

The Economist

MARCH 24TH-30TH 2018

The Russians who will take on Putin

China's brainy new team

How to teach gifted children

When astronomers write haiku

Epic fail



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Epic fail



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Print edition: available online by 7pm London time each Thursday Economist.com/printedition

Audio edition: available online to download each Friday Economist.com/audioedition



Volume 426 Number 9084

Published since September 1843 to take part in "a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."

Editorial offices in London and also: Beijing, Berlin, Brussels, Cairo, Chicago, Madrid, Mexico City, Moscow, Mumbai, Nairobi, New Delhi, New York, Paris, San Francisco, São Paulo, Seoul, Shanghai, Singapore, Tokyo, Washington DC

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India ₹10,000

Japan Yen 44,300

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Other countries Contact us as above

Principal commercial offices:

The Adelphi Building, 1-11 John Adam Street,

London WC2N 6HT

Tel: +44 (0) 20 7830 7000

Rue de l'Athénée 32

1206 Geneva, Switzerland

Tel: +41 22 566 2470

750 3rd Avenue, 5th Floor, New York, NY 10017

Tel: +1 212 541 0500

1301 Cityplaza Four,

12 Taikoo Wan Road, Taikoo Shing, Hong Kong

Tel: +852 2585 3888

Other commercial offices:

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Politics



Xi Jinping tightened his grip on power in **China** by promoting allies to top government jobs. Wang Qishan, who has led Mr Xi's crackdown on corruption, was made vice-president, a hitherto ceremonial position that may now be beefed up to oversee relations with America. Liu He, Mr Xi's economic adviser, was named as one of four deputy prime ministers and given the brief of supervising the People's Bank of China and other regulatory bodies. The PBOC, in turn, will be headed by Yi Gang, another new appointment, who, like Mr Liu, has studied in America.

China's aircraft-carrier entered the **Taiwan Strait** again. This was probably as a show of defiance to America, which has angered Beijing by passing a law that encourages contacts between American and Taiwanese officials. Taiwanese ships tracked the vessel.

The diplomatic effort to ease tensions on the Korean peninsula continued apace. Moon Jae-in, the president of **South Korea**, held open the possibility of three-way talks with America and **North Korea** if a summit planned for April between the South and North is productive. Meanwhile, the Pentagon announced that South Korea and the United States will resume joint military exercises that were postponed during the Winter Olympics.

Myanmar's president, Htin Kyaw, resigned with immediate effect. Rumours have swirled for months that he is in poor health. Htin Kyaw was the country's first civilian

president since the early 1960s and is a confidant of Aung San Suu Kyi, who is the de facto head of Myanmar's government, even if the president is constitutionally in charge.

A suicide-bomber targeted crowds at a shrine celebrating the Persian new year in **Kabul, Afghanistan's** capital, killing at least 31 people.

Out of captivity

Most of the 110 **Nigerian** schoolgirls who were recently abducted by Boko Haram in the town of Dapchi were freed. The government insists that it did not pay a ransom for their return. The jihadists warned the girls' parents not to put them back in school.

Dozens of **African** leaders signed an ambitious free-trade deal. All 55 members of the African Union negotiated the agreement, but 11 did not sign, including Nigeria, the continent's largest economy.

For the first time **Israel** admitted to bombing a suspected nuclear reactor in **Syria** in 2007. Binyamin Netanyahu, the prime minister, said the attack showed that Israel will prevent its enemies from developing nuclear weapons.

Turkey captured the northern Syrian region of Afrin after a two-month battle with **Kurdish** fighters. Meanwhile, Syrian government forces took back more territory in besieged Eastern Ghouta, the last rebel stronghold near Damascus.

He's gone

Pedro Pablo Kuczynski resigned as **Peru's** president after 20 months in office. The country's congress was threatening to impeach him based on evidence that a company he founded had worked with Odebrecht, a Brazilian construction company that bribed officials across Latin America. He had served as finance minister and prime minister in an earlier government that awarded contracts to Odebrecht. Mr Kuczynski will be succeeded by the vice-president, Martín Vizcarra.



Tens of thousands of **Brazilians** protested against the execution-style murder of Marielle Franco, a left-wing city councillor in Rio de Janeiro. Ms Franco, who was black and gay, had accused the police of abuses and was a critic of the decision by Brazil's government to put the army in charge of security in the state of Rio.

America toughened sanctions against **Venezuela's** authoritarian regime. It added four current and former officials to the list of 49 whose American assets are frozen. Donald Trump signed an executive order barring Americans from buying or selling the petro, a crypto-currency issued by Venezuela's government. Only the most risk-hungry investors were buying it in the first place.

Cruel and unusual punishment

The sacking of **Andrew McCabe** at the FBI, where he was deputy director until January, was seen by many as an attempt to discredit him as a witness in Robert Mueller's investigation into Russian meddling. Mr McCabe was on paid leave and was fired for an alleged lack of "candour" in dealings with the media. He had been the target of much of Donald Trump's invective. Last December the president tweeted that Mr McCabe was "racing the clock" to retire with a full pension. He was sacked 26 hours before he was due to receive that pension.

Congress hurried yet again to pass a bill that would avoid a government **shutdown**.

The suspect behind several explosive devices, mostly contained in packages, that left two men dead and injured several other people in or near

Austin, Texas, blew himself up during a police chase. Police are investigating the motive.

Quelle surprise

Vladimir Putin easily won a fourth term as **Russia's** president, taking more than 77% of the vote. However, there were widespread allegations of stuffed ballot-boxes, and the main opposition candidate, Alexei Navalny, was not allowed to stand. Despite this, Mr Putin was congratulated by Donald Trump and by Jean-Claude Juncker, president of the European Commission.

Nicolas Sarkozy, a former president of **France**, was placed under formal investigation as part of a probe into allegations that he received millions of euros in illegal election funding from the regime of the late Libyan dictator, Muammar Qaddafi.

In **Slovakia**, the government headed by Robert Fico collapsed in the face of widespread protests over the murder of a journalist who was investigating government corruption.



British and European Union negotiators approved the details of the **Brexit** transition proposals that were agreed in December. Britain will formally leave the EU in March 2019, but be bound by its regulations until the end of 2020. During the transition trade deals can be negotiated with other countries. But the Irish border question remains unresolved; the "backstop" solution that keeps Northern Ireland in the EU customs union is in the document, for now. In Britain Leavers said the deal betrayed the fishing industry, and threw fish into the River Thames outside Parliament in protest.

Business

Facebook was embroiled in a crisis over its privacy policies, after it emerged that data on 50m users had been harvested from an app for psychological tests and then shared with Cambridge Analytica, a political data-mining firm. Cambridge Analytica allegedly used the data to create voter profiles during the 2016 presidential election in America, enabling the Trump campaign to craft messages to potential supporters. Facebook banned the app in 2015. It said it had been "deceived" and promised to tighten up its rules on data. Politicians in America and Britain called for tighter regulation of social media. Facebook's share price swooned.

Market capitalisation



Investors worried about Alphabet, the parent company of Google, being caught up in any regulatory blowback about data privacy also sent its share price down. That helped Amazon, which has seen its share price rise by a third since the start of the year, pass Alphabet to become the world's second-most-valuable listed company. Amazon is worth \$770bn (still some way behind Apple, at \$870bn).

The European Commission proposed levying a 3% tax on revenues of big technology companies, such as Google and Facebook, that operate in Europe, but have "little or no physical presence" in the region. The proposal is an interim measure and requires unanimity among the EU's member states to be adopted.

Amid strong demand, Dropbox raised the price of its IPO on the NASDAQ exchange

to between \$18 and \$20 a share, from the \$16 to \$18 it had initially announced.

Blockbuster trial

The district court in Washington, DC that will decide the fate of AT&T's proposed \$85bn takeover of Time Warner started proceedings in the case. AT&T argues that Facebook, Amazon, Apple, Netflix and Google (the FAANGs) have completely transformed the relationship between content providers and distributors, and that it needs to buy Time Warner and its stable of broadcast programming to stay in the game. The Justice Department is challenging the deal on antitrust grounds, an unusual move given that the merger is a vertical one, combining two businesses that do not compete directly.

Salesforce, the world's fourth-largest software company, made its biggest acquisition to date by agreeing to buy MuleSoft in a deal valued at \$6.5bn. MuleSoft provides a platform for businesses to integrate data from the cloud as well as from in-house servers.

The Federal Reserve raised the range for its benchmark interest rate by a quarter of a percentage point, to between

1.5% and 1.75%. The Fed signalled that rates may increase more than expected over the medium term because of the strengthening economy, but stuck to its expectations of two more rate rises this year.

Britain's inflation rate fell sharply, to 2.7%, but wages grew by 2.6%, the fastest pace in nearly two-and-a-half years.

Lloyd's reported an annual pre-tax loss of £2bn (\$2.6bn), its first since 2011. Lloyd's, an insurance market based in London, was hit by £4.5bn in claims related to natural disasters in 2017, including the worst hurricane season in years, earthquakes in Mexico and wildfires in California.

A tragic first

A driverless car being tested by Uber killed a pedestrian in Tempe, Arizona. It is not the first fatal collision involving autonomous cars, but it is the first accident resulting in the death of a pedestrian. Police and federal safety agencies launched investigations, and Uber suspended all driverless testing. Critics raised concerns that safety has been compromised in the rush to get autonomous vehicles on the road. Many American states allow testing but require a

person to be in the car, as happened in this instance, in the event that anything goes wrong.

Ivan Glasenberg, the boss of Glencore, said that Western carmakers were falling behind China in stockpiling supplies of cobalt, one of the key elements in the batteries that power electric cars. Glencore has signed a contract to provide a Chinese firm with a third of its cobalt output over the next three years. Mr Glasenberg suggested he was prepared to sell Glencore's cobalt mines to China if the price was right, and warned that China would use the material to boost its own electric-vehicle industry.

Let us pay

The Church of England decided to give parishioners the choice of making contactless payments. Faster ways of paying for events like weddings and christenings may appeal to younger people, who tend to be less keen on cash. But offerings in the aisles have yet to move with the times. A collection plate passed among worshippers is still quicker than a debit card.

For other economic data and news see Indicators section



Epic fail

The social-media giant faces a reputational crisis. Here is how it and the industry should respond



LAST year the idea took hold that Mark Zuckerberg might run for president in 2020 and seek to lead the world's most powerful country. Today, Facebook's founder is fighting to show that he is capable of leading the world's eighth-biggest

listed company or that any of its 2.1bn users should trust it.

News that Cambridge Analytica (CA), a firm linked to President Donald Trump's 2016 campaign, got data on 50m Facebook users in dubious, possibly illegal, ways has lit a firestorm (see United States section). Mr Zuckerberg took five days to reply and, when he did, he conceded that Facebook had let its users down in the past but seemed not to have grasped that its business faces a wider crisis of confidence. After months of talk about propaganda and fake news, politicians in Europe and, increasingly, America see Facebook as out of control and in denial. Congress wants him to testify. Expect a roasting.

Since the news, spooked investors have wiped 9% off Facebook's shares. Consumers are belatedly waking up to the dangers of handing over data to tech giants that are run like black boxes. Already, according to the Pew Research Centre, a think-tank, a majority of Americans say they distrust social-media firms. Mr Zuckerberg and his industry need to change, fast.

The addiction game

Facebook's business relies on three elements: keeping users glued to their screens, collecting data about their behaviour and convincing advertisers to pay billions of dollars to reach them with targeted ads. The firm has an incentive to promote material that grabs attention and to sell ads to anyone. Its culture melds a ruthless pursuit of profit with a Panglossian and narcissistic belief in its own virtue. Mr Zuckerberg controls the firm's voting rights. Clearly, he gets too little criticism.

In the latest fiasco, it emerged that in 2013 an academic in Britain built a questionnaire app for Facebook users, which 270,000 people answered. They in turn had 50m Facebook friends. Data on all these people then ended up with CA. (Full disclosure: *The Economist* once used CA for a market-research project.) Facebook says that it could not happen again and that the academic and CA broke its rules; both deny doing anything wrong. Regulators in Europe and America are investigating. Facebook knew of the problem in 2015, but it did not alert individual users. Although nobody knows how much CA benefited Mr Trump's campaign, the fuss has been amplified by the left's disbelief that he could have won the election fairly.

But that does not give Facebook a defence. The episode fits an established pattern of sloppiness towards privacy, tolerance of inaccuracy and reluctance to admit mistakes. In early 2017 Mr Zuckerberg dismissed the idea that fake news had influenced the election as "pretty crazy". In September Facebook said Kremlin-linked firms had spent a mere \$100,000 to buy 3,000 adverts on its platform, failing at first to mention that 150m users had seen free posts by Russian operatives. It has also repeatedly misled advertisers about its user statistics.

Facebook is not about to be banned or put out of business, but the chances of a regulatory backlash are growing. Europe is inflicting punishment by a thousand cuts, from digital taxes to antitrust cases. And distrustful users are switching off. The American customer base of Facebook's core social network has stagnated since June 2017. Its share of America's digital advertising market is forecast to dip this year for the first time. The network effect that made Facebook ever more attractive to new members as it grew could work in reverse if it starts to shrink. Facebook is worth \$493bn, but only has \$14bn of physical assets. Its value is intangible—and, potentially, ephemeral.

If Mr Zuckerberg wants to do right by the public and his firm, he must rebuild trust. So far he has promised to audit some apps, restrict developers' access to data still further, and help people control which apps have access to their data.

That doesn't go nearly far enough. Facebook needs a full, independent examination of its approach to content, privacy and data, including its role in the 2016 election and the Brexit referendum. This should be made public. Each year Facebook should publish a report on its conduct that sets out everything from the prevalence of fake news to privacy breaches.

Next, Facebook and other tech firms need to open up to outsiders, safely and methodically. They should create an industry ombudsman—call it the Data Rights Board. Part of its job would be to set and enforce the rules by which accredited independent researchers look inside platforms without threatening users' privacy. Software is being developed with this in mind (see Science section). The likes of Facebook raise big questions. How does micro-targeting skew political campaigns? What biases infect facial-recognition algorithms? Better they be answered with evidence instead of outrage.

The board or something like it could also act as a referee for complaints, and police voluntary data-protection protocols. Facebook, for example, is planning to comply worldwide with some of the measures contained in a new European law, called the General Data Protection Regulation. Among other things, this will give users more power to opt out of being tracked online and to stop their information being shared with third parties. Adherence to such rules needs to be closely monitored.

Thumbs down

Tech has experience of acting collectively to solve problems. Standards on hardware and software, and the naming of internet domains, are agreed on jointly. Facebook's rivals may be wary but, if the industry does not come up with a joint solution, a government clampdown will become inevitable.

Facebook seems to think it only needs to tweak its approach. In fact it, and other firms that Hoover up consumer data, should assume that their entire business model is at risk. As users become better informed, the alchemy of taking their data without paying and manipulating them for profit may die. Firms may need to compensate people for their data or let them pay to use platforms ad-free. Profits won't come as easily, but the alternative is stark. If Facebook ends up as a regulated utility with its returns on capital capped, its earnings may drop by 80%. How would you like that, Mr Zuckerberg? ■

Egypt's election

No choice

The inevitable winner of Egypt's farcical election should at least obey the constitution



THE election in Egypt, which begins on March 26th, will have two candidates. One is Abdel-Fattah al-Sisi, the president, an ex-military man who seized power in a coup in 2013. The other is Moussa Mustafa Moussa, whose party fawningly supports Mr Sisi and who refuses to take part in a debate with the president because that would be disrespectful (see Middle East & Africa section). The election, in other words, is a farce.

Why, then, should Egyptians bother to vote? Mr Sisi's big claim is that he has restored order. In 2011 mass protests led to the overthrow of Hosni Mubarak, a dreary despot. The next year Egyptians elected Muhammad Morsi of the Muslim Brotherhood, who tried to grab dictatorial powers and put his Islamist chums in charge of practically everything. He failed only because then-General Sisi toppled him. All this upheaval sent investors and tourists fleeing. Mr Sisi, who won an election in 2014, deserves credit for taking painful steps to stabilise the economy, such as cutting subsidies and devaluing the Egyptian pound. Without his firm hand, his supporters say, Egypt might have turned out like war-torn Iraq, Syria or Libya.

The fact that some other Arab countries are doing worse does not mean Mr Sisi is doing a good job, however. He oversaw the massacre of hundreds of Mr Morsi's supporters, and the jailing of tens of thousands of dissidents. Serious candidates who wanted to run against him were arrested or bullied into dropping out. Those journalists who have not been locked up are barred from asking Egyptians basic questions, such as "Who will you vote for?"

Freedom will follow prosperity, says the president. But he is unlikely to bring much of either by the time he is mandated to leave office in 2022. Only after blowing through tens of billions

of dollars of aid from the Gulf did Mr Sisi pursue economic reforms—and then under pressure from the IMF, which bailed Egypt out in 2016. He is still throwing money at wasteful mega-projects, such as a dubious new capital in the desert, while Egypt's schools and hospitals crumble. The army is muscling into even more areas of the economy, crowding out private firms. Mr Sisi's vow to cut red tape has come to little.

As the largest Arab state, Egypt matters. That is why the West has lavished alms and arms on it, and overlooked its leaders' abuses. But donors' billions have not bought stability. Islamic State continues to attack churches and mosques and behead civilians in Sinai. A third of young Egyptians have no jobs. The police and security services routinely torture the innocent. This is a recipe for more upheaval one day in the future.

Not another Mubarak

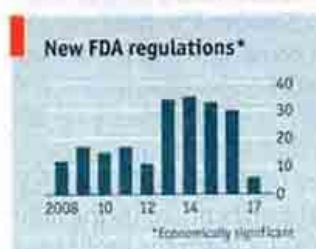
Egyptian voters deserve a real choice. Alas, they will not get one. (And indeed, many are so fed up with turmoil that they say they prefer the predictable rule of a strongman to the messiness of democracy.) Given that Mr Sisi is sure to win, there are several things he can do to ease the tensions that threaten to rip Egypt apart. He could order the army to put more effort into fighting terrorists and less into dodgy money-making. He could help non-crony businesses grow and hire by tackling corruption and red tape. The IMF and other donors should twist his arm to pursue such reforms.

Most important, Mr Sisi should overrule his most sycophantic supporters, who want to amend the constitution to let him run for a third, fourth or fifth term. Perpetual dictators bring stagnation and repression, not peace. Consider Mr Mubarak's 30-year reign—and the way it ended. Egypt needs a system that allows the transfer of power from one leader to the next without violence. The constitution lays one out. Mr Sisi should obey it. ■

The FDA's new course

Faster Drug Approvals

America's drug regulator is focused on speeding medicines to market. Good



tougher standards. Yet rules can also impose too great a burden on firms, slowing innovation and reducing competition.

The head of America's Food and Drug Administration (FDA), Scott Gottlieb, has spent his first year in office tilting the balance away from rulemaking and towards efficiency. Some

REGULATORS can be both a help and a hindrance to the medical industry. A strong regulator increases confidence in drugs and devices, reassuring payers and patients alike. That explains why the Chinese drugs regulator recently adopted

criticise Mr Gottlieb, who once worked in the industry, for still being its accomplice. Instead, he should be applauded. Nobody expects the FDA to solve America's messed-up health-care system, but its goal—of making it cheaper and easier for promising drugs to reach patients—is a step in the right direction (see Business section).

One thing Mr Gottlieb has been doing less of is issuing new regulations, which have dipped to a two-decade low. Instead, he has concentrated on two broad areas that will help the development of therapies and medicines. The first is to adapt the FDA to new technologies. There is a clinical revolution in such areas as gene therapy and printed organs. The FDA is keen to harness the potential of new technologies, whether that