rights groups.

At home Russian media, which are mostly state-controlled, churn out lies and conspiracy theories. Abroad, the main con-

duit for the Kremlin's world view is RT, a TV channel set up in 2005 to promote a positive view of Russia that now focuses on making the West look bad. It uses Western voices: far-left anti-globalists, far-right nationalists and disillusioned individuals. It broadcasts in English, Arabic and Spanish and is planning German- and French-language channels. It claims to reach 700m people worldwide and 2.7m hotel rooms. Though it is not a complete farce, it has broadcast a string of false stories, such as one speculating that America was behind the Ebola epidemic in west Africa.

The Kremlin is also a sophisticated user of the internet and social media. It employs hundreds of "trolls" to garrison the comment sections and Twitter feeds of the West. The point is not so much to promote the Kremlin's views, but to denigrate opposition figures, and foreign governments and institutions, and to sow fear and confusion. Vast sums have been thrown at public-relations and lobbying firms to improve Russia's image abroad—among them Ketchum, based in New York, which helped place an op-ed by Mr Putin in the *New York Times*. And it can rely on some of its corporate partners to lobby against policies that would hurt Russian business.

The West's willingness to shelter Russian money, some of it gained corruptly, demoralises the Russian opposition while making the West more dependent on the Kremlin. Russian money has had a poisonous effect closer to home, too. Russia wields soft power in the Baltics partly through its "compatriots policy", which entails financial support for Russian-speaking minorities abroad.

Mr Putin's most devious strategy, however, is to destabilise the EU through fringe political parties (see box on previous page). Russia's approach to ideology is fluid: it supports both far-left and far-right groups. As Peter Pomerantsev and Michael Weiss put it in "The menace of unreality", a paper on Russian soft power: "The aim is to exacerbate divides [in the West] and create an echo-chamber of Kremlin support."

Disruptive politics

Far-right groups are seduced by the idea of Moscow as a counterweight to the EU, and by its law-and-order policies. Its stance on homosexuality and promotion of "traditional" moral values appeal to religious conservatives. The far left likes the talk of fighting American hegemony. Russia's most surprising allies, however, are probably Europe's Greens. They are opposed to shale-gas fracking and nuclear power—as is Moscow, because both promise to lessen Europe's dependence on Russian fossil fuels. Mr Rasmussen has accused Russia of "sophisticated" manipulation of information to hobble fracking in Europe, though without producing concrete evidence.

There is circumstantial evidence in Bulgaria, which in 2012 cancelled a permit for Chevron to explore for shale gas after anti-fracking protests. Some saw Russia's hand in these, possibly to punish the pro-European government of the time, which sought to reduce its reliance on Russian energy (Gazprom, Russia's state-controlled gas giant, supplies 90% of Bulgaria's gas).

Previously, Bulgaria had been expected to transport Russian oil through its planned South Stream pipeline, and its parliament had approved a bill that would have exempted the project from awkward EU rules. Much of it had been written by Gazprom, and the construction contract was to go to a firm owned by Gennady Timchenko, an oligarch now under Western sanctions. Gazprom offered to finance the pipeline and to sponsor a Bulgarian football team. The energy minister at the time later claimed he had been offered bribes by a Russian envoy to smooth the project's passage. Though European opposition means it has now been scrapped, the episode shows the methods Moscow uses to protect its economic interests.

In all this Mr Putin is evidently acting not only for Russia's sake, but for his own. Mr Borodai, the rebel ideologue in Donetsk, says that if necessary the Russian volunteers who are fighting today in Donbas will tomorrow defend their president on the streets of Moscow. Yet, although Mr Putin may believe he is using nationalists, the nationalists believe they are using him to consolidate their power. What they aspire to, with or without Mr Putin, is that Russians rally behind the nationalist state and their leader to take on Western liberalism. This is not a conflict that could have been resolved in Minsk. ■

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Private schools

Pro choice

MILWAUKEE

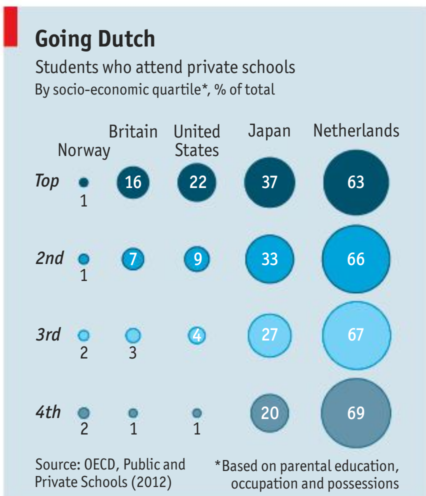
With Republicans resurgent, school vouchers are back

ON THE desk of Zeus Rodriguez, the president of St Anthony School in Milwaukee, a mini Republican primary is underway. A signed photograph of Scott Walker, the governor of Wisconsin, competes for space with snaps of Rand Paul and Jeb Bush—all three of them presidential hopefuls. St Anthony's is popular among conservatives because it has more pupils taking advantage of government-funded vouchers than any other private school in America.

The local neighbourhood was once populated by German and Polish Catholics but is now home to the Hispanic sort. Almost all pupils speak Spanish at home; most are also poor. Yet 95% of the first two classes of high-school students from St Anthony's have graduated and more than 90% have gone on to college. All this, for a cost to taxpayers of just $7,500 per pupil; Milwaukee's public schools, by contrast, spend a whopping $13,000.

After the Republicans' success in state elections in November, several are pushing to increase the number and scope of school voucher schemes. In a budget unveiled on February 3rd, Governor Walker called for the expansion of Wisconsin's three voucher schemes, though he left the details fuzzy. In each of the 24 states that have vouchers, lawmakers propose to make more children eligible, says Robert Enlow of the Friedman Foundation, which advocates for school choice. Illinois and Nevada, which do not have vouchers, are considering them. George P. Bush (son of Jeb), recently argued for their introduction to Texas, where he is land commissioner.

All told, 10% of American children attend some form of private school. Pupils at such schools are typically well off, but most of the change is taking place lower down, thanks to vouchers aimed at poor kids in awful public schools. If these programmes are expanded, America will look a bit more like Japan or the Netherlands, where private schools serve lots of hard-up families (see chart) and children do better in exams than Americans.



America's current crop of private schools were created in three waves. The first came in the late 19th century amid a panic about Catholic Europeans subverting the country's Protestant identity. James Blaine, a former Speaker of the House of Representatives, proposed an amendment to the federal constitution banning public funding for religious schools. The proposal failed, but many states passed their own version of a Blaine amendment and currently three-quarters of states ban directly spending public money on religious institutions. The ban on publicly-funded Catholic schools spurred the creation of lots of privately-funded ones.

The second wave came after the desegregation of public schools in the South following *Brown v Board of Education*, when recalcitrant whites set up private schools to keep their children apart from black ones. The third wave has been underway since 1990, when Milwaukee's pioneering school-voucher programme began.

No two voucher schemes are the same, which makes comparing them hard. Ohio alone has five, all with different criteria for eligibility. Most began life as schemes to help families in predominantly black neighbourhoods with failing schools find something better, and were then extended to children in foster care and those with special needs. Only now are they being ex- ▶▶

tended to families wealthy enough that they might have sent their children to low-cost private schools anyway.

Some states use tax credits to reimburse parents for private tuition. Others give tax breaks to people who donate to charities which fund scholarships at private schools (which gets around a Blaine amendment). Florida has a scheme like this: though the state has no personal income tax, tax-deductible corporate donations fund 60,000 places for children at private schools.

Despite providing the inspiration for this movement, Milwaukee's experience with school vouchers has been mixed. As well as successes like St Anthony's there have been some horror stories. One new private school was run by a convicted rapist; another by a man who used school money to buy himself a pair of Mercedes-Benzes. The outright frauds have since been weeded out, but there remain a lot of poorly performing private schools, just as there are many bad public ones.

Wisconsin's education department has commissioned evaluations over the past 25 years which, controlling for race, income and sex, found that the test scores of children at private schools are no better than those who stayed in the public school system. This is consistent with the federal government's evaluation of the voucher scheme for poor parents in bad school districts in Washington, DC, which found no statistical difference between children who were given vouchers and those who were not in reading and maths.

This is not the end of the story for vouchers, however. In both Milwaukee and Washington, voucher schemes get similar results to the public schools but with much less money. Under the DC scheme, each voucher is worth $8,500 a year, compared with $17,500 to educate a child in the public school system. In Milwaukee the difference is smaller but still amounts to several thousand dollars. Another consistent finding from voucher schemes is that parents like being given a choice, which explains why vouchers, once granted, are hard to take away.

Though Milwaukee's experience overall has been mixed it still has lessons for elsewhere. If one includes private schools, charter schools and open enrolment at public schools (which means parents may enroll their children in a school that is not in the neighbourhood where they live), around 40% of parents in Milwaukee exercise some kind of choice over their children's education, an unusually high share. With so much competition, it is hard for any school to grow complacent. There are good public, private and charter schools and bad ones, too. Some private schools do very well with poor black and Hispanic children, others fail them and yet manage to stay in business, which suggests that even with lots of parents choosing there is a need for an authority than can close the bad schools down.

The good schools, however constituted, have good teachers, inspiring principals and respond to their surroundings. Some of these things are easier to achieve in private schools. One such is St Marcus Lutheran, a private school on the other side of town from St Anthony's. Some 90% of the pupils at St Marcus are from black, low-income families. The school opens its gates at 6.30am for early arrivals. If parents can't bring their children to school, the staff will go and pick them up.

Some children come from chaotic homes, so the school stays open until 8.30pm and serves dinner. It has classes on Saturday too. "Some of the kids will only go home to sleep," says Henry Tyson, the school's superintendent. St Marcus tracks all its students for eight years after they leave: 93% graduate from high school. In a state that sends a higher proportion of black men to prison than any other, rates of incarceration for St Marcus's alumni are below the national average for all races.

"No one has yet found the secret button to push that makes all the schools better," says Alan Borsuk of Marquette University, who has been following Milwaukee's experiment since 1990. In their first quarter-century, voucher schemes have faced fierce opposition and coped despite much smaller budgets. For their fans, that is reason enough to pursue the idea further. ■

The economy

At last, a proper recovery

WASHINGTON, DC

All sorts of Americans are feeling more prosperous

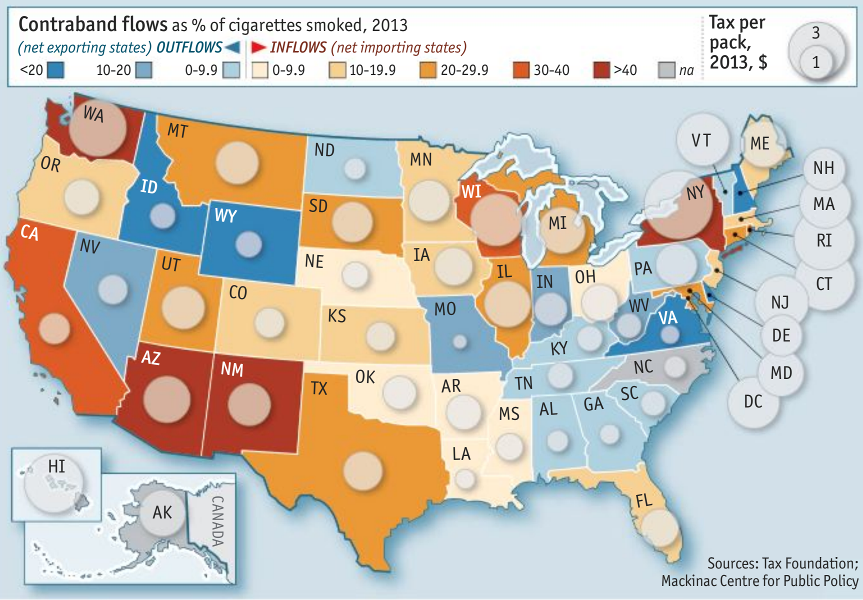
THE American economy has technically been out of recession for six years. It is finally starting to feel like it. Millions of new jobs are sprouting. Many who had given up looking for work are trying again—and succeeding. Wage growth is picking up. But the economy is far from full strength: the Federal Reserve may have to support it for years to come.

America is thriving for a few reasons. It is a relatively self-contained economy: foreign trade is only equivalent to 30% of GDP. So America feels other countries' pain only faintly. While many governments are tightening belts, America's is not: for the first time in five years, public spending as a proportion of GDP rose in 2014. American shoppers are flush with cheap credit. Lower oil prices also help, since America is still a net importer of the stuff.

The labour market was ugly in the years immediately after the crisis. But now it is the star of the catwalk. Between 2011 and 2014 only eight countries saw bigger falls in their unemployment rate, according to the

Smuggled smokes

Last summer Eric Garner died after a New York cop put him in a chokehold. His crime was selling "loosies", or untaxed cigarettes. Smuggling is common in New York: 58% of cigarettes smoked in the state are contraband. The reason is that tobacco taxes are high: a pack of 20 costs $13 in New York, compared with $5 in Missouri, the state with the cheapest gaspers. A recent report found that illicit smokes are more than 20% of total consumption in 15 states. There are sound public-health reasons for taxing tobacco but as the map shows, the higher the taxes, the bigger the black market.



Sources: Tax Foundation; Mackinac Centre for Public Policy

Back at work, and liking it

IMF. At 5.7%, America's is one of the lowest in the OECD, a club of (mostly) rich countries. Firms added more than 1m net new jobs in the three months to January, the best showing since 1997. And things may soon get even better. The Job Openings and Labour Turnover Survey, released on February 10th, showed that by the end of December there were 5m job openings, the highest level since 2001.

This boom is helping people who typically struggle to find good jobs. Tighter limits on how long people may claim unemployment benefits, which took effect at the beginning of 2014, may have made low-skilled workers more appealing to employers. By encouraging the jobless to accept lower wages, it may have enticed companies to create more jobs. Indeed, half the jobs added in January were in low-wage industries like restaurants and shops. With more work available, in the past year the unemployment rate for Americans without a high-school diploma has fallen by one percentage point. Among 16-19-year-old men, hit hard by the recession, unemployment is now 11 percentage points lower than its 2009 peak.

As the prospects of those at the bottom have brightened, more and more Americans have got up off the sofa and pulled on their work boots. For years the proportion of the population in the labour force shrank, as disappointed jobseekers gave up hope. In 2010 1.3m Americans were not looking for work because, they said, there was none available. Now there are 680,000 such people—still high, but down a fifth over the year (see chart). No wonder, then, that the labour-force participation rate is finally inching up.

Things are also looking better for those already in work. Some 4m Americans who work part-time say they would rather work full-time but can't get the hours thanks to the lousy economy. This group is about 60% of the size it was in 2009 (see chart). Average weekly earnings in January were 2.8% higher than they were a year earlier, the biggest increase since mid-2011. That sounds great, but it is probably down to people working longer, rather than better. In the fourth quarter of 2014 labour productivity fell by 1.8% on an annualised basis. Americans put in 5% more time at the office—the biggest jump in hours since 1998. An economy that squeezes its workers so hard may soon run out of puff.

If wages do not take off, Janet Yellen, the chair of the Federal Reserve, will not rush to increase interest rates from their current rock-bottom levels. There is no other reason to do so. Americans would struggle to repay some of their record-beating credit-card debt. The dollar would get even stronger. That would lead to big problems in an economy where inflation will remain close to zero in 2015 and GDP growth is not wild. Ms Yellen should enjoy the recovery while it lasts. ■

Farm subsidies

Milking taxpayers

WASHINGTON, DC

As crop prices fall, farmers grow subsidies instead

THE father of Major Major, a character in *Catch 22*, a novel by Joseph Heller, makes a good living not growing alfalfa. "The more alfalfa he did not grow, the more money the government gave him, and he spent every penny he didn't earn on new land to increase the amount of alfalfa he did not produce." Each day, Mr Major "sprang out of bed at the crack of noon… just to make certain that the chores would not be done."

To this day, to be treated as a farmer in America doesn't necessarily require you to grow any crops. According to the Government Accountability Office, between 2007 and 2011 Uncle Sam paid some $3m in subsidies to 2,300 farms where no crop of any sort was grown. Between 2008 and 2012, $10.6m was paid to farmers who had been dead for over a year. Such payments explain why Tom Vilsack, the agriculture secretary, is promoting a rule to attempt to crack down on payments to non-farming folk. But with crop prices now falling, taxpayers are braced to be fleeced again.

American farm subsidies are egregiously expensive, harvesting $20 billion a year from taxpayers' pockets. Most of the money goes to big, rich farmers producing staple commodities such as corn and soyabeans in states such as Iowa.

Few politicians are inclined to vote against farm subsidies: though farmers make up only a small number of voters, even in agricultural states, they are loud and organised enough to punish lawmakers who vote against a farm bill. Opposition to spending is muted; few voters realise how much of their money is given to farmers and even fewer would change their vote because of it.

The 2014 bill, which passed with 68 votes in the Senate and comfortably in the House, at least nodded to reform. Most importantly Congress abolished direct payments based on land ownership. Instead, farmers now get more subsidised insurance, and new payments which are linked to past crop prices and productivity. Those not "actively engaged" in farming are in theory banned from collecting subsidies—though Congress delegated the task of defining who is really a farmer to Mr Vilsack's department.

This new system was meant to save around $23 billion over a decade—partly through cuts to food stamps for hard-up families, a welfare programme which,

Hand-outs for hard-up rural folk
Notable farm-subsidy recipients since 1995

Henry Kravis Private-equity magnate | **Alice, Jim & Rob Walton** Children of founder of Walmart | **Chuck Grassley** Senator | **Penny Pritzker** Commerce secretary and billionaire | **Jon Bon Jovi** Rock star | **Bruce Springsteen** Rock star | **Ted Turner** Founder of CNN

Sources: Environmental Working Group; Tom Coburn

oddly, is administered by the US Department of Agriculture (USDA). But because payments are linked to commodity prices and output, the new system could cost much more, says Vincent Smith, an agricultural economist at Montana State University. It could also get America into trouble with the World Trade Organisation if payments exceed certain thresholds.

Ominously, on February 10th the USDA predicted that net farm income would decline by 32% between 2014 and 2015. Commodities such as corn (which in America is used to produce everything from biofuel to syrup) and soya have become less valuable of late thanks to soaring supply and weak demand. Falling prices reduce the cost of subsidised crop insurance to the taxpayer (since less valuable crops cost less to insure). But those gains will be wiped out and more by the cost of compensating farmers for their lower incomes.

Any new rules designed to stop non-farmers from getting payments will be unlikely to work, predicts Mr Smith. While it may be possible to stop some landowners from claiming payments, they will adapt: "You hire a good agricultural lawyer and redefine the structure of the farm." Many landowners have already found their way around similar rules introduced in the farm bill of 2008, nominating young children as farmers, or claiming to be engaged in farming by providing management advice. Alfalfa non-growers still have bumper times ahead. ■

Presidential power

A law for war

WASHINGTON, DC

Barack Obama seeks the authority to fight new enemies

A POLITICAL eternity ago, back in May 2013, President Barack Obama felt able to boast that the core of al-Qaeda in Pakistan and Afghanistan was on a path to defeat, allowing America to declare an end to the global war on terror that began after the September 11th 2001 attacks. "This war, like all wars, must end. That's what history advises. That's what our democracy demands," Mr Obama said two years ago. He announced his intention to work with Congress on refining and ultimately repealing the hastily drafted Authorisation for Use of Military Force (AUMF) granted in the first days after the 2001 attacks.

Alas for Mr Obama—whose political rise was rocket-powered by his opposition to the 2003 Iraq war—events have intervened. On February 11th the president asked Congress for a fresh AUMF endorsing a limited use of America's armed forces, including ground troops, against Islamic State (IS) and its allies.

"I'm convinced that the United States should not get dragged back into another prolonged ground war in the Middle East," Mr Obama assured Americans in a televised statement. Local forces were best placed to defeat the extremist group, he said, adding that the AUMF wording is intended only to give him "flexibility", for instance to send special forces after targets in locations where local allies could not act.

Though reactions do not divide perfectly along party lines, some Democrats grumbled that the new AUMF, which would need renewing after three years, is too vague, lacks geographic limits and sets no timetable for repealing the 2001 AUMF. Senior Republicans complained that the draft is too restrictive. "If we are going to defeat this enemy, we need a comprehensive military strategy and a robust authorisation, not one that limits our options," said John Boehner, the Republican Speaker of the House of Representatives.

The request to Congress comes six months after America began air strikes against IS fighters, first in Iraq then in Syria. Mr Obama already claims legal authority for today's strikes under a broad reading of the 2001 AUMF, which permits attacks on al-Qaeda and "associated" groups, as well as under his presidential powers of national self-defence. This new authorisation invites the Republican-controlled Congress to give explicit backing for a long-lasting campaign to "degrade and defeat" IS. Mr Obama pointedly urged Congress to seek a bipartisan agreement after "thoughtful and dignified debate".

The draft AUMF rules out "enduring offensive ground combat operations". In an accompanying letter Mr Obama says it would allow "limited" ground missions alongside local allies, including rescue operations, attacks by special forces on IS leaders, and the use of troops to "enable" air strikes and render "advice and assistance to partner forces". The draft would repeal a 2002 AUMF under which President George W. Bush invaded Iraq.

Such Republican hawks as Senator Lindsey Graham of South Carolina signalled that Senate hearings would become a broader debate about Middle East strategy and whether American firepower also needs to be used against the regime of President Bashar Assad in Syria. The AUMF risks failing in the Senate if it does not "let us counter Assad's air power", Mr Graham told reporters. Libertarian Republicans are more sceptical that American might can do much good in that region.

Some Democrats, including members of Congress who drew up their own draft AUMFs last year, fret that the current language could allow Mr Obama or his successor to launch a fresh ground war in the Middle East. With 60 votes needed to ensure passage in the Senate, a final text will need bipartisan support there.

There are already some 2,630 American troops in Iraq, advising Iraqi and Kurdish forces and protecting American facilities. A programme to train vetted Syrian opposition fighters in neighbouring countries remains embryonic. Polls show that Americans consider IS a serious threat, notably after the murder of Americans, most recently Kayla Mueller, a young aid worker. But most oppose sending ground troops to Iraq if air strikes do not work.

Jack Goldsmith, a former Pentagon lawyer who teaches national-security law at Harvard Law School, says the draft AUMF amounts to a striking expansion of presidential authority. The 2001 AUMF is already being interpreted broadly to allow strikes on IS. But rather than supersede that old authorisation or place time limits on its validity, this new 2015 AUMF "builds on and adds to it", he says. ■

Gay marriage

Hearts of Dixie

BIRMINGHAM

As Alabama goes, so goes America

"REMEMBER Sodom and Gomorrah!" warned a protest sign on a five-foot wooden cross. "Keep marriage traditional!" demanded a lady in a dark quilted jacket, one of several protesters outside Jefferson County courthouse in Birmingham. But their protest was in vain. For inside this courthouse Alabama's first same-sex marriages were solemnised on February 9th.

Campaigners for gay rights feel that history is on their side, so they are not shy about invoking it. Pro-gay demonstrators outside the same courthouse likened their opponents to the white southerners who tried to preserve Jim Crow. "Looks familiar?" asked a rainbow-lettered sign showing whites rallying against desegregation in Alabama half a century ago.

Now, as then, defending the status quo means defying federal courts. Now, as then, some Alabamians feel it is their God-given duty to do exactly that. Last month Callie Granade, a federal judge appointed by George W. Bush, struck down Alabama's ban on gay marriage as unconstitutional. On February 8th, shortly before the first gay marriages were due to take place, Roy Moore, the chief justice of the state Supreme Court, ordered probate judges in Alabama not to allow them.

What followed was confusing. Some judges obeyed Judge Moore. Others obeyed Judge Granade. Alabama's governor, Robert Bentley, a Republican, bravely stayed out of the fray. According to the Human Rights Campaign, a gay advocacy group, 14 of Alabama's 67 counties agreed to process the necessary paperwork for same-sex unions.

"We never thought this day would come in our lifetimes," gushed a new husband in Birmingham. On the morning of February 9th more than 150 same-sex couples tied the knot in the city, estimates Babs Buchanan of Equality Alabama, a civil-rights group, standing between stalls offering flowers and cakes.

Perhaps the most cheering thing, at least for fans of marriage equality, was what the events of the past few days hint about the intentions of the United States Supreme Court. Judge Moore begged it to delay gay weddings in Alabama until it makes its own nationwide ruling on gay marriage. America's highest court said no.

Clarence Thomas, a conservative Supreme Court justice, grumbled that this "may well be seen as a signal of the [Supreme] Court's intended resolution of that question [of same-sex marriage]." It certainly will. Many expect gay marriages to be allowed in all 50 states by this summer.

Even in the South, opposition is fading fast. In 2006 about 81% of voters supported an amendment to Alabama's constitution banning same-sex weddings. It is difficult to know how many have changed their minds, but the Pew Research Centre, a think-tank, finds that half the people in central Southern states such as Alabama, Arkansas, Kentucky, Louisiana, Mississippi, Tennessee, Texas and Oklahoma now oppose gay marriage and 41% favour it. (Overall, most Americans favour letting gay people marry.)

Life can still be tough for gay couples in small, religious communities. James Robinson of Free2Be, a non-profit, worries that "there are a lot of places that people can't come out because they will lose their jobs." An activist in Mobile agrees: "There are some folks who will wake up with an eviction notice tomorrow because they got married today." Gay couples in Mobile were not allowed to wed on February 9th, but many gathered to celebrate anyway before one of the city's Mardi Gras parades. Cari Searcy, a plaintiff in the case that struck down Alabama's gay-marriage ban, spoke of her pride in grasping her spouse's arm in public. "For once I didn't find myself asking 'What are the straight people gonna think?'" she said. ■

Bondage at the box office

All tied up in the Bible belt

LITTLE ROCK

The strange popularity of "Fifty Shades of Grey" in the South

"I'M TRYING to persuade my boyfriend to go with me," says Kylan, a waitress in Little Rock. "I don't think he will, though." At midnight on Valentine's Day, American women (and their reluctant partners) will get their first chance to see "Fifty Shades of Grey", a film adaptation of E.L. James's novel about bondage. The book was a mega-hit, though critics hated it. "If Jane Austen (another best-selling female British author) came back to life and read this book, she would kill herself," wrote one. The film is shaping up to do well, especially in the Bible belt.

Cinemas in Little Rock say that almost every ticket for this weekend has already been sold. In Arkansas as a whole, tickets have sold 2.8 times as fast as Fandango, an online ticket seller, expected. In Mississippi, they are selling four times as fast. Moviegoers in West Virginia, Kentucky and Alabama are also gluttons for punishment. Sex shops in Arkansas are cashing in with discounts on domination gear and classes on bondage.

This may seem odd. The South is known for great literature and stern religiosity. Why, then, are southern women so keen on a story that tortures both the English language and Anastasia Steele, its shy, virginal protagonist?

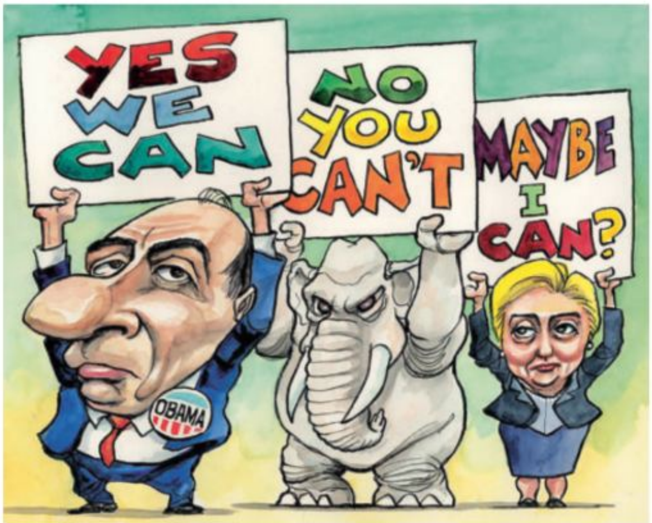
Southern sexuality scholars say that watching Miss Steele being tied up and flogged by a handsome billionaire gives repressed women permission to delve into their inner naughtiness. "Repressed women like stuff about being further repressed," says Rosemary Daniell, the author of "Fatal Flowers: On Sin, Sex and Suicide in the Deep South".

Religious conservatism need not kill passion. Sermons decrying non-marital sex make people think about it even more, says Erin Clare, who teaches culture and sexuality at Arkansas Tech University. Beth, a student at a Christian university in Arkansas, worries that she might run into people she knows at a screening of "Fifty Shades". That could be embarrassing. However, "they won't say anything because they [will be] in the same situation," she predicts.

A grey area for Christians

Lexington | A true believer meets reality

Barack Obama's campaign guru on disappointment—and Hillary



IT DID not take long for David Axelrod, the rumpled campaign genius who steered Barack Obama's rise from state senator to president, to detect that governing the country might prove less uplifting than getting his boss elected. In memoirs published on February 10th Mr Axelrod recalls fretting, soon after the inauguration in 2009, that White House insiders were already talking about breaking Mr Obama's campaign commitments. This prompted Rahm Emanuel, the new president's chief of staff to scream at Mr Axelrod: "I'm god-damned sick of hearing about the fucking campaign. The campaign is over. We're trying to solve some problems here." From this and other clues, Mr Axelrod deduced that there was a "tension" between a campaign that had promised to bring hope and change to America and the task of actually governing.

Mr Axelrod's autobiography, "Believer: My Forty Years in Politics", is in part a story about a broken heart. The Chicago-based strategist was already a veteran when he met Mr Obama. By then he had run (and won) enough campaigns to develop his "remedy not replica" theory of politics. This holds that voters almost always choose change over the status quo, even when a popular incumbent is stepping down, and moreover look for a candidate who seems to correct the perceived weaknesses of a departing leader. He watched Mr Obama deliver a soaring hymn to a post-racial, post-partisan America at the 2004 Democratic National Convention and helped him win election to the Senate in Washington, boosted by opposition to what he called a "dumb" war in Iraq. Soon, Mr Axelrod concluded that the young lawyer might just be the cure for a country sick of George W. Bush.

Mr Axelrod helped his improbable candidate win the 2008 presidential primaries, taking his youth and inexperience and turning them into strengths at a time of deep alienation with politics as usual. He coined the slogan "Yes We Can", and helped craft television ads and speeches in which Mr Obama vowed to tame Washington and restore frayed global alliances.

If "Believer" were merely an account of Mr Axelrod's bruising return to reality, as the 2008 agenda became bogged down by recession, partisanship and gridlock, it would be little more than a historical footnote—even if, as one of the innermost circle, Mr Axelrod has uncommon insights to offer. Notably, the book adds to the growing body of evidence that Mr Obama is quite an odd man. Though Mr Axelrod is at pains to relate how his former boss is more human and anguished by tales of woe and suffering than many suppose, he does concede that Mr Obama is astonishingly self-assured, and self-aware. "I don't need to be president. It turns out that being Barack Obama is a pretty good gig in and of itself," he is quoted telling Mr Axelrod, shortly before announcing his candidacy. After a terrible first debate performance during the 2012 election, Mr Obama confides that he agrees with a pundit who suggests he lacks the "neediness" that drives most politicians to perform in pursuit of "validation". And though Mr Axelrod blames Republicans for wrecking Mr Obama's plans to seek bipartisan deals, the strategist does say that the president has aggravated political opponents by lecturing them on why it is in their own political interests to agree with him.

"Believer" is more than a work of history because of the name of the woman Mr Obama beat to the nomination in 2008. With the most successful Democratic strategist of his generation as the author, "Believer" raises pointed, still-valid questions about Hillary Clinton's presumed ambition to represent her party in 2016. As a loyal Democrat, Mr Axelrod has suggested in interviews around the book's launch that—in the light of Mr Obama's "great, unfulfilled promise" to change Washington—Mrs Clinton's years of Washington experience will be much more of an asset in this campaign than in 2008, allowing her to run as a candidate of change. Yet many of Mr Axelrod's observations about voter disillusion, and the importance of mobilising great armies of enthusiastic volunteers, will still apply in 2016.

Meet Hillary, the candidate of change

Mr Axelrod comes close to conceding that Mrs Clinton was correct in her pessimism about Washington. In the book he recalls Team Obama's shock when the president found it was facing "monolithic" Republican opposition to his agenda, rather than the bipartisan support they had "naively" expected as the economy stood on the brink of a depression. "Maybe this was what Hillary was talking about when she chided us during the campaign for raising 'false hopes'," he writes.

Even if no candidate can run on "Hope and Change" this time, that does not make "I Told You So" a winning slogan. At the core of the 2008 Obama insurgency was a belief that being a "very capable" Democrat was not enough to win the presidency. Mrs Clinton, with whom Mr Axelrod had worked in the past, was skilled at serving up Republican-bashing red meat, boasting in one primary debate: "If you want a winner who knows how to take them on, I'm your girl." But many voters had decided that it was not just Republicans, but politics that was broken. Mr Axelrod writes: "The change she was offering was not away from Washington's habit of parsing words and passing on tough issues (She habitually sought safe harbour)." Nor was she willing to break with a system full of lobbyists and deep-pocketed political action committees, he adds. "The only real change she was offering was in political parties, and that simply wasn't enough."

This time Mrs Clinton faces no serious rivals for the Democratic crown, even before she announces her intentions. But pondering Mrs Clinton's vulnerabilities in a 2006 memo, Mr Axelrod wrote: "For all her advantages, she is not a healing figure...After two decades of the Bush-Clinton saga, making herself the candidate of the future will be a challenge." Even if the country is more resigned to partisanship than in 2008, that is still true. ■

Also in this section

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Venezuela

The revolution at bay

CARACAS

Mismanagement, corruption and the oil slump are fraying Hugo Chávez's regime

ON A Wednesday evening around 30 pensioners have gathered for a meeting in a long, brightly lit room in a largely abandoned shopping gallery in Santa Teresa, a rundown and overcrowded district in the centre of Caracas. After a video and some announcements, Alexis Rondón, an official of the Ministry of Social Movements and Communes, begins to speak. "Chávez lives," he says. "Make no mistake: our revolution is stronger than ever."

Mr Rondón's rambling remarks over the next 45 minutes belie that claim. Saying Venezuela is faced with an "economic war", he calls on his audience to check food queues for outsiders, who might be profiteers or troublemakers, and to draw up a census of the district to identify opposition activists and government supporters. "We must impose harsh controls," he warns. "This will be a year of struggle".

About this, at least, Mr Rondón is correct. Sixteen years after Hugo Chávez took power in Venezuela, and two years after he died, his "Bolivarian Revolution" faces the gravest threats yet to its survival. The regime is running out of money to import necessities and pay its debts. There are shortages of basic goods, from milk and flour to shampoo and disposable nappies. Queues, often of several hundred people, form each day outside supermarkets. Ten patients of the University Hospital in Caracas died over the Christmas period because of a shortage of heart valves.

Both debt default and the measures that would be required to avoid one pose risks to the regime. It is on course to lose a parliamentary election later this year, which might then be followed by a referendum to recall Chávez's inept and unloved successor, Nicolás Maduro. That could bring Venezuela's revolution to a peaceful and democratic end as early as 2016. But there are darker possibilities. Caracas buzzes with speculation that the armed forces will oust the president.

Venezuela is suffering from the combination of years of mismanagement and corruption, and the collapse in the price of oil, which accounts for almost all of its exports. Chávez, an army officer, was the beneficiary of the greatest oil boom in history. From 2000 to 2012, Venezuela received around $800 billion in oil revenue, or two-and-a-half times as much in real terms as in the previous 13 years. He spent the money on "21st-century socialism".

Some went on health care and low-cost housing for the poor, who hailed Chávez as a secular saint. Some has gone on infrastructure: a few new roads and metro lines were built, years behind schedule. Another chunk was given away in the form of cheap oil to Cuba and to other Caribbean countries, assuring Chávez loyal allies. Perhaps the biggest slice was frittered away or simply stolen. Filling a 60-litre tank with petrol costs less than a dollar at the strongest official exchange rate. Unsurprisingly, petrol worth $2.2 billion a year, according to an official estimate, is smuggled to Colombia and Brazil, with the complicity of the armed forces.

As well as rewarding supporters with state jobs (the public payroll has more than doubled in 16 years), Chávez expropriated or nationalised 1,200 companies, from steelworks to a maker of cleaning products. Most now lose money and require government loans just to meet their payroll, according to Víctor Álvarez, Chávez's industry minister in 2005-06. The state subjugates the still-large private sector through price controls, which discourage investment and production. The result is that Venezuela imports much of the food and consumer goods it used to produce, though not enough to meet demand.

Under Mr Maduro the controls have become more draconian. Blaming retailers for the queues outside their shops, this month the government arrested the bosses of a big pharmacy chain and a supermarket company, both of which it has commandeered. Then there is the labyrinth of exchange controls. Until it was modified this month, there were three separate official exchange rates, ranging from 6.30 to the dollar for food and medicines to 50 for many other imports. On the black market, a dollar will buy 180 bolívares. (Since the largest denomination is only 100 bolívares, currency transactions involve fat wads of banknotes.)

This system is an invitation to fraud: the well-connected who are assigned cheap dollars send them abroad or cash them on the black market. Some $20-25 billion was swindled in this way in 2012 alone, according to Jorge Giordani, who as Chávez's economic guru was the architect of the system. *Chavismo*'s biggest achievement has perhaps been the creation of a new elite of oil rentiers, dubbed the "Bolibourgeoisie".

Even before the oil price collapsed, "21st-century socialism" had become unaffordable. Instead of saving windfall oil revenues, as prudence would dictate, the government racked up debt. Between them, the government and PDVSA, the state oil company, issued more debt than any other emerging economy in 2007-11. The fiscal deficit is heading for 20% of GDP this year, according to independent economists.

The economy probably contracted by 4% in 2014 and will shrink by more than that this year (see chart). In 2013 a third of Venezuelans were living in poverty, up from a quarter the previous year, according to the UN Economic Commission for Latin America and the Caribbean. Inflation climbed to 64% in the year to November.

Now Venezuela faces a brutal squeeze, if the price of its oil (much of which is heavy and sulphurous) stays at this week's level of around $50 a barrel. Even if the government slashes imports further, to a bare-bones $35 billion (from $50 billion in 2014), Venezuela will still face an external financing gap of $30.5 billion this year, according to Tamara Herrera of GlobalSource Partners, an economic consultancy.

This includes debt payments by the government and PDVSA adding up to $10.3 billion in 2015. However the central bank's international reserves total just $21.4 billion. The government has vowed to make a €1 billion ($1.1 billion) debt payment due on March 16th.

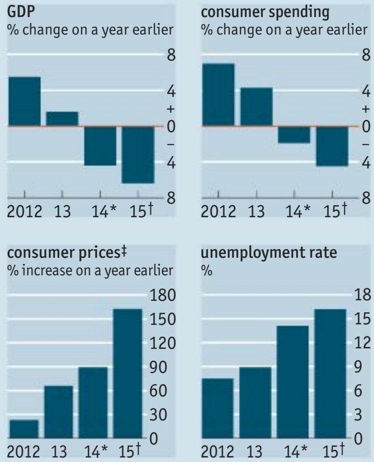
Mr Maduro spent most of January travelling abroad seeking emergency loans, without tangible success. In addition to its official reserves, the government may be able to draw on another $20 billion held in opaque funds. On February 10th it announced changes to the foreign-exchange regime that would charge some importers closer to the market rate for dollars. But the change falls short of what is needed to adjust the economy to the scarcity of hard currency. The government may be able to stumble on until October, when debt payments totalling $5 billion start falling due. Barring an increase in the oil price, it will then face a painful choice: default on its debt, which might allow creditors to seize assets, including PDVSA's foreign refineries, or impose a bigger devaluation and an even tighter import squeeze.

A patrimonial regime

Mr Maduro, a former bus driver, lacks Chávez's political cunning and popular appeal. His approval rating has plunged to around 20% in opinion polls. He is by nature indecisive, says a source who knows him. But if he has refused to take any of the

Bolivarian bleakness

Venezuela's:



Source: Sintesis Financiera

*Estimate †Forecast
‡Excludes price-controlled goods and seasonal fluctuations

tough measures required to stabilise the economy it is doubtless because he fears the anger of his own political base if subsidies are withdrawn. His first priority is to shore up his support within the regime.

Superficially, Mr Maduro has been successful. He sidelined several powerful ministers and replaced them with military officers. He has built a loyal political tribe, centred on his own extended family and that of Chávez, according to Margarita López Maya, a sociologist. Many relatives of Mr Maduro's wife have jobs in the administration. "This is a patrimonial government," says Ms López Maya.

The authoritarian state he commands is sliding towards totalitarianism. On January 27th the defence minister issued an unconstitutional decree allowing the armed forces to use their weapons against protests if these turn violent. Cuban intelligence agents police the armed forces and the ministries, alert for any sign of dissent. Chávez seized control of the judiciary and all the other constitutionally independent branches of the state. A group of lawyers studied more than 45,000 rulings issued in 2004-13 by the constitutional, administrative and electoral chambers of the supreme court and found that in no case did they rule against the government.

Under Mr Maduro, what the government calls its "media hegemony" is now all but complete. Regime insiders, acting through front men, have bought up opposition media after these were financially weakened by officially promoted advertising boycotts and government refusal to approve the import of newsprint. According to Miguel Henrique Otero, the proprietor of *El Nacional*, his newspaper is one of only a handful of independent ones that survive. In its case survival has meant shrinking from 1,100 staff in 2008 to 350 now, and cutting the print run from 110,000 copies to fewer than 50,000.

Even as repression increases, the regime is being weakened by internal divisions. Some reform-minded *chavistas*, like Mr Álvarez, argue that the government should scrap the petrol subsidy, unify the exchange rate and rely on the private sector to reactivate the economy. Others criticise Mr Maduro from the left. Socialist Tide, a university-based group, accuses the government of being corrupt and bureaucratic, and Mr Maduro of betraying Chávez. It is preparing to leave the ruling United Socialist Party of Venezuela (PSUV).

Another sign of decay came last month when Leamsy Salazar, a naval captain who for ten years was in charge of Chávez's personal security, surfaced in the United States. He is reported to have told prosecutors that Diosdado Cabello, the head of the National Assembly who is the regime's second-most powerful figure, leads a military drug-trafficking "cartel". Mr Cabello denies the claim and says he will sue.

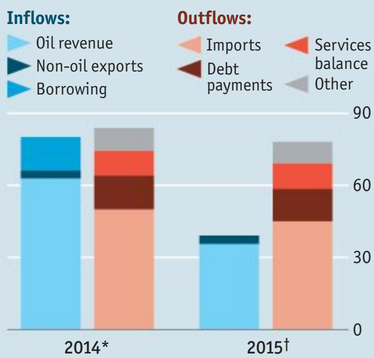
A rising opposition

An hour out of Caracas, in green rolling country known as Valles del Tuy, Santa Barbara de Dos Lagunas is a rural shantytown, a self-built dormitory settlement of small, roughly finished houses of brick or concrete. In fierce mid-morning sunshine, some 200 residents, most of them women, gather around an awning. They have come to meet Henrique Capriles, their state governor. Mr Capriles leads a centrist faction of the opposition; he narrowly lost a presidential election to Mr Maduro in 2013 (and claims that in fact he won it).

In that election the PSUV won in Dos Lagunas comfortably. Now Mr Capriles, a lean 42-year-old with lively eyes and dark stubble, gets a warm welcome. He hands out vouchers for building materials, promises to repair two sports pitches, and listens to complaints about overflowing sewerage and poor housing. Money is short, he says, and priority must go to the neediest. "The government wants everyone to depend on the state, in order to control them and

Falling through the Caracas

Venezuela's external funding gap, $bn



Source: Moody's

*Estimate †Forecast

blackmail them. That's over."

Mr Maduro's strongest card is the opposition's splits. It is divided among a score of parties and two main currents. The radicals, led by Leopoldo López, a former mayor of a wealthy Caracas district, want to oust Mr Maduro through street demonstrations. They led to months of protests a year ago in which 43 people died. Mr López has been in jail for a year on trumped-up charges—a political prisoner, he says.

Mr Capriles's strategy is to win a parliamentary election due by the end of this year, and then perhaps trigger a referendum to recall Mr Maduro, which the constitution allows in 2016. Deprived of media exposure Mr Capriles trusts in the retail politics at which he excels. He says change can only come by winning over many disillusioned *chavistas*, which he now sees as possible. "The country is very different from a year ago," he says. The two wings of the opposition are drawing closer, with the help of the Catholic church.

Even at the height of Chávez's popularity, the opposition had the support of one Venezuelan in three. Now polls suggest that twice as many identify themselves as opposition supporters than as *chavistas*. But many feel alienated from the leaders on both sides.

The PSUV faithful in Santa Teresa repeat the official line that Venezuela is threatened by "the empire" (ie, the United States) and by Colombian paramilitaries. Mr López, the propaganda holds, is a fascist who would strip the poor of everything they have gained. Mr Maduro himself draws a parallel between his government and that of Chile's Salvador Allende, an elected Marxist toppled by General Pinochet's CIA-supported coup in 1973.

The parallel is a false one. Allende may have governed badly, but he governed democratically, unlike Chávez or Mr Ma- ▸▸

Bello | Whose oil in Brazil?

One of the many casualties of the Petrobras scandal is a misguided industrial policy

THE slogan under which Petrobras, Brazil's national oil company, was founded in 1953 was *o petróleo é nosso* ("the oil is ours"). Ours, not the foreigners', was the implication. That, too, is the sentiment behind the oil policy of the Workers' Party (PT) governments that have ruled Brazil since 2003. But as Brazilians contemplate the huge corruption scandal now engulfing Petrobras, they might ask themselves just who "ours" refers to.

The PT disliked a successful reform of Petrobras in the 1990s, which stripped it of its monopoly of production and distribution while subjecting it to market discipline and arm's-length corporate governance. When the company and its new foreign partners made huge deep-sea oil strikes in 2007 Luiz Inácio Lula da Silva, Brazil's president, saw a chance partially to restore Petrobras's monopoly. New oil laws drawn up by Dilma Rousseff, his chief of staff and successor, gave the company sole operating rights and a minimum 30% stake in the new fields.

Lula and Ms Rousseff saw oil as the spearhead of an industrial policy that involved fostering favoured sectors and presumed national champions. Lula ordered Petrobras to build four new refineries, three in the poor north-east. A new rule required up to 85% of equipment and supplies for the oil industry to be nationally produced. A dozen new shipyards studded the Brazilian coast, fed on cheap government loans. They provided 74,000 new jobs, boasted Ms Rousseff during her campaign last year for a second term. "We created an immense industry."

Much of this vision now lies in tatters. Prosecutors have identified at least 2.1 billion reais ($730m) in "suspicious payments" on Petrobras contracts; in a plea bargain, the company's former purchasing chief has revealed that 3% of the value

of all his division's contracts was diverted to the PT and its allies for personal gain or campaign finance. The firm's most recent quarterly results disclose a potential write-down of 88 billion reais in the value of its assets. This comes on top of the damage to its profits caused by Ms Rousseff's freeze on petrol prices, in a now-abandoned effort to offset her inflationary fiscal policy. Minority shareholders in Petrobras have seen the value of their investment slashed by 80% since 2008.

But the ramifications of the scandal go much further. Dozens of managers from Brazil's biggest construction companies, which were Petrobras contractors and the operators of the shipyards, are in jail. Banks are reluctant to lend to these companies until their future is clearer. A liquidity squeeze is being felt along the supply chain. Sete Brasil, a company set up by Petrobras and its bankers to build and lease to it 28 drilling rigs, has run out of cash, according to an industry source. Petrobras itself has scrapped two of the unbuilt refineries, after spending $1 billion on them; it has abandoned work on doubling output at another and on revamping a petrochemical complex. Thousands of workers are being laid off.

The PT's expansive industrial policy was ruinously expensive for Brazil. Shielding Petrobras from competition just as the company embarked on the world's biggest corporate investment programme proved to be an open invitation to steal. Fixing the level of national content so high was a recipe for delay and extra cost. Sharing out the work for political reasons deprived the shipyards of economies of scale.

The PT has placed Petrobras in serious jeopardy, at least until the accountants can agree on how to treat the losses caused by corruption. The drop in the oil price adds to the company's woes. The deep-sea oil is only viable at today's price "if we make an effort to reduce costs," says Eduardo Braga, the new energy minister. The shipbuilding industry needs "consolidation"; the national-content rule should be "more flexible to guarantee competitiveness for our oil industry," he says. The PT's industrial policy is in full retreat.

What Brazil needs now is a policy that will align Petrobras with the national interest, rather than that of its managers and the ruling party. This means cutting the company down to size and exposing it to competition. And it means using oil money to upgrade skills, infrastructure and the research base, so that suppliers are encouraged to set up in the country.

In the inaugural speech of her second term on January 1st, Ms Rousseff pledged to defend Petrobras against "enemies abroad" and insisted her policies "assured our people control over our oil wealth." Ordinary Brazilians now know exactly who "our people" are—and it isn't them. Who extracts oil matters less than what is done with its benefits.

duro. It is Venezuela's opposition who are the democrats, unlike some of those who plotted against Allende. And the United States, apart from a recent congressional initiative to impose sanctions on officials identified as having committed abuses during last year's protests, has kept well away from Venezuela. A survey by Datanálisis, a polling company, finds that only 22% of respondents still believe the government's argument that it is the victim of an "economic war".

If a coup comes it will be because the army decides that Mr Maduro is no longer capable of defending its interests or because hardship prompts the social explosion that is the regime's deepest fear. The real threat to it may come in the parliamentary election, which on present trends it is all but impossible for it to win. For the first time, *chavismo* faces the choice between losing an election or resorting to wholesale electoral fraud—or even cancelling the vote in an *autogolpe* ("self-coup").

Even a clean election will not settle the question of who will take responsibility for the painful economic adjustment that the regime's corrupt incompetence has rendered inevitable. There is talk of a church-brokered government of national unity after the parliamentary vote. That would at least increase the chances of a peaceful transition from a failed regime. ■

Electoral reform in Chile

Tie breaker

SANTIAGO

A new voting system should liven up politics

AUGUSTO PINOCHET left the scene as Chile's dictator 25 years ago, but the electoral system he bequeathed has governed politics ever since. Under the country's unique "binominal" system, each parliamentary constituency has two seats; the winning candidate takes one and in most cases the runner-up takes the other. This has reserved nearly all the seats in parliament for two big coalitions, the centre-left New Majority (to which the president, Michelle Bachelet, belongs) and the centre-right Alliance.

The system has brought Chile stability at the expense of diversity. It kept small parties out of parliament unless they joined one of the two big coalitions, and ruled out landslide victories by either side. Moreover, it has tended to over-represent the Alliance at the expense of New Majority. Rural areas, which had supported Pinochet, were given more weight than their populations warranted.

Politics in Chile is about to get messier and more interesting. After numerous failed attempts, the ruling New Majority has mustered the votes to scrap the binominal system; the measure passed both houses of parliament in January and should become law soon. Under a new system the number of lower-house constituencies will be cut from 60 to 28. Each will return between three and eight candidates, depending on its population, to be chosen by proportional representation. In some constituencies small parties will be sure of winning a seat with just 13% of the vote. The system applies to the Senate, parliament's upper house, as well. Some constituencies will now return five senators rather than two.

The new voting system promises to end what Ms Bachelet has called the "permanent draw" between left and right, which has bred complacency among politicians, produced weak majorities for governments and turned off voters. Less than half of the electorate bothered to vote in the last election. The new system may cause political fragmentation, which in other countries has made coalition-building and governing difficult. Its backers reckon that making the legislature more representative is worth the risk.

As well as adding ideological diversity to parliament the reform is also supposed to bring in more women: at least 40% of the candidates fielded by parties will have to be women. Now just 16% of deputies and senators are female.

Ms Bachelet's foes complain that when the permanent draw is broken the main winner will be her New Majority coalition. It is also possible that it will break up as smaller groupings seek electoral success on their own. Cynics say that the candidate quota for women is unlikely to do much good; they expect parties to dispatch female candidates to their least winnable constituencies.

Non-politicians have pounced on another aspect of the reform: it will increase the number of elected politicians. The number of lower-house deputies will rise from 120 to 155; there will be 50 senators rather than 38. Many Chileans, disgruntled with the ruling elite, want fewer politicians, not more. One online commentator grumbled that the reform will just mean "more clowns for the circus." Its authors hope that Chile's more vibrant politics will prove him wrong. ■

Colombian flower growers

Colombia is famous for coffee, less so for flowers. But the $1.3 billion a year it earns from sales of cut flowers is not far behind the $1.9 billion that comes from coffee. That makes Colombia the second-largest exporter (after the Netherlands). Cloudy skies took some of the bloom off this year's crop, but growers are feeling festive about the Valentine's Day season, which accounts for a tenth of their sales. That is because after years of coping with a strong peso they stand to benefit from a sharp drop in the currency against the American dollar (largely because of the fall in prices for Colombia's oil exports). Growers are expecting bouquets to sell briskly in the United States, which buys three quarters of Colombia's flowers. Competitors in neighbouring Ecuador are not quite so cheery: their sales rely heavily on Russian romantics.

Also in this section

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Indian politics

Mufflerman triumphs

DELHI

As voters grow more demanding, an opposition party sweeps Delhi

POLITICAL cycles in India are speeding up. Just over a year ago the country feted Arvind Kejriwal, of the Aam Aadmi ("Common Man") Party (AAP), as a political hero. He had turned an anti-corruption movement into an electoral machine, winning voters from across religious, caste and class lines. Storming assembly polls, his AAP took power in Delhi, the national capital which is effectively a state.

Mr Kejriwal (pictured above, on a supporter's face) blew his opportunity. As Delhi's chief, he attacked venal police and bureaucrats, and gave the poor free water and cheap electricity. But his rule was chaotic, confrontational and short. He resigned after 49 days. Worse, he launched an over-ambitious campaign in last year's general election. The AAP flopped, taking just four seats; none in Delhi. He apologised, both for quitting in Delhi and for fielding too many candidates nationally.

Eight months on, the cycle has turned again. Assembly polls in Delhi on February 7th gave Mr Kejriwal one of the biggest wins for any party, anywhere in India, since independence. AAP won 67 of 70 seats. Congress, which ran the city for 15 years until 2013, was obliterated. The Bharatiya Janata Party (BJP), in power nationally, suffered its worst ever result in Delhi.

The outcome is significant. Delhi, with 18m residents, is small but matters more than many states. When Mr Kejriwal becomes chief minister on February 14th he will get a platform for opposing Narendra Modi, the prime minister. Capable on television and keener than Mr Modi on public debate, he could speak about national issues. If he is smart, however, he will hunker down and try to run Delhi well, so voters might trust him later nationally. After results were announced on February 10th he vowed not to be arrogant.

AAP won for many reasons. If the election had been held in July, the earliest plausible date, enthusiasm for Mr Modi might have swept in the BJP, which has recently won four other state polls. Instead, AAP had time to marshal voters, who liked Mr Kejriwal's humility and promise of honest rule. The BJP candidate, Kiran Bedi, charmed nobody. Most important, the non-BJP voters united behind Mr Kejriwal: the BJP got 32% of the vote, about the same as last time; AAP got 54%.

This counts as Mr Modi's first big electoral loss. The campaign centred on him: he was at the forefront of BJP election propaganda, billboards and newspaper advertisements, as well as four rallies. Many voters, even some BJP MPS privately, welcomed a check on what is widely seen as his arrogance; he is known as high-handed and aloof in government. His appeal to ordinary voters has slipped: he recently appeared in a lavish suit, its golden pinstripes embroidered with his name. "India's electorate fundamentally doesn't like hubris," says Pratap Bhanu Mehta, the head of a think-tank in Delhi. Mr Kejriwal appears modest: he sports a tatty scarf and is dubbed "mufflerman".

Many voters also disliked evidence of religious extremism. One BJP minister, in Delhi in December, called non-Hindus "bastards" and earned only a light reprimand from Mr Modi. A fringe around the BJP seeks mass conversions to Hinduism, while stirring fears of "love *jihad*", a supposed Muslim campaign to seduce Hindu women. Mohan Bhagwat of the Hindu-nationalist Rashtriya Swayamsevak Sangh (RSS), an ally of Mr Modi, repeatedly says that all Indians are Hindus, offending minorities. Recent attacks on churches in Delhi have also spread anxiety.

As for Congress, the election in Delhi has left it "staring at the abyss of irrelevance", says Jairam Ramesh, a former cabinet minister, unless it reforms and finds a new leader. The AAP's main strategist, Yogendra Yadav, talks of his party filling a vacuum in the national opposition. A test looms in assembly elections in poor but populous Bihar, where the BJP hopes to expand. But other parties, as in Delhi, could again unite against the BJP.

All eyes are now on Mr Modi. He could change his ruling style (and tailor), but shutting up Hindu nationalists will be trickier: they help to fire up the campaigns of many BJP MPS during elections. His biggest challenge will be judging the public mood. Those anxious for change hope the budget on February 28th will signal his support for radical devolution of power to states, changes in the tax system, a new land law and more.

But Mr Modi's intentions are unclear. He may see such reforms as a boost to the economy which would win him more support; or he may back off, fearing the political risks. He and Mr Kejriwal face similar pressure: voters who provide huge electoral mandates are often also the most impatient for results. That does not make delivering them easy. ■

Politics in Australia

Knightmare disorder

SYDNEY

Tony Abbott has survived a party rebellion, but has suffered a heavy blow

TONY ABBOTT, Australia's prime minister, reportedly called it a "near-death" experience. On February 9th MPs of his Liberal Party voted against a motion to open the party's leadership to a ballot. But the margin, 61 votes to 39, was hardly a ringing endorsement of Mr Abbott's leadership, just 17 months after he became prime minister. His struggle to keep his job is far from over.

Since he led the conservative Liberal-National coalition to power in September 2013, Mr Abbott has spent much of his term fighting to win voters' confidence. But a Newspoll survey—published as his Liberal colleagues in Canberra, the capital, cast their votes on his future—showed just how much he has failed. It gave the opposition Labor Party a 14-point lead, and gave its leader, Bill Shorten, an 18-point lead over Mr Abbott. More than two-thirds of those surveyed were dissatisfied with Mr Abbott's performance.

Mr Abbott was not hugely popular to begin with. Voters backed him at least partly out of despair with the former Labor government and its debilitating leadership wars. The public mood soured after his government announced its first budget last May. Its aim to reduce Australia's deficit was worthy enough. But it contained cuts in spending on health, education and welfare that Mr Abbott had once promised not to make, and which seemed to fall most heavily on poorer Australians. Mr Abbott and Joe Hockey, Australia's treasurer, did a bad job of selling the budget to voters, appearing dismissive of their concerns.

The prime minister had promised a fresh start to 2015 by "scraping one or two barnacles off the ship". Instead he got into a scrape of his own on January 26th when he awarded a knighthood to Prince Philip, the husband of Australia's (British) head of state, Queen Elizabeth. An ardent monarchist, Mr Abbott reintroduced knighthoods and dames to Australia's honours system last year, 40 years after they were abolished. The "knightmare" brought ridicule on Mr Abbott, and further stoked concerns that he was out of touch with modern Australia. Its impact was felt in Queensland, where a government allied to Mr Abbott's coalition could lose power after a state election on January 31st, the results of which were expected to be declared soon after *The Economist* went to press.

Grumbling about Mr Abbott's leadership has recently extended to his own backbench MPs. He angered colleagues by declaring that it was for the public to "hire and fire" leaders. Some felt Mr Abbott was casting himself in a presidential role, ignoring the conventions of Australia's Westminster system, in which parties elect their own leaders.

The drama has reflected a growing pattern among Australian politicians from both sides to move against leaders when poor polling seems to threaten electoral oblivion. Leadership upheavals have only fed the cynicism of many Australians towards their politicians. It has also left business leaders dismayed. They fret about the turbulent political scene's impact on business confidence and certainty. Ian Marsh of the Australian National University argues that the country's governments have faced a "slow-burn crisis of legitimacy that has been many years in the making".

Personality politics are only part of the problem. In a country where voting is compulsory, says Mr Marsh, about 40% of people now vote for minor parties and independents, spoil their ballots or do not vote. Liberal and Labor, which once shared most of the vote between them, now offer outdated ideologies to an increasingly diverse Australia.

Mr Abbott declared the leadership motion a "very chastening experience". Critics now wonder if he will manage to soften his combative approach. He will need to in order to win his party's, and the public's trust. The latter may be sorely tested again in May, when Mr Abbott's government will present its second budget. ■

American forces in Japan

Showdown

HENOKO

A long-running struggle over a new military base is coming to a head

THE protesters mounting an all-night vigil outside Camp Schwab, an American military base on the main island of the southern prefecture of Okinawa, are hardly wild-eyed radicals. Former civil servants, schoolteachers and professors are among those attempting to block trucks bringing supplies for the construction of a vast new facility in and near the camp, to be used by American marines. Riot police have been trying to disperse them. Some of those attempting to reach the base by canoe have been stopped by coast-guard vessels and re-launched in rough waters.

But opponents of the planned base are backed by Okinawa's new governor, Takeshi Onaga, a conservative politician formerly of the ruling Liberal Democratic Party (LDP). Mr Onaga won a landslide

election victory last November with a pledge to stop the project. That conservatives are standing alongside left-wingers in opposition to the base could spell trouble for the Americans. Okinawa hosts about half of all 53,000 American troops in Japan; their 32 military sites occupy nearly a fifth of the main island's tiny area. That outsized burden has long rankled Okinawan residents. The Americans do not want to lose even more public support for their presence, which they and Japan consider vital to regional security.

In 1996 American officials agreed to relocate the most unpopular base, at Futenma. Ten years later a site at Henoko, adjacent to Camp Schwab (see map), was formally selected. Henoko is sparsely populated, in contrast to Futenma. But the new base would ruin a coral-filled bay. Hiroshi Ashitomi, a protest leader, says that according to ancient Okinawan lore a paradise known as *nirai kanai* lies out to sea.

In December 2013 the Japanese prime minister, Shinzo Abe, broke the impasse by persuading Mr Onaga's predecessor, Hirokazu Nakaima, to reverse the opposition that had made him popular, and agree to start landfill work. Mr Onaga, however, is sticking to his guns. On February 6th he launched a review of Mr Nakaima's decision, with a view to overturning it. One question will be how a study commissioned by Mr Nakaima could have concluded that the planned base would have little effect on the dugong, an endangered sea-cow that grazes off the coast at Henoko.

The central government has made clear its irritation with Mr Onaga. Mr Abe and other senior LDP figures have refused to meet him. In January the government cut by 5% Okinawa's yearly subsidy, the source of nearly half of its budget.

Both American officials and anti-base activists note that Mr Onaga may already be softening his stance. One member of his review panel worries that the governor may have appointed too many conserva- ▸▸

tive lawyers to it who are not especially worried about the Henoko project. By the time the panel releases its verdict this summer, construction may have proceeded so far that even Mr Onaga would balk at the cost of stopping it and having to compensate the central government for doing so.

There are few other obvious options for relocating it, however. No mainland prefecture would willingly accept a new base and its rowdy marines. One long-mooted possibility has been to fold Futenma into Kadena, a massive American air-force base on Okinawa. But the Americans do not like the idea. One American officer jokes that the base would be so crowded in the event of conflict that helicopters would have to park on its golf course. For now, despite the bases, anti-American feeling does not run deep on Okinawa. But that could change if residents' wishes are ignored, says Mr Ashitomi, the protest leader. The demonstrators, he says, could shift to demanding the removal of all American military sites on Okinawa. That could put the Americans, and Mr Abe, in a bigger quandary. ■

Animal welfare in Vietnam

Pet soup

NAM DINH AND HANOI

Man's best friends are under fire

PICTURES of pets adorn the façades and menus of restaurants in Nam Dinh, a city in a part of northern Vietnam where cats and dogs are commonly consumed. "Delicious," says Vu Van Thu, a taxi driver, as he downs a plate of sautéed feline in one eatery. Down the road, terrified puppy-eyes stare out from a metal cage beside a dog restaurant's kitchen. A victim yelps as a butcher raises his knife. The proprietor says his staff gets through scores of kilograms of dog meat per day.

Vietnam, a one-party state, already has many critics of its repression of dissent, its corruption and a banking sector plagued by bad debt. Amid negotiations for free-trade agreements with America and the European Union, the government wants to avoid even more bad publicity that may damage its image; even relating to the treatment of animals.

Animal-cruelty scandals are myriad in Vietnam. Gangs of thieves steal dogs and sell them to restaurants. Tuan Bendixsen of Animals Asia, an NGO in Hong Kong, reckons that dog thieving for this purpose has become even more widespread in Vietnam since 2013. Neighbouring China cracked down on dog-eating in Beijing when it hosted the Olympic games in 2008, but it remains popular in some parts of the country, especially in winter when it is considered to help keep the body warm.

Cats in Vietnam are also on the back paw. In January the police seized three tons of them (see picture) as they were being smuggled from China to fill soup pots in Hanoi, the Vietnamese capital. The authorities buried them, even though some were still alive. Animal lovers in Vietnam and abroad were horrified by the cats' fate. "The anger is huge," says Trac Thuy Mieu, an animal-rights campaigner in Ho Chi Minh City.

Foreign criticism, and the growth of a pet-owning middle-class at home, is putting pressure on the government. Along with other South-East Asian countries, Vietnam pledged in 2013, albeit non-bindingly, to stop the dog-meat trade. A draft of the nation's first veterinary law is due for debate in May in the National Assembly, Vietnam's legislature. It is expected to require that animals be treated humanely.

Destined for the pot

Vietnam's migrant labourers

Going to debt mountain

TAN LIEU

Working abroad is no bargain

BROKERS' billboards outside Tan Lieu, a poor rural community in northern Vietnam, advertise "Labour Export"—jobs abroad. Vietnam's youthful population of 90m adds up to 1.5m each year to the growing work pool. But economic growth, at 6%, is not fast enough to keep all of them employed. Dreaming of fortune, young Vietnamese are pouring overseas as maids, builders and factory workers.

Than Thi Hang is a daughter of Tan Lieu farmers. She flew to Taiwan when she was 18. Assembling mobile phones on 12- and 16-hour graveyard shifts was "easier than farming", she says. Yet to finance the trip, her family borrowed close to $5,000 to pay a labour broker. Ms Hang spent more than a year nervously working off her debts.

Once, Vietnamese sought to work in the Soviet Union and its satellites. Today the prime destinations are Taiwan, Japan, Malaysia and South Korea. Since 2005 the number of Vietnamese working abroad on labour contracts has nearly doubled, to about 500,000. The $1.6 billion that migrants send home each year helps a bit to bridge a yawning wealth-gap between rich and poor provinces.

Official migration channels are surely safer than illegal ones that facilitate the movement of sex workers across Vietnam's northern border to China. Yet of the many Vietnamese who migrate legally, more than a third of them women, some end up being exploited. A report on trafficking last year by America's State Department concluded that Vietnamese have among the highest debts of all Asian expatriate workers. As a consequence, they are "highly vulnerable" to debt bondage and forced labour. A survey in 2013 by CSAGA, a Vietnamese NGO, found that nearly a third of over 350 interviewees felt they had been cheated, deceived or exploited.

Poor treatment encourages some workers to break their contracts and look for better work, often illegal. It became such a problem in South Korea that in 2012 its government cancelled its Employment Permit System for Vietnam. Permits were later issued again on a trial basis, but Vietnam's labour ministry said in January that South Korea would close the gates again unless the share of illegal workers among Vietnamese declines from 40% to 30%.

Vietnamese authorities say they get the message. With support from international aid donors, they have opened a handful of offices where prospective migrants can learn about their rights. Vietnam's press also makes much of police busts of law-breaking labour recruiters. Yet changes are mainly skin-deep. Futaba Ishizuka, a researcher at the Institute of Developing Economies in Japan, says the government lacks the political will to regulate the labour agencies, which are often unlicensed affiliates of state-owned enterprises.

For all the tribulations, rural Vietnamese, especially from northern and central provinces, are still eager to go abroad. The fruits of migration are clear. In Tan Lieu, 64km (40 miles) from Hanoi, slender concrete homes, financed by remittances, are rising next to the paddies. Ms Hang says she has already saved the $3,200 needed for the renovation of the family home. ■

Banyan | Malaysia's dark side

The jailing of Anwar Ibrahim is a setback for the whole country, not just the opposition

AFTER taking an inexplicable four months to make up its mind, Malaysia's highest court on February 10th came up with the verdict its critics said had been scripted for it all along. It rejected an appeal by Anwar Ibrahim, the opposition leader, against his conviction on a charge of sodomy—of having sex in 2008 with a young man who had worked for him. It upheld the five-year jail sentence imposed last March. Since a prison term also entails a five-year ban after release from running for political office, this would rule Mr Anwar out of the next two general elections. And since he is 67, it might mark the end of his political career.

The three-party coalition he heads, Pakatan Rakyat, poses the most serious threat the United Malays National Organisation, UMNO, has faced in its nearly six decades of continuous rule. But the opposition depends heavily on Mr Anwar's leadership, so his sentence sounds like good news for the prime minister, Najib Razak. Celebration, however, would be short-sighted.

Having Mr Anwar out of the way certainly offers political benefits to the government. In the general election in 2013, when he led the Pakatan campaign, it won more of the popular vote than the UMNO-dominated coalition, Barisan Nasional (BN), though, thanks to gerrymandered constituencies, it won only 40% of parliamentary seats. Yet Pakatan is an unlikely and fractious coalition. One of its members is a conservative Islamist party, appealing to the ethnic-Malay, Muslim majority; another represents mainly the ethnic-Chinese minority; Mr Anwar himself heads a multiracial, secular party. An important factor in keeping these elements together has been Mr Anwar himself.

A former deputy prime minister, he fell out with his mentor, Mahathir Mohamad, during the Asian financial crisis in 1998, and emerged as the leading advocate of *reformasi*—fundamental reform of an ossified, corrupt political system. He is by far the opposition's best-known and most charismatic figure, despite—indeed, in part because of—his six years in jail for alleged corruption and on an earlier charge of sodomy (later overturned).

His latest conviction, however, is a mixed blessing for the government. It insists the judiciary is independent, and points out that, in this case, the charges were brought by the alleged sexual partner. But conspiracy theorists—a category including virtually every observer of Malaysian politics—will interpret Mr Anwar's legal travails as politically motivated. After the verdict, he spoke to the judges: "In bowing to the dictates of your political masters, you have become partners in the murder of the judiciary…You chose to remain on the dark side." They walked out, but Mr Anwar's supporters at home will think he did no more than state the obvious. Even abroad, where Malaysia is often praised as a model of Muslim-majority democratic moderation, many will be suspicious. Phil Robertson of Human Rights Watch (HRW), a monitoring group, called the verdict a "travesty of justice".

Critics point to many curious aspects of the case. According to research cited by HRW, the law under which Mr Anwar has been convicted has been invoked only seven times since 1938. Mr Anwar was acquitted of this charge in 2012 because DNA evidence had been mishandled, only for the government's prosecutor to appeal against the decision. So, unfairly or not, the case has harmed the image of Malaysia's judiciary, and, to the extent that he is seen as implicated in its decisions, of Mr Najib himself.

Already his reputation as a liberal and moderate has been dented by his government's use of another archaic and draconian law, on sedition, to hound its critics. They include a political cartoonist known as Zunar who was arrested this week, apparently for a tweet critical of the verdict on Mr Anwar. Having promised to repeal the sedition law, Mr Najib in November said it would actually be strengthened. That was seen as a concession to conservatives within UMNO. They present a far greater immediate threat to Mr Najib than does the opposition, especially since they have the support of Dr Mahathir. He vacated the prime minister's office in 2003 and is now 89, but remains a powerful political force. He has turned against Mr Najib, as he did against his predecessor, Abdullah Badawi—and indeed Mr Anwar before that.

With Mr Anwar behind bars, UMNO hardliners will have less reason to worry about the opposition, and can concentrate their fire on Mr Najib's leadership. They have been handed a weapon in the troubles surrounding 1MDB, a sovereign-wealth fund, whose board of advisers Mr Najib chairs. It is behind on debt repayments and accused of a woeful lack of transparency. This week a group of Malaysian banks was reported to have threatened it with being called into default if payment is not made this month. Politicians from both the opposition and UMNO have called for investigations into 1MBD. Its troubles might even have an impact on Malaysia's standing as a sovereign borrower. Last month Fitch, a ratings agency, called it a "source of uncertainty".

Chameleon karma

Under attack from his own right flank, Mr Najib has little room to make good his promises of political liberalisation. Even economic reforms—where he has a respectable record of, for example, widening the tax base and cutting fuel subsidies—may stall. The most difficult ones require the ending of Malaysia's rules mandating commercial discrimination in favour of the Malay majority, a system to which many in UMNO are wedded.

So the BN, whose ethnic-Chinese and ethnic-Indian components fared disastrously in 2013, risks becoming a mere shell for an UMNO ever more beholden to Malay-nationalist forces, thus further sharpening a dangerous racial polarisation in Malaysian politics. Mr Anwar, a political chameleon whose real beliefs are sometimes hard to pin down, has many critics, but he could at least credibly lead a coalition that bridges Malaysia's ethnic divides. That is why his incarceration is a dark day not just for Malaysia's opposition, but for Mr Najib and the country itself. ■

Also in this section

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Military corruption

Rank and vile

BEIJING

Xi Jinping flexes his muscle against army corruption

SO EXTENSIVE was the stash of jade, gold and cash found in the basement of General Xu Caihou's mansion in Beijing that at least ten lorries were needed to haul it away, according to the Chinese press last October. Given General Xu's recent retirement as the highest ranking uniformed officer in the armed forces, this was astonishing news. General Xu, the media said, had accepted "extremely large" bribes, for which he now faces trial. It will be the first of such an exalted military figure since the Communist Party came to power in 1949.

The People's Liberation Army (PLA)—as the Chinese army, navy and air force are collectively known—has not fought a war for 35 years. But the world's largest fighting force is now engaged in a fierce battle at home against corrosion within its ranks.

Xi Jinping, China's president (pictured, pointing), has taken his sweeping anti-corruption campaign into the heart of the PLA, seemingly unafraid to show that a hallowed institution is also deeply flawed. In January the PLA took the unprecedented step of revealing that 15 generals and another senior officer were under investigation or awaiting trial. It said it would launch a stringent review of recruitment, promotions, procurements and all of its financial dealings in order to root out corruption.

One reason Mr Xi is keen to clean up the army is to ensure that it remains a bulwark of party rule. The PLA is the party's armed wing—its soldiers swear allegiance to it rather than the people or the country. All officers are party members and each company is commanded jointly by an officer in charge of military affairs and another whose job it is to ensure troops toe the party line. Mr Xi has repeatedly stressed the party's "absolute leadership" over the PLA. His definition of a "strong army" puts "obedience to the party's commands" before "capability of winning wars".

Fighting military graft is intended to enhance both of these qualities. Mr Xi wants to develop a lean, rapidly deployable fighting force, which is better able to project power abroad and defend the nation's borders which China regards as encompassing a vast maritime area as well as Taiwan and Japanese-controlled islands in the East China Sea. As Luo Yuan, a general, wrote in December: "Without eradicating corruption, we would lose any war before fighting it." Many Western experts believe the PLA is becoming increasingly able to assert China's territorial claims, despite the corruption. But warnings such as those by General Luo are taken seriously by Mr Xi.

Military corruption, though seldom spoken of so publicly before, has long been a problem. In the 1990s the PLA, at first with the party's blessing, dived into commerce. "The result was PLA Inc," says Tai Ming Cheung of the University of California, San Diego. The army set up 20,000-30,000 business across China, says Mr Cheung; including hotels, financial services and nightclubs. Many became the seeds of rampant corruption.

In 1998 President Jiang Zemin called a halt to most PLA commerce, but the armed forces never rid themselves of graft. The PLA remains subject to little supervision (its power to flout the law is evident on the streets, where cars with military plates pay little heed to rules). Military salaries have been rising in recent years: the pay of non-commissioned officers increased by 40% in 2014 and that of officers by 20-30%. But wages are still not high enough to reduce incentives for corruption. Senior officers receive a pittance compared with the bosses of state-owned enterprises.

Corruption is worst in departments dealing with logistics, weapons procurement and political matters (the latter is in charge of maintaining party loyalty and of appointments). Housing is among the biggest rackets. Many supposedly affordable homes built for soldiers since 1999 were instead constructed as luxury villas and sold off or enjoyed by military personnel. Some generals reportedly erected ceilings twice the standard height in order to add a floor later. Paying bribes for promotions is widespread: nine of the 16 senior officers recently disgraced, including Mr Xu, were from the PLA's political wing.

Some of these problems are now being tackled. The PLA says it will scrutinise appointments more closely and make secret inspections to stamp out the acceptance of bribes by recruitment officers. Officers are being restricted to a single army-subsidised home. Luxury cars may not carry military license plates. To cut costs and break up (often corrupt) monopolies, private companies will be allowed to bid for most defence contracts. Military auditors recently joined a national meeting of their civilian counterparts for the first time—a sign, perhaps, that the PLA is beginning to air its problems more openly.

Mr Xi's military clout gives him a greater chance of success than his predecessors in curbing graft in the PLA. One of his first jobs after graduating was as a personal secretary to the minister of defence. His father was a guerrilla fighter who was close to Mao Zedong (until Mao eventually turned on him). Such connections can be used to powerful effect in Chinese politics.

But even with his enormous authority Mr Xi will find it hard to change such a secretive and hidebound institution. The fallen generals can expect tough punishment, but the PLA tends to deal with its own wrongdoers with a light touch. The ill-defined quality of "political reliability" will remain a crucial factor in gaining promotion—one wide open to abuse.

It will be tougher still to make the PLA better at fighting. Most troops have no direct combat experience, commanders are ill-trained in the complexities of modern warfare, and training for rank-and-file troops is not realistic enough. Annual double-digit increases in defence spending—the norm for the last two decades—have helped equip the PLA with some advanced weaponry, but not necessarily the ability to use it effectively. Even if corruption is rooted out, the PLA will struggle to modernise. ■

Economic data

Lunar eclipse

Growth is slowing, but the calendar overstates the problem

THE Chinese calendar is often described, incorrectly, as a lunar one. It is in fact a lunar-solar mix, with an extra lunar month added every so often to stay in line with a wholly solar calendar. This ancient system, some 2,500 years old, is not just an academic curiosity. It has a big impact on economic data. The Chinese New Year holiday, and with it a peak in consumption and prices, scuttles back and forth between January and February (in the Gregorian calendar), complicating the annual comparisons.

Every few years—2015 being one—the impact is bigger than most. Thanks to the insertion of a lunar leap month last year, the Chinese New Year holiday falls especially late this February (it begins on the 18th). That astronomical quirk should offer a modicum of comfort to those fretting about the latest Chinese economic data, which, at first glance, portend doom.

The numbers made it look as if China was on the brink of deflation. Consumer prices rose just 0.8% from a year earlier, a sharp decline from preceding months. Trade was also weak, with exports falling 3% and imports down 20% (see chart).

But the distortion of the variable-holiday effect was sizeable. Everything from shipping to roadworks is completed in a rush before China shuts down for its New Year. That burst was concentrated in January last year. This year, with the later holiday, it has spilled into February. As a result, January appeared unusually sluggish compared with a year earlier. Consumer inflation typically sheds about half a percentage point in Januaries when the New Year comes so late. As for trade, adjusted for the calendar, the declines in exports were still big but not as severe as reported.

The calendar was not the only complicating factor. An unseasonably warm winter made for lower vegetable and fruit prices, weighing on inflation. And the collapse in global commodity prices eroded the value of imports. China's oil demand, for example, was about the same in volume terms as a year earlier. In value terms, though, crude imports plunged 42%.

Because of the perennial calendar headache, China's statisticians wait until March to publish the full range of data for the economy, lumping January and February together to assess the true state of retail sales and industrial output. These are almost certain to show that the economy is slowing, though not as dramatically as implied by the January numbers.

The central bank is being prudent. It has started easing monetary policy, most recently by raising the proportion of deposits that banks are free to lend. But this is as much a response to capital outflows as it is to the slowdown in growth. To get a better reading on the latter, the government knows that it will have to wait for one more cycle of the moon. ■

Struggling

China's:

% change on a year earlier

Source: Thomson Reuters

Film

In wolves' clothing

BEIJING

A new state-sponsored film is the product of unusual talent

ON FEBRUARY 19th cinemas in China will begin showing "Wolf Totem", a film based on a Chinese novel critiquing man's impulse to tame nature, in which a young man from Beijing attempts to domesticate a wolf. The release itself marks a change in the natural order of things: for the author of the novel, the director of the film and the state system that produced it.

The author, Lu Jiamin, was jailed for more than a year for his role in the Tiananmen Square protests of 1989. Worried his subsequent writings would be banned, he wrote the novel under a pen name, Jiang Rong. The French director, Jean-Jacques Annaud, had been banned from China for making "Seven Years in Tibet", a film released in 1997 that depicts the Chinese army invading Tibet and portrays the Dalai Lama sympathetically. But China Film Group, a state-owned giant, and others made Mr Annaud a rare foreign director of a Chinese feature film, with a budget of more than $40m.

The Communist Party has sensible reasons to embrace both men. The novel, Mr Lu's first, is a literary phenomenon: it has sold more than 5m copies in China, in addition to many more pirated ones. In 2007 an English-language translation won the inaugural Man Asia Literary Prize. The acclaim was so great, and so swift to spread, that back-footed censors decided to turn a blind eye to the author's background and refrained from banning the book.

Mr Annaud says he was surprised when, in 2007, representatives of the Beijing Forbidden City Film Corporation visited him in Paris to ask him to make the film. Chinese producers wanted a foreign director for the project. Mr Annaud was an Academy Award winner with successful experience of working with animals (in his film "The Bear"). What about his Tibet film, he asked? They said the past was the past, he says. No apology would be necessary.

In late December 2009, however, months after his hiring had been announced, Mr Annaud did apologise. In an open letter circulated in Chinese online (a liberal but generally fair translation, he says), Mr Annaud declared he had "never supported Tibet's independence" and had no "personal relationship" with the Dalai Lama.

There were some domestic critics online who did not care for the novel or its author, and who would have liked to derail the film project. Mr Annaud's self-criticism helped protect against that, and the Chinese system in turn protected him. The new natural order of things, perhaps.

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Arab media

A guttering flame

CAIRO

After a brief flickering, free speech is being snuffed out

THIS month Al Arab, a new private Saudi-funded satellite channel, launched in Bahrain with shiny new studios and sparkling ideals. It would, said Jamal Khashoggi, the veteran Saudi journalist appointed to head it, be the "voice of the voiceless". Not for long. Just six hours after Al Arab first went on air the Gulf statelet gagged it; on February 9th authorities said it must close for good, claiming it was not properly licensed. Its real sin, it seems, was to give airtime to Al Wefaq, Bahrain's main opposition party.

The short life of Al Arab is emblematic of a wider flowering of independent Arab media, and its subsequent withering. The channel took shape during the heady days of the Arab spring, when autocratic regimes were falling and people yearned for free media. Appetites had been whetted since the early 1990s, with the advent of the internet and satellite TV.

Some regard the mother of all independent Arab media to be Al Jazeera, a pan-Arab television station that first broadcast in 1996. Although funded by the ambitious rulers of Qatar, it broke the mould of Arab journalism, which then consisted of little more than reheating official press releases. The station's professional journalists, top-class technology and feisty talk shows set a new standard for freedom of expression. Audience figures rocketed to tens of millions as it won scoops that included airing video and audio tapes of Osama bin Laden, the late head of al-Qaeda.

By 2011 it was playing a role in fomenting the Arab spring by streaming live footage of protesters from Tunis to Tripoli. Such was its clout that others tried emulating it, not least Al Arabiya, a Saudi-based broadcaster that came on air in 2003. But al Jazeera's influence has since waned amid perceptions that its journalism has turned partisan. Even as it championed Syria's mainly Sunni rebels, some of whom were later financed by Qatar, it ignored Bahrain's mainly Shia uprising.

All the news that's fit to blog
Internet penetration, %, 2013

Sources: World Bank; Arab Social Media Report
*Among population aged 13 and up

The most acute criticism surrounds al Jazeera's kind treatment of Egypt's Muslim Brotherhood, a line that corresponded closely with Qatar's foreign policy. The station fawned over Muhammad Morsi, a Muslim Brotherhood member who was elected president of Egypt, and decried his ousting by the army as "a coup against legitimacy". Al Arabiya, meanwhile, followed Saudi hostility to the Brotherhood, calling the event a "second revolution."

And as Al Jazeera once provided a model of free speech, local regimes are now seeing in it a model for propagating their own views across the region. Iran and Syria backed the launch in 2012 of Al-Mayadeen, a pan-Arab satellite channel based in Beirut. They hope it will counter the Gulf channels that are inimical to Bashar Assad, Syria's president. A journalist at Al Modon, a Qatar-funded news site, says it was launched partly to counter Saudi Arabia's media influence in Lebanon.

A loss of trust in the impartiality of satellite TV is all the more worrying because it had been seen as an alternative to local media long cowed by authoritarian governments. When Abdel-Fattah al-Sisi, Egypt's army chief (and now president) came to power he quickly closed down Islamist television stations. Three Al Jazeera journalists were imprisoned in Egypt for more than a year on spurious allegations of belonging to a Muslim Brotherhood cell. In Syria Mazen Darwish, who headed the Centre for Freedom of Expression, is just one of 12 journalists in Mr Assad's jails; others have their work stymied by rebel militias. In Saudi Arabia four journalists have been jailed after covering Shia protests in the eastern province.

Little wonder that much news broadcast on local channels is mind-numbingly ▸▸

dull. In Saudi Arabia television stations mainly offer religious fodder and reports of royal beneficence. In Jordan the front pages feature glowing tales of the royal court. When not boring, state output is often shockingly mendacious. Syrian state television once claimed Al Jazeera was building sets of Syrian cities so as to stage fake protests. Private media is often little better since it is owned by big businessmen whose interests usually lie in buttering up regimes. CBC, a private Egyptian channel founded in 2011 by Muhammad al-Amin, offered airtime in November 2012 to a hugely popular sketch show by Bassam Youssef, akin to America's Jon Stewart. But a year later, with Egypt under new management, the channel ended the show. In 2013 ONTV, another private channel, lost Reem Maged, an Egyptian presenter known for hard-hitting interviews, when she cited differences between her interest in free journalism and the channel's focus on "national security". "Everyone is taking their cues from the regime," says Rasha Abdulla, a professor of journalism at the American University in Cairo. "The situation is worse today than ever."

One ray of hope is that people increasingly seek news online, where resources and wannabe journalists have proliferated since the Arab spring. Internet access is surging across the region (see chart on previous page) and is used particularly by young people in places like Saudi Arabia to find alternative sources of news. These include social media and small independent outfits. One such is *Madr Masr*, a newspaper in Egypt that manages to push boundaries, perhaps because it is written in English. Networks in rebel-held Syria broadcast local news via YouTube channels or Facebook pages; a few including Aleppo Today broadcast on satellite. But even new media fall into the habits of their older brethren, such as uncritically airing conspiracy theories, however outlandish. Depending on which newspapers or websites you read in the region, you will believe that the jihadists of the Islamic State are either a creation of wealthy Gulf states, Iran, Israel's Mossad, the CIA, or some bewildering combination of the three.

Such silliness may not quite accord with the Jeffersonian ideal of a free press acting as a guardian of liberty. But better a cacophony of dissenting voices— online or beamed from satelites—than the stifling monotone of state-controlled or cowed media. "Today there is much less power concentrated in state-owned media and traditional gatekeepers," says Habib al-Batteh, a Lebanese investigative journalist who runs the site Beirut Report. These days, says Mr Batteh, the region's people "are sophisticated consumers" who browse several news sources to distil the truth. The genie of feisty and critical media may be stuffed back into the lamp, but not the thirst for information. ■

Battling in print

The Bibi-ton bomb

When newspapers take sides

FOR six years, Binyamin Netanyahu, Israel's prime minister, has enjoyed an advantage other politicians might give an arm for: a daily newspaper that offers unstinting support and is distributed free. He has that in *Israel HaYom* (or Israel Today), the country's best-read paper, which not only glorifies him and his wife but also damns their foes.

Recently, however, its cheerleading seems to be causing Mr Netanyahu as much harm as it does good. Opponents facing him in an election on March 17th accuse Mr Netanyahu of being in hock to its publisher, an octogenarian American casino mogul, Sheldon Adelson.

Smarting from allegations that the paper infringes regulations on campaign funding, Mr Netanyahu has used his Twitter feed to attack its critics. Foremost among them is Noni Moses, the reclusive publisher of *Yediot Ahronot*, which had previously been Israel's largest circulating paid newspaper. Mr Moses, the prime minister snapped on Twitter, was "using every possible means to topple the government, shut down *Israel HaYom* and restore its aggressive hegemony over the print media". *Yediot's* attacks on his family, he bridled, were no longer taking place daily in print, but hourly on the internet.

And I asked for *Pravda*

Even sceptical commentators now wonder who speaks for whom. Mr Netanyahu's defence of the paper on Twitter has only increased suspicions that his precipitous call for early elections 13 months into his term was motivated less by his desire to rid himself of a quarrelsome cabinet than by concern for the survival of *Israel HaYom* after a bill to stop the free distribution of newspapers passed its first reading. Many who voted in favour came from his coalition. His foreign minister, Avigdor Lieberman, who grew up in the Soviet Union, called it *Pravda*. Many Israelis just call it *Bibi-ton*, merging Mr Netanyahu's nickname, Bibi, with *iton*, the Hebrew for newspaper.

While Mr Moses has broadly supported a two-state settlement with the Palestinians, Mr Adelson ridicules the thought of a negotiated compromise. For years he and his Israeli wife have brought tens of thousands of Americans, including congressmen, on partisan tours of Israel. The Republican congressmen he funds are now inviting Mr Netanyahu to talk to Congress shortly before the Israeli elections, to the Democrats' fury. His speech will, no doubt, get a favourable write-up in Mr Adelson's newspaper.

Palestine's culinary delights

The king of cauliflowers

AL-RAM

A humdrum food in gourmet form

IT MAY challenge the spirit to think of cauliflower as anything but an overrated, ungainly plant. But in the craggy land between Ramallah and Jerusalem, there is one variety of that plain vegetable that invariably attracts a crazed following at this time of year.

Every winter stands manned by farmers pop up along most of the West Bank's winding roads, with proud growers displaying vivid yellow bouquets wreathed in green roughage. Forget the white vegetable that, when boiled, resembles a brain and releases a gassy aroma redolent of cheap cafeterias. This is *zahara baladi*, an ancient local cultivar that takes a full year to grow and is in season for just a few weeks. The plant has a nice, mustardy hue; the flavour is well-rounded, sweet and earthy and the texture irresistibly creamy.

All this is enough to entice Palestinian Jerusalemites to leave their homes in blustery weather. "It's cauliflower madness,"

Get them while you can

one customer agreed cheerfully as he battled a vicious wind to get to a stall.

Their craze reflects not just the brief flowering of a delicacy, but also a gastronomic renaissance brought about by successful Ramallah chefs, many of them trained abroad, and a bumper crop of recent books highlighting local cooking.

Cauliflower has been mentioned by Arab botanists for more than a millennium. It is the crucial ingredient in *maqluba*, a gem of Palestinian cuisine in which fried florets are cooked with chicken or lamb (and sometimes eggplant) in a huge pot of spiced rice that is triumphantly turned upside down before serving.

Translated literally, *zahara baladi* means wild flower, and it usually makes its appearance some time in February, just as the terraced hills erupt in a riot of colourful blooms. "This is the golden time of flowering plants," exults Munir Nasser, a professor of biochemistry at Birzeit University with a passion for local flora.

Commercial vegetable growers sometimes try to engineer their plants so as to produce saleable crops twice a year. But purists will always insist on the existing variety of *zahara baladi*.

Local lore ascribes amazing properties to the plant. It is said to cure everything from respiratory ailments to postnatal pain. In villages, chunks of the stuff are artfully combined with onion and spices and blended into a light dough that is fried, producing an appetising fritter. In Jerusalem, families wait eagerly till winter to make *mtafayeh*—a one-pot wonder consisting of lamb and *zahara baladi* cooked with goat yogurt, tahini, lemon and fresh minced garlic.

"The taste is just different, so good, so soft," sighs a Jerusalem lawyer and new mother who has just dispatched her husband on a mission to the cauliflower kiosks. Her name, appropriately, is Zahara. ■

South African tourism

Killing the golden goose

JOHANNESBURG

Clumsy new rules could ruin badly needed tourist business

THE ARRIVALS hall of South Africa's biggest airport is a sea of safari green. Visitors turn up at O.R. Tambo International dressed for the bush, with cameras slung and wallets bulging, ready to splash out on wine and adventure.

Times are good for the tourist trade. A record 10.3m visitors arrived in 2014; the sector hauled in $10.9 billion (see chart) and employed 645,000 people. It is a bright spot in an otherwise dismal economy; GDP growth has limped, at about 2% for the past two years and unemployment is at 35% and rising.

All this makes the South African government's imposition of stringent new immigration laws rather baffling. Starting in June, just in time for school holidays, children under the age of 18 will have to carry an unabridged birth certificate, with parents' names listed, when arriving and leaving. If only one parent is accompanying the child, then sworn affidavits from the other parent are required. A death certificate will also do. This is supposedly to stop child trafficking, but is far more heavy-handed than measures imposed elsewhere.

Another regulation, also coming into effect on June 1st, will force visitors from places needing advance visas to apply in person at a South African embassy or consulate in their home country; the job can no longer be done by post. In China and India, which are big, growing markets for South African tourism, this could mean flying to the nearest big city. Prospective visitors may decide not to bother.

The government has shown slight signs of wobbling; it has twice delayed the application of the new rules, and set up a team to discuss the issue. But a defiant Malusi Gigaba, the home affairs minister, is adamant that the rules will come into effect come what may. A group of 20 airlines serving South Africa, including Virgin Atlantic, British Airways and Air France, declared the new visa regulations "a tourism, PR, economic and political disaster." A leaked report by Grant Thornton, a consultancy, for the Tourism Business Council of South Africa said the policy could cost more than 100,000 jobs.

Diplomats from Asia and the Middle East say the rules will deter investment and tour companies are reporting cancellations. Even South Africa's tourism minister has said the sector's huge benefits could melt away. "We have to make it as easy as possible for a person to come to our country," Derek Hanekom told a parliamentary committee. "People have choices."

While South Africa makes life harder for visitors, nearby countries are doing the very opposite. For example, Zambia and Zimbabwe are testing a single joint visa, easing travel to Victoria Falls on their shared border. If the six-month experiment succeeds, other neighbouring countries are set to join. In contrast, a "uni-visa" system for the 15 countries of the Southern African Development Community, a bloc dominated by South Africa, is nowhere near to being ready, despite having been mooted in 1998. One big sticking point has been South Africa's fear of a deluge of illegal immigrants. The government's phobias appear to have clouded its vision. ■

Bulging wallets

South Africa

Source: World Travel and Tourism Council

Chad and Senegal

A pan-African trial, at last

A fallen African dictator is likely to face a new kind of African justice

ONE of Africa's most bloodstained former leaders, Hissène Habré, is likely to be formally charged in the next few days by a special African court with having committed a string of atrocities when he was president of Chad from 1982-1990. The judges of the so-called Extraordinary African Chambers, set up in 2012 in Senegal, will decide what charges he must face.

Mr Habré, now aged 72, has been living in Senegal since fleeing from Chad at the end of his reign. He is alleged to have committed crimes against humanity, war crimes and torture. Around 40,000 people are reckoned to have been killed and many more tortured during his rule, according to Chad's truth commission. His trial is likely to start in May or June.

It has been a labyrinthine process. "The case has bounced around for the past 15 years," says Reed Brody of Human Rights Watch, a New York-based monitoring ▸▸

group, which has been working with victims of Mr Habré to bring him to justice. They filed a case against him in 2000, whereupon he was indicted by a Senegalese court and arrested. But Mr Habré had powerful friends in Senegal. Its government interminably dragged its feet.

But in 2012 Belgium, where the victims had sought justice invoking an unusual law that enables it to prosecute anyone for human-rights abuses wherever committed, won a case against Senegal at the International Court of Justice, the UN's main judicial organ for adjudicating disputes between states. The court ordered Senegal to prosecute Mr Habré or extradite him. A new Senegalese president, Macky Sall, gave the case a fresh lease of life, with the eager backing of Aminata Touré, an anti-corruption campaigner who served as his prime minister until last summer. With the endorsement of the African Union (AU), they oversaw the innovative creation of the Extraordinary African Chambers.

By contrast, the AU has been increasingly hostile to the International Criminal Court in The Hague, which has sought to bring human-rights abusers to book since its creation in 2002, on the ground that it has unfairly targeted Africans; all its indictees have so far been African. Mr Habré could not, in any case, be tried before it, since his alleged crimes were committed before the ICC was set up.

Is his trial likely to herald a new trend, with African leaders brought before pan-African courts? Do not bet on it. Last year the AU said it would promote its own continental human-rights court—but incumbent leaders and their senior officials, it added, must be exempt. The court in Senegal may well be a one-off, but it sets the right sort of precedent for the continent's abusive presidents. ■

Nigeria

Counting votes before they are cast

Democracy has been delayed, but hopefully not denied

EVEN in relatively quiet times Nigeria is a hotbed of conspiracy and political intrigue—most of it imagined. Years of inept governance, military rule and corruption have left citizens disillusioned. Many are unimpressed by their choices in the coming presidential elections.

A darker cloud of uncertainty was cast over Africa's biggest economy on February 7th when electoral officials said they were delaying the elections scheduled for February 14th by six weeks.

The postponement comes at a febrile period: for the first time since the restoration of civilian rule in 1999, the ruling People's Democratic Party (PDP) could well lose the election. Public polls suggest it is tied with the opposition All Progressives Congress (APC). Private polls conducted for both parties suggested that, had the vote gone ahead as planned, President Goodluck Jonathan might well have been clearing his desk.

Electoral delays are not unusual in Nigeria—the 2011 presidential poll was postponed too—but this hold-up is particularly controversial because it was forced by the army. The generals told electoral officials that they would not provide security for a vote in the north-east, where the jihadists of Boko Haram control an area of roughly 30,000 square kilometres. A postponement would give the army time to secure the region, they said. Jibrin Ibrahim of the Centre for Democracy and Development a

Better late than never

think-tank in Abuja, went so far as to call the army's action "direct blackmail" of the electoral commission.

In part that is a reflection of how deeply suspicion of the army runs in Nigeria, which has suffered repeated coups. But it also reflects more recent concerns stoked by the widespread publication of audio recordings which purport to show that senior members of the ruling party strong-armed army officers to influence the outcome of a state election in Ekiti last June. The politicians deny this claim and say the recordings are a hoax, yet some members of the opposition fret that the generals may try to fix the coming presidential vote.

Or they might consider a more forceful intervention. Olusegun Obasanjo, a former president and stalwart of the ruling party, recently sided with the opposition and expressed concern over the delay. "I sincerely hope that the president is not going for broke and saying: 'Look dammit, it's either I have it or nobody has it'," he said, according to the *Financial Times*. "I hope that we will not have a coup."

In any event, the army's call for a six-week delay seems a thin excuse. Boko Haram, which wants to establish an Islamic state, has been waging war since 2009, and gaining ground steadily. It has also struck across borders, most recently with attacks in Niger and Cameroon.

Nigeria's army promises a new assault beginning on February 14th. Yet its troops are as under-resourced and demoralised as ever. Most Nigerians laugh at the army's confident assertion that security can be restored in time for a poll in late March. "I find it ridiculous that they're asking for six weeks to combat something that has existed for this long," says Leke Ayo-Ositelu, an e-commerce worker in Lagos.

The recent involvement of Nigeria's neighbours provides a slight hope. In January Chad began moving up battle-hardened soldiers, who are now fighting militants within Nigeria. Its men have reportedly liberated towns including Gamborou, Malam Fatori and Baga. Separately, Nigeria, Niger, Cameroon, Chad and Benin have agreed to send a multinational force of about 8,000 to battle the insurgents. The parliament of Niger, which has a tiny standing army and has been loathe to get too involved, voted unanimously this week to contribute 750 fighters.

Such a multi-pronged assault ought to gain further ground against Boko Haram, which is thought to field no more than 6,000 fighters, but getting it under way may take time. The regional force must still be financed and organised. Nigeria is only accepting foreign help with "lukewarm acquiescence", one Western diplomat argues. It is unlikely that it will allow foreign forces beyond its border towns.

In short, the security situation is unlikely to change in six weeks before the vote. If it goes ahead as planned at the end of March—and a further delay would be unconstitutional—voters in large parts of the three north-eastern states most affected by Boko Haram are likely to be disenfranchised, much as they would have been had it taken place in February. The question many Nigerians are asking, however, is whether the enforced pause will swing the outcome of the vote. ■

Also in this section

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The German economy

No new deal

BERLIN

Germany is investing too little—hurting Europe, the world and itself

FROM Washington to Athens, politicians and economists who often have little in common all agree that Germany under Chancellor Angela Merkel is largely wrong about economic policy. Germany's apparent economic strengths—the lowest unemployment in two decades; steady, if low, growth; a balanced federal budget—mask weaknesses and policy errors, they say.

A first mistake is to insist that troubled euro-zone countries such as Greece not only make structural reforms to their economies, but simultaneously cut spending and borrowing (depressing demand). But a second is domestic. Given low interest rates, now would be a golden opportunity to borrow and invest more at home, boosting the economy and providing a Keynesian stimulus to the entire sluggish euro zone. Instead, Germany is investing less than in the past and less than most other countries (see chart).

Raising investment could also deal with another imbalance in the German economy: its current-account surplus, the largest in the world, which has just set another record in 2014 of €220 billion ($250 billion), over 7% of GDP. By definition, this surplus measures the excess of savings over investment. Invest more, and the surplus would shrink or even disappear.

Such thinking has fans even in Germany. Marcel Fratzscher at the German Institute for Economic Research in Berlin thinks that German strength is an "illusion" given its large "investment gap". Public investment in Germany—shared by the federal, state and local governments—has fallen from 6% of GDP in 1970 (in the West) to 2% now. Roads, bridges, broadband internet and much else could do with more money. The German Marshall Fund has said that 40% of bridges in Germany are in "critical condition". The Cologne Institute for Economic Research, another think-tank, reckons that the capital stock of German machines has not risen in real terms since 2008. Markus Kerber, director of the German Federation of Industries, a trade association, says that a "long-term investment-offensive is needed" to sustain growth.

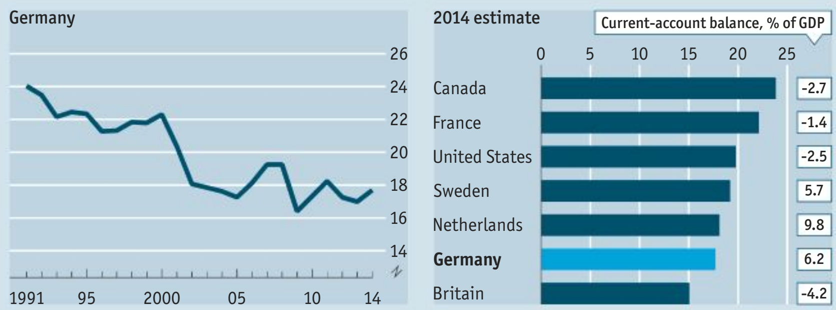
But other German economists are sceptical about claims of underinvestment. Christoph Schmidt, chairman of the German Council of Economic Experts, which advises the government, thinks published ratios of investment as a percentage of GDP can be misleading when compared both across time and between countries. France, for example, has a lot of public housing. Germany does not, and this skews the numbers. Reunification in 1990 caused a one-off investment boom in both parts of the country. And whereas other countries had property crashes, Germany did not. In that case, at least, skimping on housebuilding was sensible.

Yet the trend of declining public and private investment remains clear. A recalculation to fit European Union norms lifts Germany's investment ratio from 17% to 19%, by including companies' research and development spending. But that is still low. Why is this?

Most investing is done by private firms. But German ones have for years preferred to invest abroad, not at home. Mr ▸▸

Insufficient?

Investment, % of GDP



Source: IMF

Fratzscher regrets this: he reckons that German investment abroad has yielded an annual return of 10% over 20 years whereas foreign investment in Germany has made more like 15%.

The main reason for low domestic investment, says Michael Hüther, the Cologne institute's director, is uncertainty and nervousness over the future. Continuing anxiety over Greece and the euro has been especially damaging. More recently worries about Russia, which is more commercially entangled with Germany than with other big Western economies, have unsettled the business climate. But the biggest problem for many businessmen may be benighted government policies.

These start with Germany's "energy transition," a plan to exit simultaneously from fossil fuels and nuclear energy. The main policy is a huge subsidy to solar and wind. The surcharge that many firms have to pay on a unit of energy is larger than the entire cost of electricity paid by firms in America. Half the firms polled by Mr Hüther's institute claim that this makes any new investment unattractive.

Many also complain, in a country that has an ageing, shrinking population, about a shortage of skilled workers despite Germany's admired apprenticeship system. Mrs Merkel's government, under the influence of her Social Democratic coalition partners, has made things worse by letting some workers retire at 63, rather than at 67, as previously envisaged. In the housing market, owners are put off investment by a cap on rents in many cities. A new federal minimum wage is yet another measure that will add costs for business.

The best way to boost investment is to fix these policy errors, argues Mr Schmidt. On energy, even if the government insists on sticking to its emissions targets, it could leave the choice of technology to the market. The pension age could be raised again; the minimum wage should be lower. And public investment should be raised. Gustav Horn, head of the Macroeconomic Policy Institute, part of a foundation with links to the trade unions, reckons that a 1% increase in euro-zone public investment would boost GDP by 1.6%.

Yet Germany led resistance to calls for more public money to be put into the European Commission's planned investment programme. At home it is constrained by the constitutional "debt brake", adopted in 2009, which requires state governments to balance their budgets by 2020 and the federal one to do so by 2016. Wolfgang Schäuble, the finance minister, has beaten the timetable, balancing the budget in 2014. He and Mrs Merkel are proud of the "black zero", which demonstrates that Germans sticks by the rules, as others should. The books may balance, but Germany is a long way from rectifying its investment shortfall at home. ■

Turkey and its Kurds

Dreams of self-rule

CIZRE AND SURUC

The dance of Kurds seeking autonomy with a government wanting support

ON A recent evening in Cizre, an old Kurdish settlement skirted by the Tigris river in south-east Turkey, a family grieves. Muhammad, their 20-year-old son, died fighting jihadists of Islamic State (IS) across the border in the Syrian town of Kobane shortly after Kurdish forces declared victory on January 26th. "Cizre gave 17 martyrs for Kobane," says Mullah Qassem, an imam who has come to pay condolences. Pan-Kurdish sentiments have been sharpened by the battle against IS, in turn stirring the long-standing rebelliousness of Cizre, where a legendary Kurdish emir, Bedr Han, rose up against the Ottomans in the early 19th century. "Cizre is ours, Kobane is ours, we must fight for both," says Muhammad's mother, Selma.

The Kurdistan Workers' Party (PKK) started fighting for Kurdish self-rule in 1984. Scores were killed in Cizre in 1992 when Turkish forces opened fire on civilians who celebrated the Kurdish new year in defiance of orders to stay home. Muhammad was imprisoned for a year for throwing stones at a police vehicle. "He was only 14, he then vowed to join the PKK," Selma recalls.

The Justice and Development (AK) party has made unprecedented overtures to the Kurds, easing bans on the language and talking to the imprisoned PKK leader, Abdullah Ocalan. A two-year ceasefire is holding. A deal giving the Kurds more

Where Kobane's martyrs now lie

rights is on the table as part of a package that AK hopes would see the pro-Kurdish People's Democracy Party (HDP) back a new constitution, including an executive presidency, after Turkey's June 7th election.

Yet many Kurds believe the state is behind the violence that has recently gripped Cizre. At least six people have died, four of them children. One 12-year-old was shot, allegedly by security forces, on January 14th. One police officer has been arrested so far.

The unrest began in October when Turkey refused to let Kurdish fighters open a corridor to Kobane. It escalated into street battles between PKK supporters and Huda-Par, an Islamist Kurdish party, whose precursor, Hizbullah (unrelated to the eponymous Lebanese militia), was used by the Turkish state to fight the PKK in the 1990s. The PKK insists that Huda-Par has links to IS and that Turkey backs both. Huda-par and Turkey deny these claims.

In Cudi, a gritty part of Cizre, men and women huddle round wood-burning stoves as they keep nightly vigil at "checkpoints" to keep Huda-par and Turkish forces out. Earthen mounds serves as barricades. PKK banners and portraits of Ocalan are strung above the streets. "The state cannot come here, we are in charge." boasts Sami, a 16-year-old. Like thousands of Kurds he ekes out a living harvesting crops in western Turkey. "I began going to the fields in my mother's tummy," he says. Unemployment in Cizre runs at 70%, against a national average of 10%, says Leyla Imret, the 27-year-old HDP mayor.

She insists the HDP will win the minimum 10% of the national vote needed to win parliamentary seats in June's election. The party used to field independents to circumvent the 10% rule. But this time it plans to run as a party despite polls suggesting it may not clear the hurdle.

In the regional capital, Diyarbakir, many Kurds don't want to be part of the Turkish parliament anyway. "We should form our own parliament uniting all the Kurdish parties," argues Sitki Zilan, of Azadi, an Islam-tinged group. Sahismail Bedirhanoglu, a businessman, blames the government. "Their Kobane policy has deepened separatist impulses. If the HDP is not represented in parliament, tensions could spiral out of control," he warns.

Farther west, in Suruc, which stands opposite Kobane, some 200,000 Syrian Kurds who fled the war prefer to stay in rough camps run by the HDP-run municipality rather than a shiny refugee complex built by the government. "We feel free and at home here," said Nejaha, a war widow. A section for "martyrs of Kobane" has been added to the local cemetery, where this correspondent counted 66 fresh graves. But Muhammad was buried in Kobane. "No need to bring him back. It's all Kurdistan," says his mother. ■

Hungary and Russia

The Viktor and Vladimir show

BUDAPEST

Germany and other European countries worry about Hungary's ties with Russia

"JATSZOTER" (playground) proclaims *HVG*, a magazine, above a graphic of Hungary as a seesaw. Angela Merkel, the German chancellor, is at one end, Vladimir Putin, the Russian president, at the other. It is a fitting image, given that Mr Putin is due in Budapest on February 17th, two weeks after Mrs Merkel. His visit will mostly be about renewing Hungary's gas contract which expires this year, says Viktor Orban, the prime minister, who wants what he calls a "flexible" arrangement. For his part, Mr Putin wants to show the world that he is not as isolated as some claim.

The Ukraine crisis, and Mr Orban's links with Russia, have put Hungary in the spotlight. Georgia's prime minister has just visited; Turkey's president is expected soon. Western fears of Mr Orban's autocratic drift have intensified. He caused considerable alarm around the European Union in July 2014 when he declared that Hungary would remain a democracy but become an "illiberal state", citing the examples of Russia, Turkey and China. Mrs Merkel criticised the term on her visit, but was firmly rebuffed by her host.

On Ukraine, Mr Orban is vacillating between a desire for closer ties with Russia and his obligations as a member of the EU and NATO. Russia is Hungary's biggest trading partner outside the EU, and supplies most of its gas. Moreover, America's loss of interest and influence in central Europe points to a greater focus on Germany and Russia, argues Mr Orban.

The cancellation of Russia's planned South Stream gas pipeline was a blow. Cheap gas is a fundamental pillar of the government's populist policies, says Peter Kreko of Political Capital, a Budapest think-tank. "The question is what kind of political price President Putin will try and exact. He wants to exert pressure on the EU's weakest links to break European unity."

Many in the West think the cosying-up between Mr Orban and Mr Putin has gone too far. Hungary has taken a €10 billion ($11 billion) loan from Russia to upgrade its ageing nuclear power plant. The contract was negotiated in secret and not put out to tender. (Officials cite reasons of national security.) Last year Mr Orban also broke ranks over EU sanctions on Russia, claiming that they did more harm to Europe than to Russia. Hungary has repeatedly called for autonomy for ethnic Hungarians in western Ukraine. Such calls were seen as further weakening the embattled government in Kiev, helping Moscow.

But Mr Orban has since come back into line, supporting Ukraine's sovereignty and stressing Hungary's commitment to NATO. He has courted Germany, on whose economy and investment Hungary depends most heavily. European governments understand Hungary's position on energy, says one Western diplomat, but dissent from the EU's common position is not an option: "EU member states agree a policy and we all follow it, especially in a high-stakes environment like this one."

Russia's relations with Hungary are "isolated from the overall situation in the world," says Vladimir Sergeyev, Russia's ambassador to Hungary. Yet this seems implausible. Ukraine, which borders Hungary, casts a long and ever darkening shadow. Doomsday scenarios include the break-up of the country, which could push waves of refugees across the border. Some 200,000 ethnic Hungarians live in western Ukraine, and many could seek sanctuary. Mr Orban may yet have to seesaw back towards the West. ■

The DSK trial

Bad days in Lille

PARIS

Whatever its outcome, the trial of the former IMF boss breaks French taboos

WHEN Dominique Strauss-Kahn was hauled off a plane in New York in 2011 and arrested on charges of sexual assault, there was indignation in France. At worst, it was seen as a set-up; at best, the result of American puritanical excess. The spectacle of a handcuffed IMF head doing the "perp walk" aroused special outrage. "It's not as if anybody died," shrugged a senior French Socialist.

Those charges were eventually dropped, but France now has its own home-grown version in a courtroom in Lille. Mr Strauss-Kahn, along with 13 others, is accused of "aggravated pimping", an offence that carries up to ten years in jail. As details of orgies with prostitutes in Washington, Paris and Lille have emerged, the French are being torn between an instinctive respect for privacy over sexual behaviour and a creeping moral disquiet.

The presiding judge in the trial, which opened on February 2nd, made it clear that this was a criminal, not a moral, hearing. The case against Mr Strauss-Kahn hinges on whether he knew that the women who attended *soirées libertines*, or group-sex parties, often organised in his honour, were paid. In France prostitution is not illegal, but pimping and soliciting are. On February 10th Mr Strauss-Kahn admitted taking part in such parties—but no more than "four times a year", he said, because he was too busy "saving the world" after the global financial crisis. He had no idea, he added, that he was having sex with prostitutes.

No longer a world saviour

Up to a point, the French have reacted with indifference. A man many once saw as a Socialist front-runner for president is no longer a public figure. There has been plenty of news coverage, but no editorial outpouring of moral disapproval. The day after Mr Strauss-Kahn testified, *Le Monde*, a left-leaning newspaper, had no story about the trial on its front page.

Yet as the prostitutes testify, this tolerance is being put to the test. One recounted tearfully enduring an act of sodomy by Mr Strauss-Kahn. (He said he might have a "rougher" than average sexuality.) A group of topless feminist protesters tried to disrupt Mr Strauss-Kahn's arrival in court. Jean Quatremer, a journalist who raised questions about Mr Strauss-Kahn's sexual behaviour in 2007, said it was time for the media to examine their own silence. "Why does the press have such difficulty criticising the powerful over their private lives?" he asked.

Never before has such a once-powerful French figure had his bedroom activities exposed in public, semi-pornographic detail. Most cases of sexual assault against French politicians are dropped, including one by Tristane Banon, a French writer, against Mr Strauss-Kahn. Mr Strauss-Kahn may yet be acquitted. But a taboo has been broken, and traditional indifference to sexual excess called, painfully, into question.

Charlemagne | When less is more

Frans Timmermans takes on the Brussels blob

FIRST VICE-PRESIDENT for Better Regulation, Inter-Institutional Relations, the Rule of Law and the Charter of Fundamental Rights. Frans Timmermans' full title echoes Gilbert and Sullivan's parody figure Pooh-Bah in "The Mikado". But for some, including the press in Mr Timmermans' native Netherlands, a simpler moniker applies: Dr No. The bureaucratic ring of Mr Timmermans' official description belies the formidable challenge of his role, which is to get Europe to do less.

Since November Mr Timmermans, a former Dutch diplomat and foreign minister, has served as number two to the most powerful player in the European bureaucracy: Jean-Claude Juncker, president of the European Commission (the European Union's executive arm). Mr Timmermans, Mr Juncker said, would be his "right hand". In fact he has been more of a sponge, soaking up difficult issues as they arise, from sustainable development to a controversial article in a transatlantic trade deal.

His trickiest task is to ensure that Brussels's legendary appetite for rule-making is kept in check. In a series of "confessionals" last year, Mr Timmermans asked each of his colleagues to make the case for their legislative priorities. Those that failed to satisfy him were axed. The resulting "work programme" for 2015 had just 23 items, a fraction of previous years' lists. Eighty pending proposals were withdrawn. A review of existing EU law is under way, with a view to cutting red tape.

This is an unfamiliar approach in an organisation where "more Europe" often serves as a secular creed. Mr Timmermans insists his job is about getting Europe to work better, not acting as deregulator-in-chief. But his approach has riled Eurocrats and members of the European Parliament. The biggest challenge, says Mr Timmermans, has been tackling the "Brussels logic", according to which policymakers do not obstruct projects they consider useless for fear of seeing their own ideas squashed. It will take time, he says, to change the culture of "an administration that has for generations believed that its purpose is to create legislation."

As an example of the overreach he wants to tackle, Mr Timmermans ridicules a failed attempt by the EU to regulate the use of olive-oil jugs in restaurants. His instincts play well in Britain, which is preparing for its own debate on the role of the EU. David Cameron, the Tory prime minister, has pledged to renegotiate Britain's membership should he retain power after an election in May, before holding an in/out referendum. Some have suggested that Mr Timmermans should take charge of any talks with Britain. That is just speculation, he says. As Dutch foreign minister, he also expressed scepticism about Mr Cameron's motives in seeking a new deal. But his presence in the senior ranks of the commission will reassure pro-European Britons that their message will find receptive ears. The mandarins in Britain's civil service were delighted by his appointment.

European countries worried about Russian aggression were similarly cheered. Last July, when Russian-backed rebels in south-eastern Ukraine shot down a civil airliner carrying 298 people, including almost 200 Dutch citizens, Mr Timmermans, as foreign minister, made an impassioned speech in the UN Security Council urging the return of the victims' remains. One Brussels-based diplomat credits this intervention with unifying the EU behind a tougher line on Russia.

Yet if the EU has held together on sanctions, it has floundered on a broader strategy. Mr Timmermans knows Russia well. In 1991, during a diplomatic stint in Moscow, he holed up in a government building during an attempted coup, talking to local MPs and diligently dispatching reports back to The Hague. Today, he suggests, if Europe is struggling to work out how best to deal with Vladimir Putin, it is because most countries stopped paying attention after the end of the cold war. "Rediscovering what's happening in Russia has come as a shock to many capitals," he says.

The soothsayer of subsidiarity

For years the EU has been in firefighting mode, battling to hold the euro together or reacting to unrest in its neighbourhood. These emergencies have consumed energy and resources, but also raised awkward questions about where the limits of European power should be drawn. Across Europe grumpy voters have been turning to populist parties that assail Brussels for its bureaucratic excesses. The assignment granted to Mr Timmermans thus represents a double gamble. First, that the EU can reform itself in the teeth of crisis. And second, that the forces behind greater integration, particularly in the economy, need not spill over into areas best left to national, or even local, governments. Euro-zone countries may need more fiscal co-ordination, but the EU does not have to have the same tax rates (or olive-oil rules).

Fluent and more-or-less accentless in six European languages, fiercely ambitious and the proud owner of a formidable intellect, Mr Timmermans is well placed to take on Brussels's bureaucratic machine. But he can expect resistance. "He's up for a rough ride," warns one sceptical MEP. A recent row with the European Parliament over his decision to withdraw a "circular economy" (ie, recycling) plan may portend more trouble ahead.

If Mr Timmermans has a weakness, say observers, it is a scratchy vanity that can rub colleagues up the wrong way. He always thinks he knows best, says a former colleague, and, even more troubling, he usually does. But if his ambition sometimes tips into arrogance, that may not be the gravest sin in a place that too often takes pride in consensus over conflict. In the original book, Dr No, who had grand plans of his own, saw them thwarted when he was buried alive under a heap of bird guano. Europe's bureaucrats and lawmakers may not be too fond of him, but Mr Timmermans should at least escape that fate. ■

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Britain's role in the world

Muscle memory

Britain's strategic ambition has shrivelled even more than its defence budget

BRITAIN has long prided itself on punching above its weight diplomatically and militarily. Yet in its response to Russian aggression in Ukraine, Europe's most serious security crisis for a generation, it has been little more than a backseat driver. When the fighting flared up, it was François Hollande of France and Angela Merkel of Germany who flew to Moscow. Britain's prime minister, David Cameron, was nowhere to be seen.

Britain was also notably slow to react when Barack Obama announced he was forming a coalition to defeat Islamic State last September. In a House of Commons vote held, languidly, a few weeks later, the government only asked for authorisation to strike IS targets in Iraq. Even now, Britain's effort appears puny. In a report published last week, the Commons defence committee noted that the country had carried out less than one air strike a day. When the committee visited Iraq, it found a total British military contingent of just three people outside Kurdish areas. America, by contrast, had offered 3,100 troops. Even Spain and Italy have sent around 300 troops each. In all, the MPs said, Britain's efforts are "strikingly modest".

Rhetorically, the government remains committed to the idea that Britain is a great power. The last Strategic Defence and Security Review, in late 2010, paved the way for a cut of 8% in the defence budget. (The damage ended up being close to a quarter in real terms.) Yet the review opened with a bold declaration: "Our country has always had global responsibilities and global ambitions. We have a proud history of standing up for the values we believe in and we should have no less ambition for our country in the decades to come."

Britain has slipped from fourth to sixth in the global defence spending league since 2012, according to SIPRI, a think-tank—putting it behind France, Saudi Arabia, Russia, China and America. But in truth, its relative military decline has been less dramatic than the country's diminished appetite to be a leading security player on the world stage. The hangover from what are perceived to have been costly and unsuccessful campaigns in Iraq and Afghanistan and a sour, introspective national mood, reflected in a Commons defeat for the government in August 2013 over action in Syria, has made the political establishment fearful of making the case for what the chief of the defence staff, General Sir Nick Houghton, in a speech before Christmas, described as "a grander role, a greater ambition, a place beyond the ordinary…a nation which has values as well as interests, and which considers it has a leadership role in the world".

Sir Nick may be closer to public sentiment than the politicians. Two weeks ago an annual poll on British attitudes towards international priorities conducted for Chatham House, another think-tank, found that nearly two-thirds of both the general public and "opinion-formers" wanted their country to aspire to be a great power and not accept decline—the highest level since the first survey in 2010.

To be fair, Britain is quietly pulling its weight as part of NATO's efforts to reassure members in eastern Europe who feel threatened by Vladimir Putin's irredentist Russia. In 2017 it will be the lead nation for the alliance's new 5,000-strong rapidly deployable spearhead force. Another good sign is the growing number of joint projects stemming from the Anglo-French defence treaty of 2010, which recognised a shared interest in still wanting to play a global role with reduced means. Money has been saved on testing nuclear weapons, developing an unmanned combat aircraft and producing a new anti-ship missile.

The Conservative-led coalition can also claim success in dealing with the Ministry of Defence's overheated equipment budget, closing a £45.6 billion ($69 billion) hole left by the previous, Labour, government. It committed itself in 2012 to funding a ten-year £159 billion equipment programme that includes two aircraft-carriers, a modernised air-transport fleet, more battlefield helicopters, new attack submarines and destroyers. If the plan sticks, Britain will have smaller but still highly capable armed forces.

That, however, is a big "if". The ministry's Future Force 2020, of which the equipment programme is part, requires spending increases of 1-2% a year in real terms from 2015. A new Strategic Defence and Security Review must be completed by the next government later this year—work on it has stopped because of the general election in May. If Mr Cameron is re-elected, defence will probably have to take at least some of the pain coming from the second stage of the government's austerity programme. That requires departments that are not protected (as health is, for example) to cut day-to-day spending from ▸▸

£147 billion this year to £86 billion by 2020.

That would mean Britain fails to meet its NATO commitment to spend at least 2% of GDP on defence, despite Mr Cameron again pledging to do so at the alliance summit he hosted in Wales only in September. On a visit to Washington last month, Mr Cameron was left in no doubt that Britain's influence would wane significantly if defence spending fell further. Should Labour win power, defence will rank even further down its list of priorities.

Sir Nick worries that Britain no longer has a clear idea of what its armed forces are for. That imperils their future. In the same speech last year, he said: "We need to move on from viewing them with a mixture of sympathy and adoration; we need better understanding of their silent utility as the country's risk managers of last resort." Amid the campaign cacophony of competing retail offerings to voters, that message is unlikely to be heard. ■

Tax evasion

Hiding Sir's Black Cash

The leaking of old data creates fresh problems for HSBC

IN 2008 Hervé Falciani left Switzerland for France, armed with account information on more than 100,000 customers of the Geneva branch of HSBC, where he had worked as a systems engineer. Much of the data, stolen to expose alleged tax evasion, was this week made public in a co-ordinated splash by a group of media outlets, including the *Guardian* and the BBC.

It is not the first leak of its kind, but it is among the biggest (see table). The haul, dating from 2005 to 2007, includes hundreds of embarrassing documents, from internal e-mails breezily discussing undeclared client funds to details of "bricks" of cash being handed over to account-holders. The owner of the Ivy restaurant in London withdrew SFr5m ($4m) in cash in a single day; his lawyer has said this involved no impropriety. The leak dents the image of the London-based bank and may give it a legal headache. It also shows Britain's tax authority to be a laggard.

France began sharing the files with other governments in 2010. Criminal cases are piling up there—and in Belgium, Spain and Argentina. France has concluded that more than 99% of its citizens on the list were likely to be evading tax. Despite saying in 2011 that all 6,000 British-held accounts in the files were "ripe for investigation", the authorities have collected just £135m ($230m) in tax, interest and penalties—less than 1% of the estimated total in the accounts. Only one person has been prosecuted. British lawyers and regulators have taken no action against HSBC (Sir Simon Robertson, a non-executive director at the bank, is also on the board of The Economist Group).

A broader Anglo-Swiss agreement on reclaiming tax-evading money has also disappointed by bringing in around £1 billion in two years—about one-third of the amount that had been expected. This allows formerly tax-shy Britons to pay overdue taxes and penalties anonymously through their offshore banks via a withholding arrangement.

The agency's defenders say it took a "pragmatic" approach to the HSBC files, concluding that the best way to maximise revenue was to offer tax evaders a brief window during which they could come clean and pay reduced, civil penalties. Criminal prosecutions are costly and tricky, especially when the data is stolen, and may have netted even less. But with lurid details appearing daily in newspapers, the taxman seems timorous.

Coming shortly before a general election, the revelations have kicked up a political storm. Conservative MPs have gleefully pointed out that the misdeeds revealed by the leak took place during the previous, Labour, administration. Labour figures retort that they did not come to light until the coalition was in power, and that David Cameron made Lord Green, HSBC's boss at the time, a minister some time after it should have been clear that the bank was in HMRC's sights.

Labour was campaigning against tax evasion and aggressive tax planning by companies even before this debacle. Ed Miliband, the party's leader, has taken aim at Britain's offshore dependencies, such as Jersey and Bermuda, threatening them with blacklisting—even though they are more compliant with global anti-money-laundering standards than most OECD countries. Now they look even more like the wrong targets. Mr Cameron has made a crusade out of stamping out banking and corporate secrecy.

The questions for the bank are whether it reacted quickly enough to tighten compliance with tax laws after governments started to investigate in 2010, and how much pain the scandal will cause. It has moved to put its house in order: its Swiss business now has 70% fewer private-banking customers than it did in 2007, and its global head count in risk and compliance has risen to 24,000—a tenth of the workforce. Still, a whistle-blower (who was subsequently sacked) identified poor controls at the private bank as recently as 2013.

Psst!

HSBC is already under the cosh on both sides of the Atlantic for past sins, including facilitating sanctions evasion and the laundering of drug money. To settle these, it paid $1.9 billion to the Americans, who are now reportedly considering revoking the associated deferred-prosecution agreement. In Belgium, whose diamond dealers were big users of HSBC Geneva, prosecutors talk darkly of issuing international arrest warrants for the current and former heads of the bank if it does not co-operate. In Britain, too, calls for scalps will grow louder—at least until the election. ■

Wall of fame

Data leaks in tax cases

Name	Data stolen from	Date	Leaker	Fate of Leaker	No. of client accounts
Julius Bär	Julius Bär *(Switzerland)*	2005*	Rudolf Elmer	Handed suspended fine for violating Swiss bank secrecy. Appealing	2,000+
LGT	LGT Bank *(Liechtenstein)*	2008	Heinrich Kieber	In witness protection	Unknown
HSBC Geneva	HSBC *(Britain)*	2009	Hervé Falciani	Under French protection. Wanted by the Swiss	100,000+
"Offshore Leaks"	Portcullis TrustNet *(Singapore)* Commonwealth Trust *(BVI)*	2013	Unknown	*na*	120,000+
"Luxembourg Leaks"†	PwC *(Global)*	2014	Antoine Deltour‡	Facing charges for stealing data	548§

Source: *The Economist*

*Documents handed to WikiLeaks in 2008 †Corporate/tax avoidance ‡And second, unidentified ex PwC employee §Corporate tax deals

Bagehot | The Milibandwagon

The Labour Party's campaign is a patchwork of angry protests, with no coherent theme

NO ONE mentions One Nation Labour these days. Ed Miliband's effort to rebrand the Labour Party by purloining a phrase from 19th-century Conservatism was always hard to fathom, not least grammatically. Now it is little more than an awkward memory, a piece of mid-term spin briefly trumpeted by a newbie leader keen to cut his own path—which turns out, on the basis of Labour's general-election campaign so far, not to be terribly one nation anything. Labour's early showing in the campaign has been more divisive than unifying, even as its appeal appears less national, due to the party's shrinking support in Scotland and tin ear to the more affluent south, by the day.

Senior figures in Labour are concerned. One excoriates his party's campaign as an "elongated rant on behalf of the disillusioned, disenamoured and disagreeable". His objection is to the fact that, instead of trying to fix Labour's big weaknesses—its weak polling on the economy and on Mr Miliband's fitness for command—the Labour leader has mainly been promising to spend oodles on the NHS, while launching blistering attacks on business. With hardly a pause to acknowledge the jobs and wealth firms helpfully create, he promises to intervene in energy and banking markets; to raise corporate taxes; and to foist more apprentices, higher wages, more paternal leave and other gimmes onto company books. When the boss of one of Britain's most trusted firms, Boots, dared squeal, the Labour leader denounced him as a Monaco-based tax avoider.

One effect of Mr Miliband's protest politics is that even Labour Party candidates seem unsure what vision of Britain under Labour he is proposing. The party's campaign messages appear fuzzy and disjointed. Mr Miliband wants a more productive private sector, which is good, yet appears to have given little thought to the greater inefficiency of public services, which is not, considering he promises to rescue most of them from Tory ravages. This wooliness is also reflected in an organisational problem. Compared with the Conservatives, whose Australian campaign chief, Lynton Crosby, rules with an iron bar, Labour's campaign lacks a clear chain of command. No one knows whether Douglas Alexander, the campaign manager, Lucy Powell, the deputy campaign chief, or Mr Miliband is in charge.

Labour candidates find this frustrating. Many speak of local issues as most important; this is partly true, but partly an acknowledgment of the weakness of the party's main message—whose architect, Mr Miliband, few are depicting on their leaflets. Out canvassing with an otherwise impressive Labour candidate, Sarah Sackman, in the north London suburb of East Finchley, Bagehot was depressed to witness how quickly, when challenged to explain how a Labour government would be different from the Tories, she resorted to the lie that her party would stop the "Tory privatisation" of the NHS. There is no such Tory scheme; most of the modest role for private health-care providers in the NHS was created under Labour. Yet she was following orders, Mr Miliband having instructed his lackeys to "weaponise" the NHS, on the basis that Britons love it, Labour invented it and it is creaking under the pressures of an ageing population. That is not a vision for Britain. Asked what message they would like to be able to sell on the doorstep, half a dozen Labour candidates gave your columnist the same reply. They would like to be able to say more about aspiration, getting on, hope for the future—the things New Labour used to talk about, and on which Mr Miliband is silent.

Yet his many critics have an awkward problem. Mr Miliband is still likely to be Britain's next prime minister. Electoral history suggests the Tories should be streets ahead; in David Cameron they have a relatively popular leader of a one-term government that has overseen an economic recovery. Labour has the most disliked opposition leader since records began and dismal ratings on the election's biggest issue, the economy. Yet the two parties are level-pegging, on around 32%, which, given the advantage Labour enjoys from outdated constituency boundaries, in effect puts it ahead. To win a majority, the Tories need about a six-point lead, which is hard to imagine. In the likelier event of a hung Parliament, Labour would also be better placed to find coalition partners, among the left-leaning Scottish National Party (SNP), Lib Dems and Greens. Whatever Mr Miliband is up to, his defenders say, it is working.

A crazy kind of logic

Up to a point, they are right. In recent months Labour's vote has been leaking to the protest parties it may end up in government with. Mr Miliband's anti-establishment rant is intended to stanch that flow. It is also based on a calculation that, because the Tories are at close to their core support, there are few Tory-Labour switchers to be had, so less call for the economic reassurance they traditionally look for. Yet Bagehot struggles to understand why Mr Miliband cannot do both things at once.

Strip away the attention-grabbing rhetoric, and many of his prescriptions are sensible. Britain's economy is growing but its workers are unproductive, which is why the recovery has not been widely felt. Improving skills through apprenticeships is therefore an excellent idea, which businesses should applaud. Indeed, had Mr Miliband couched even his more radical ideas in terms of the need to improve markets, not his desire to bash predatory capitalists, he might have won a few of the predators over.

The problem with Mr Miliband is not so much that he is a dangerous extremist; in Germany or Sweden he would be considered solidly centrist. It is that he appears unable to couch, or even consider, his earnestly held beliefs in such a way as to build a consensus of support for them. The impression is of a political autistic, with extraordinarily little awareness of how he comes across or willingness to learn from his mistakes. That is a worrying trait in the man pitching to be Britain's next leader. ■

Teacher recruitment

High-fliers in the classroom

Programmes that place bright and ambitious graduates in poor schools are spreading around the world—and show what it takes to make a difference

"IT'S not enough to have a dream", reads a banner over the whiteboard in Nancy Sarmiento's Baltimore classroom. Most of her 12-year-old pupils qualify for a free or cheap lunch. About 70% of the school's new arrivals last September had reading and mathematical skills below the minimum expected for their grade. Americans call such schools "disadvantaged". Whatever the label, most countries have schools where most children are from poor families, expectations are low, and teachers are hard to recruit. And in most, the falling prestige of the teaching profession makes matters worse.

But Ms Sarmiento, who graduated from a four-year biology degree course a year early, had to see off fierce competition to win her teaching spot. Teach for America (TFA), the scheme that placed her, accepts just one in six applicants. It looks for a stellar academic record and evidence of traits that distinguish the best teachers in tough schools, including leadership, resilience and motivation to help the poor. Recruits get five weeks' training and pledge to work for two years in a disadvantaged school.

When TFA's founder, Wendy Kopp, came up with the idea while an undergraduate, her adviser told her she was "deranged". She proved him wrong. After two decades of growth, the number of applicants is falling slightly as the graduate jobs market strengthens. But it is still popular: with five weeks remaining till this year's deadline, it has received 36,000 applicants—twice as many as a decade ago. And thanks to its 25-year history and 40,000 alumni, Americans are no longer surprised that bright, ambitious graduates want the most demanding teaching posts.

Now schemes modelled on TFA are spreading around the world. A quarter of European and Latin American countries, as well as Australia, China and India, have something similar. Many of the schemes are new, with just two or three cohorts placed in schools. Teach for Haiti, launched in January, became the 35th. Ambitious youngsters are attracted by the lack of a requirement for a teaching qualification, the chance to make a difference—and the high-energy approach. Lithuania's programme is called "I Choose to Teach!"; Latvia's, "Mission Possible". Many applicants have degrees in mathematics and science, subjects where teachers are scarce. Typically just one in ten is accepted.

Results seem positive, though so far there have been few rigorous evaluations. Pupils of TFA recruits do just as well in reading as those of other teachers; in maths, their test scores are better. Britain's Teach First has been credited with helping to improve standards in London. It now provides nearly a quarter of new teachers in the country's most difficult schools.

Critics, including teachers' unions, fret that a few weeks of training is too little for a novice teacher, no matter how gung-ho. But Teach First's training has been rated "outstanding" in all 44 categories reviewed by Britain's schools inspectorate. Like its counterparts elsewhere, Teach First provides the graduates it places in schools with support. Experienced colleagues help them with lesson planning and mentors visit their classrooms. Most enroll in a teacher-certification course (some countries insist on this), meaning that university tutors are on tap, too. Few new teachers anywhere else get so much hand-holding.

That help is essential. New teachers, whatever their route into the classroom, struggle most in their first two years, even in the easiest schools. Tomas Recart, who co-founded Chile's programme in 2009, learned that the hard way: after three months, a fifth of the first cohort had dropped out. Now 90% return for a second year—a higher share than for all novice teachers, in all types of schools. The early retention rate is similar for TFA itself.

Some countries add weekend gatherings and seminars for participants to swap ideas and commiserate. Recruits may even be "overloaded with support", says Dzameer Dzulkifli, who runs Malaysia's scheme—which could be a waste of more than their time, since such support is expensive in the rural areas where many are based. Indeed, the cost of the TFA model is what may prevent it going mainstream. Australia's programme is best thought of as a demonstration project, says Bill Louden of the University of Western Australia: "excellent and tiny" and showing what can be done with three times the usual spending per trainee.

But such pilot programmes matter because they can drag standards up across the board. Several schemes, including those in Bulgaria, India, Malaysia and Mexico, are doing better than the state at tracking teaching quality and student out- ▸▸

comes. Local and national governments are starting to take note. And most countries' programmes aim to turn out alumni who will lead more than a single classroom. Some, they hope, will become head teachers. Several help participants find private-sector jobs after their two-year stint. Ideally, leaders in any sector who have seen the battlefield will become powerful allies in the quest to improve the worst schools.

Around 50-70% of those who have been through the established programmes stay in education for the long haul. Many take senior positions in public administration. Fifteen of the 115 who have completed Peru's programme now work in its education ministry. A team of alumni from Lithuania's scheme recently helped draft its ten-year education strategy. A fifth of school principals in Washington, DC, are TfA alumni, as are its schools chancellor, Kaya Henderson, and several of her senior staff.

Many of those who leave teaching move to social programmes or start-up ventures. Chaitra Murlidhar, an engineer and alumna of Teach for India, now works for a non-profit foundation set up by Thermax, a large manufacturer. A teacher-retraining scheme she designed is being used in Pune, an industrial city in west India. Alumni in Australia and Spain have created online teaching resources for teachers and pupils, such as digital and video lessons that can be personalised.

One of the most useful things TfA and its many offshoots can do is what Brett Wigdortz, the founder of Teach First, describes as "detoxifying the brand of teaching". Last year Teach First was runner-up in a national poll to find Britain's most prestigious employer of graduates. Just as important, says Evgenia Peeva of Teach for Bulgaria, is to demonstrate that poor children from barely literate families can learn—if they have excellent teachers. Back in Baltimore, Ms Sarmiento says her main task is to ensure her pupils believe that, too. ■

English-language education

The mute leading the mute

MEXICO CITY

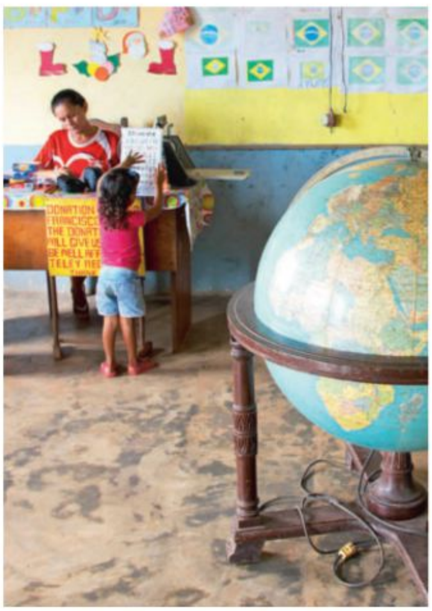
Why are countries failing so badly at teaching English?

AGUSTÍN has spent 29 years teaching English in Mexico City. It has often been a thankless task; many pupils yawn their way through class. But their lack of interest may be compounded by his lack of English. Ask him where his next lesson is, and he replies, "nine o'clock".

He is not unusual in Mexico, despite its proximity to America. A recent survey by Mexicanos Primero, an education NGO, found that four-fifths of secondary-school graduates had "absolutely no knowledge" of English, despite having spent at least 360 hours learning it in secondary school. English teachers were not much better: one in seven had no English whatsoever.

Comparable global data are scarce, but experts say the situation is similar in much of the non-Anglophone world. Common problems include bad teachers hired via written tests rather than oral ones, and an outmoded approach that sees English as a foreign language to be taught about, rather than a lingua franca to be taught in. Teachers' lack of fluency means too little English conversation in the classroom, says John Knagg of the British Council, so pupils do not get used to using the language. It is as if they were being taught to swim without ever getting into the water.

China has made English compulsory in school from a young age, but teachers are overstretched and mostly underqualified, says Jing Zhao, a visiting researcher at the Harvard Graduate School of Education. Just over 1m English-language staff teach over 200m Chinese pupils, a heroic, if mind-boggling, teacher-pupil ratio. In Guangdong, an affluent province that Ms Jing has studied, just 257 of 53,500 English-language teachers had master's degrees.



English spoken here

Many speak a scripted English in class and prefer to focus on the pen-and-ink grammatical work on which their pupils are examined. "They've been teaching for the tests all their career," she says.

The problem is compounded by education systems that are out of touch with parents' demands for more English instruction. "There's a huge and increasing demand for English, but the supply of teachers and ability to teach English have not kept up," says Mr Knagg. In Japan, for instance, the government has said it will bolster the mandatory English requirement for children in primary school—but only from 2020 when the country hosts the Olympic games.

In Latin America "there is a huge gap between what the system provides and what the students actually need," says Rosangela Bando of the Inter-American Development Bank. The gap widens the farther from cities one goes, she notes. Better-off city-dwelling children are more likely to have private language lessons, internet access or the chance to travel abroad.

But even in state systems where instruction has long been poor, there are signs of change. Agustín's colleague, Armando Velázquez, a mid-career English teacher, refuses to speak a word of Spanish in the classroom and makes the whole of his lessons conversational. At the start of one of his first classes, a pupil mimes vomiting when asked whether he likes English. By the end, the youngster is merrily using it to describe Lionel Messi, an Argentine footballer, as fast, rich and famous.

A year ago Mr Velázquez benefited from an English-language course that he says changed not only his teaching, but his life. Provided by the Inter-American Partnership for Education, it taught him conversational and theatrical methods that he now passes on to his colleagues. Such on-the-job training has also produced results in Chile and Malaysia, says Mr Knagg.

Uruguay takes a different, and more novel, approach. It makes up for its dearth of English-speaking teachers by contracting Filipinos who teach via videoconferencing from Manila to pupils' laptops or tablets in Montevideo. In China, says Yuko Goto Butler of the University of Pennsylvania, good teachers are rotated among schools, and young teachers offer free weekend classes to pupils while earning credits that advance their careers. Interactive technology can help make lessons more lively, as South Korea has discovered.

Ultimately, the goal should be to teach other subjects in English, as Canada is helping China to do, rather than just teaching English. But no one should expect miracles. Even if the most promising innovations are widely copied, fluency will come only gradually; today's pupils must first learn enough English to become tomorrow's competent teachers. ■

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Dalian Wanda

It's a Wanda-ful life

BEIJING AND WUHAN

China's biggest property tycoon wants to become an entertainment colossus

WANG JIANLIN started life with a red spoon in his mouth. His father was a Communist military hero who fought alongside Mao. Thanks to his influence, the youngster was able to join the People's Liberation Army at 15 and so avoid the worst deprivations of the Cultural Revolution. After 17 years in the army, he decided that the future belonged not to generals but to businessmen. So in 1988, after a stint as a bureaucrat, he formed a property company in the north-eastern city of Dalian, using $80,000 of borrowed money.

His firm, Dalian Wanda, is now China's biggest private property developer, with shopping centres opened, or coming soon, in 100 cities. Last year its revenues rose to 243 billion yuan ($40 billion), up by 30% on a year earlier (see chart 1, next page). The $3.7 billion flotation of its property division in December sent his personal fortune soaring past $25 billion: he vies with Alibaba's Jack Ma for the title of the country's richest man. Now China's land king is going global and diversifying from property.

He is doing so in style. You do not expect blaring disco music and strobes, leggy beauties and champagne first thing in the morning. But that is how Mr Wang—who favours private jets and flashy yachts (he owns Sunseeker, the British maker of the sleek craft seen in James Bond films)—celebrated his latest deal on February 10th. In the glittering ballroom of the Sofitel Wanda hotel in Beijing, he toasted a $1.2 billion deal to buy InFront Sports & Media, which holds some of the marketing rights to FIFA's World Cup. The previous month he took a 20% stake in Atlético Madrid football club. Mr Wang is also on track to become the world's biggest owner of five-star hotels, with billion-dollar investments in Sydney, London, Chicago and Los Angeles.

Hollywood moguls were perplexed when some Asian guy they hadn't heard of bought AMC, a big but struggling American cinema chain, for $2.6 billion in 2012. Some scoffed at his plans to spend $8 billion on the world's largest studio complex in Qingdao, China. But they certainly took note when he got Leonardo DiCaprio, John Travolta, Kate Beckinsale and other celebrities to fly there for the project's launch in 2013. He is now rumoured to have Lionsgate, the studio behind "The Hunger Games", in his sights.

Out-Disneying Disney

Mr Wang wants to transform Dalian Wanda into a global entertainment colossus capable of beating Disney, which plans to open Shanghai Disneyland next year. He is dreaming up acquisitions that will increase his group's annual revenues by 2020 to $100 billion, a fifth to come from outside China. He insists it can become a global force like Google and Walmart.

Mr Wang is clearly a man of Napoleonic ambition. The influence of his years in the PLA, where he rose from border guard to regimental commander, is evident. He is now 60 but maintains a trim figure and erect bearing. He also insists on iron discipline at work. Employees are fined for violating his conservative dress code.

However, his charmed career and his free-spending ways raise several important questions about Dalian Wanda's future. Could the cash cows funding his spending spree—those giant shopping centres—run dry as Chinese consumers switch to buying online? Does his diversification into ego-stroking industries make business sense? And will the close ties with government that have served him well thus far prove a liability in future?

Take the threat to his core property business first, where Wanda's bricks-and-mortar empire faces the twin dangers of a weak property market and rising online competition. China is experiencing a tidal wave of retail development. Jones Lang LaSalle, a property-management firm, estimates that the total floorspace at shopping malls in the biggest 20 cities will rise from 62m square metres now to 87m in two years. On top of the risk of oversupply, the value of the land on which developers' loans are secured is falling. Both problems are worse in the country's secondary cities.

Yet Wanda's prospects look strong. One analyst who studies the group thinks its strategy of building malls only in the heart of secondary cities, compared with that of rivals who chose (or were stuck with) cheaper plots on the periphery, means that "the oversupply issue is less relevant to Wanda." Oscar Choi, an analyst at Citigroup, has visited Wanda Plaza malls in cities large and small; he was impressed by how efficiently they were run, and their pulling-power among local consumers.

All this is helping the group with its defences against the spread of e-commerce, which is hitting many Chinese shops hard. In August it launched a 5 billion yuan venture with Baidu and Tencent, two leading internet firms, to devise "online to offline" ▸▸

services, in which consumers use their smartphones to choose products but are then led to a physical shop, where they buy them. It also recently bought 99 Bill, a local online-payments firm.

As part of this plan, Wanda is now wiring up all of its shopping centres with Wi-Fi and Bluetooth sensors so that shoppers can be monitored intensely. A new app, to be launched soon, will ping them with promotions and information as they step inside the malls, and will let them do such things as book parking spaces. Consumers can peruse goods on the shelves but pay on their mobile phones to save queuing, and have their goods delivered straight to their homes.

Citigroup predicts that net profits at the firm's property division will keep soaring, rising by over half between 2014 and 2016, to 22.8 billion yuan. Wanda's malls have remarkably high occupancy rates. The firm also compares favourably to its rivals on the income generated by its investment properties, which looks set to rise to 21 billion yuan this year, up by a third on last year (see chart 2).

Studies show that the types of product most affected by e-commerce are those that Mr Wang calls "shopping-basket goods": clothes, accessories, electronics and the like. He acknowledges that sales of these sorts of things are suffering at his centres. To offset this, he is expanding his plazas' offerings in "experiential consumption": karaoke bars, cultural shows and other things that cannot be enjoyed on Alibaba. Wanda has done more than its rivals to shift its malls' mix of tenants in this direction. Now, tenants offering such services occupy about 40% of its floor space, which is to rise to 60% over time.

His diversification into theme parks, film-making and other entertainment services follows a similar logic. As the country's investment-driven model of growth gives way to one focused on consumption, the services sector seems certain to rise. The Chinese government is keen to encourage the rise of strong domestic companies in this area, and as it happens Mr Wang is the best-connected businessman

Asset-heavy 1

Wanda Group, yuan bn

Source: Wanda Group

in the country.

That leads to the most important question: what does Mr Wang's close relationship with high officialdom mean for the future of Dalian Wanda? He is a long-standing member of the Communist Party, and has served as a deputy to its National Congress. CCTV, the main state television network, has named him its "Economic Person of the Year" not once but twice.

Given his firm's operational know-how and its sensible diversification strategy, it would be wrong to dismiss him as just another Asian crony capitalist living off his connections. Even so, these political ties warrant scrutiny. Do they in any way help to explain his business success?

Ask Mr Wang about whether his PLA links have been useful, and he laughs that all he gets from his old army buddies is requests for money. Press him on his association with Bo Xilai, a powerful Communist figure and former mayor of Dalian, now jailed on corruption charges, and he insists that they did not get along. Mr Wang says his firm had already spread beyond Dalian by the time Mr Bo secured power, so he did not need his help to succeed.

Bloomberg, a financial-information firm, conducted a lengthy investigation of Mr Wang's ties to the political elite but in the end did not publish the story. (It was accused of stifling the article so as not to jeopardise the firm's business interests in China, a charge it firmly denies.) Dalian Wanda insists that neither it nor Mr Wang have received any sort of undue benefit from their connections to people in power.

Flush with success

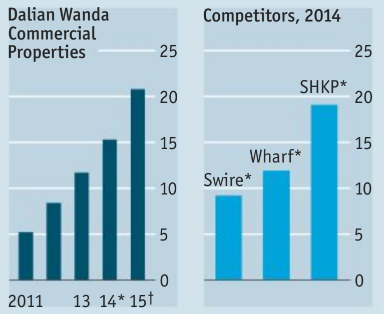
It is fair to say that Mr Wang's commercial acumen has played a large part in Dalian Wanda's success. Independent accounts describe how he got his first break by doing unpleasant tasks that cosseted, state-run property firms spurned. For example, when Dalian's civic leaders wanted to redevelop the city's slums, he jumped at the chance. By adding a small toilet to each refurbished flat—a luxury enjoyed only by members of the elite at that time—his firm built its reputation.

Wanda was also ambitious in expanding beyond its home base, something made difficult at the time by a thicket of regulations and local favouritism. Doing so won it economies of scale, and forged a national brand. Far from chasing politicians, Mr Wang brags that these days they are chasing him—and that he turns down most of their offers of cheap land.

Despite the country's reputation for endemic graft, "It is possible to get prime land in China without being corrupt," insists Yvonne Zhou of the Boston Consulting Group. Especially in smaller cities, she says, local governments are falling over themselves to modernise their centres by attracting a prestigious Wanda Plaza.

High-rise 2

Investment-property income, yuan bn



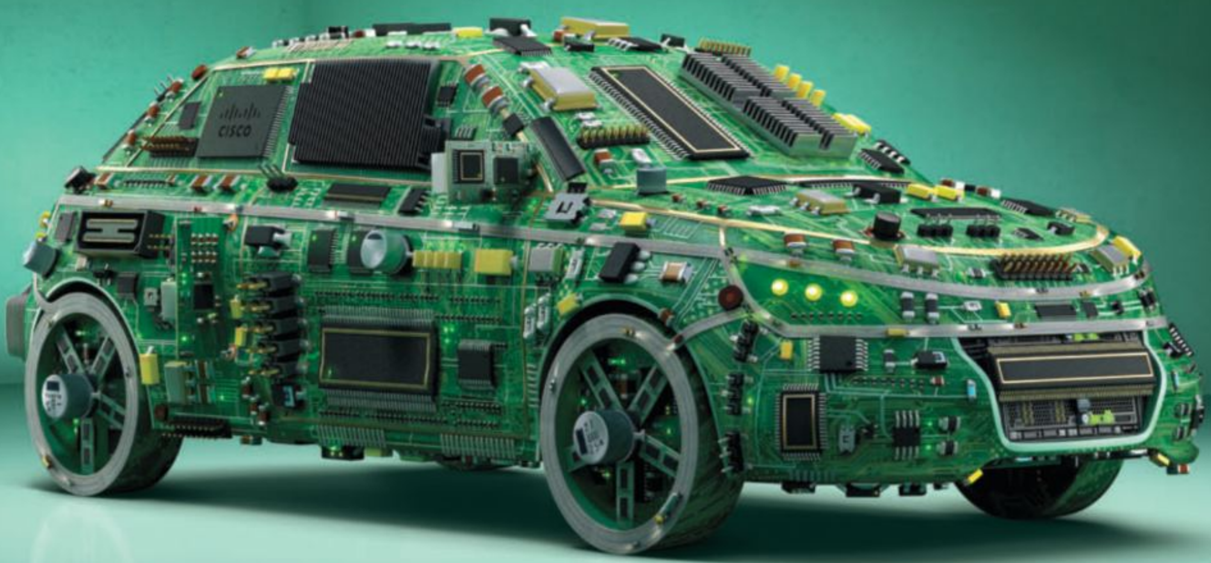
Source: Citigroup *Estimate †Forecast

Though sceptics may exaggerate Dalian Wanda's dependence on links to officialdom, the firm's recent move into cultural industries has clearly been made with government support. President Xi Jinping, now waging a fierce anti-corruption campaign, sees the promotion of traditional Chinese culture (which the government describes as the "spirit and soul of the nation") as vital to projecting China's soft power abroad and maintaining the Communist Party's grip at home. Development projects (like Wanda's malls) that have a cultural element enjoy swifter approval.

Asked about his firm's involvement in this campaign, Mr Wang boasts that AMC's cinemas showed no Chinese films before his takeover but now show up to ten a year. The soft-power policy is "very beneficial" to his firm, he says. Public documents show that it received at least 7.9 billion yuan in subsidies between the start of 2011 and mid-2014. Investors also warm to businesses whose strategy is in tune with official policy: "It is easier for cultural industries to be publicly listed," says Mr Wang.

In December his firm held a celebration in the interior city of Wuhan to mark the opening of a culturally-themed development. A 1.8 square km plot in the old city has been rebuilt with a 1,700 metre canal, a Wanda department store, two Wanda hotels and several office buildings. The centrepiece is a spectacle called the Han Show (a sort of cross between Chinese opera and Cirque de Soleil). When Mr Wang turned up, he was given a welcome befitting a senior minister: streets were closed, billboards everywhere sang Wanda's praises, and local officials paid their respects.

Designer suits, luxury yachts, extravagant parties: Mr Wang risks coming across as too much the playboy in an increasingly Cromwellian China. He deserves credit for building a mighty business empire, and certainly has much to celebrate. But as his ambition grows, investors may come to see his enviable contacts as a growing vulnerability. The son of a Communist guerrilla hero should know that from time to time the party suddenly and unexpectedly devours its own. ■



Fashion designers

Strutting their stuff

MILAN

The purpose of fashion shows is changing. Now everyone can watch

FOR fashion buyers and editors, New York Fashion Week, which opens on February 12th, marks the beginning of their twice-yearly, month-long tour of the world's main shows. London, Milan and Paris come next; and in the autumn they repeat the circuit.

Lots of aspiring fashion hubs in emerging markets, from Shanghai to Mumbai, are also staging lavish shows. With a 10- to 15-minute catwalk display costing up to a few million dollars, some industry commentators wonder if there are better ways for fashion brands to spend their marketing budgets than parading their wares at more and more shows. Yet, for now at least, they remain central to the business of flogging posh frocks.

Fashion houses take part in them for two reasons. First, because buyers from department stores and other retailers are in the audience, ready to sign contracts if they like what they see. Second, as a broader brand-building exercise, to convince consumers that a label is still at the cutting edge. In recent years, the second of these motives has become more central.

That is largely because luxury brands have been cutting out the middlemen in their distribution chains. More than 80% of the shoes, bags and other products bearing the Prada label are now sold in its own shops, compared with about 50% a decade ago. For Burberry, the share has grown from less than 40% to more than 70% over the same period. So the fashion shows have become less about selling the latest collection to other retailers' buyers and more about communicating the brand's image to a wider public.

Fashions change faster than they used to: brands can no longer get by with just two collections a year. They launch new ranges more frequently, often staging their own publicity events. But the main fashion shows are still the image-burnishing flagships of a more diffuse promotional effort.

Franca Sozzani, the editor of *Vogue Italia*, says little has changed in the staging of the main shows. But digital technology and social media are making them more accessible to the public. Most are now live-streamed online. As with book publishing (see Schumpeter), this means there are now legions of fashion "influencers", with big followings on Twitter, Instagram and Pinterest. A recent survey of the luxury industry by the Boston Consulting Group (BCG) concluded that word of mouth overtook magazines last year as the biggest influence on consumers' purchase decisions.

Burberry has led the way: it was one of the first to live-stream its displays, and last September it became the first to use Twitter's "buy" function, allowing consumers to purchase items straight off the catwalk. Streaming also helps the fashion firms gather information on fans: Marc Jacobs, an American designer, has used it to capture e-mail addresses, by getting devotees to register in advance for live-streams in return for a chance to win tickets to shows.

The luxury industry in the 1990s was defined by the rise of global brands. The 2000s were all about those brands taking control of the retail "experience" offered to customers. The BCG report posits that in the coming decade, the industry will focus on getting to know individual customers. Fashion shows are part of that model. ■

Crowdfunding

The stars are the limit

A video game smashes crowdfunding records by raising $72m—and counting

AS STARSHIPS go, it's cheap. For $180 you can buy a Constellation Taurus, a 59-metre, 80-tonne freighter that is perfect for anyone looking to break into interstellar trading. Or at least it will be. Would-be space truckers who pay up now will have to wait until 2016, when "Star Citizen", a video game being developed by Cloud Imperium Games (CIG), is ready for lift-off.

Crowdfunding—in which artists, authors and designers raise money directly from their fans—has been good to the makers of video games. Since the launch in 2009 of Kickstarter, the best-known crowdfunding website, dozens of designers have been able to short-circuit the big publishing firms. The most successful have raised several million dollars each.

But "Star Citizen" stands above all the others. Its initial crowdfunding push, run simultaneously in 2012 on Kickstarter and CIG's website, raised about $6m. But the donations kept coming. So far the game has accumulated $72m; another few million dollars rains down every month. That makes it the biggest crowdfunded project, of any sort, yet seen. Its nearest competition is Ethereum, a Bitcoin-inspired publishing platform, which raised $18m.

Every cent has come from roughly 750,000 ordinary fans. In return for pledges—ranging from $36 to $18,000—they get virtual spacecraft to use in the game, early access to unfinished versions, T-shirts and so on. What they do not get is equity in the business or a cut of any profits. As with other "reward crowdfunding" campaigns, these modern-day patrons of the arts are willing to pay because they like the idea of "Star Citizen" and want to see it produced. Video-game budgets are hard to pin down, but $72m puts it in the top flight, alongside blockbuster franchises such as "Halo" and "Grand Theft Auto".

Bigger, more conventionally financed games-makers try to appeal to as broad an audience as possible. However, there is a chunk of the audience that "doesn't want those compromises," says CIG's owner, Chris Roberts. "Crowdfunding allows you to reach them directly." His reputation has made it easier to get them to part with their cash: he made his name in the 1990s with a popular game called "Wing Commander".

Even so, some fans fear Mr Roberts is taking on a bigger, more complex project than he can handle. In response, he notes that one advantage of games is that they can be released in stages to reassure backers. CIG has already sent some of them a module that lets them take a tour of their new spacecraft, and another that lets them stage dogfights with other craft. Their feedback will be used to improve the game.

Mr Roberts, who has also worked in Hollywood, thinks crowdfunding could work for big-budget films and television, two other risky sorts of production that can inspire rabid devotion in fans. They would have to find ways to involve fans in the production process without giving away the plot. "But if Joss Whedon [a producer of cult science-fiction shows] wanted to do another series of 'Firefly', I bet he could raise a hell of a lot of cash." ■

Boldly going where no fund-raising effort has gone before

Sanctions against Russia

Fancy footwork

How businesses linked to blacklisted oligarchs avoid Western sanctions

AS THE West is loth to go to war against Russia over Ukraine, its main levers for persuading Vladimir Putin to back down are economic. And the principal economic tools at its disposal are sanctions, which have tightened incrementally since last March. Their importance as a policy was underlined this week, when European Union foreign ministers adopted new measures against 19 individuals and nine entities (implementation was delayed for a week to give diplomacy a chance).

In several cases, however, companies that would have been subject to sanctions because of their links to "designated" Russian oligarchs have managed to wriggle free of the restrictions with well-timed transactions. These have had the effect of reducing the stakes held by parties subject to sanctions below thresholds that would trigger penalties against their businesses. "The blatant manner in which [some Russian entities] have avoided sanctions raises questions about the effectiveness of the existing system and the willingness of the West to enforce its own rules," concludes an unpublished report by a corporate-investigations firm that has been seen by *The Economist*. It was compiled for one of the many Western companies that fret about whom they can or cannot do business with under the sanctions regime.

A striking example is Sogaz. Originally set up by Gazprom, an energy giant, the company provides insurance to Russian firms, including numerous ones on sanctions lists. The company reinsures its risks in Western markets. (It also sponsors Russia's top football league.) Every member of the Sogaz board, including Alexey Miller, the boss of Gazprom, is affiliated with a sanctioned entity. Mr Putin's nephew is a deputy chairman of Sogaz.

Until March 51% of Sogaz belonged to Bank Rossiya via a wholly owned subsidiary, called Abros. Rossiya is Russia's 17th-largest bank, and its owners have links to Mr Putin. The remainder of the shares in Sogaz were divided between Gazprom, its subsidiaries and other figures close to the president. This included a stake held indirectly by Gennady Timchenko, a billionaire investor whom America assumes to be a member of Mr Putin's inner circle (Mr Timchenko has denied this).

Rossiya was put on the sanctions list on March 20th 2014. Under the rules, Sogaz should have been too, as an entity that is 50%-or-more-owned by a sanctioned party. But Rossiya transferred a 2.5% stake to Sogaz Realty, a subsidiary of Sogaz, the week before the sanctions were imposed, according to the insurer (see diagram, next page). Investigators who have seen the paperwork note that the transaction was not filed with the Russian authorities until March 24th, after sanctions took effect. With Rossiya's stake below 50%, Sogaz was able to produce comfort letters showing Western counterparties that it was not subject to sanctions. A note in Sogaz's 2013 accounts, published in April 2014, mentions Rossiya losing control through a share transaction, but gives no reason for it. A Russian newspaper quoted a source at Sogaz as saying the share-rejigging was part of an "incentive programme for top management" that it had planned since late 2013 (before the Ukraine conflict erupted).

The transaction let Sogaz avoid sanctions because of a gaping loophole: a firm controlled by several sanctioned entities was not itself subject to sanctions if none of them individually owned 50% of it. The Office of Foreign Assets Control (OFAC), the arm of the US Treasury that oversees sanctions, closed the loophole in August. Now, a firm is blacklisted if the stakes of sanctioned individuals add up to 50% or more. (The EU has a similar rule.)

Under these new rules, Sogaz should have been subject to sanctions because of its links to both Bank Rossiya and Kordeks, a 12.5% shareholder reportedly controlled by Mr Timchenko, whom America had blacklisted several months earlier. (Mr Timchenko declined to comment on this or any other details of his affairs.) However, in another exquisitely timed transaction, Rossiya cut its stake again—according to the paperwork, two days before the OFAC changes were announced—thus helping Sogaz avoid sanctions once more.

A document published by Sogaz in late August states that Abros, the Rossiya subsidiary, now held only 32.3% of Sogaz. It said the transaction had taken place on August 6th and had been registered on August 11th, just before the sanctions were expanded on August 13th. (The 16.2% stake was offloaded to a subsidiary of Gazprom, the gas giant confirmed; Gazprom and its subsidiaries are not subject to full sanctions, but to looser ones, such as restrictions on financing in Western markets.) This meant that the total shareholdings in Sogaz of sanctioned parties had fallen to 44.8% (Abros 32.3%, Kordeks 12.5%), again bringing it below the threshold.

You belong to yourself

In another curious development, Rossiya later seems to have given away its remaining stake in Sogaz, by transferring ownership of Abros to Abros itself. The terms of the transaction are unknown. Russian media reported that in September, as part of a "restructuring", it sold the stake to Abros's management as part of a "motivation programme". This explanation is odd, as Abros appears to have only one employee. As the investigators' report puts it, Abros "appears to be only a shell company with nobody to incentivise".

Another striking feature is that a tiny sliver of Abros is not management-owned. According to corporate records, a stake of 0.004% is held by a firm called Bolshoi Dom 9 (Big House 9), whose six shareholders (including its largest investor, Yuri Kovalchuk) all own stakes in Rossiya or are ▸▸

affiliated with the bank. Two of them are linked to Sogaz. This stake is very small but attracted the private investigators' attention. Given the shareholders' links, "the assumption must be that they continue to exert influence over Abros and, therefore, Sogaz," they conclude. Neither Rossiya nor Sogaz responded to multiple e-mails seeking comment.

Abros was and remains on America's sanctions list. So it is unclear why Rossiya, also under sanctions, would want to distance itself from its former subsidiary. It could be that Rossiya hoped that if Abros were no longer a majority-owned subsidiary of the bank, it would be taken off the list. But this has not happened.

Mr Timchenko is also a founder of Gunvor, a giant oil-trading firm, along with Torbjorn Tornqvist, a Swede. Until March 2014, 43.6% (and 50% of the voting rights) of Gunvor was owned by Fentex Properties, of which Mr Timchenko is the sole beneficial owner. An identical stake was held by Frefika Foundation, a vehicle owned by Mr Tornqvist. The remaining 12.8% was owned by a share plan for senior Gunvor employees, with no voting rights.

When Mr Timchenko was put on OFAC's sanctions list on March 20th 2014, America alleged that Mr Putin had an undisclosed economic interest in Gunvor. The day before, Fentex Properties sold its stake in Gunvor to Mr Tornqvist, giving him 87.2% of the shares and 100% of the voting power. This allowed Gunvor to continue trading without restrictions.

Gunvor denies that Mr Putin is a beneficiary of Gunvor or its activities and says Mr Timchenko "has absolutely no ongoing involvement" in the firm. It agrees that the transaction's purpose was "to de-risk the company from potential sanctions against Mr Timchenko". But it says Messrs Timchenko and Tornqvist "had been in talks about a divestiture for a while prior to the actual sale", in part because of strategic differences. It says this process was speeded up after the first round of sanctions on March 6th. Gunvor insists it was a "fair-value sale" and—contrary to any suggestion that the stake was being parked temporarily with Mr Tornqvist—is "irrevocable".

Another business linked to Mr Timchenko is the Hartwall Arena, a venue in Finland that has hosted concerts by the likes of Miley Cyrus and Aerosmith. Until last year it was jointly owned with two brothers who have long been friendly with Mr Putin, Arkady and Boris Rotenberg, with Mr Timchenko and the Rotenbergs each owning 50%. The Rotenbergs also had sanctions imposed on them on March 20th. Several big concerts were threatened with cancellation because of worries that the arena itself would be blacklisted.

At some point around the time of sanctions—it is unclear when exactly—the shareholding structure changed. According to Russian and Finnish media reports, Roman Rotenberg, a son of one of the brothers, acquired 100% of the vehicle through which they held their stake, as well as a small stake from the Timchenko-controlled outfit, bringing Mr Timchenko's stake in the arena down to 49.5%. Since the son was not on the sanctions list, total ownership of the venue by sanctioned parties thus fell to 49.5%, meaning it could continue to be used for concerts by Western stars without repercussion. Roman Rotenberg told a Finnish newspaper that a deal for him to take control had been in the works since 2013, before the Ukraine conflict. *The Economist* sought comment from the Rotenbergs through SMP, a bank they co-own, but was unable to reach them.

Western lawyers say other Russian companies have concluded similarly well-timed transactions, the effect of which has been that they avoided sanctions. Two senior sanctions lawyers told us they have seen evidence of such transactions, though neither was willing to provide names. In several cases, says one, the European subsidiaries of Russian companies thought to be controlled by parties on sanctions lists suddenly appear to be only indirectly owned by them, thanks to the creation of a new corporate layer (ownership of which is hard or impossible to ascertain) to hold a majority stake in them. The timing of these share shuffles is "lucky", says another lawyer. "I want to be with these guys at the blackjack table."

OFAC declined to comment on these specific cases or on whether it might broaden its sanctions so that businesses subject to this sort of share transfer remain blacklisted. It did say that it encourages Western firms to watch out for purported changes in ownership, in which someone subject to sanctions sells shares in a "sham" transaction—for instance, at below market value or in a temporary arrangement. Even in scenarios where a bona fide transfer brings sanctioned parties' combined stakes to below 50%, OFAC says it would continue to urge Western counterparties to exercise caution, as "such entities may be controlled—even if not owned" by blacklisted parties, for instance through nominees.

Feeling the pain

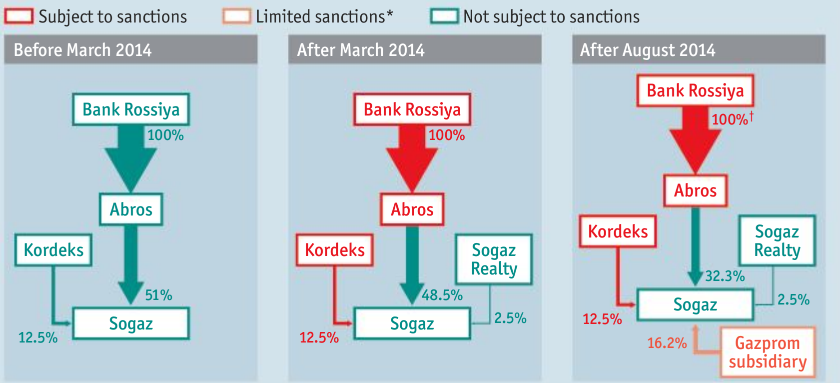
Some lawyers think OFAC will not be too concerned about cases like that of Sogaz because it is not those firms but their owners who are the main targets. Even if some of their businesses dodge sanctions, the oligarchs who have had to loosen their grip on them are still feeling pain. "The sanctions are broadly working," says Jeremy Zucker of Dechert, a law firm. What matters more to OFAC than the timing of the divestments is that they are genuine transactions, not window-dressing—so that the blacklisted are forced to sell assets they would rather keep.

Moreover, even if a holding manages to avoid blacklisting, it might still suffer if Western firms give it a wide berth, anticipating a further tightening of the sanctions. Indeed, much as they insist their rules are clear, Western governments design them with a degree of ambiguity, so as to encourage Western firms to play safe and shun any company that might conceivably be connected with targeted people.

But this approach increases uncertainty for Western companies that do business (or are considering transactions) with such firms. Faced with this, many have felt obliged to hire investigators like those who looked into Sogaz's affairs. This is costly, and even seasoned sleuths are often unable to give firm assurances about ownership and control, given Russian business's widespread use of offshore jurisdictions, points out Judith Lee of Gibson Dunn, another law firm.

The broader worry is that such cases make it look as if sanctions are too easy to dodge, undermining their credibility at a time when the West wants to appear strong. By letting Russian-linked firms sidestep them through well-timed share transfers, the West may be weakening one of the most powerful tools it has in its dealings with Russia. ■

Changing hands



Source: *The Economist*

*Restrictions on financing in Western capital markets †Later transferred to Abros

Schumpeter | Authorpreneurship

To succeed these days, authors must be more businesslike than ever

THE mystery is worth a book in itself. How could a hitherto unknown novel by Harper Lee, writer of "To Kill a Mockingbird", remain hidden for 60 years, and why was it not published before? For all the swirling questions, there is one certainty. The book will become a blockbuster without Ms Lee so much as signing a copy. If only every author could be so lucky.

Standing out as a book writer today requires more than a bright idea and limpid prose. Authors need to become businesspeople as well, thinking strategically about their brand, and marketing themselves and their products. There is more competition for readers' and reviewers' attention, and fewer bookshops to provide a showcase for new titles. In 2013 some 1.4m print books were published in America, over five times as many as a decade earlier. Publishers are increasingly focusing their efforts on a few titles they think will make a splash, neglecting less well-known authors and less popular themes.

Many authors dream of a happy ending in which, having delivered their *magnum opus*, they sit back and enjoy an endless stream of royalties. But these days, writing a book is just a prologue to more work. Even the most successful writers need to invest large amounts of time and resources in promoting themselves. Authors mostly used to rely on public-relations staff provided by the publishing house. Now, wise writers hire their own publicists, whether they are unknowns just starting out in the business or stars such as J.K. Rowling of "Harry Potter" fame.

Authors must court an expanding variety of "influencers"—people whose opinions can determine a book's success. Once a select group of newspaper reviewers were the principal arbiters of literary taste. Now, as the amount of newsprint devoted to reviews keeps shrinking, a host of bloggers and social-media pundits fill the gap. The most important are the celebrity endorsers. Oprah Winfrey used to help books soar up the charts by discussing them on her television show. More recently Mark Zuckerberg of Facebook has become an important endorser. Steven Pinker, a psychologist, enjoyed a "Zuckerberg bump" in sales of his book, "The Better Angels of Our Nature", after the social network's boss told his online followers he was reading it.

Prizes like the Pulitzer and Man Booker may send sales as high as a librarian's neckline, but are notoriously hard to win. So are Hollywood film deals. Entrepreneurial authors find it more effective to devote themselves to a more achievable aim: getting onto the bestseller lists. The secret of such lists, the most prominent of which are those in the *New York Times*, is that they do not measure total sales, but their velocity. Books that fly off the shelves in their first week make the lists, and that in turn boosts their subsequent sales. Pre-orders of books all count toward the first week's sales figures, so canny authors try to get people to buy copies in advance of publication. Eric Ries, a lecturer on entrepreneurship and innovation, went on a "pre-book" book tour to drum up interest before his work, "The Lean Startup", even had a firm name, and started selling it online more than a year in advance of its publication. It worked. The book's cover is now able to boast "the *New York Times* bestseller" above the title.

Ruthless authors can go even further. The *Times* compiles its lists by tracking sales at a few thousand shops, wholesalers and online retailers. It is not hard for writers to find out which outlets feed their numbers into the rankings; indeed, there are firms that provide such information, for a fee. Wordsmiths can then route their book tours accordingly, and encourage buyers to place orders at those shops. Another way of working the system is to release a book in a quiet period—such as this month—when there is less competition for a place on the bestseller lists.

It is easier than it used to be to get onto these lists. Last year the *Times* added 12 new bestseller categories, including travel, humour and spirituality. It has also expanded its main lists, to 20 books, which gives more authors a shot at making the charts. Shrewd authors have realised that "bestseller" is a relative term: in some months and some categories they can make the bottom of a list by selling merely a few thousand copies.

Authors, like other entrepreneurs, should not let failure get to them. If they fail to make a *Times* bestseller list, they can always try for another one, such as Amazon's. Cheap e-books can shoot up the website's real-time lists, which is how many self-published authors have gained attention. Their moment of glory may have lasted a mere few seconds, but no one needs to know that.

Chapter and purse

The open secret of publishing is that very few authors can live by books alone. Even some of the most successful ones make most of their money from public speaking, consulting or teaching, and use the publicity gained by their books to justify higher fees. Take Chris Anderson, an author (and former journalist at *The Economist*), who is paid tens of thousands of dollars for each lecture; or Alain de Botton, a writer on philosophy, whose profile brings paying customers to his School of Life. Last month Simon & Schuster, a publisher, announced it would sell online video courses led by some of its authors. Things are more difficult for fiction writers: the organisers of conferences and other events pay good speaking fees to non-fiction writers with a bit of name recognition, but not to the average novelist.

Authors are becoming more like pop stars, who used to make most of their money selling albums but who now use their recordings as promotional tools, earning a living mainly from concerts. The trouble with many budding writers is that they are not cut out for this new world. They are often introverts, preferring solitude to salesmanship. Readers these days want to get to know the creators of the books they buy. Diffident authors may feel uncomfortable with getting so close to their fans. But only the likes of Ms Lee can afford to stay mysterious. ■

Also in this section

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Debt and austerity in Greece

Smoking out the firebrands

ATHENS

Can Greece's new government satisfy voters and compromise with its creditors?

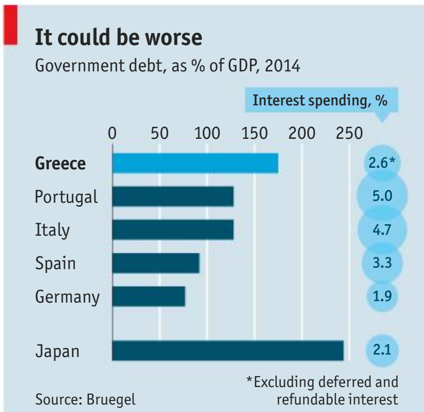
ALEXIS TSIPRAS and his radical left Syriza party worked for more than a year while in opposition to prepare their policy platform. Over 80 committees were charged with producing specific proposals for overhauling different sectors of the Greek economy. Planning for power is one thing; exercising it quite another, especially when a country is in a hole as deep as Greece's.

Syriza's programme, if fully implemented, will result in a sharp fall in revenues and a large increase in social spending. Yet many Greeks stopped paying taxes before last month's elections, anticipating cuts and forbearance. Government revenues fell by more than 20% in January on an annual basis; the 2015 budget is now likely to be derailed by the end of March, says a former finance minister.

None of which plays well with Greece's creditors, whose €245 billion ($277 billion) bail-out envisages austerity and reform, not splurges and backtracking. Wolfgang Schäuble, Germany's finance minister, said on February 10th that if Greece did not seek an extension of its bail-out, which expires on February 28th, "Then it's over." As *The Economist* went to press, Mr Tsipras, now prime minister, was about to meet Angela Merkel, Germany's chancellor, in what promised to be a fraught exchange. Unless some sort of agreement is found soon, another Greek default looms when IMF debts mature in March.

At its root, the problem is simple: Greece does not have enough income to pay its bills. Since the financial crisis began, its economy has shrunk by more than any other rich country's. Between 2008 and 2014 nominal GDP, a rough proxy for an economy's capacity to repay debts, fell by 22%, much more than any other European invalid. The pain at an individual level has been just as sharp. House prices are down by around 40% since 2008. Median incomes fell by 22% between 2008 and 2013; for 18- to 24-year-old Greeks they were down by 38%. The economic collapse is comparable to one on the other side of the Mediterranean, in war-torn Libya.

The bail-outs Greece received in 2010 and 2012 shifted its debts to new creditors



but, despite losses imposed on some private-sector lenders, did little to lower them. At the end of 2009 Greece owed €301 billion, then around 127% of GDP, mainly to the private sector. Today it owes around €315 billion (175% of GDP), all but €70 billion of which comes from public lenders. The country's new creditors are the IMF (€25 billion), the ECB (€27 billion) and European governments (€195 billion).

Greece's new creditors are both generous and demanding. The country's interest rates have been slashed: its total interest payments in 2014 were just 2.6% of GDP, according to Zsolt Darvas of Bruegel, a think-tank. That is lower than several less indebted European countries (see chart).

But the money comes with conditions aimed at stabilising Greece's finances. These include cuts to Greece's minimum wage and pensions, lay-offs of civil servants and the privatisation of various assets, including ports and state-owned buildings. Creditors like Mr Schäuble hope the package will make Greece more competitive and thus spur economic growth, as well as generating a budget surplus to be used to pay down debt. The bail-out plan foresees Greek debt falling to 120% of GDP by 2020.

The crunch has come because Greece wants to keep the low rates but not the conditions. Nadia Valavani, a deputy finance minister, plans to scrap a hated property tax, *enfia*, a popular move that will cost the state €2 billion in revenues. Ms Valavani also says a tax on businesses offering services to tourists will stay at 13% and not be hiked to the standard 23% as planned. The Aegean islands, Greece's most prosperous region, will continue to enjoy lower rates of value-added tax than the rest of the country. The threshold at which income tax bites will be restored this year to €12,000, leaving around 3m low-income ▸▸

Greeks paying no tax. The privatisation programme, due to raise a total of €25 billion, including €3.5 billion this year, has been halted. Altogether these giveaways could cost around €8 billion.

To balance the books Mr Tsipras is pinning his hopes, optimistically, on a tax crackdown. Smuggling cigarettes and fuel costs the government around €1.5 billion a year. Tax-dodging tycoons could furnish some extra income too. Panayotis Nikoloudis, a former anti-money-laundering tsar who heads a new anti-corruption ministry, says there are 3,500 cases of large-scale tax evasion amounting to €7 billion; they could yield €2.5 billion in 2015. But in the unlikely event that all this money were collected, Greece would still be €4 billion short.

Many governments' plans do not add up, of course, and Mr Tsipras has already signalled a willingness to compromise. On February 9th he outlined a four-part plan. First, Greece would keep "70%" of previously agreed reforms; those ditched would be replaced by ten new measures agreed with the OECD, rather than the despised "troika" of the ECB, the IMF and European Commission. Second, it would reduce its primary (ie, excluding interest payments) budget surplus to 1.5% of GDP, from a target of 3% this year and 4.5% in 2016. Third, it would swap much of its existing debt for two exotic types of bond: a "perpetual", meaning that the principal would never be repaid, and a "GDP-linked" bond, with payments tied to the health of Greece's economy. Finally, the government would spend an extra €1.9 billion on "humanitarian assistance" for struggling Greeks.

Greece's creditors can give some ground. Despite the low interest rates the country is being charged, the loans are profitable, since most European governments can borrow at even lower rates. Cut-

Buttonwood | The sky's the limit

Commercial property has been delivering excellent returns

KEEP interest rates low for long enough and the property market will eventually boom. That has been a good rule of thumb for investors throughout history. It is even proving true in Europe, despite the continent's sluggish economy.

According to Real Capital Analytics, an information provider, Europe saw €213 billion ($241 billion) of commercial-property transactions last year, up by 13% from 2013 and the highest annual total since 2007. The number of transactions more than doubled in Spain last year and there were big gains in Switzerland and the Netherlands, too. Three European markets—Austria, Ireland and Switzerland—surpassed the transaction levels of 2007, the top of the last cycle.

Europe's rebound outpaced the 9% rise in global property transactions, although not a 15% rise in American deals. Office buildings and hotels were the most active sectors worldwide.

It is hardly surprising that investors are enthusiastic for bricks and mortar. In both the cash and government-bond markets, yields are zero or even negative. By comparison, yields of 5% on American property or even 4% on office blocks in central London look attractive.

Those yields have been falling, however. Sabina Kalyan of CBRE Global Investors says that prime offices (those in the best locations) in Madrid are now changing hands at 4.5%, compared with around 8% at the bottom of the market. Prime property yields in all Europe's capitals are now at or below the level of 2007.

Nonetheless, the long-term returns from property look very respectable. In the ten years to end-September, American commercial property delivered a total annualised return of 7.9%, according to IPD, a property-information group; returns in both Canada and New Zealand were in the double digits over the same period (see chart). That compares with the 8.1% annual return (including dividends) achieved by American equities over the same period and with the 6.8% annual return achieved on long-term Treasury bonds. The equivalent rates for British equities and long-term bonds were 8% and 6.8% respectively.

So does this mean the market is now hideously overblown and due for another downturn? Not necessarily. Property is vulnerable to three things: a rise in interest rates, a downturn in the economy that hits demand, and a burst of speculative building that leads to oversupply. On the first point, central banks are still cutting rates in much of the world. There is the possibility of rate rises in America and Britain over the next year, but with inflation very low, central banks are likely to be cautious.

The world economy is not exactly racing, but forecasts (for what they are worth) predict GDP growth of more than 1% in the euro area and Japan and more than 3% in America. In any case, prime properties, which investors are most enthusiastic about, managed to weather the 2008-09 recession and so should be resilient to another downturn.

Safe as offices

Commercial property, average annual total returns to September 2014, %

Source: IPD

In terms of supply, it is easy to be misled by the view from *The Economist*'s offices of the flocks of cranes perched over London. This is the exception. Globally there is yet to be the kind of development spree that usually marks the peak of the property cycle. Deals involving development land fell by 29% globally last year, including a 3% decline in Europe.

So it is possible that commercial property's streak could last a good deal longer. Lots of investors need income and the obvious alternative to property—corporate bonds—has had a very good run. Investors have even been willing to accept a negative yield on bonds issued by Nestlé, a Swiss foods group, in effect paying for the privilege of lending it money.

Until the 1970s property was the asset of choice for long-term investors such as university endowments and pension funds. It has been replaced in recent decades by government bonds, which are much more liquid. If yields on bonds stay at Japan-like levels for a while, however, the allure of property will only increase. And if inflation returns, property will be a better hedge than conventional government bonds.

Eventually, such logic will inflate a bubble, of course. Residential property in London (fuelled by a combination of low rates and international capital) has already reached that point. But the surge of interest in second-tier and more speculative commercial-property projects that marks the top of the cycle is only just beginning, at least in Europe. The skyscrapers will tell you when to worry.

Economist.com/blogs/buttonwood

ting them to a profit-neutral level and further extending the duration of Greece's debts could generate savings worth 17% of GDP, according to Mr Darvas. In the spirit of not profiting from Greece's depression, euro-zone officials could also release €1.9 billion in profits from an earlier ECB bond-buying programme.

But Greece's government will have to offer much more in return, and Mr Tsipras will have two constituencies in mind if he reverses course. One is the extreme left of Syriza. On privatisation, for example, both the finance minister, Yanis Varoufakis, and the development minister, George Stathakis, have voiced support for completing the sale of the state's 67% stake in Piraeus Port Authority. China's Cosco, which already runs a profitable container terminal at the port, and Denmark's Maersk were frontrunners among the shortlisted bidders. But one of the left's stalwarts, Theodore Dritsas, is shipping minister and has vowed to block the deal. Panayotis Lafazanis, who heads a new ministry for "productive reconstruction", environment and energy, has blocked two other deals aimed at bringing Greece fully in line with EU energy directives.

The other group Mr Tsipras will have to keep happy is an electorate buoyed by the government's feisty dealings with the rest of Europe. "Whatever happens next, Syriza has given us back our dignity," said Roula Zlatani, a 68-year-old Athenian pensioner. "The government's finally standing up to the foreign powers that have made our lives so difficult." ■

Private equity and energy

Refilling the pipeline

The plunging oil price has pummelled private equity but may now help it

OIL'S fall may be good for consumers, but it has hurt big private-equity firms. Earlier this month Apollo Global Management announced that profits were down by 79% year on year in the three months to December 31st. This week KKR and the Carlyle Group said they were smarting too, with KKR's profits down by 94% and Carlyle's by 68%. Energy-related assets, whose valuations have fallen with the oil price, are largely to blame.

Spurred on by the shale boom in America, private-equity funds have invested heavily in the energy sector. More money was raised for energy buy-outs in America in 2014, and more deals were made, than ever before, according to Preqin, a data provider. "All sorts of folks who would never have dreamed of oil and gas piled in, often loading companies with debt," says Joel Moser of Aquamarine Investment Partners, a fund that has invested in the sector for decades.

Private-equity firms mainly invested in oilfield-services companies, which support the industry but do not own oil themselves. Because such firms are involved in a variety of activities there is greater scope for the type of restructuring private-equity types specialise in, such as selling off less-profitable units or firing people. But the buy-out firms had also begun to invest in oil companies themselves—a more straightforward bet on the oil price.

Carlyle's earnings were dragged down by its stake in SandRidge Energy, a debt-laden oil-and-gas exploration company, which lost 58% of its value over the quarter and has just announced that it is mothballing most of its drilling rigs. Shares in EP Energy, an oil-and-gas company of which Apollo owns about a quarter, are down by 40%. And Samson, an American producer partly owned by KKR, has also fallen in value. (One buy-out firm that got away relatively unscathed was the last of the "big four", Blackstone. Sceptical about $100 oil, it started selling energy assets in 2013.)

Despite such losses, private-equity investors are now more interested in the sector than ever, according to Antoon Schneider from the Boston Consulting Group. Buy-out funds love distressed assets. Many see the situation now as akin to the collapse in property prices in 2008, when investors who had borrowed too much (including many private-equity funds) were forced to sell as prices plummeted. Blackstone's chief executive, Stephen Schwarzman, said in December that the turmoil would be a "wonderful, wonderful opportunity for us".

The giddiness is not without reason: prices for energy-related assets have been slashed indiscriminately. Some oil-services firms that cater to ongoing operations—by providing maintenance for offshore rigs, for example—may have been hit unfairly hard and could well bounce back. Companies that specialise in more expensive ways of getting oil out of the ground, such as makers of offshore drilling rigs and construction vessels, were already suffering from the problem of overcapacity before the price fell and are now in even worse shape. Private equity thrives on such price swings.

Another way to cash in is through credit provision. The volume of high-yield debt in the energy sector is now three times what it was in 2008, according to Credit Suisse. Cheap oil is imperilling borrowers, such as American shale producers, who need cash to stay afloat until prices (they hope) rebound. With banks unwilling to lend and many companies desperate not to sell assets, private-equity firms can name their terms when offering financing.

Such thoughts have sent the buy-out titans into a fund-raising frenzy. Blackstone alone says it has a war chest of $9 billion available for energy investments, not to mention the energy-related debts it might buy through credit funds. Warburg Pincus, another private-equity firm, closed a $4 billion energy fund late last year. Apollo is also raising a multi-billion-dollar fund. All of which holds out a ray of hope for those private-equity funds that are currently sitting on devalued energy investments, provided they can afford to wait it out. ■

India's economy

On the dragon's tail

MUMBAI

New figures show India's GDP grew faster than China's at the end of 2014

IN RECENT weeks economists at Goldman Sachs, the World Bank and the IMF have forecast India's economy will grow a bit faster than China's within a year or two. The day came sooner than they expected. Figures released on February 9th showed that India's GDP rose by 7.5% year on year in the fourth quarter of 2014, a shade faster than China's. The strength of China's economy is often disputed. Now it is India's turn to have its numbers questioned.

The data were foreshadowed on January 30th when India's Central Statistics Office (CSO) released revised estimates of GDP as part of an exercise known as "rebasing". GDP is typically measured by reference to the prices and structure of the economy in a base year. Over time this snapshot becomes less relevant, and the GDP figures less accurate, so the base year is updated every few years. The CSO changed India's from 2004-05 to 2011-12. On the new reckoning, GDP growth for 2013-14 was revised up from 4.7% to 6.9%.

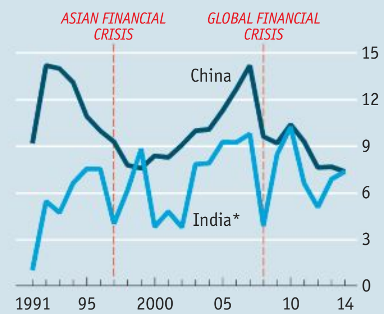
That galloping rate, however, is surprising. India was caught up in an emerging-market mini-crisis in 2013. Narendra Modi's victory in national elections last May owed much to general dismay about a floundering economy.

The estimates for the end of last year are less baffling. True, a real growth rate of 7.5% looks a little too lively given sluggish car sales, feeble demand for credit, and the soggy revenue growth reported by many big listed firms. Tax revenue has not been notably buoyant. But the recent sharp fall in inflation explains some of the discrepancy. Firms' top-line growth has slowed in part because prices are not rising as quickly. The tax take is also harmed when inflation falls. The CSO reckons GDP will grow by 7.4% in 2014-15 in real terms, half a percentage point faster than in the previous year. However, the increase in nominal GDP (ie, including inflation) is forecast to fall from 13.6% to 11.5%. In other words, falling inflation makes it look like economic activity is growing more slowly than it is.

Prospects for India's economy are brighter than for other emerging markets. After a slow start, Mr Modi's government is pursuing reforms more urgently (though a big defeat in elections in Delhi this week may slow things again). Lower commodity prices, which have hurt raw-material exporters such as Brazil, Russia and South Africa, are a boon for India, which imports 80% of the oil it consumes and much else. The current-account deficit has shrunk. The rupee is firm. Last month the Reserve Bank of India reduced interest rates from 8% to 7.75%. The prospects for further rate cuts, and for the economy more generally, depend on what emerges when Mr Modi's finance minister, Arun Jaitley, presents his first full-year budget on February 28th. ■

Indian summer

GDP, % increase on a year earlier



Sources: IMF; national statistics

*Fiscal years ending March, 2011-12 base year from 2012 onwards

Zimbabwe's economy

Nothing for money

HARARE

The introduction of new coins triggers a debate about what currency to use

AS INFLATION climbed towards 80 billion percent in 2008-09, Zimbabweans abandoned the Zim dollar in favour of the American one. Since then, shopkeepers, with no access to American coins, have had to hand out pens, sweets and chewing gum instead of change. Just over a month ago, however, the central bank began issuing "bond coins", denominated in American cents, to be used only in Zimbabwe. That has triggered a debate about whether the country needs its own currency again.

The advantages of the switch to the dollar were many. Overnight, financial discipline was imposed on wayward officials. Inflation stopped dead, boosting growth and bringing about a general expectation of macroeconomic stability. Once normal commerce resumed, importers enjoyed reduced transaction costs and foreign investors did not need to worry about exchange-rate volatility. But now the economy is on the skids again, thanks largely to mismanagement, and this time the lack of a local currency is exacerbating its ailments.

Dodgy data make it hard to assess how bad things are. Officials talk of 3% growth this year, revised down from 6%. Eddie Cross, an opposition MP, claims that last year GDP was down "by at least 10% and maybe 14%—the same rate of decline as during the collapse of 2008". Anecdotal evidence bodes ill. One investor says beer sales are plunging. Shopkeepers in downtown Harare complain bitterly. "Corrupt officials take what we pay in tax," says a mobile-phone dealer.

Meltdown is held off by remittances of up to \$500m a year from Zimbabwe's diaspora, along with rising government deficits and foreign aid. The American government bans all business dealings with certain Zimbabwean officials and companies, but it pays a quarter of the country's health-care costs. From their own government, Zimbabweans receive very little. Doctors, teachers and policemen frequently strike over unpaid wages.

Mining had spurred the economy for several years, but no more. The government's indigenisation policy, under which foreign-owned assets are partially expropriated, has scared off investors. The timing is awful: commodity prices are falling and surface deposits of gems and minerals are almost exhausted. Only sophisticated foreign firms with billions to spend on pits and drills can get at the stuff below.

Meanwhile, Zimbabwe has adopted American monetary policy along with the dollar. The Federal Reserve's talk of higher rates is the opposite of what its economy needs. One Zimbabwean economist says he envies the Greeks, whose "monetary union with Germany at least comes with a minimum of co-ordination and empathy".

Could dollarisation be reversed? Both locals and foreigners often ask but chances seem low. Zimbabweans have not forgotten the misery of life with the Zim dollar, when shops were empty and petrol was rationed. They have little reason to believe officials would manage the currency better in future. Without public trust, no government can imbue paper with value. ■

A pile of change

Wealth management in America

Survival of the least fit

NEW YORK

Reports of the death of stockbroking in America were exaggerated

IN THE depths of the financial crisis in 2009, when banks were sacking employees left and right and cutting all costs that were not related to compliance, Morgan Stanley turned heads by buying a big stockbroking unit from Citigroup. Jaundiced observers rolled their eyes. Stockbroking was seen as a dubious business, devoted less to working with the customer than to working the customer. Worse, the rapid rise of index funds and cheap online share-trading platforms seemed to be rendering the whole industry redundant (see chart).

After a wobbly start, Morgan Stanley's expanded stockbroking operation has put paid to such sceptical assumptions. The unit's pre-tax margins have risen steadily and now exceed 20%, without much volatility (unlike other divisions, such as securities trading) and without prompting the kind of concerns about systemic risk that lead to new capital charges and regulations (unlike almost everything else big banks do). Partly as a result, Morgan Stanley's share price appreciated more than any other big American financial firm in 2014. Almost uniquely among bankers, James Gorman, its chief executive, has emerged from the crisis with an enhanced reputation.

Wealth-management units, as stockbroking arms have been rebranded, are boosting returns at other American banks, too. Merrill Lynch, which collapsed during the crisis thanks to an ill-timed foray into proprietary trading, is now earning pre-tax margins of 25% as a division of Bank of America. Industry-wide data collected by Aite Group, a consultancy, indicates that by 2013 big American wealth managers had more than recovered from the pronounced shrinkage of assets during the crisis and have since continued to grow. Their profitability has also been bolstered by a shift from charging for individual transactions to levying an annual fee of 1-2% on all the assets they manage.

In theory, wealth-management units are still redundant. There is plenty of academic evidence to suggest that retail investors are better off with index funds. In practice, however, many individuals follow the pack, and so sell when they should buy and buy when they should sell. Wealth managers, in contrast, draw up an investment plan with clients and then stick to it. So the benefits may come more from avoiding panicked shifts in strategy than from any special skill. At any rate, a study on behalf of Merrill by Dalbar, a research firm, concluded that returns to individuals who invest on their own trail those who hire financial advisers by three percentage points a year—a vast sum, if accurate.

Wealth-management firms provide another benefit that Americans value very highly, in the form of handling the reams of paperwork needed to file taxes or handle inheritance—something online brokers do not do as well. That helps explain a dramatic reversal since 1999, when Merrill was stunned to find its market valuation had been surpassed by that of Charles Schwab, a discount broker. Now Schwab and others like it, including Vanguard and Fidelity, are trying to become more like Merrill and Morgan Stanley, by offering more than bare-bones service.

Earlier this month, for example, in an effort to broaden its offerings, Fidelity announced the acquisition of eMoney, which provides wealth-planning products to a large number of small advisory firms who use them to bring in and retain clients. The fittest, it seems, are mimicking the unfit. ■

Men in the black

Number of registered stockbrokers in the United States, '000

Source: FINRA

Inequality in Japan

The secure v the poor

TOKYO

The problem is not the super-rich

IN THOMAS PIKETTY'S bestseller, "Capital in the Twenty-First Century", Japan appears as another rich country in which wealth is becoming ever more concentrated. It is certainly another rich country in which the book is selling well. Mr Piketty visited Tokyo this month, to a rapturous reception. Yet Japan may be the place where his thesis holds up least well.

The bursting of Japan's asset bubble in 1991 is one reason why the rich have amassed less than in America or many European countries. The share of wealth held by the richest tenth of Japanese is lower than in famously egalitarian spots such as Norway and Sweden. In fact, it is the second-lowest of the 46 economies surveyed by Credit Suisse Research Institute, above only Belgium. The share of income going to the wealthiest has been fairly stable too. Levels of executive pay are far less egregious than in America. According to an analysis prepared for the *Wall Street Journal* by Mr Piketty's collaborators, the share of national income taken by the top 1% in Japan, excluding capital gains, fell from a high of 9.5% in 2008 to 9% in 2012.

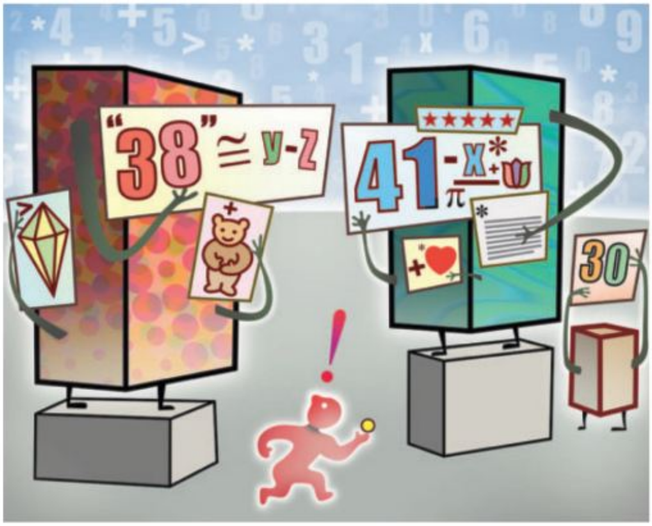
Other types of inequality, however, are on the rise. The most important is not between the mega-rich and the rest, as "Capital" would have it, but between a privileged cadre of workers on permanent contracts and those with more precarious jobs, who account for a rising share of the workforce. The average annual salary for permanent employees is around ¥5m ($41,500), compared with ¥2m for less secure workers.

Many argue that what Japan really needs is a lot more inequality, but of a different kind. Its employment system still tends to reward seniority and status rather than performance, in what Japanese call *aku byodo* or "bad egalitarianism". If people were paid for what they accomplish, argues Robert Feldman of Morgan Stanley, the economy would grow faster. And Japan's chronically low levels of business creation mean that there is worryingly little wealth inequality of the sort created by entrepreneurs who become billionaires by dreaming up exciting new products and services.

None of that has stopped "Capital" selling over 130,000 copies so far in Japan. Idiots' guides to the 700-page tome have also done well. Mr Piketty's timing is ideal, for he has tapped into growing doubts about Abenomics, the economic-revival plan of Shinzo Abe, the prime minister. By inflating asset prices, Mr Abe's schemes could increase the gap between haves and have nots, Mr Piketty warned during his visit. Ironically, however, Mr Abe's main economic concern at the moment is bullying big companies into lifting workers' pay.

Free exchange | Guaranteed profits

Price-match guarantees prevent rather than provoke price wars



"YOUR shopping would have been cheaper elsewhere, so here's a voucher for the difference." Anyone who has recently visited a British supermarket will be familiar with such seemingly generous deals, typically extended to shoppers after they pay. The four biggest British supermarket chains all offer some form of price-match guarantee, promising that their customers could not save any money by shopping elsewhere. On the face of it, they seem like a good thing: a sign that fierce competition is lowering prices. But economists have long been suspicious of such promises, which can leave consumers worse off.

The problem is that price-match guarantees can blunt the logic of competition. Suppose a car dealership worries about a rival undercutting its prices and stealing customers. Even if the dealership can respond by cutting its prices too, it might lose sales in the interim. A price-match guarantee offers a pre-emptive defence. By promising to match any discounts, the dealership can persuade its customers that they need not shop around: they will always pay the lowest price available.

As a result, cutting prices no longer wins the competitor new business; buyers stay loyal and invoke the guarantee instead of switching. All that price cuts achieve for the competitor is the erosion of profits on existing sales. It will probably conclude that prices—and margins—are better left high. The result is "tacit collusion": the maintenance of high prices, without any explicit communication between firms. Consumers end up suffering due to a guarantee that at first glance seems good for them.

There is no evidence that Britain's current crop of price-match guarantees has hurt consumers. However, researchers have linked similar promises elsewhere to sustained high prices for groceries, tyres and even shares.* Wonks have confirmed the finding in the laboratory, too. In an experiment conducted in 2003, Shakun Datta of the University of Richmond and Jennifer Offenberg of Loyola Marymount University paired subjects at random and asked them to play two versions of a computerised price-setting game—one in which players could offer price-match guarantees and another in which they could not. Participants got to keep any profits they made, and were repeatedly reshuffled to prevent any other price-fixing tactics from arising during multiple interactions with the same partner. When the guarantee was possible, it was deployed 94% of the time and as a result, prices rose by an average of 36%. Even when one player had much lower costs than the other, prices still rose, albeit by less.

Price-matching need not always be a con: guarantees can be constructed in ways that work against tacit collusion. Most relate only to another store's advertised prices, not to the sum that it would actually charge after applying its own price-matching offers. This creates a loophole which a clever upstart could exploit. Suppose an incumbent supermarket charges £4 for a steak and offers a price-match guarantee. The savvy entrant could advertise a higher price of £5, while promising not just to match any lower price, but to refund twice the difference. Net of the resulting £2 rebate, the upstart's steak would cost just £3. Yet the advertised price of £5 would not trigger the incumbent's own price-matching guarantee. Customers might still be tempted to switch by price cuts structured in this way.

That may be too clever by half, but there are other reasons why guarantees might be harmless, or even welcome. One relates to their complexity. At British supermarkets, refunds usually come in the form of a discount on the next shop; to take advantage, a customer must return with the voucher. Remembering to do so takes effort, as anyone with a stack of unused gift vouchers knows. This gives a price-cutting rival an opening. Although any discounts it offers will be matched by the first supermarket in the form of vouchers, customers may value the straightforward price cut more highly, since taking advantage of it is less of a hassle. If enough customers think this way, the result would be a genuine price war—although some might find switching stores more of a chore than remembering to bring their vouchers with them.

Match points

Another mooted justification for the guarantees is price discrimination: selling to different types of consumers at different prices. For instance, if some customers are too busy to shop around, a firm can sell to them at a high price while using a guarantee to attract more price-sensitive, hassle-tolerating customers. This is great for profits, but sometimes benefits consumers too.

Finally, a price-guarantee may be an attempt to signal genuinely lower prices and thus stand out from the crowd. That is probably how most consumers interpret them. This works only if there is a genuine difference in efficiency between rival stores, such that only one can afford to sell on the cheap. Then, the nimble firm might want a price war in order to speed the lumbering one's demise. In such circumstances, any attempt by the lumbering firm to collude tacitly is futile; if it offers a guarantee, its bluff will be called. So when low-cost firms make such promises, consumers can take them as a sign of a competitive offering.

This does not seem to be what is happening in Britain, however. There, it is the more expensive supermarkets that are promising to match each others' prices. Only one has pledged to match the deals on offer at Aldi and Lidl, nimble low-cost rivals that are making inroads into the market.

One British supermarket proclaims to its customers that, thanks to its guarantee, they "don't have to shop around". On close examination, that sounds like an effort to abate a price war, not start one. ■

*Studies cited in this article can be found at www.economist.com/pricematching15

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The Arctic Ocean

Awakening

TROMSO, NORWAY

Earth's northernmost sea is stirring. The consequences are both good and bad

IN NOVEMBER 2011 an American icebreaker, *USCGC Healy*, set off from Seward, Alaska, to sail north through the Arctic Circle into the Chukchi Sea. It was the beginning of the winter-long polar night. Sea ice was forming. The sun did not appear in the northern Chukchi for weeks. Those on board expected creatures to be sparse in number and entering hibernation. Instead, they found a ferment of activity.

Robert Campbell of the University of Rhode Island, one of *Healey*'s supercargo of scientists, outlined the details at Arctic Frontiers, a scientific conference held in Tromso, Norway, last month. His research, and that of his colleagues, showed that planktonic animals such as copepods (pictured above) and krill were abundant, active and grazing on the still smaller algae of the phytoplankton, themselves adapted to manage with the tiniest sliver of winter light. Instead of hibernating, they were developing. Larvae were turning into adults and a few species were even reproducing. This revelation of life in the middle of the polar night is one of many surprises of recent Arctic science. And that knowledge is changing people's understanding of the world's northernmost habitat.

The Arctic, sparsely populated and rarely visited by outsiders, is easily forgotten by those at lower latitudes. But it is where the impact of a warming climate is most vividly seen. A 1°C rise in temperatures at the equator—from, say, 25°C to 26°C—will have effects, but does not change much. A rise from 0°C to 1°C melts the ice. That changes everything, from local biology to global meteorology.

And the Arctic is melting fast. Julienne Stroeve, of the National Snow and Ice Data Centre in Boulder, Colorado, calculates that between 1953 and 2014 the average area of the Arctic sea ice shrank by 48,000km² a year (a three-hundredth of its winter extent). Between 1979 and 2014 it shrank by 87,000km² a year. Between 1996 and 2014, the rate rose to 148,000km², even though the past two seasons have seen an increase in summer ice compared with the low point in 2012.

This accelerating rate involves two feedback loops—one well-known, the other less so. The well-known one is that ice reflects sunlight but water, which is darker, absorbs it. So as water replaces ice, more heat is retained. In 1980 the Arctic Ocean absorbed 38% of incoming solar energy. By 2010 it absorbed 63%. This warms the water, melting more ice from beneath.

That phenomenon triggers the second feedback loop. In the 1980s Arctic sea ice was about 3 metres thick. Some would melt in summer and freeze again in winter, but most would remain throughout the year. This is multi-year ice. Now, millions of square kilometres melt away in summer and refreeze in winter. This is first-year ice. The two have different properties. Multi-year ice is eroded by the wind and pounded from below by ocean currents, so its surface is pitted and ridged. First-year ice, in contrast, is unscarred by time.

When multi-year ice thaws, the meltwater gathers on its surface, forming ponds between the ridges. That means a fair amount of ice remains uncovered, and continues to reflect sunlight. Meltwater from first-year ice, though, spreads right across the smooth surface, reducing reflectivity far more. In 1985, 70% of Arctic ice was multi-year and 30% first-year. By 2012, those proportions were reversed. And the biggest loss is of ice five years old or more. This sort is the crinkliest, and reflects most light of all. It has shrunk from 30% of the total in 1980 to 5% now.

Let the sun shine in

For living things, this should be excellent news. More open water means more light, which means more photosynthesis. Primary production, as carbon compounds produced by this photosynthesis are known, is rising. Antje Boetius of Bremen University says the seabed at the North Pole is now green—or would be if you could see it—because so much photosynthesis has taken place at the surface and the algae have died and sunk to the bottom. According to Mar Fernández-Méndez of the Alfred Wegener Institute in Bremerhaven, in the summer of 1982 a column of Arctic seawater with a cross-sectional area of a square metre fixed 26 milligrams of carbon a day. By 2012 that figure had risen to 34-53mg.

With rising primary production, and thus more food available, you might expect the rest of the ecosystem to be flourishing, too. And some of it is. There has, for example, been a substantial increase in the number of cod—especially of sexually ac- ▸▸

tive cod, more than seven years old. These fish are also now found much closer to the pole than they used to be, at 79° or 80° north. Harbour seals are doing well, too. A colony on Svalbard is the species's northernmost outpost. Unlike some other seals, harbour seals do not depend on ice to give birth or to moult, so the ice's retreat is less bothersome to them. And as a predominantly temperate species, they benefit when waters warm up.

Other species, though, are being squeezed by competition from these newcomers and by changing conditions in general. In the waters where cod thrive, minke whales and harp seals are struggling, at least to judge by the condition of their blubber. A study by Bjarte Bogstad of Norway's Institute of Marine Research found that the blubber of both species had declined from being more than 40mm thick in the early 1990s to less than 35mm now.

The whales may be suffering because the Arctic zooplankton on which they feed are being replaced by more temperate species that are harder to catch or less nutritious. Harp seals suffer directly because they depend on ice (they give birth on it, moult on it and use it for rest while hunting). If the ice is too thin, their pups fall into the water and drown. They also suffer indirectly, through the loss of their main prey, a fish called the capelin, which has begun to swim northward in search of cooler waters. Garry Stenson of Fisheries and Oceans Canada, a government agency, reckons that the number of harp-seal miscarriages has risen greatly in response.

Harp seals exemplify the difficulty of adapting to changing conditions. The obvious response for an ice-dependent animal such as a harp seal would be to follow the retreating ice—in its case, northward from its breeding grounds near Newfoundland. But that would bring the seals closer to their main predator, the polar bear (which eats seal pups). Dr Stenson says harp seals will swim north, but only if there is no ice in March, as happened in 2010. In 2011 there was a little March ice and they stayed put—only to be almost wiped out when the ice melted later in the summer.

This sort of thing, of course, is all part of the cut and thrust of ecology. More worrying to those who study the Arctic's biological awakening is that the rise in primary production which sustains it might suddenly be capped.

Light is not the only requirement for life. The phytoplankton that sit at the bottom of the food chain need nutrients such as nitrates (to make proteins) and silicates (to make protective shells). Dr Fernández-Méndez thinks a shortage of these may limit the Arctic Ocean's productivity even if most of the ice melts and exposes the water beneath to light.

Jon Lawrence of Britain's National Oceanography Centre has looked at what might happen to nutrient availability and productivity in an ice-free Arctic. He concluded that, as the ice melted, primary production would rise by only 11%, not 300%, as a linear extrapolation would suggest.

The reason is the green seabed. The dead algae have taken the nitrate with them. Something similar happens in other oceans, of course, but in the Arctic the lost surface nitrates do not seem to be being replenished—perhaps because of a lack of the upwelling currents found elsewhere. Mr Lawrence calculates that almost all the extra productivity the Arctic is likely to see will thus take place at least 20 metres below the surface, where it is pretty dark regardless of ice. Productivity at the surface itself, by contrast, is flat.

Another reason the Arctic's creatures may not flourish in the extra sunlight is that they have evolved to take advantage of a short summer. This season is so compressed that the timing of plant growth, animal births and feeding cycles has to be closely synchronised. A few days makes a difference. Copepods, for example, emerge just before the peak bloom of algae. If the ice melts early, the algae will bloom early too and then die. The newly emerging copepods will thus not have enough to eat. And since copepods are food for predators, the ecosystem as a whole will suffer.

To capture the impact of changing environmental conditions on food webs as a whole (rather than on individual species), two recent studies built computer models to describe them. These looked at how many species are in a web, how many links there are between these species (ie, who eats whom), where the species live, and whether that is changing. Both models suggested that the condition of some Arctic food webs is coming under strain.

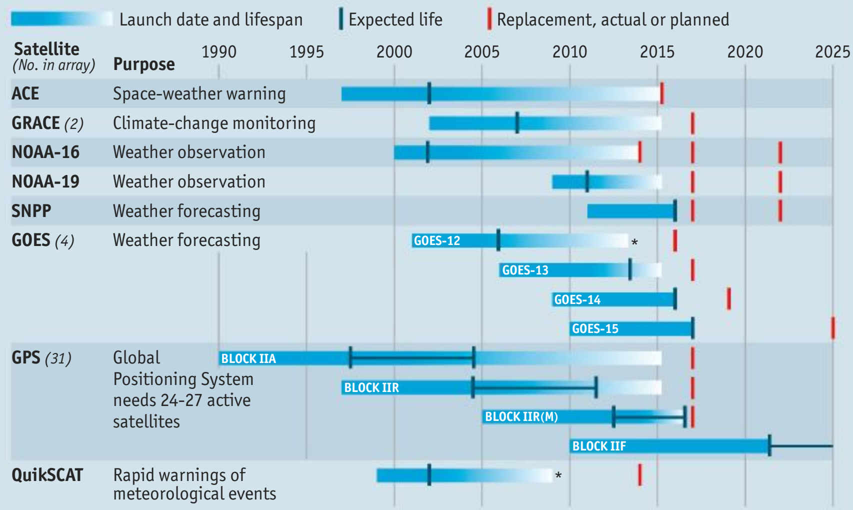
Building ecological models is, however, a tricky business. Even in well-studied habitats all the variables are rarely understood. And evolution can happen quickly if the pressure is great enough. For example, copepods whose internal clocks better matched changed conditions would spread rapidly.

Winds of change

All of which is fascinating. From the human, rather than the copepod point of view, though, the biggest question about the Arctic is this: is it affecting other parts of the Earth's climate—those regions where people live? Jennifer Francis of Rutgers University argues that it is.

Because the poles are cold, warm air flows from the equator north and south in order to equalise temperatures. The Earth's rotation disturbs these air currents, creating (in the northern hemisphere) the jet stream, which flows around the planet in a

Tough old birds



Source: NASA; NOAA; USAF

On Earth it is a fact of public life that politicians love to trumpet new infrastructure but take much less interest in maintaining what already exists. The same rule, it appears, applies in outer space. Many satellites launched for important purposes such as monitoring solar weather (bad solar storms can damage electrical equipment on Earth), tracking the climate and just helping people navigate are limping along in need of replacement. One that is about to be substituted is the *Advanced Composition Explorer*, a solar-weather satellite launched in 1997 with an intended lifetime of five years. After many postponements its replacement, the *Deep Space Climate Observatory*, should have got off the launch pad and into orbit on February 11th, as *The Economist* went to press. That still leaves a lot of other elderly satellites in similar need of retirement.

wavy pattern, bringing up warm air and making north-west Europe hotter than other places at the same latitude.

If the temperature gap between the north pole and the equator narrows (because the Arctic is warming faster), then the poleward flow of air might falter. And wind speeds have indeed been dropping. That could have two consequences. One is that it may increase the so-called "Siberian High", a huge build-up of dry, freezing air that is known to affect much of the northern hemisphere's weather—for there seems to be a link between the loss of sea ice in parts of the Arctic and lower temperatures in Siberia. The other is that, as the jet stream weakens, its waves become exaggerated, creating pockets of air connected with extreme weather events, such as the exceptional cold that hit the American Midwest in January 2014.

Both ideas are controversial. The links between these weather patterns and the warmer Arctic are unproven. Some climate scientists dismiss them as statistically irrelevant. Variation is so great, they argue, that if there is some sort of signal from the melting Arctic, it is being lost in the noise. For the same reason, however, it is too early to write off the signal altogether. Only time will allow it, if it exists, to be separated from the noise.

One thing does seem certain, though. Whether the Arctic Ocean's awakening is for good, or ill, or both, it is unstoppable. That makes understanding it, and anticipating its effects, essential. ■

Technological evolution

Making sweet music

Artefacts, as well as organisms, can evolve by natural selection

BIOLOGICAL evolution happens by random mutation and selection. Technological evolution involves selection, too. Products preferred by customers are the ones that reproduce. But since technology is the result of conscious design, the mutation part of the process might reasonably be assumed to be deliberate rather than random.

A study just published in the *Proceedings of the Royal Society* suggests, however, that this is not always the case. Nicholas Makris and his colleagues at the Massachusetts Institute of Technology, in collaboration with Roman Barnas, a violin-maker at the North Bennet Street School, in Boston, have been looking at the evolution of that instrument. One aspect of the process intrigued them in particular—the changing shape, over the years, of the holes in a violin's body that amplify the emerging sound.

The violin's oldest European ancestors date from the tenth century. They were called "fitheles", a word derived from *vitula*, the Latin for heifer, the source of the gut for the strings. (The Latin word also eventually gave rise to "violin". Fitheles, meanwhile, became "fiddle" in a process of linguistic speciation also akin to the biological sort.) The instrument arrived at its modern form between the 16th and the 18th centuries, in the workshops of Cremona, a city in northern Italy that produced the Amati, Guarneri and Stradivari dynasties of luthiers.

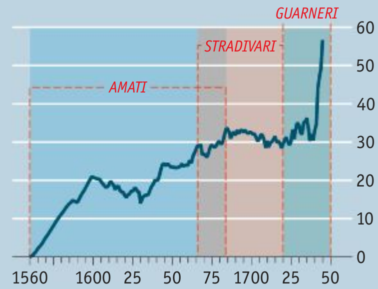
Dr Makris and his team noticed that, in the transition from tenth-century fithele to 18th-century violin, the holes on top of the sound box evolved from simple circles to the complex, elongated f-shapes familiar in today's instruments. They wondered why.

The answer, arrived at after several pages of advanced mathematics, and confirmed by experiment, is that holes' sound-amplification properties depend not on their areas but on the lengths of

The F factor

Sonic power output of Cremonese violins

% increase



Source: *Proceedings of the Royal Society*

their peripheries. They showed how the shape of the hole varied over the centuries, and how that affected its power output. The final Cremonese design had twice the sonic power of the circular holes of the fithele.

Except that Dr Makris doubts "design" is precisely the right word for what happened. Design implies intent. But his analysis of 470 Cremonese instruments made between 1560 and 1750 suggests, as the chart shows, that change was gradual—and consistent, in Dr Makris's view, with random variations in craftsmen's techniques producing instruments of different power. The market, presumably, favoured those journeymen within a workshop who made more powerful instruments. When they became masters in their turn, they then passed their ways of doing things on to their own apprentices. Only at the very end of the period might a deliberate change have been made, as the holes get suddenly longer.

Intriguingly, intentional attempts in the 19th century to fiddle further with the f-holes' designs actually served to make things worse, and did not endure. As is also the case with living organisms, mutation and selection seem to have arrived at an optimal result.

Oceanography

An acid test for the high seas

SEATTLE

The latest XPRIZE is for a better way of monitoring the ocean's pH

IN MANY ways, litmus paper is the perfect scientific sensor. It is cheap, requires no power or skill to use and yields instant results. Blue paper turns red in acids. Red paper turns blue in alkalis. And that is all you need to know.

In the real world, though, things are a bit more complicated. Acidity is not a black and white (or even red and blue) affair. Rather, it is measured on the pH scale, ranging from strong acids (pH 1), through neutral, pure water (pH 7) to strong bases (pH 14). Measuring pH precisely needs special equipment. And in the rough-and-tumble of the sea rather than on the calm of the laboratory bench, that equipment needs to be robust, as well.

Such marine measurements are important, however, in order to track the acidification of the ocean that is being brought about by rising carbon-dioxide levels in the air. The XPRIZE foundation, a charity that runs technology competitions, has therefore put up $2m in prize money, to be awarded to those inventors who can come up with devices which will do that tracking best. And on February 9th, in Seattle Aquarium, the competitors started going *mano a mano*.

At the industrial era's dawn in the mid-18th century, the ocean's surface waters had a pH of 8.2. Since then, they are reckoned to have absorbed about a third of the carbon dioxide emitted by the burning of fossil fuels. That has reduced average surface pH to 8.1—a fall that may sound trivial but, because the pH scale is logarithmic, equates to a 25% increase in acidity.

The long-term consequences of this acidification are unknown. Many sea-creatures, though, make their shells and skeletons out of calcium carbonate or calcium phosphate—materials that dissolve in acids. Preliminary studies suggest that some of these animals are already finding it harder to survive than they used to. If that is true, and the problem of acidification gets worse, everything from tropical coral reefs to temperate-water mussel farms may be affected. This will in turn have an impact, albeit indirectly, on organisms further up the food chain.

At the moment, the machines used to measure seawater's pH cost $10,000-20,000 each, and cannot be deployed at depth because the pressure there will damage them. The Wendy Schmidt Ocean Health XPRIZE, as this particular contest is called, hopes to correct both flaws. Half the prize money is for low-cost contenders, aimed at the likes of oyster farmers and cash-strapped government officials who cannot, at the moment, measure seawater's acidity. The other half is for high-performance scientific meters able to monitor the deep ocean for months at a time.

Getting pHysical

Among the front-runners in the first category is Smartphin. The brainchild of an engineer called Benjamin Thompson, this is designed to replace the stabilising fin under a surfboard. Sensors within the fin record the water's temperature, salinity and acidity, and then broadcast those data, together with the fin's location (as recorded from global-positioning satellites), to base via the mobile-phone network.

Contenders in the second category include Chen Xuegang of Zhejiang University in Hangzhou, China, who believes his solid-state electrochemical meter should work well at high pressures and low temperatures, and ANB Sensors, a British team sponsored by Schlumberger, an oilfield-services company. Dr Chen thinks his device might be commercialised for as little as $1,000. ANB's is similarly frugal. To cut costs as much as possible it employs standard D-cell batteries and cheap memory cards to record the data.

Another entrant is, to all intents and purposes, a 21st-century reboot of the litmus test. Optode, a team from Graz University of Technology, in Austria, has developed an optical sensor which contains a dye molecule that changes its fluorescence with pH.

Between now and March 7th these devices, which are among 17 entrants to the contest, will measure the pH of water pumped from Puget Sound, including all the micro-organisms, algae and plants therein that might foul the instruments' sensors. Up to five finalists that survive the ordeal, and prove they can measure acidity to within 0.02 pH units, will then be tested on a cruise this summer.

According to Paul Bunje, who runs the competition, only two firms make seawater pH meters at the moment. Once the prizes have been awarded, they can expect a little competition themselves. ■

Holographic movies

Light at the end of a tunnel

Affordable moving holography may not be too far away

HOLOGRAMS are a staple of science fiction. For many, the very word will conjure an image of Princess Leia from "Star Wars" (pictured), or of the holodeck of the starship *Enterprise*. Making real moving holograms, though, remains tricky. Every approach tried so far represents a trade-off between the quality of the image, its size and the cost of the kit that produces it—and making the first two acceptable means the third is exorbitant. That could change, though, if Daniel Smalley of Brigham Young University, in Utah, and his colleagues have their way. They have made a gizmo which they hope will eventually be able to project screen-sized moving holograms for not much more than the cost of a high-end television set.

Holography works by squashing all of the three-dimensional information in a scene into a structure called an optical grating. When this grating is illuminated, light bounces off its bumps and troughs in such a way that the reflection reconstructs the original scene. An unchanging grating yields a static hologram, such as is found on a bank card. But gadget-makers and military types would dearly like to use similar trickery to create holo-videos, by continuously varying the grating's geometry.

Most attempts to do so involve modified liquid-crystal displays (LCDs). But, although commercial LCDs are cheap, the bespoke screens required for holography are costly because they need far smaller picture elements. Dr Smalley's team, therefore, take a different approach, the latest iteration of which they have just reported in the *Review of Scientific Instruments*.

Indistinguishable from magic?

Their story began when Dr Smalley was plain Mr Smalley, a student at the Massachusetts Institute of Technology. In 2013 he published the design of a chip that costs roughly $10 to produce and which is capable of making a small, simple hologram.

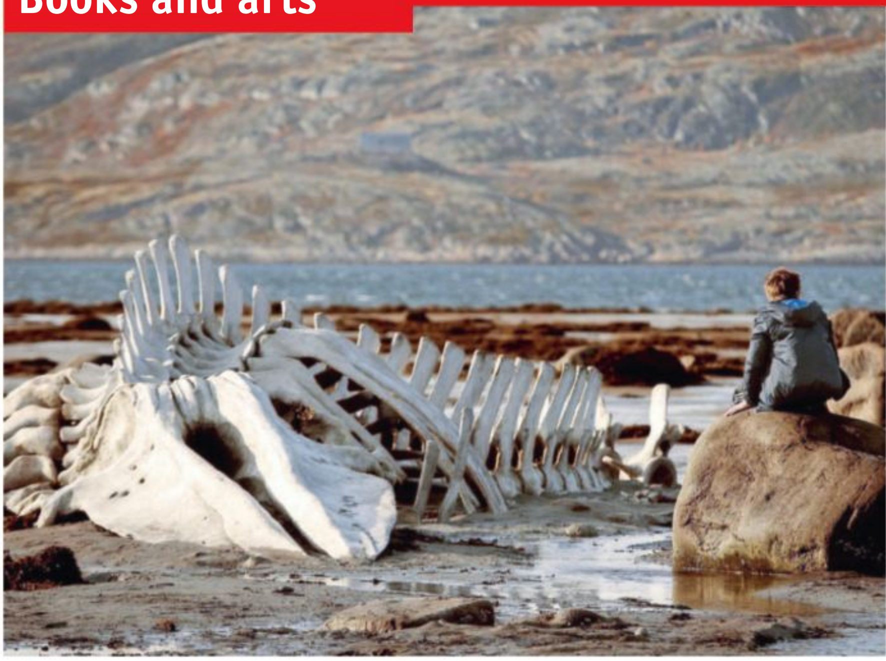
The chip is a crystal of lithium niobate that has a light-carrying channel called a waveguide carved into it. Lithium niobate is piezoelectric—meaning that when a voltage is applied to it, it contracts or expands, becoming more or less dense as it does so. If the voltage varies, this makes moving patterns of more- and less-dense material. Changing the frequency with which the voltage varies changes the pattern. Since light takes different paths in material of different densities, such patterns can form optical gratings that change sufficiently fast to create moving holograms.

As light passes through such a grating it is diffracted into a horizontal fan, forming a holographic line that is equivalent to one line of a television display. This can then, if desired, be run through a scanner that splits it up into multiple lines, one above another, generating a picture. Using this method, Dr Smalley was able, by employing red, green and blue light simultaneously, to create a coloured, holographic image.

Unfortunately, this single-waveguide image can be seen only by looking straight along the waveguide's axis. The next task, therefore, is to scale the design up by linking many crystals together, to create an image both bigger than a single crystal's display and capable of being seen from lots of directions. That means controlling precisely where the optical output of a waveguide goes—which is what Dr Smalley's latest paper is about.

To align the outputs of many devices, the team needed to know in exquisite detail how the colour and angle of light coming out of each one of them change as the voltage frequency is altered. That is no mean feat of measurement, but by using a bespoke system of detectors Dr Smalley and his collaborators have discovered the crucial voltage frequencies that diffract different colours independently of one another but at angles which overlap nicely. This will allow multicoloured images to be created from numerous waveguides in a way that resembles Monet rather than Jackson Pollock.

In principle, such a display should be able to produce room-sized holograms. Turning that principle into practice will take a while. But if the system does scale up in the way Dr Smalley hopes it will, then living-room holography may be yet another hoary prediction of the future that actually does arrive in the present. ■



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Russian cinema

Portrait of a country

MOSCOW

The domestic response to Andrei Zvyagintsev's award-winning film, "Leviathan", says a lot about today's Russia, and especially about the church

TO THOSE in the know, there are two Russian trailers for "Leviathan", Andrei Zvyagintsev's new film, which opened in Moscow earlier this month. The official version nods at the praise that has already been showered on the film at the Cannes film festival and the Golden Globes, as well as its nomination for an Academy Award. It intersperses scenes from the film with tributes and endorsements. "One of the few films that will stay in the history of cinema," sang *Kommersant*, a Russian daily. "A masterpiece", declared *Le Figaro*, a French one. "Zvyagintsev is one of the great directors of our time," opined the *Irish Times*.

The second trailer, posted on YouTube, is a spoof. The rolling credits state: "The Zionist Occupation Government, US State Department, CIA and the world anti-Russian alliance present…" "A film made according to the principle of '*shitsky-rusky*'," says Vladimir Medinsky, the Russian minister of culture. A "film made for the Western elites," preaches Father Vsevolod Chaplin. "This film is dangerous to show to the Russians," rules Irina Yarovaya, a deputy in the Russian parliament, the Duma.

"Leviathan" may not break new artistic ground, but it has a lot to say about the Putin era. Rarely since Soviet times has an art film evoked such fierce debate. It has been denigrated as heresy and slander by supporters of the state and the church, and praised by liberals who recognise its truths.

The film is set in Russia's desolate north. The main character, Nikolai, is a soulful car mechanic who lives in a wooden house by the Barents Sea with his frustrated wife and a depressed teenage son from an earlier marriage. His house and land are being taken from him by the state, represented here by a drunken and corrupt mayor who is closely advised by an Orthodox priest. Nikolai's friend, a lawyer, travels from Moscow to help him fight the mayor. But that only leads to more disasters. In the end, Nikolai loses his wife, his freedom and his house, which, in a final twist, is bulldozed to make space for a new church that is inaugurated by the mayor and the priest, who preaches about patriotism and love for the Russian state.

Laden with biblical metaphor, drawn especially from the Book of Job, "Leviathan" is a hyperrealistic portrayal of modern Russia. One can almost feel the sweaty mayor's breath, with its reek of vodka and onion. To the film-makers, corruption is a process of decay and erosion. Boats are shown rusting in the sea; a giant whale's skeleton rots on the beach. Life, faith and the state are all steeped in corrosion.

Russia is as politicised as it was at the end of Soviet rule. Had "Leviathan" been made then, the mayor would have been a local party boss, the new church a Palace of Culture and the priest a KGB general. It would have been an anti-Soviet picture; today, it is an anticlerical one. The Soviet Union may have gone, but the reverence for the state as an almost sacred force in Russia remains. The role played by communist ideology has been largely replaced by that of the Orthodox church, which, like the state itself, has turned into something of a monster.

This metamorphosis of religion into ideology is one of the most striking themes both of "Leviathan" and of contemporary Russian life. The transformation should not be such a surprise. The Bolsheviks destroyed churches and shot priests, but they also adopted Orthodox Christianity, borrowing its imagery and language to sanctify their rule. Josef Stalin, who trained as a cleric, appealed to the nation when the Nazis invaded the Soviet Union using the biblical "brothers and sisters" and enlisted the church as an ally during the war. Many priests maintained a close relationship with the KGB. That interaction left its mark.

Like the KGB—the Committee for State Security—the church has adopted the role of guardian of the state. Just as the communists' ideology became a form of religion, religion has become an ideology, used by the godless state to justify both its sacred status and its right to break its own laws. The priest in "Leviathan" tells the mayor who faces elections that "all power is from God". All the mayor needs to do, he says, is to show authority and force, crushing an individual like Nikolai.

A few days before the film was released in Russia, Kirill, the patriarch of the Orthodox church, took to the floor of the Duma. He praised the Soviet era for breeding "solidarity" in people and lashed out at the depravity of the West. Neither Western free- ▸▸

doms nor laws, he argued, can bring good by themselves without the fundamental values generated by the state—whether the Soviet Union or Russia.

"Leviathan" shines a light on the entanglement of church and state. Kirill was one of the first to call for Pussy Riot to be punished three years ago after the punk band staged an anticlerical performance in a Moscow cathedral, which is referred to in the film. That same cathedral had once been blown up by the Bolsheviks. It was rebuilt by the former mayor of Moscow, Yury Luzhkov, who also gave a flat to Kirill in the House on the Embankment, which was originally built for the Bolshevik leaders.

Thomas Hobbes himself could barely imagine what a monster church and state have become. One Russian liberal essayist wrote that "Leviathan" depicts a people who have fallen from God. In today's Russia it is not the people, but the church itself, the film concludes, that has fallen. ■

The origins of money

Means of exchange

Making Money: Coin, Currency and the Coming of Capitalism. By Christine Desan. *Oxford University Press; 496 pages; $85 and £50*

MONEY may feel as solid as the Bank of England, but it is an ever-shifting phenomenon. People have gone from using gold or silver coins through paper notes and plastic cards to the modern practice of "quantitative easing" (QE).

To some on the Republican right in America, this evolution is a rake's progress, in which QE is a debasement of the currency leading to hyperinflation and economic ruin. They want a return to the gold standard, whereby the amount of money would be linked to a country's gold reserves. Politicians (and central bankers) would be unable to tamper with it.

But in a new book, "Making Money", Christine Desan, a Harvard law professor, challenges the view of money's history as a fall from grace. She is part of the "cartalist" school which argues that money did not develop spontaneously from below, but was imposed from above by the state or ruler. A sovereign might offer tokens as payments for goods and services, and agree to accept those tokens back to meet taxes or debts. In effect a guarantee from the state, this made such tokens useful for private trade. And governments were able to charge for the service of turning gold and (more usually) silver bullion into coin.

Despite this incentive for the creation of money, the standard medieval complaint was that there was not enough money to go round. The currency was too valuable for everyday trade; back in 13th-century England, one farthing, or a quarter-penny, bought four cups of ale (those were the days). The daily wage was a penny or two.

Modern economists tend to think of money as a real, not a nominal, issue; expanding the money supply may raise prices but not affect the volume of goods and services being traded. But Ms Desan argues that, in medieval times, this was not the case. The lack of coins made it difficult to trade. Coin shortages encouraged the use of money from abroad, the author argues. In addition, the coinage was debased by the medieval practice of "clipping" of coins, or shaving off the edges to save the silver. All this led to the frequent need to reclassify or redenominate the coinage. Sometimes it was the monarchs who were pulling off this trick as a way of boosting their own finances. At other times redenomination also helped to boost activity; an early version of QE.

Nevertheless, every change prompted howls of complaint from the losing parties. Redenominations also led to tricky legal disputes. When repaying a debt, was the borrower obliged to repay a set number of coins? When creditors tried to argue that it should instead be a set amount of silver, the privy council of James I declared that "the king by his prerogative may make money of what matter and form he pleaseth, and establish the standard of it."

This attitude underwent a reversal after the Glorious Revolution, which brought William III to power in 1689 with the help of Whig financiers who set up the Bank of England. The king's creditors naturally had an interest in sound money, and Britain adopted the gold standard, which was to last, in peacetime at least, for much of the next two centuries. Over the long run, prices were remarkably stable during this period; over the short run, however, the discipline required by this standard required some short, sharp slumps which imposed considerable pain on the working classes. The advent of universal suffrage after the first world war made it impossible for democratically elected governments to impose such costs on their voters; commodity money disappeared and "fiat" money (ie, money that is what the government declares it to be) became the norm.

In essence, history has seen a battle between money's role as a store of value (which requires a restricted supply) and its role as a means of exchange (which can require the creation of more money). This battle is still going on. Ms Desan displays exemplary scholarship in detailing money's origins, albeit in an academic style that is hard work for the general reader. But her study is worth the effort. ■

T.S. Eliot

Time present and time past

Young Eliot: From St Louis to The Waste Land. By Robert Crawford. *Farrar, Straus and Giroux; 512 pages; $35. Jonathan Cape; £25*

WHEN Thomas Stearns Eliot died in 1965 few other poets could claim to match his achievement. "The Waste Land", a difficult and richly allusive work that first came out in 1922, had been hailed as one of the finest poems of his generation. A cottage industry of academic criticism had sprung up around it. But since Eliot's death, little has been known of the life that led up to its creation. His widow (and executor), Valerie Eliot, refused to authorise any biographies; the poet's reputation became tarnished with accusations of anti-Semitism. Some 50 years on, a new biography sheds light on a tricky, brilliant writer.

"Young Eliot" is the most carefully researched life to date. Robert Crawford, a poet who teaches at the University of St Andrew's, traces Eliot's life from his birth in St Louis, Missouri, to the moment "The Waste Land" was published when the author was 34 years old. (A second volume, on his life after the publication, is in the works.) In doing so Mr Crawford charts the creation of one of the finest pieces of literature in the 20th century.

Few previous biographies have been able to delve into the early years of Eliot's life. Partly this is because so few documents exist: between 1905, when Eliot was 16 years old, and 1910, all that survives from his correspondence is a single postcard. Mr Crawford's book, by contrast, is rich with detail. He devotes the first chunk to Eliot's childhood, evoking the bookish household he grew up in: both of Eliot's parents, Lottie and Hal (a president of several brick companies) wrote poetry in their spare time. In such an atmosphere, the young poet thrived. Aged ten, Eliot astounded his family by reading John Milton, a complex 17th-century poet. When he was 14, a Harvard professor jokingly asked the precocious youngster if he was a "sub-sub-Freshman".

Mr Crawford is adept at tracing these early influences: how the young writer, who would go on to be a great Francophile, enthusiastically learnt French at an early age, or how his love of Arthur Conan Doyle's stories can be glimpsed in the smog-filled lines of his early poetry. During his time at Harvard—where he also spent time writing bawdy ballads with his drinking companions, alcohol masking his shyness—he was introduced to modern French poetry which would profoundly change the way he wrote. As a young doctoral student, he studied Sanskrit and Pali. Thanks to all these influences, "The Waste Land" reverberates with the sound of other poems and differing languages.

But it was Eliot's unhappy personal life, as much as his literary background, which inspired his great poem. At the age of 26, while studying at Oxford University and experiencing frequent "nervous sexual attacks", he met Vivien Haigh-Wood, a flirtatious and emotionally unstable young woman. They married after three months. As Eliot later wrote, their relationship "brought the state of mind out of which came 'The Waste Land'".

Mr Crawford describes the marriage in painstaking detail. She flirts with old flames and with Bertrand Russell, the philosopher, with whom she would have an affair. They move between London, where they live in faintly seedy neighbourhoods, and the countryside, where they rent a cottage with Russell. Both suffer breakdowns; these nervous attacks and bitter sexual recriminations underpin Eliot's poem. The poet and his wife separated in 1933 and Vivien entered an asylum five years later. Yet she was also instrumental in encouraging Eliot to write poetry; she was an early reader of "The Waste Land", inserting a line of her own in it and scribbling praise in the margins.

Mr Crawford does not flinch from showing Eliot's flaws: he made anti-Semitic remarks, in his letters as well as in several poems, despite having one or two Jewish friends. On occasion he could be casually misogynistic, too. Rather, Mr Crawford presents Eliot as he finds him: a nervous, unhappy individual who was also, for most of the time, a brilliant poet. Few writers offer such a richly complex subject matter. Even fewer biographies offer such a fair assessment of the man. ■

T.E. Lawrence

Mystery wrapped in an enigma

The Young T.E. Lawrence. By Anthony Sattin. *W.W. Norton; 336 pages; $28.95. John Murray; £25*

FROM earliest childhood, Ned Lawrence knew that his family was different, in some unspoken way, from other families, and that he was not at all like his four brothers. Such tough beginnings can either inhibit a personality or stimulate its growth. As is well explained in "The Young T.E. Lawrence", a quirky but rigorous biographical study by Anthony Sattin, a British travel-writer, the man best known as Lawrence of Arabia fell firmly in the second category.

Other books about Lawrence, and a famous film, present him as a hero of the first world war who rallied the Arabs to rise against the Ottoman empire, guided them to great victories and lobbied for the Arab cause, with disappointing results, in post-war negotiations. Mr Sattin, whose book came out in Britain last October and is only now being published in America, looks instead at Lawrence's life before that: growing up and studying in Oxford, then excelling as an archaeologist in Syria and Palestine. Although every phase of Lawrence's life has mysteries, the early part is less shrouded by fantasy and legend, and should therefore be slightly more accessible, the author suggests.

Only slightly. As a middle-class boy growing up in Oxford at the turn of the 20th century, young Lawrence was certainly idiosyncratic. He was short and had ice-blue eyes. He was secretive as well as inquisitive, sceptical of received truths, easily bored but passionate about medieval history, cathedrals and brass rubbings. During his teenage years, he would hang about building sites in his home city and gather fragments of pots and jugs which he reconstituted and delivered to grateful museum curators. He knew how to acquire mentors—and to ignore their advice.

Piecing together clues was something he learned early. He knew there was something odd about his parents' relationship but could not divine what; only later did he learn that, scandalously for those times, they had never married. His father was an Anglo-Irish baronet who had left his legal wife for Lawrence's mother, a governess who was herself born out of wedlock.

With her, Ned had an intense but strained relationship; she wanted to know more about him than he would tell. His letters from teenage cycling trips round France contained lots of information about castles, but only intermittent signs of real feelings. The same might be said of the letters he wrote, to many recipients, from the Levant.

As a result, posterity is still guessing about what was probably the most important relationship in Lawrence's life: with an Arab youth who was just 13 or 14 when they met. The pale-skinned lad known ironically as "Dahoum"—dark one—was a local boy who carried water to Lawrence's excavating team at Carchemish, a site on today's Turkish-Syrian border.

Lawrence had the boy educated and they became inseparable. Dahoum is assumed to be the object of Lawrence's posthumous poem in which he declares: "I loved you…and wrote my will across the sky in stars to earn you Freedom." In 1919, as one of four motives for embracing the Arab cause, Lawrence said he had "liked a particular Arab very much"; he had only just learned of Dahoum's death from typhus two years earlier.

Mr Sattin avoids adding to the speculation about the exact nature of this friendship, but he is defensive about it. "There was more than paternal care; there was love," he writes. As the book notes, Lawrence recalled the relationship as one in which there was such mutual understanding that the pair could spend hours together in silence.

If Lawrence ever wrote a fuller account of his friendship with Dahoum, it may have been in the memoirs he burned in August 1914. Like their subject matter, biographers such as Mr Sattin have to be diggers and restorers, sifting a mass of evidence and gluing the bits together. But these bits never quite constitute a whole, comprehensible human being; much about Lawrence remains an enigma because he wanted it that way. ■

Romance in music

My cherie amour

Love Songs: The Hidden History. By Ted Gioia. *Oxford University Press; 336 pages; $29.95 and £17.99*

TED GIOIA says that when he told people he was writing a history of love songs, some responded "with a dismissive smile. In their opinion, this is wimpy music." In fact, Mr Gioia argues, love songs are "radical and disruptive". They have survived repression, expanded human freedom and proved uniquely hospitable to the voices of the marginalised.

He largely proves his thesis, with a capacious definition of love that includes bizarre Sumerian fertility rites (a king arouses a goddess's votary to such heights of passion that "then and there she composes a song for her vulva"), chivalric troubadour songs and, alas, the dreary, repetitive artlessness of Robert Palmer. Calling Mr Gioia's study "discursive" is an understatement: readers learn that a lament sung from outside a lover's door is called a paraklausithyron; that "Greensleeves" may have started out as a solicitation song, with the title referring to grass stains on the clothing of prostitutes who entertained their clients outdoors; that among the 64 talents the Kama Sutra recommends for elite lovers are singing, dancing, metallurgy and teaching parrots how to talk; and that Gene Simmons, the lead singer of KISS, has slept with 4,897 women.

Mr Gioia proves as gifted at noticing cross-cultural similarities as he does at unearthing trivia. Both Provençal troubadours and contemporary rock and roll owe tremendous debts to African and Middle Eastern influences. Sentiments of courtly love emerged in songs in Georgia and Provence at roughly the same time, apparently independently. Songs in late-medieval Europe and regions today known as Bihar and West Bengal struggled with similar questions of how to balance spiritual and carnal love. To judge from folk songs, people all over the world share two fixations: unrequited love and sex. To Mr Gioia, such similarities argue for a Darwinian view of love songs—that they are an evolutionary necessity, fulfilling a role similar in nature and intent to bird songs.

Objections to love songs sound similar across cultures: that singing about sex and romance threatens to turn young listeners away from a stable and virtuous life. The church thundered against "lewd and sensuous songs", but this objection weakened and eventually faded over time; in 1667 it canonised a pope who had previously written libretti for opera. Parents, Mr Gioia notes, play a prominent though rarely positive role in folk songs around the world. Allan Bloom, a conservative American philosopher and polemicist, grumbled that "rock has the beat of sexual intercourse"—a charge levelled against the tango in the early 20th century, the waltz in the 19th and the sarabande in the 16th.

Mr Gioia fares less well on modern territory. He is dismissive of punk and hostile toward hip-hop. Like many critics today, he is gripped by a regrettable need to say something about the internet. Such a compulsion rarely produces observations of value, and Mr Gioia's are no exception. He channels Bloom in worrying that modern love songs feature "sexual elements…so heightened and the romantic trappings so noticeably absent" that they recall Mesopotamian fertility rites. But, as he notes, the love song has outlasted religious, social and political objections for centuries; it will survive Miley Cyrus and Justin Bieber—and grumpy intellectuals. ■

Theatre

Grey area

NEW YORK

A new play considers race in the office

JACLYN has an attitude problem. That, at least, is the view of her boss, Dr Williams. "I don't think she fits in," he moans to Ileen, his office manager. But firing people is so difficult nowadays. To appease Human Resources and dodge "those superficial laws about harassment", he asks Ileen studiously to document Jaclyn's missteps. No, no, no, this isn't about race, the doctor hastily clarifies—"That's not what I'm about." It's just that Jaclyn's prickly demeanour disrupts the "teamwork atmosphere" he wants for his office. With a proper paper trail of her mistakes, he can send Jaclyn packing without fear of a lawsuit.

So begins "Rasheeda Speaking", a powerful new play by Joel Drake Johnson, which opened at New York's Pershing Square Signature Centre on February 11th. Set in a generic doctor's office with drab linoleum flooring, this play turns latent prejudice into something palpable and uncomfortable. Jaclyn, performed with stage-dominating charisma by Tonya Pinkins, is black. She is hard-working, but also, indeed, a bit snappish and occasionally rude to patients. Ileen, played with eagerness and fragility by Dianne Wiest, is white.

It's for you-hoo

The two had been friendly, but the doctor's machinations inject something toxic into their chemistry. Ileen takes her notes; Jaclyn suspects foul play. The air between them grows thick with resentment. Race, that detail that people like to pretend isn't important, suddenly becomes inescapably central. Racism, plainly, is something that white people want to believe is behind them, whereas black people know it pervades their days.

This is a subtle play and, it seems, a timely one. Events over the past year, which saw two high-profile cases in which white police officers killed unarmed black men and were not seriously punished, have forced Americans to confront a dark and pernicious truth about the country's racial inequities. The notion that a few decades of civil-rights laws and a bit of affirmative action (often doled out grudgingly) have redressed centuries of slavery and subjugation has been exposed as hubris. But the idea that "Rasheeda Speaking" is part of a wider conversation that Americans are finally having now is also a distorted view of things. "We've been talking about this for centuries," said Amy Evans, a black New York playwright, in a conversation after the show. "The rest of America is just now catching up."

Anyone seeking a prescription for racial harmony will not find it in this play. None of the characters is flawless, and there are no heroes. There are plenty of opportunities to laugh, though some of the chuckles rise up from a grim place. Ultimately the drama on stage asks some difficult questions. Should Jaclyn be fired? Is her boss a bigot? Is Ileen a stooge? The answers, awkwardly, are hardly black and white.

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A Korn/Ferry Company

ASEAN + 3 MACROECONOMIC RESEARCH OFFICE (AMRO), located in Singapore, is the surveillance unit of ASEAN +3 countries (www.amro-asia.org) to (a) conduct macroeconomic and financial surveillance of the members; (b) provide the members with policy recommendations to mitigate economic and financial risks; and (c) assist the members if they are utilizing financial resources of the Chiang Mai Initiative Multilateralization (CMIM). AMRO is in the transition period of becoming an international organization.

AMRO is currently looking for Principal Economist or Principal Level Senior Specialist, Economists or Economist Level Specialists, starting from early-2015 (on a fixed term, renewable at the discretion of AMRO). AMRO offers competitive remuneration and expatriate benefit packages pursuant to the internal guidelines.

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We require candidates to possess excellent oral and written communication skills in English. Qualified candidates should send (a) CV, (b) brief description on the relevant working experiences, and (c) earliest possible start date of employment at **AMRO** to futurestep.avature.net/AMRO by **1 March 2015 (GMT+8).**

Tenders

OBR Office Burundais des Recettes

REQUEST FOR EXPRESSIONS OF INTEREST (EOI)

TITLE: OFFICE BURUNDAIS DES RECETTES (OBR) COMMUNICATION ADVISOR, BURUNDI
NUMBER: PRQ20141141

The Office Burundais des Recettes (OBR) is a semi-autonomous government institution which manages revenue collections from Customs, Domestic taxes as well as non-fiscal revenues on behalf of Government of Burundi. OBR with the support of TradeMark East Africa (TMEA) seeks to engage individuals/firms to enhance and develop its communications strategy.

The detailed Terms of Reference for this consultancy and the application form can be obtained at TradeMark East Africa's website http://www.trademarkea.com/get-involved/procurement/. Interested and qualified **individuals/firms** must register and apply online ONLY on the TradeMark East Africa procurement portal at the website: http://procurement.trademarkea.com. Any queries must be directed to procurement@trademarkea.com .

The closing date for applications is 05 March 2015. Only successful applicants will be contacted.

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TMEA cannot answer any query relating to this tender three days or less prior to the submission deadline.

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Tenders

REQUEST FOR QUALIFICATION

الشركة العمانية لشراء الطاقة والمياه (ش.م.ع.م)

OMAN POWER AND WATER PROCUREMENT CO. (SAOC)

LEADING TO THE DEVELOPMENT OF NEW INDEPENDENT WATER PROJECTS (IWP) IN OMAN

The Oman Power and Water Procurement Company SAOC ("the OPWP") is responsible for procuring new capacity for power and water and for purchasing and selling the output in the Sultanate of Oman in accordance with the requirements of the law for the regulation and privatization of the electricity and related water sector promulgated by Royal Decree 78/2004 as amended ("the Sector Law") and the OPWP license.

OPWP is planning the addition of new water desalination capacity of approximately 531,000m^3/day (116.8 MIGD) which will be located across two sites. The IWPs are to be developed as private sector projects by appropriately qualified developers. OPWP is announcing the launch of the Qualification process for developers through the launch of the Request for Qualification ("RFQ") document. The RFQ is formally available for purchase from the offices of OPWP until 26 February 2015. The offices are located on Floor 5, Building 5, Muscat Grand Mall, Tilal Complex (Office), Al Khuwair Al Janubiyyah, Muscat and the RFQ is available for collection between the hours of 08.30 to 15.00 from Sunday to Thursday. The tender details are provided below.

Tender Title	Tender No.	Tender Purchase Price	Statement of Qualification Submission Deadline
REQUEST FOR QUALIFICATION leading to the Development of new IWP in Oman	1/2015	RO 175	24 March 2015 Before 10.00 hrs (Gulf Standard Time).

Note – this tender is for developers and is not applicable to interested or potential EPC contractors.

Payment should be processed by bank transfer and evidence of the bank transfer is to be submitted at the time of collection of the RFQ documents.

Bank account details:
Account Name: Oman Power & Water Procurement Company SAOC
Beneficiary Bank: Bank Muscat
Branch: Corporate Branch
Account number: 0423011072740015
Swift code: BMUSOMRXXXX

Appointments

CGIAR Independent Science and Partnership Council

The CGIAR Independent Science and Partnership Council (ISPC) is seeking to appoint three Council Members in July 2015: one with expertise in Crop science, one in Social Science and one in Water research and management. A fourth Council Member will be appointed in March 2016 with expertise in plant genetic resources and their management.

The Council's primary mission is to enhance and promote the quality, relevance and impact of science in the CGIAR. ISPC's roles and responsibilities are further described at: http://ispc.cgiar.org

A Council member will be serving in his/her personal capacity. This would require devoting about 30 days per year, including time spent in two meetings with other interactions with members of the ISPC Secretariat, and other colleagues in the System, taking place in virtual mode. Initial appointments are for a two-year term, which may be renewed.

The general criteria for selection are given below. Each candidate has to meet at least two of these criteria, and all should have professional and personal attributes and language skills appropriate to the workings of the ISPC.

- Eminence in a field of biological, physical or social science, including international recognition of research achievements;
- Internationally recognized experience in agricultural science for development; knowledge of smallholder agriculture and natural resources management; and good understanding of policy dimensions in the context of sustainable development:
- Visionary with global perspective and strong ability to think strategically and analyze complex issues.
- Experience in research management and partnership, and cross disciplinary approach to scientific agricultural and natural resources research for international development; knowledge of evaluation, impact assessment, and strategic planning approaches;
- Relevant experience in working in partnership with national agricultural research institutions, universities, Civil Society Organisations, or the private sector.

Specifically:

The crop scientist should possess extensive knowledge of agronomy, and the physiology of crops and cropping systems relevant to developing countries. Experience of modern breeding approaches will be an asset.

The social scientist will have research experience in policy, institutional, or household analyses, holding, (preferably) a disciplinary qualification in the non-economic social sciences and with expertise in relation to the enhancement of gender research and equity.

The water research and management scientist will have research experience in agricultural projects in developing countries which focus on water use. Experience emphasising integrative approaches to natural resource management will be favoured over engineering approaches or the provision of water for other services.

The plant genetic resources scientist will have detailed international knowledge of the conservation, management, and use of plant genetic resources for agriculture. Experience of strategic planning approaches to agricultural research will be an asset.

The CGIAR is committed to achieving diversity in terms of gender, nationality, culture, and educational background. We welcome applications from everyone irrespective of gender and nationality but, as women are currently under-represented, we would particularly encourage applications from women, and applicants from Asia and Latin America at this time. All applications will be treated in the strictest confidence.

Applications for all four positions will be considered simultaneously. Applications, including a covering letter stating interest in, and suitability for, one of the positions, a full c.v. with publication list (not the actual publications), the names and current contacts of three referees, should be sent by e-mail to ISPC-Membership@fao.org by March, 10th 2015.

Nominations of candidates by third parties will be considered if contact with nominees and submission of all relevant documents can be completed in the same time frame.

NTPC Limited (A Govt. of India Enterprise)

CORPORATE CONTRACTS, NOIDA

Corrigendum No. 01 to 'Invitation for Bids' (IFBs) for long term procurement of imported coal on CIF basis for Pudimadaka Super Thermal Power Project (4000 MW) Disst. Visakhapatnam, State of Andhra Pradesh, India

(International Competitive Bidding)

IFB No : 40031855 Date: 31.01.2015

NTPC hereby issues Corrigendum No. 01 to the Invitation for Bid (IFB) dated 29.12.2014 for the package 'Long term Procurement of imported coal on CIF basis for Pudimadaka Super Thermal Power Project (4000 MW)'. The last date for Sale of RFQ Bidding Documents is hereby extended upto 05.03.2015. Bids shall be received up to 1430 Hrs (IST) on 23.03.2015 and shall be opened on the same day at 1500 Hrs (IST). Pre-Bid Conference shall now be held on 09.03.2015 at 1030 Hrs (IST).

NTPC invites online bids (e –Tender) from eligible bidders for the aforesaid package in Two Stages [Stage-I: Request for Qualification (RFQ) and Stage-II: Request for Proposal (RFP)]. RFP bidding documents shall be issued subsequently to the Qualified Bidders, shortlisted through Stage-I bidding process. The parties who have already purchased the RFQ Bidding Documents against the IFB dated 29.12.2014 need not purchase the same again.

For the detailed IFB and RFQ documents, please visit at https://etender.ntpclakshya.co.in or www.ntpctender.com or www.ntpc.co.in or may contact AGM (CS-III) / Dy. Manager (CS-III), NTPC Limited, 6th Floor, Engineering Office Complex, A-8A, Sector-24, NOIDA, Distt. Gautam Budh Nagar, (UP), INDIA, Pin-201301 on Tel. No. +91-120-4946604/ 2410578/ 4948630; Fax No: +91-120-2410215/ 2410011; or at e-mail: aksingh38@ntpc.co.in/ mohan02@ntpc.co.in **Registered office:** NTPC Bhawan, SCOPE Complex, 7, Institutional Area, Lodhi Road, New Delhi-110003, CIN: L40101DL1975GOI007966.

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Power of India

NTPC Limited (A Govt. of India Enterprise)

CORPORATE CONTRACTS, NOIDA

Invitation for Bids (IFB) for Procurement of Imported Coal for NTPC Power Plants (International Competitive Bidding)

Date: 09.02.2015

NTPC invites online bids on Single Stage Two Envelope Bidding basis (Envelope I: Techno-Commercial Bid & Envelope II: Price Bid) **with Reverse Auction** from eligible bidders on "FOR Destination" basis for the following Packages:

S. No. i. **IFB No.** 40030445 **Package Name :** Procurement of 2.25 MMT of Imported Coal for Talcher Kaniha, Talcher Thermal, Farakka, Kahalgaon, Barh & Badarpur Power Plants; **Date and Time of Opening of Techno-Commercial Bids :** 1500 Hrs. (IST) on 17.03.2015

S.No. ii. **IFB No.** 40030442 **Package Name :** Procurement of 2.25 MMT of Imported Coal for Dadri, Unchahar, Tanda, Sipat, Korba & Mouda Power Plants ; **Date and Time of Opening of Techno-Commercial Bids :** 1530 Hrs. (IST) on 17.03.2015

S. No. iii. **IFB No.** 40030443 **Package Name :** Procurement of 1.50 MMT of Imported Coal for Rihand, Singrauli & Vindhyachal Power Plants ; **Date and Time of Opening of Techno-Commercial Bids :** 1600 Hrs. (IST) on 17.03.2015

S. No. iv. **IFB No.** 40030444 **Package Name :** Procurement of 1.0 MMT of Imported Coal for Simhadri & Ramagundam Power Plants; **Date and Time of Opening of Techno-Commercial Bids :** 1630 Hrs. (IST) on 17.03.2015

Bidding documents for all the above mentioned Packages shall be on sale from **09.02.2015 to 02.03.2015**. The date & time of receipt of bids (both techno-commercial and price bid) for above mentioned packages is **up to 1400 Hrs. IST on 17.03.2015**. The date and time of opening of Price Bids for the respective Packages shall be intimated separately after opening of Techno-Commercial Bids.

For the detailed IFB and bidding documents please visit at **https://etender.ntpclakshya.co.in** or **www.ntpctender.com** or **www.ntpc.co.in** or may contact AGM (CS-III)/Manager (CS-III)/Dy. Manager(CS-III)/Asst. Mgr. (CS-III), NTPC Limited, 6th Floor, Engineering Office Complex, A-8A, Sector-24, NOIDA, Distt. Gautam Budh Nagar, (UP), INDIA, Pin-201301 on Tel. No. +91-120-4946654/2410327/ 4946604/2410578/4946619/ 4946638/4948630; or at e-mail: **nirupampaul@ntpc.co.in /aksingh38@ntpc.co.in /amarnath02@ntpc.co.in / harshmamodia@ntpc.co.in /mohan02@ntpc.co.in** .**Registered Office:** NTPC Bhawan, SCOPE Complex, 7, Institutional Area, Lodhi Road, New Delhi-110003

CIN: L40101DL1975GOI007966.

01/CC/173/2014-15

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Power of India

FEDERAL REPUBLIC OF NIGERIA
THE FEDERAL MINISTRY OF TRANSPORT
IN COLLABORATION WITH THE FEDERAL MINISTRY OF FINANCE
PUBLIC PRIVATE PARTNERSHIP PROJECT
INVITATION FOR EXPRESSIONS OF INTERESTS FOR KLT II CONTAINER TERMINAL CONCESSION

1. Federal Ministry of Transport in collaboration with the Federal Ministry of Finance through the Nigerian Ports Authority (NPA) hereby announce this invitation to prospective investors/ operators to express interest in the development, operation and management of a Container Terminal at the Kirikiri Lighter Terminal Phase II (KLT II) in Lagos.

2. KLT II represents one of the few remaining port facilities owned by the NPA which is not under some form of long term PPP management. Today, activities at KLT II include the handling and storage of fish and shrimp and containers. The lack of security inherent within a short term lease has restrained investments by the current tenants/operators at KLT II. The resulting effect has been the poor development of KLT II's facilities, and the related emergence of a sub-optimal operating environment.

3. The Federal Government is resolved to halt this decay in infrastructure by providing the enabling conditions and environment necessary to spur private sector investment at KLT II. Moreover, the country's shortage of maritime infrastructure has compelled the NPA to seek the optimal use of the existing waterfront infrastructure in order to address capacity limits in the handling, processing and storage of cargoes within the Nigerian ports system.

4. In light of the foregoing, the Federal Ministry of Transport has embarked upon the project to concession an area on KLT II for the development of a Container Terminal. The ICRC Act of 2005, being the principal federal law for concessions and PPPs, would apply to the proposed concessions. The NPA, as the owner of the KLT II infrastructure, will be the project sponsor and authority for granting the concession.

5. KLT II Container Terminal: The container terminal will be situated on Phase II of Kirikiri Lighter Terminal. The terminal area has a proposed quay length of not less than 300 m and an area not less than 11 ha. The identified concessionaire will manage and operate the terminal for a given lease term.

6. The Container Terminal concession will be procured via competitive bidding, following a two-stage bid process: a pre-qualification stage and an RfP stage.

7. Container Activities: The KLT II container terminal will be expected to handle both domestic and international cargo. There is an ongoing restructuring of the customs framework to permit direct calls to the KLT II terminal

8. Method of Application: In order to be pre-qualified, prospective bidders, who must be local/ international terminal operators must be able to demonstrate a track record of successful management, investment and operation of a container terminal. Interested applicants should indicate their interest by providing brief documentation structured into the following sections:
   - Bidding Entity: Full name of company and contact person, postal address, telephone/fax numbers, and e-mail addresses
   - Structure of Bidding Entity: Any technical or professional associations for the purpose of submitting the pre-qualification document (with supporting documentation such as letters of association).
   - Ownership Structure of Bidding Entity: Name(s) of major shareholders and percentage shareholding of participants in the bidding entity
   - Financial Profile: Abridged signed audited financial statements for the past three (3) years (including auditor's letter to the Board of Directors). Evidence of ample financial resources (including letters of support from reputable Nigeria or international financial institutions.
   - Technical Profile: Technical and operational capabilities covering:
     - Type of business engaged in by members of bidding entity
     - Number of years of container operations
     - Experience in Nigeria and/or international experience.

9. Upon receipt of Expressions of Interest, the NPA shall evaluate and pre-qualify applicants.

10. One (1) soft copy, and an original hard copy plus five (5) other copies of the Expression of Interest shall be delivered in a sealed envelope clearly marked "EOI KLT II Concession" addressed to:-
    The Managing Director, Nigerian Ports Authority" and dropped in the designated Tender Box located on the Ground Floor, Nigerian Ports Authority Headquarters at 26/28, Marina Lagos not later than 11.00 am on **Monday, March 16, 2015**.

    Bidders must sign the bid submission register in the office of the General Manager, Procurement, Room 029 Ground Floor, as the Authority will not be held liable for misplaced or wrongly submitted documents.

11. Applicants should note that:
    - Submission shall be in English language only.
    - Submission through electronic media shall be rejected;
    - Submission received after the deadline shall be rejected; and
    - Only shortlisted applicants will be contacted

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Economic and financial indicators

Economic data

% change on year ago

	Gross domestic product			Industrial production	Consumer prices		Unemployment	Current-account balance		Budget balance	Interest rates, %	Currency units, per $	
	latest	qtr*	2014†	latest	latest	2014†	rate, %	latest 12 months, $bn	% of GDP 2014†	% of GDP 2014†	10-year gov't bonds, latest	Feb 11th	year ago
United States	+2.5 Q4	+2.6	+2.4	+4.9 Dec	+0.8 Dec	+1.5	5.7 Jan	-388.1 Q3	-2.3	-2.8	1.99	-	-
China	+7.3 Q4	+6.1	+7.4	+7.9 Dec	+0.8 Jan	+2.1	4.1 Q4§	+213.8 Q4	+2.2	-2.4	3.34§§	6.24	6.06
Japan	-1.3 Q3	-1.9	+0.3	+0.3 Dec	+2.4 Dec	+2.7	3.4 Dec	+24.3 Dec	+0.4	-8.0	0.39	119	102
Britain	+2.7 Q4	+2.0	+2.7	+0.5 Dec	+0.5 Dec	+1.4	5.8 Oct††	-163.0 Q3	-4.6	-5.5	1.67	0.66	0.61
Canada	+2.6 Q3	+2.8	+2.4	+2.1 Nov	+1.5 Dec	+1.9	6.6 Jan	-41.2 Q3	-2.3	-2.0	1.45	1.25	1.10
Euro area	+0.8 Q3	+0.6	+0.8	-0.4 Nov	-0.6 Jan	+0.4	11.4 Dec	+318.0 Nov	+2.4	-2.5	0.36	0.88	0.73
Austria	-0.1 Q4	+2.6	+0.7	-2.5 Nov	+1.0 Dec	+1.5	4.9 Dec	+2.4 Q3	+2.0	-2.5	0.48	0.88	0.73
Belgium	+0.9 Q4	+0.4	+1.0	-3.4 Nov	-0.6 Jan	+0.5	8.4 Dec	+8.0 Sep	-0.4	-3.0	0.65	0.88	0.73
France	+0.4 Q3	+1.0	+0.4	-0.1 Dec	+0.1 Dec	+0.6	10.3 Dec	-30.5 Dec‡	-1.4	-4.4	0.70	0.88	0.73
Germany	+1.2 Q3	+0.3	+1.4	-0.4 Dec	-0.3 Jan	+0.8	6.5 Jan	+284.5 Dec	+7.1	+0.8	0.36	0.88	0.73
Greece	+1.9 Q3	+3.0	+0.8	-3.9 Dec	-2.6 Dec	-1.3	25.8 Oct	+3.0 Nov	+1.4	-4.1	11.08	0.88	0.73
Italy	-0.5 Q3	-0.6	-0.4	+0.1 Dec	-0.6 Jan	+0.2	12.9 Dec	+36.7 Nov	+1.5	-3.0	1.68	0.88	0.73
Netherlands	+1.0 Q3	+0.5	+0.7	-2.8 Dec	+0.7 Dec	+0.6	8.1 Dec	+91.5 Q3	+9.6	-2.6	0.46	0.88	0.73
Spain	+2.0 Q4	+2.8	+1.3	+2.2 Dec	-1.4 Jan	-0.2	23.7 Dec	-1.5 Nov	+0.2	-5.6	1.67	0.88	0.73
Czech Republic	+2.7 Q3	+1.7	+2.2	+7.3 Dec	+0.1 Jan	+0.4	7.7 Jan§	+0.2 Q3	-1.1	-1.6	0.58	24.4	20.2
Denmark	+1.0 Q3	+1.6	+0.9	+4.7 Dec	-0.1 Jan	+0.5	5.0 Dec	+21.2 Dec	+6.6	+0.2	0.13	6.57	5.47
Hungary	+3.2 Q3	+1.9	+3.0	+4.9 Dec	-1.4 Jan	nil	7.1 Dec§††	+5.7 Q3	+4.3	-2.9	3.23	273	228
Norway	+3.2 Q4	+3.7	+2.3	+3.1 Dec	+2.0 Jan	+2.0	3.7 Nov‡‡	+49.2 Q3	+10.8	+12.0	1.40	7.56	6.13
Poland	+3.4 Q3	+3.6	+3.3	+8.4 Dec	-1.0 Dec	+0.1	11.5 Dec§	-7.2 Nov	-1.3	-3.5	2.33	3.71	3.06
Russia	+0.7 Q3	na	+0.6	+4.0 Dec	+15.0 Jan	+7.8	5.3 Dec§	+56.6 Q4	+2.7	-0.2	12.39	66.3	34.8
Sweden	+2.1 Q3	+1.3	+1.9	-1.6 Dec	-0.3 Dec	-0.2	7.0 Dec§	+36.5 Q3	+5.8	-2.2	0.68	8.30	6.48
Switzerland	+1.9 Q3	+2.6	+1.8	-0.4 Q3	-0.5 Jan	nil	3.1 Jan	+45.7 Q3	+10.6	+0.3	0.01	0.93	0.90
Turkey	+1.7 Q3	na	+3.0	+4.6 Dec	+7.2 Jan	+8.9	10.4 Oct§	-45.8 Dec	-5.4	-1.4	7.90	2.50	2.22
Australia	+2.7 Q3	+1.4	+2.8	+3.8 Q3	+1.7 Q4	+2.5	6.4 Jan	-42.9 Q3	-3.0	-2.6	2.59	1.30	1.11
Hong Kong	+2.7 Q3	+6.8	+2.4	-1.7 Q3	+4.8 Dec	+4.4	3.3 Dec‡‡	+7.7 Q3	+1.9	+0.8	1.55	7.75	7.76
India	+7.8 Q1	+7.4	+6.0	+3.8 Nov	+5.0 Dec	+7.2	8.8 2013	-23.4 Q3	-2.0	-4.3	7.73	62.1	62.4
Indonesia	+5.0 Q4	na	+5.0	+5.2 Dec	+7.0 Jan	+6.4	5.9 Q3§	-24.0 Q3	-2.8	-2.3	na	12,670	12,173
Malaysia	+5.8 Q4	na	+5.9	+7.4 Dec	+2.7 Dec	+3.1	2.7 Nov§	+15.2 Q4	+4.2	-3.6	3.85	3.58	3.34
Pakistan	+5.4 2014**	na	+5.4	+4.9 Nov	+3.9 Jan	+7.2	6.2 2013	-3.5 Q4	-2.6	-5.5	10.00†††	101	105
Singapore	+1.5 Q4	+1.6	+2.8	-1.9 Dec	-0.2 Dec	+1.1	1.9 Q4	+58.9 Q3	+21.6	+0.5	2.03	1.36	1.27
South Korea	+2.8 Q4	+1.5	+3.6	+0.4 Dec	+0.8 Jan	+1.3	3.8 Jan§	+89.4 Dec	+5.8	+0.6	2.35	1,090	1,071
Taiwan	+3.2 Q4	+2.6	+3.6	+7.3 Dec	-0.9 Jan	+1.3	3.8 Dec	+65.0 Q3	+11.7	-1.4	1.60	31.5	30.3
Thailand	+0.6 Q3	+4.4	+0.7	-0.4 Dec	-0.4 Jan	+1.9	0.6 Dec§	+14.2 Q4	+2.6	-2.5	2.67	32.6	32.8
Argentina	-0.8 Q3	-2.1	-0.4	-2.4 Dec	— ***	—	7.5 Q3§	-5.0 Q3	-1.1	-2.7	na	8.67	7.83
Brazil	-0.2 Q3	+0.3	+0.1	-2.8 Dec	+7.1 Jan	+6.3	4.3 Dec§	-90.9 Dec	-4.0	-5.5	12.82	2.83	2.40
Chile	+0.8 Q3	+1.5	+1.8	+0.8 Dec	+4.5 Jan	+4.4	6.0 Dec§‡‡	-5.0 Q3	-1.7	-2.2	4.29	627	556
Colombia	+4.2 Q3	+2.6	+4.8	-1.0 Nov	+3.8 Jan	+2.9	8.7 Dec§	-16.2 Q3	-4.4	-1.7	6.73	2,378	2,051
Mexico	+2.2 Q3	+2.0	+2.3	+3.0 Dec	+3.1 Jan	+4.0	4.4 Dec	-25.4 Q3	-1.9	-3.4	5.64	14.9	13.3
Venezuela	-2.3 Q3	+10.0	-3.0	+0.8 Sep	+63.6 Nov	+62.1	5.5 Dec§	+10.3 Q3	+1.2	-13.0	16.76	12.0	6.29
Egypt	+6.8 Q3	na	+2.2	+1.2 Dec	+9.7 Jan	+10.1	13.1 Q3§	-4.4 Q3	-2.0	-12.0	na	7.63	6.96
Israel	+2.6 Q3	+0.2	+2.5	-1.7 Nov	-0.2 Dec	+0.5	5.7 Dec	+11.2 Q3	+3.6	-2.9	1.85	3.87	3.52
Saudi Arabia	+3.6 2014	na	+3.9	na	+2.4 Dec	+2.8	6.0 2014	+120.1 Q3	+13.1	+1.5	na	3.75	3.75
South Africa	+1.4 Q3	+1.4	+1.6	+0.5 Dec	+5.3 Dec	+6.2	24.3 Q4§	-19.7 Q3	-5.4	-4.3	7.33	11.7	11.2

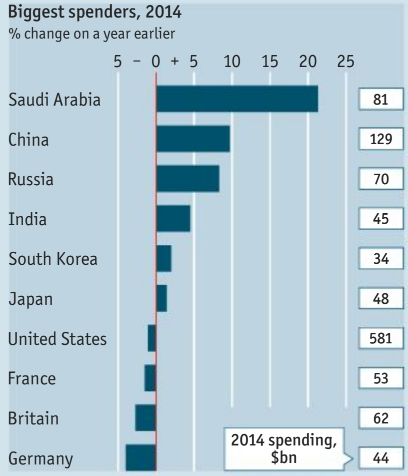
Source: Haver Analytics. *% change on previous quarter, annual rate. †*The Economist* poll or Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted. ‡New series. **Year ending June. ††Latest 3 months. ‡‡3-month moving average. §§5-year yield. ***Official number not yet proven to be reliable; The State Street PriceStats Inflation Index, Nov 41.61%; year ago 19.95% †††Dollar-denominated bonds.

Markets

	Index Feb 11th	% change on one week	Dec 31st 2013 in local currency	Dec 31st 2013 in $ terms
United States (DJIA)	17,862.1	+1.1	+7.8	+7.8
China (SSEA)	3,308.4	-0.5	+49.4	+44.9
Japan (Nikkei 225)	17,652.7	-0.1	+8.4	-5.4
Britain (FTSE 100)	6,818.2	-0.6	+1.0	-6.9
Canada (S&P TSX)	15,151.5	+1.0	+11.2	-6.6
Euro area (FTSE Euro 100)	1,116.8	-1.1	+9.5	-10.2
Euro area (EURO STOXX 50)	3,374.1	-1.2	+8.5	-11.0
Austria (ATX)	2,321.2	+3.0	-8.8	-25.2
Belgium (Bel 20)	3,537.9	-0.8	+21.0	-0.7
France (CAC 40)	4,679.4	-0.4	+8.9	-10.6
Germany (DAX)*	10,752.1	-1.5	+12.6	-7.7
Greece (Athex Comp)	793.1	-6.5	-31.8	-44.0
Italy (FTSE/MIB)	20,565.8	-1.8	+8.4	-11.0
Netherlands (AEX)	458.3	+0.7	+14.1	-6.4
Spain (Madrid SE)	1,050.2	-1.9	+3.8	-14.9
Czech Republic (PX)	987.5	+0.7	-0.2	-19.0
Denmark (OMXCB)	716.8	-1.3	+26.6	+4.1
Hungary (BUX)	17,744.9	+2.3	-4.4	-24.7
Norway (OSEAX)	647.4	-0.2	+7.4	-14.8
Poland (WIG)	51,893.8	-0.3	+1.2	-18.2
Russia (RTS, $ terms)	832.3	+8.0	+17.3	-42.3
Sweden (OMXS30)	1,593.0	+0.9	+19.5	-8.6
Switzerland (SMI)	8,577.8	-0.4	+4.6	+0.4
Turkey (BIST)	83,429.4	-2.9	+23.0	+5.5
Australia (All Ord.)	5,731.7	nil	+7.1	-7.3
Hong Kong (Hang Seng)	24,315.0	-1.5	+4.3	+4.3
India (BSE)	28,534.0	-1.2	+34.8	+33.9
Indonesia (JSX)	5,336.5	+0.4	+24.9	+19.5
Malaysia (KLSE)	1,799.0	-0.2	-3.6	-12.3
Pakistan (KSE)	34,204.0	-1.4	+35.4	+40.4
Singapore (STI)	3,444.6	+0.8	+8.7	+0.8
South Korea (KOSPI)	1,945.7	-0.9	-3.3	-7.0
Taiwan (TWI)	9,462.2	-0.5	+9.9	+3.9
Thailand (SET)	1,605.1	+0.3	+23.6	+24.4
Argentina (MERV)	9,118.5	+1.8	+69.1	+27.1
Brazil (BVSP)	48,239.7	-2.2	-6.3	-22.9
Chile (IGPA)	19,092.2	nil	+4.7	-12.7
Colombia (IGBC)	10,555.1	-3.4	-19.3	-35.6
Mexico (IPC)	41,933.3	+0.5	-1.9	-14.9
Venezuela (IBC)	3,553.8	-1.2	+29.9	na
Egypt (Case 30)	9,770.8	-2.7	+44.1	+31.2
Israel (TA-100)	1,285.5	+0.5	+6.4	-4.9
Saudi Arabia (Tadawul)	9,133.7	-0.5	+7.0	+7.0
South Africa (JSE AS)	52,069.3	+0.8	+12.6	-0.8

Global defence spending

Global defence spending increased by 1.7% in 2014, following three years of decreases. More than half of this growth came from three countries: Saudi Arabia, China and Russia. Saudi Arabia's spending increase was the most striking, at more than 21%. Chinese expenditure continued to outflank that of regional rivals, increasing by 9.7% in 2014. In contrast, spending in North America and Europe declined, despite concerns over Russian ambitions in Europe. Russia's own defence spending increased by 8.3% in 2014; it continues to spend more as a percentage of GDP than America. While America remains the biggest military spender, its share of the global total has fallen from 47% in 2010 to 38% in 2014.



Source: International Institute for Strategic Studies

Other markets

	Index Feb 11th	% change on one week	Dec 31st 2013 in local currency	Dec 31st 2013 in $ terms
United States (S&P 500)	2,068.5	+1.3	+11.9	+11.9
United States (NAScomp)	4,801.2	+1.8	+15.0	+15.0
China (SSEB, $ terms)	292.4	+0.7	+18.9	+15.3
Japan (Topix)	1,427.7	+0.8	+9.6	-4.3
Europe (FTSEurofirst 300)	1,483.7	-0.2	+12.7	-7.5
World, dev'd (MSCI)	1,721.6	+0.4	+3.6	+3.6
Emerging markets (MSCI)	961.2	-2.0	-4.1	-4.1
World, all (MSCI)	419.9	+0.1	+2.8	+2.8
World bonds (Citigroup)	885.8	-1.6	-2.3	-2.3
EMBI+ (JPMorgan)	691.2	-1.0	+6.1	+6.1
Hedge funds (HFRX)	1,222.8§	+0.4	-0.2	-0.2
Volatility, US (VIX)	17.0	+18.3	+13.7	(levels)
CDSs, Eur (iTRAXX)†	59.1	+4.9	-19.7	-34.1
CDSs, N Am (CDX)†	66.8	-1.7	+8.8	+8.8
Carbon trading (EU ETS) €	7.3	+4.6	+40.5	+15.3

Sources: Markit; Thomson Reuters. *Total return index.
†Credit-default-swap spreads, basis points. §Feb 10th

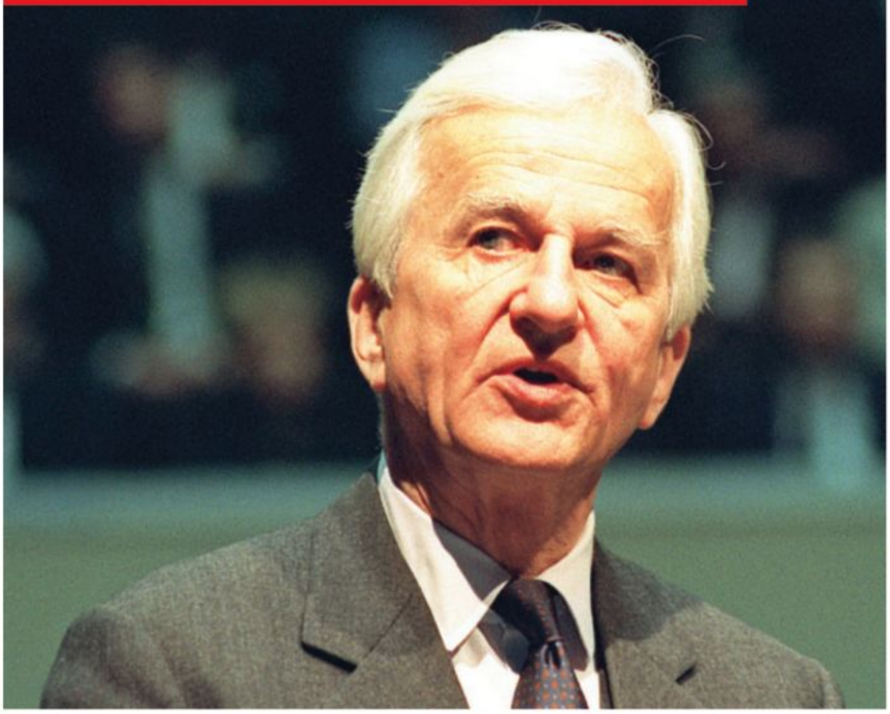
Indicators for more countries and additional series, go to: **Economist.com/indicators**

The Economist commodity-price index

2005=100

	Feb 3th*	Feb 10th*	% change on one month	% change on one year
Dollar Index				
All Items	148.5	148.4	nil	-10.0
Food	163.8	164.2	-3.1	-11.4
Industrials				
All	132.7	132.0	+4.3	-8.0
Nfa†	139.9	143.1	+19.0	-7.0
Metals	129.7	127.3	-1.5	-8.5
Sterling Index				
All items	178.8	176.9	-0.5	-2.7
Euro Index				
All items	161.3	163.0	+4.1	+8.7
Gold				
$ per oz	1,258.1	1,237.5	+0.1	-4.1
West Texas Intermediate				
$ per barrel	52.7	50.3	+8.7	-49.6

Sources: Bloomberg; CME Group; Cotlook; Darmenn & Curl; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Thomson Reuters; Urner Barry; WSJ. *Provisional
†Non-food agriculturals.



Germany's liberator

Richard von Weizsäcker, first president of his reunited country, died on January 31st, aged 94

FORTY years, as the Old Testament shows, marks a psychological threshold. Richard von Weizsäcker observed this on May 8th 1985, as he gave the speech of his presidency and his life. In 40 years, a people could traverse the desert and reach the promised land; but they could also forget old lessons and stray from the path. And so, 40 years after their surrender in the war they had started, the Germans should face their crimes and their own destruction as honestly as they could. Only then—and this was his shocking twist—would they understand that the day of their defeat was the moment of their liberation.

Helmut Kohl, then chancellor, had muttered something similar a few weeks earlier, but the public had taken little notice. Now, however, the thought came from the ceremonial head of state, a white-haired and elegant aristocrat, the son of a diplomat, and it was delivered in dialect-free German that resonated with gravitas. Suddenly the sentiment struck with full force, at home and abroad. A few months after the speech, Mr von Weizsäcker became the first German president to visit Israel.

By then, Germans had made much progress in confronting their past. But members of the SS were still being honoured among war dead, and Germany's historians were on the verge of a long academic struggle over whether the Holocaust was unique. Not everybody was ready to take the last step towards freedom through honesty. But Mr von Weizsäcker demanded it. A relative few might have carried out the crimes, he said in his speech, "but every single German could witness what the Jews had to suffer."

He left unmentioned his own family history. But Germans knew that this appeal came from a man as deeply implicated as any of them. His father, Ernst, had been a senior official in Hitler's foreign ministry. His oldest brother, Carl Friedrich, was a physicist who worked on nuclear fission to give Hitler the bomb. Richard was the youngest brother. As a gangly, enthusiastic teenager he invaded Poland with the Wehrmacht as part of the 9th Potsdam, an elite Prussian infantry regiment. On the second day of the war Heinrich, his middle brother, was shot through the throat not far from him. Richard kept watch over Heinrich's dead body all night. He could not describe "the emotions of those hours".

From then on, he did his brutal duty in the eastern lands. With his regiment he laid siege to Leningrad and advanced almost to Moscow. He saw, and plausibly took part in, many atrocities. In 2009 journalists confronted him with a newly discovered order from 1941 that told his regiment to take no prisoners. Taken aback, he stammered that he had never heard of it. But two years earlier, in conversation, he had referred to "the countries we raped".

Many of the men who tried to assassinate Hitler on July 20th 1944 came from his regiment. He was close to them, and remembered, in a billet on the eastern front, shooting holes in a portrait of Hitler. But he was not of or with them. After the war, when his father was accused of war crimes in the Nuremburg trials, he interrupted his law studies to defend him, arguing that he had tried to prevent even worse crimes. But Ernst had signed an order to deport 6,000 Jews to Auschwitz, and his son could not save him from prison.

He remained defensive about his father's role. Like his country, he struggled to accept his guilt. For a while he would not touch politics, going instead into business and becoming president of the lay assembly of the Lutheran church, whose teachings he quietly lived by. He preached reconciliation among Christians in divided Germany, and was among the first to demand that the westward-shifted border of Poland, which he had once barged through, should be seen as permanent.

Mr Kohl brought him into centre-right politics in 1969, as a member of the Christian Democratic Union, but he was never a party apparatchik. His mind was too freewheeling for that. In the 1970s he naturally supported *Ostpolitik*, the policy of rapprochement with all the eastern countries; it did not matter that the idea came from Willy Brandt's rival Social Democrats.

At the Berlin Wall

On Kristallnacht in 1938, when Jewish shops were smashed, Mr von Weizsäcker had been in Berlin. In 1981 he became mayor of the city's western side, now split by a wall as though in punishment. Conventional wisdom viewed that division as permanent. But he insisted that the German question remained open as long as the Brandenburg Gate remained closed.

In 1984 he was chosen as president, much to the chagrin of Mr Kohl. Slim, ascetic and patrician, he made a telling contrast with the fat, shabby chancellor. The CDU boss revelled in political combat; the head of state stood apart, a figure of decency, dignity and goodness. When Germany was at last reunited, he was the best spokesman the country could have wished for.

Perhaps the sweetest moment occurred just after the Berlin Wall fell in November 1989. The president rushed to Berlin and approached the wall at Potsdamer Platz, in no-man's-land. East German soldiers were breaching the wall to make a border crossing. As the West German president walked towards them, an East German officer snapped to attention and barked: "No unusual developments here, Mr President." ■

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