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Brexit: reality dawns

Islamic State's new HQ

Does WeWork?

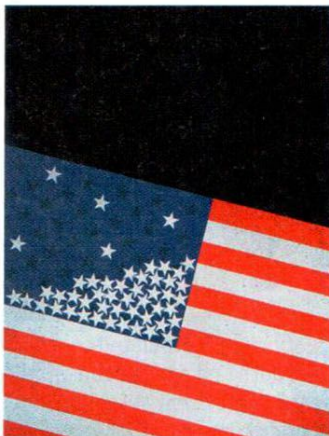
Robochefs conquer the kitchen

JULY 14TH-20TH 2018

American democracy's built-in bias



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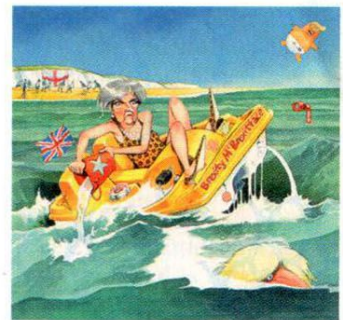
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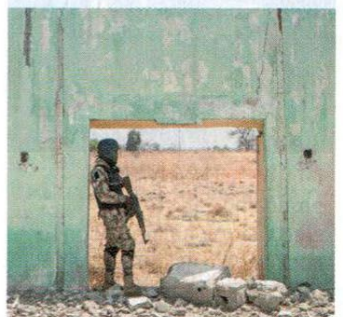
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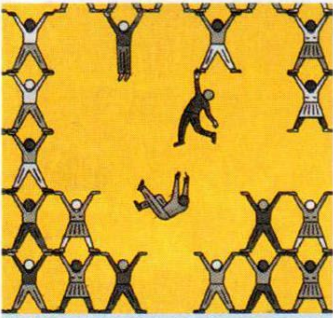
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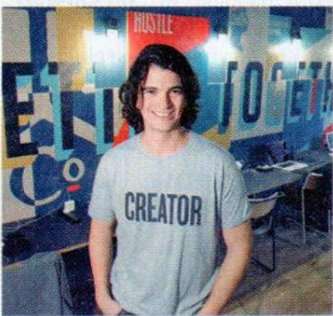
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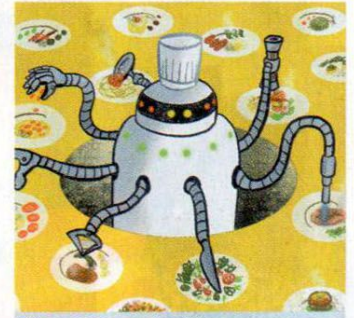
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Principal commercial offices:

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

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Politics



Theresa May, Britain's prime minister, hoped that a deal struck at a cabinet summit would enable her to take an acceptable proposal to Brussels for leaving the European Union. The deal split hardline and more pragmatic Brexiters. Two cabinet ministers resigned in protest: Boris Johnson (above), the foreign secretary, and David Davis, the Brexit secretary. Mrs May defended the proposals, taking aim at potential challengers by saying "to lead is to decide".

The resignations forced Mrs May into a hasty cabinet reshuffle. Jeremy Hunt is the new foreign secretary. Dominic Raab will lead negotiations with the EU as the new Brexit secretary. He holds a black belt in karate.

One of the two people recently exposed to the Novichok nerve agent in Britain died in hospital, prompting police to launch a murder inquiry. Authorities said that the possibility that the incident is linked to the poisoning in March of a former Russian spy is a "clear line" of their investigation.

Shifting to the right

Donald Trump nominated Brett Kavanaugh to be Anthony Kennedy's replacement on the Supreme Court. Mr Kavanaugh is an appeals-court judge who once worked for Kenneth Starr's investigation into Bill Clinton. Democrats vowed to block his appointment, though a change to the rules means that Supreme Court picks can no longer be filibustered.

Andrew Wheeler, a former lobbyist for the coal industry, took over as acting head of the Environmental Protection Agency following the resignation of Scott Pruitt. Mr Pruitt was facing over a dozen federal investigations into allegations of unethical behaviour, and had run up a huge travel bill from flying first class.

A bloody year

In Nicaragua, at least 20 people were killed in a day of protest against the government of Daniel Ortega, the president. Over 300 people have been killed since protests began in April. They started as a demonstration against the government's slow response to a forest fire and grew when it cut pensions. A dialogue between opposition groups and the government mediated by the Catholic church has been suspended.

A judge on weekend duty at an appellate court in Porto Alegre, a city in southern Brazil, ordered the release from prison of Luiz Inácio Lula da Silva, a popular former president who is serving a 12-year sentence for corruption, but his decision was overturned. The appellate court's president ruled that there were no legal grounds to free Lula.

Andrés Manuel López Obrador, Mexico's president-elect, said that Marcelo Ebrard, a former mayor of Mexico City, will be foreign minister in his government. Mr López Obrador is a leftist, but Mr Ebrard is thought to be a moderate.

Into the light

Divers succeeded in rescuing 12 boys and their football coach from a cave in Thailand where they had become trapped by a flash flood. One Thai navy diver died in the operation.

Torrential rain caused flooding and landslides in south Japan, claiming some 200 lives.

Mike Pompeo, America's secretary of state, said that talks with North Korea about surrendering its nuclear weapons had gone well. But North

Korea said America's demands were "gangsterish", prompting fears that it was already backpedalling on its commitment to disarm.



Liu Xia, the widow of China's Nobel peace laureate, Liu Xiaobo, was freed from house arrest and allowed to fly to Germany. Ms Liu had been detained for most of the time since her imprisoned husband, who died a year ago, won the prize in 2010. Meanwhile, a court sentenced a prominent dissident, Qin Yongmin, to 13 years in prison for subversion.

One giant step forward

Ethiopia and Eritrea declared peace, ending a state of war that had lasted two decades. Ethiopia is to give back the town of Badme, whose disputed ownership was a cause of the war, and should gain access to Eritrea's Red Sea ports. The deal has won plaudits for Ethiopia's dynamic new prime minister, Abiy Ahmed, whereas Eritrea's ultra-repressive leader, Isaias Afwerki, may find it harder to keep his grip.

Duduzane Zuma, the son of South Africa's former president, Jacob Zuma, appeared in court on charges relating to bribery. The charges are the first in relation to a series of scandals that led to Mr Zuma being forced out of office.

The UN said that South Sudan's army may have committed war crimes, including mass rapes and the murder of civilians during an offensive. The country has suffered a brutal civil war since 2013.

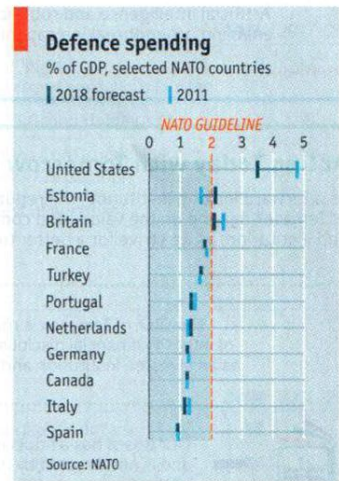
Aided by Russia, Syria's army recaptured the Nassib crossing with Jordan as it advanced on rebel-held enclaves. Jordan

feared another refugee influx but welcomed the anticipated reopening of what had been the main land route from Turkey to the Gulf after three years of closure.

Autocratic transmission

Recep Tayyip Erdogan was re-inaugurated as Turkey's president. He appointed his son-in-law as finance minister, leading to a sharp fall in the value of the lira, and also dropped from his cabinet the minister considered the most market-friendly. The government fired another 9,000 police officers, 6,000 military personnel and hundreds of teachers for alleged links to terror groups.

Italy's Europe minister, Paolo Savona, also rattled the markets, by declaring that Italy needed to be prepared for "all eventualities" concerning its membership of the euro.



At a NATO summit in Brussels, Donald Trump scolded European countries for failing to spend enough on defence. European NATO countries collectively contribute just 1.5% of their GDP to defence, well below NATO's 2% guideline; only four European members meet that mark. America is by far the biggest spender, but since 2011 its spending has fallen in real terms by 15%, whereas NATO Europe's has increased by nearly 10%. After battling with NATO, Mr Trump visits Britain, to be greeted by mass protests, and Helsinki, where he should get a warmer welcome when he meets Vladimir Putin.

Business

The Trump administration intensified its **trade war** with China, threatening to impose tariffs on a further \$200bn-worth of goods, including tuna, chemicals and handbags. This came a few days after America fired its first salvo, levying duties on \$34bn-worth of Chinese industrial exports, to which China retaliated with tariffs on an equivalent value of American goods. America's latest round of duties will not come into force until after a consultation process. Some who support targeting China's trade practices question the broad imposition of tariffs, fearing it will drive up American consumer prices.

One way to get around tariffs

Following China's decision to loosen restrictions on foreign carmakers, **Tesla** signed a memorandum of understanding with the authorities in Shanghai to build a factory there. Once the project obtains the necessary permits, Tesla thinks it will take two years to build the plant, its first outside America, which will eventually make half a million cars a year. Tesla has had to raise the price of its electric cars in China to offset the cost of the government's retaliatory tariffs on American vehicles.

Xiaomi's IPO was a damp squib. The share price of the Chinese smartphone-maker closed just below the offer price of HK\$17 (\$2.17) on the first day of trading in Hong Kong. But it climbed by 13% on the second day after news that the company is to be included in the Hang Seng stockmarket index. That will allow mainland Chinese investors to buy shares in Xiaomi through a scheme that connects the Hong Kong and Shanghai exchanges.

In a surprise move, **Broadcom** agreed to buy **CA Technologies** for \$18.9bn. Broadcom is one of the world's biggest chipmakers. Its acquisition of CA Technologies takes it into a new market, for infrastructure

software. Earlier this year Broadcom's hostile bid for Qualcomm, another chipmaker, was blocked by the White House. It has since completed the relocation of its domiciled headquarters from Singapore to San Jose, which should spare this deal from such close scrutiny.

Samsung said it expects to make an operating profit of 14.8trn won (\$13.2bn) in the second quarter. It had chalked up four consecutive quarters of record profits, something the electronics giant may find hard to repeat given waning sales of its flagship Galaxy S9 smartphone and falling prices for its flash memory chips.



The bidding escalated in the battle for **Sky**, Britain's premier subscription-TV broadcaster. A day after **21st Century Fox** submitted a proposal that valued Sky at £24.5bn

(\$32.5bn), **Comcast** upped its offer, to £26bn. Fox is bidding for the 61% of shares in Sky it doesn't already own in order to sell the lot to Disney, along with Fox's other entertainment assets. Comcast has muddied the waters with a rival offer for Fox's assets.

The bully pulpit

After a stern dressing-down from Donald Trump, **Pfizer** said it would reverse the recent price rises it introduced on about 40 drugs and wait for the president's plan to reduce the cost of medicines. The company also reorganised itself along three business lines: innovative medicines, established brands and consumer health care.

Norwegian, a low-cost airline that wants to disrupt the market for transatlantic travel, made a net profit of Nkr296m (\$37m) in the second quarter, confounding analysts' forecasts that it would report a big loss. The carrier's sales rose by 32% compared with the same three months last year.

After completing the first leg of a fundraising round, **Juul**, which dominates the e-cigarette market in America, was valued at \$15bn. That is half the market capitalisation of Impe-

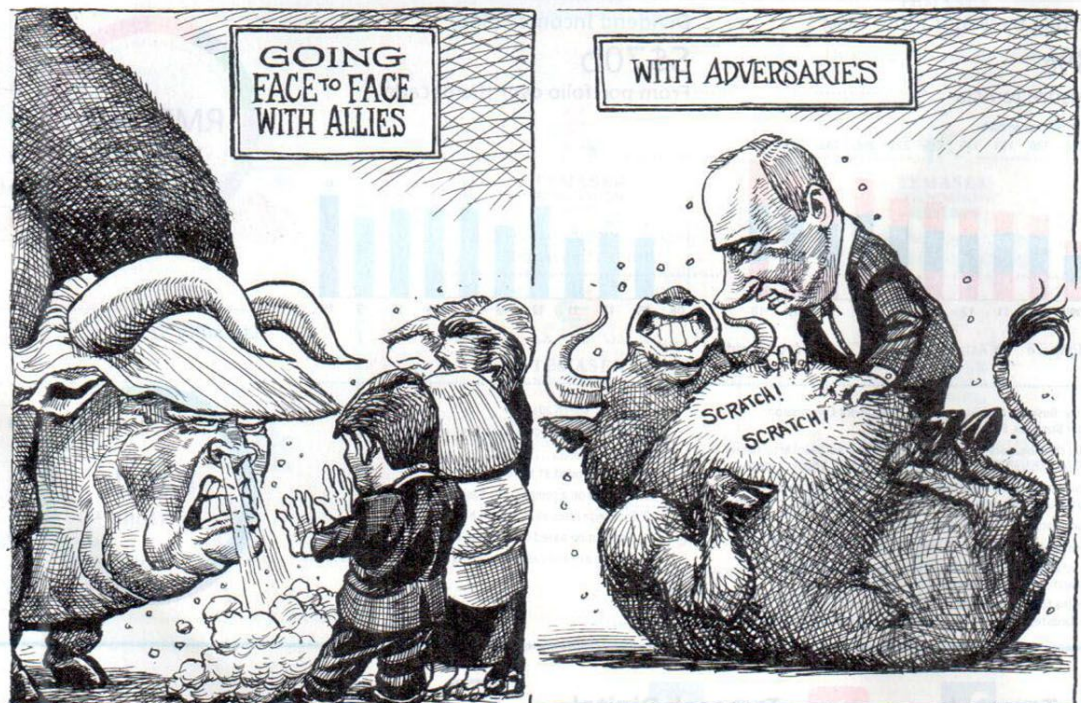
rial Brands, which counts Golden Virginia tobacco among its assets, and makes Juul one of America's most valuable startups. Once promoted as an aid to quit smoking, vaping has become trendy. Juul's sales have risen by 800% over the past year.

Britain's information commissioner handed **Facebook** a £500,000 (\$660,000) fine for failing to protect users and for a lack of transparency over the data obtained via the social network by Cambridge Analytica, a political consulting firm. It was the biggest penalty allowed under British data-protection laws. The regulator also slapped a fine on an advice site for new parents, which shared personal data with the Labour Party.

The last straw

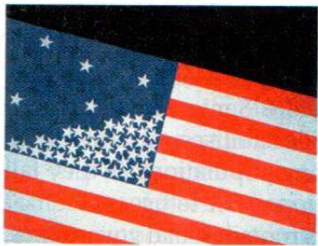
Starbucks announced that it will phase out disposable **plastic straws** by 2020, the biggest development so far in a campaign to ban single-use plastic utensils in the fast-food industry. The coffee chain is also trying to reduce the number of disposable cups (six billion) it issues to the chai-latte-sipping classes each year.

For other economic data and news see Indicators section



American democracy's built-in bias

Elections no longer convert the popular will into control of government



EVERY system for converting votes into power has its flaws. Britain suffers from an over-mighty executive; Italy from chronically weak government; Israel from small, domineering factions. America, however, is plagued by the only

democratic vice more troubling than the tyranny of the majority: tyranny of the minority.

This has come about because of a growing division between rural and urban voters. The electoral system the Founders devised, and which their successors elaborated, gives rural voters more clout than urban ones. When the parties stood for both city and country that bias affected them both. But the Republican Party has become disproportionately rural and the Democratic Party disproportionately urban. That means a red vote is worth more than a blue one.

The X factor

The consequences are dramatic. Republicans hold both the houses of Congress and the White House. But in the three elections in 2012-16 their candidates got just 46% of the two-party vote for the Senate, and they won the presidential vote in 2016 with 49%. Our voting model predicts that, for Democrats to have a better than 50% chance of winning control of the House in November's mid-term elections, they will need to win the popular vote by around seven percentage points. To put that another way, we think the Republicans have a 0.01% chance of winning the popular vote for the House. But we estimate their chance of securing a majority of congressmen is about a third. In no other two-party system does the party that receives the most votes routinely find itself out of power (see Briefing).

This imbalance is partly by design. The greatest and the smallest states each have two senators, in order that Congress should represent territory as well as people. Yet the over-representation of rural America was not supposed to affect the House and the presidency. For most of the past 200 years, when rural, urban and suburban interests were scattered between the parties, it did not. Today, however, the 13 states where people live closest together have 121 Democratic House members and 73 Republican ones, whereas the rest have 163 Republicans and just 72 Democrats. America has one party built on territory and another built on people.

The bias is deepening. Every president who took office in the 20th century did so having won the popular vote. In two of the five elections for 21st-century presidents, the minority won the electoral college. By having elected politicians appoint federal judges, the American system embeds this rural bias in the courts as well. If Brett Kavanaugh, whom President Donald Trump nominated this week, joins the Supreme Court, a conservative court established by a president and Senate who were elected with less than half the two-party vote may end up litigating the fairness of the voting system.

This bias is a dangerous new twist in the tribalism and political dysfunction that is poisoning politics in Washington.

Americans often say such partisanship is bad for their country (and that the other lot should mend their ways). The Founding Fathers would have agreed. George Washington warned that "the alternate domination of one faction over another, sharpened by the spirit of revenge...is itself a frightful despotism".

As a component of partisanship, the built-in bias is obviously bad for Democrats. But in the long run it is bad for America as a whole, including Republicans. When lawmaking is paralysed, important work, such as immigration and entitlement reform, is too hard. The few big laws that are approved, like Barack Obama's health-care reform or Mr Trump's corporate-tax cuts, pass on party-line votes. That emboldens the opposition to reverse or neuter them when they take power. Meanwhile, the task of resolving the most divisive political issues often falls to the courts. The battle over Mr Kavanaugh's confirmation will be a proxy war over issues, like abortion and health insurance, better suited to the legislature.

Some may ask why Democrats do not return to positions that appeal to rural voters (see our special report). Recall how Mr Obama won the presidency opposing gay marriage and Bill Clinton built a coalition in the centre-ground. But rancorous political disputes—over guns, abortion and climate change—split so neatly along urban-rural lines that parties and voters increasingly sort themselves into urban-rural tribes. Gerrymandering and party primaries reward extremists, and ensure that, once elected, they seldom need fear for their jobs. The incentives to take extreme positions are very powerful.

Bitter partisanship, ineffective federal government and electoral bias poison politics and are hard to fix. Changing the constitution is hard—and rightly so. Yet the voting system for Congress is easier to reform than most people realise, because the constitution does not stipulate what it should be. Congress last voted to change the rules in 1967.

Second thoughts about first-past-the-post

The aim should be to give office-seekers a reason to build bridges with opponents rather than torch them. If partisanship declined as a result, so would pressure on voters to stick to their tribe. That could make both parties competitive in rural and urban areas again, helping to restore majority rule.

One option, adopted in Maine this year and already proposed in a bill in Congress for use nationwide, is "ranked-choice voting" (RCV), in which voters list candidates in order of preference. After a first count, the candidate with the least support is eliminated, and his or her ballots are reallocated to those voters' second choice. This continues until someone has a majority. Candidates need second- and third-choice votes from their rivals' supporters, so they look for common ground with their opponents. Another option is multi-member districts, which were once commonplace and still exist in the Senate. Because they aggregate groups of voters, they make gerrymandering ineffective.

Voting reform is not the whole answer to partisanship and built-in bias, but it would help. It is hard, but not outlandish. To maintain the trust of all Americans, the world's oldest constitutional democracy needs to reform itself. ■

Trade wars in history

President Donald Trump's attack on Canada over trade has historical precedents ("Breaking a few eggs", June 16th). Congress abrogated the reciprocity agreement between the United States and the British North American colonies in 1866. In 1922 America passed the Fordney-McCumber tariff. One of Canada's leading retailers at the time noted that "Canada is the best customer of the United States, although it is treated the worst by the tariff laws."

When Congress was debating the Smoot-Hawley tariffs in 1930, a Canadian MP noted that "History tells us that the markets for our agricultural products in the United States are never of a permanent nature... we must realise that self-preservation is the first law of nature." In September 1930 a special session of the Canadian Parliament raised tariffs across the board. Neither Smoot-Hawley nor Canada's reaction to it were helpful. No two countries suffered more than Canada and the United States from the Smoot-Hawley-led Great Depression. Both suffered more than Austria and Poland, the two hardest-hit European economies. Mr Trump's stand on trade is not helpful to the United States, never mind Canada, nor will it help the global economy.

JOE MARTIN

Director of Canadian Business History
University of Toronto

Sandernistas on a roll

Lexington remarked that, if the Democrats pick Bernie Sanders as their presidential candidate, "it would not be for his ideas, which have little support within their party, let alone America" (June 9th). According to a Pew poll in August 2016, 52% of Americans support raising the minimum wage to \$15. A poll from Morning Consult in September 2017 found that 63% back tuition-free college. And in March this year a Kaiser Foundation survey reported that 59% want Medicare for all. I, for one, am still

"feeling the Bern"; it may be turning into a chronic disease.

JASON ALLEY

Billerica, Massachusetts

Popping pills

Bagehot's excellent column on the myths of Britain's National Health Service suggested that any discussion of boosting its revenue "by charging patients a nominal sum for visiting the doctor" is off the cards because of the Labour Party's desire to "demonise Conservative reforms" (June 30th). An alternative view is that bitter experience has taught the public that nominal fees soon begin to grow at an exponential rate to painful levels, charges for prescription drugs being a good example. "Free at the point of delivery" is a red line that voters of all persuasions know must be held at any taxation cost.

PAUL CORSER

Selborne, Hampshire

Bagehot created some of his own myths about the NHS. Edwardian health reforms did not provide the roots for legislation that created the NHS in 1948. Medical inspections of schoolchildren were precisely that: to tell parents that their child needed a doctor. Treatment still had to be paid for. Free (or subsidised) medical care appeared much later. And national health insurance, "employer- and government-subsidised health care", offered only minimal general-practice care to a minority of the working population, namely low-waged blue-collar workers. Maternity care aside, the scheme offered nothing to their wives.

The Edwardian health reforms were aimed at promoting the physical well-being of the male workforce and armed services. The principles of the NHS were different, based on equality. Why else would you dedicate equivalent medical resources to post-menopausal women? Moreover, thanks to the Treasury's parsimony, national health insurance never developed in Britain the way it did in Germany. There, a Bismarck-

ian health-insurance scheme expanded to provide universal cover, the foundations of German health care today.

PROFESSOR NOEL WHITESIDE

Institute for Employment Research
University of Warwick
Coventry

Protective palisades

"In praise of gentrification" (June 23rd) demolished some of the negative urban myths about rich whites moving into minority neighbourhoods. However, even in areas where long-established residents are protected from displacement by rent controls, saving for retirement or education becomes more difficult when the \$1-a-slice pizza shop transforms into a \$9-kombucha bar. Those wanting to buy a home or whose apartments are not rent-controlled do even worse.

It is too easy to hate the hipsters; they are not to blame. Instead, those who push urban redevelopment away from their own rich neighbourhoods and into poorer ones should be held to account. Developers are increasingly barred from building in rich areas by regulations designed to "preserve" a neighbourhood's character, forcing them to build in adjoining, poorer areas. If the benefits of urban change were that great, the well-off would not make such strenuous efforts to avoid it.

BERT MARTINEZ

Miami

The South China Sea

Banyan accused China of having "militarised" the South China Sea (June 23rd). The reality is that China is exercising its sovereign right under international law to build necessary civil and defence facilities on its own islands, which is consistent with the practice of all countries. These facilities, while safeguarding the sovereignty and security of China, also help ensure the openness and safety of shipping and flight routes throughout the region.

Some countries have been sending naval vessels and

aircraft to the South China Sea and flexing their military muscle, even in the air space of, and territorial waters adjacent to, the Chinese islands. This is in total disregard of China's sovereignty and security or the peace of the region.

The South China Sea is calm and the region is in harmony, thanks to the efforts of all regional partners who have returned to the correct track of resolving disputes through negotiation. They have maintained close communications in order to manage their differences properly, enhance mutual trust and engage in maritime co-operation. Consultations on the South China Sea Code of Conduct are also progressing steadily.

ZENG RONG

Spokesperson of the Chinese embassy
London

Life finds a way

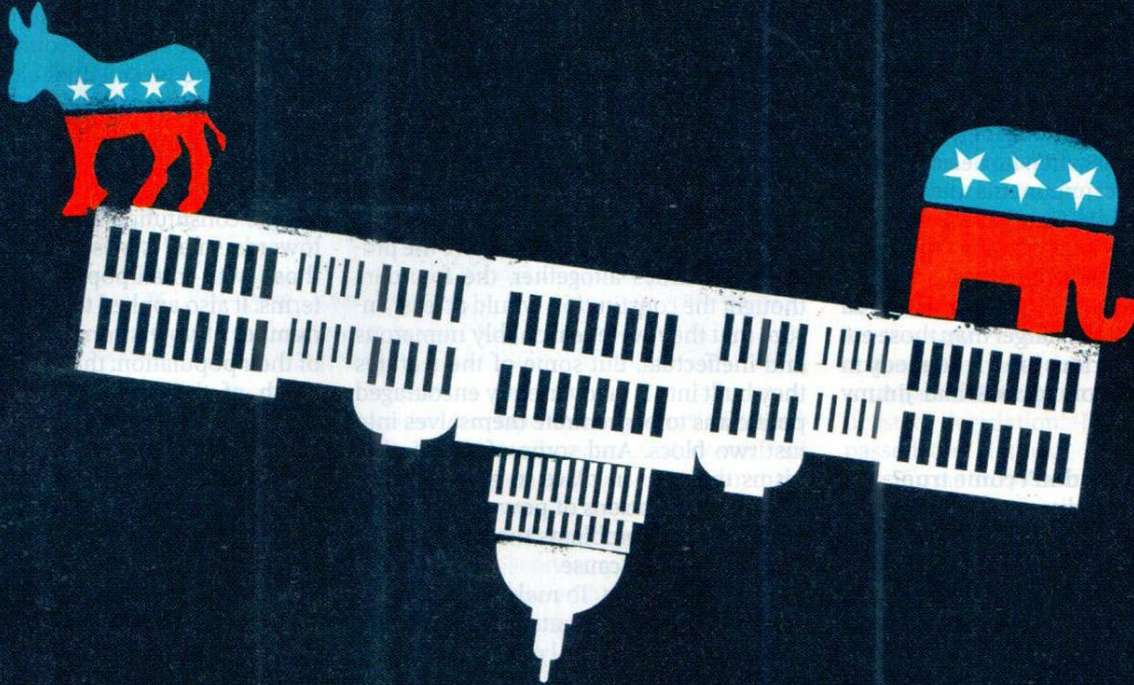


I was amused to see you use quotes from Dr Ian Malcolm, a character from "Jurassic Park" played by Jeff Goldblum, in your briefing on Donald Trump's foreign policy ("Present at the destruction", June 9th). "The pirates don't eat the tourists" and "They didn't stop to think if they should" were relevant to your analysis, but you missed the home run of "Boy, do I hate being right all the time".

ANTHONY CATTERSON

Harpenden, Hertfordshire ■

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The minority majority

WASHINGTON, DC

In recent years Americans have voted for Democrats more than for Republicans; why, then, do Republicans control their government?

WHEN pollsters ask Americans which party they plan to vote for in the elections for the House of Representatives this November, those preferring the Democrats lead those preferring the Republicans by around seven percentage points. But this does not mean the Democrats are a shoo-in to win the House. *The Economist's* statistical model of the race for control of the House of Representatives—which uses this sort of “generic ballot” polling, along with other data—currently says that, although the likelihood of a Democratic majority in the popular vote is a remarkable 99.9%, the Republicans still have a 30% chance of holding on to the House (see chart 1 on next page).

The source of this discrepancy is that Democrats will win their seats with big majorities in fewer districts, whereas Republicans will prevail by narrower margins in a larger number of districts. In 2016 Democrats who beat Republican opponents won an average of 67.4% of the two-party vote in their districts, whereas Republicans who defeated Democrats received an average of 63.8%. This imbalance is partly due to deliberate attempts to create districts that provide such results, and partly just down to the fact that Demo-

crats tend to live more tightly bunched together in cities. Together, these two factors put up quite an obstacle. According to our model, the Democrats need to win 53.5% of all votes cast for the two major parties just to have a 50/50 chance of winning a majority in the House.

If this imbalance were limited to a single chamber of the legislature, or a single election cycle, the Democrats' frequent carping about a stacked electoral deck might sound like sour grapes. All electoral systems have their oddities. But changes in where Americans live and contradictions in their constitution—a document designed to work with many weak factions that has instead encouraged and entrenched an increasingly polarised two-party system—have opened gaps between what the voters choose and the representation they get in every arm of the federal government. In recent decades these disparities have consistently favoured the Republicans, and there is no reason to think that trend is going to change on its own.

In the past three House elections, Republicans' share of House seats has been 4.5 percentage points greater than their share of the two-party vote. In 2012 they won a comfortable 54% of the chamber de-

spite receiving fewer votes than their Democratic opponents; in 2014 they converted a 51% two-party-vote share into 55% of the seats.

Such comparisons are harder for the Senate, where only a third of the 100 seats are contested in any election. But adding together all the votes from the most recent election of each senator, Republicans got only 46% of them, and they hold 51 of the seats. According to research by David Wasserman of the Cook Political Report, an electoral-analysis site, even if Democrats won the national vote by six percentage points over a six-year cycle, they would probably still be a minority in both houses.

That the Senate should be disproportionate would not have disappointed the men who wrote America's constitution. They wanted it to represent places, not people, and there is a case for that; other constitutions, such as Germany's, look to ensure regional representation in their upper house. But when it comes to its presidency, America stands alone.

In all the world's other 58 fully presidential democracies—those in which the president is both head of state and head of government—the winning candidate gets the most votes in the final, or only, round of voting. But due to the “electoral college” system that America's founders jury-rigged in part to square the needs of democracy with the demography of slavery, this does not hold true for America. States vote in the college in proportion to their combined representation in both houses of Congress. This set-up means that a candidate who wins narrowly in many small



Agriculture in India

Slim pickings

DELHI

While appearing to subsidise farmers, the government is actually harming them

INDIA'S farmers should be the happiest in the world. For decades governments have showered them with perks including a blanket tax exemption; subsidies on fertiliser, seeds, energy and water for irrigation; low-interest loans; cheap crop insurance; high tariffs to block food imports; and price supports for more than 20 crops. Lately, the authorities have become more generous still. Since 2014 no fewer than eight states have waived a total of well over \$25bn in farmers' debts.

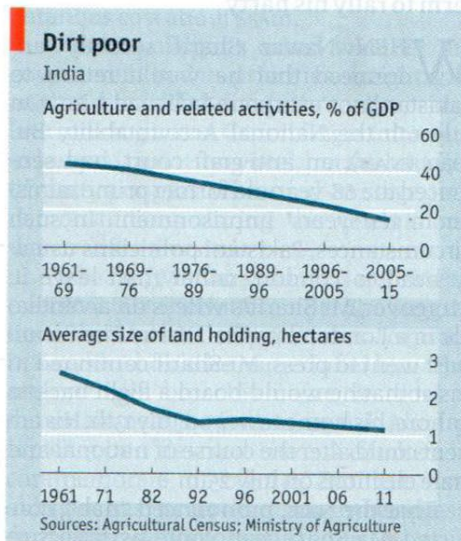
Narendra Modi, the prime minister, for whom elections loom, has promised to double farm incomes by 2022. Recently he announced a fresh bonanza. Sharply raising support prices for the coming harvest, he vowed that henceforth the government would pay growers 150% of the cost of their inputs, guaranteeing a healthy profit.

How can it be, then, that experts speak of a chronic and deepening crisis in agriculture, that polls show mounting rural anger and that farmers are protesting ever more forcefully? Last year, for instance, growers from Tamil Nadu in the far south mounted a dramatic sit-in near the parliament in Delhi, the capital. To underline their desperation some took off their clothes, others waved skulls and bones they said belonged to debt-burdened farmers who had killed themselves in despair.

Sadly for the 90m Indian households that rely on farming for most of their earn-

ings, it is the bleak picture and not the rosy one that rings truer. Despite rising yields that have made India the world's top producer of milk, pulses, cotton, jute, bananas and mangoes, as well as number two for both rice and wheat, farming still carries dangerously high risks and, for all but a fraction of cultivators, brings miserably low returns. Farm incomes average barely a third of non-farm incomes. Even though roughly half of all Indians still toil on the land, agriculture's share of GDP has steadily shrivelled (see top chart).

There are many reasons for this. Since



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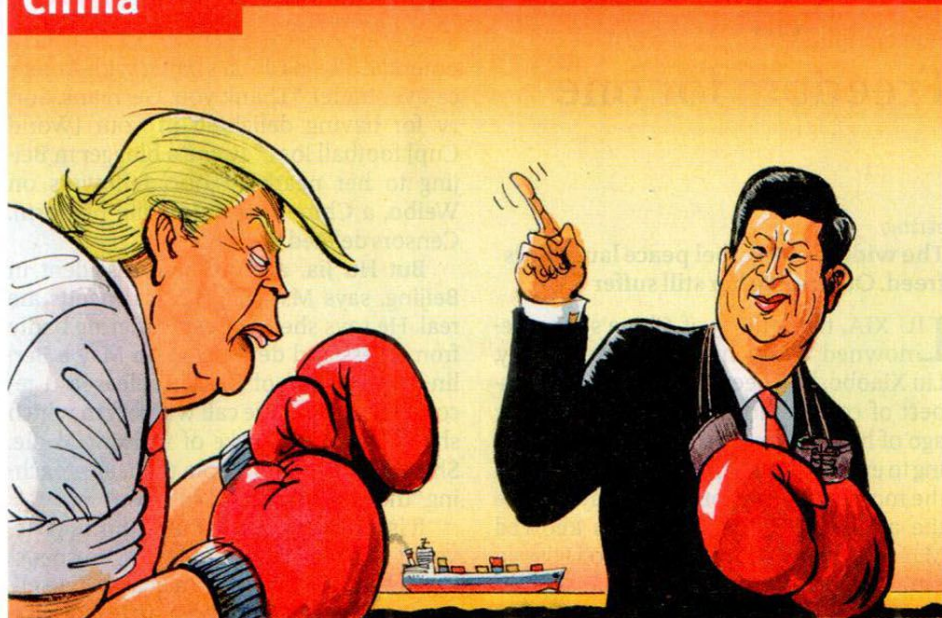
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land reform broke up big estates in the 1950s, even-handed inheritance laws have kept shrinking the size of farms. Since the 1960s the average landholding has withered from 2.6 hectares (6.4 acres) to 1.1 (see bottom chart)—about one and a half football pitches. In addition, heavy reliance on variable monsoon rains makes yields unusually volatile.

A third explanation is that all too often, farmers' produce fetches miserably low prices. There were hopes that speedier information brought by the spread of mobile phones would help farmers make better decisions about what to plant, but just as often it has made too many farmers bet on the same crops. Last year the government of Telangana state suggested that farmers grow chili because the price was high; so many took the advice that it collapsed.

Indeed, in one way or another much of the government's apparent helpfulness fails to help. The exemption from taxes, for instance, is less an incentive than a reflection of the reality that nearly all farmers earn less than the minimum taxable income. Taxes on the sale of land, in contrast, are hefty, which is one reason for the failure to consolidate landholdings. Subsidies have led to overuse of fertiliser, prompting soil depletion and water pollution.

Loans and crop insurance have tended to flow to better-off, more literate farmers, leaving others at the mercy of moneylenders. Surveys show that in much of India, only a small proportion of farmers are even aware that such insurance exists. Most farm loans are short-term, suggesting they are widely used for household expenditures before harvest rather than investment. As for loan waivers, villagers at Puntamba in the state of Maharashtra say that eight months after filling in all the relevant forms, they are still waiting to hear from



Trade conflict

War is peace

HONG KONG

Why the Communist Party wants to dial down the hype

JUST a week into what could prove a long and grinding trade war launched against China by the United States, a curious feature of the conflict has already emerged: China will not, for now at least, dip into its traditional armoury of rhetorical bluster and belligerence. That marks a break with usual Communist Party propaganda, and even with its rhetoric of a few weeks ago.

Then, the language was much more uncompromising. And as recently as June, according to the *Wall Street Journal*, in a meeting with a score of mainly American and European executives, President Xi Jinping promised a bare-knuckle approach in countering President Donald Trump's punitive tariffs, the first of which, on \$34bn of imported Chinese machinery and electronic parts, kicked in on July 6th. "In the West you have a notion that if somebody hits you on the left cheek, you turn the other cheek," he reportedly said. "In our culture we punch back."

In terms of trade responses, China is now bearing that assertion out. It has imposed tariffs on an equivalent value of American goods, including sports-utility vehicles, pork and soyabeans. It promises tough responses to further American moves—this week the Trump administration released details of possible tariffs of 10% to be imposed on another \$200bn of Chinese goods.

Yet in terms of language, including what the state allows Chinese netizens to say online, a shift has occurred. Triumphantism and jingoism are out. One scrap of evi-

dence came on July 6th. As the noon tariff deadline loomed, Chinese social media were gripped by the progress of *Peak Pegasus*, a ship with a consignment of American soyabeans steaming to reach Dalian port before the deadline. Much of the commentary was lighthearted, urging the hapless soyabeans on. But censors were quick to delete anti-American sentiment. In the event, the vessel arrived too late.

More substantive are the instructions issued to media outlets by China's propaganda authorities. China Digital Times, a California-based website, reports one such directive. In it, publications are told not to attack Mr Trump's "vulgarity", nor to engage in "a war of insults". It repeats high officials' calls for "calm and rationality". Other diktats caution against conveying any sense of Chinese superiority, or claims that

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30 One freed, many still suffer

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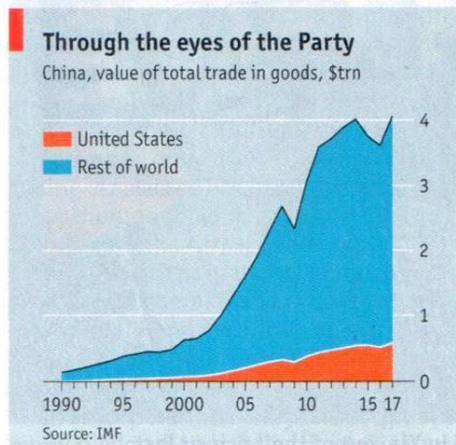
China can easily crush America in a trade war. Yet other instructions urge the press to play down China's plan for global dominance in various technological sectors, known as "Made in China 2025". It is almost as if officials are promoting a return to the late Deng Xiaoping's dictum that China should keep a low profile.

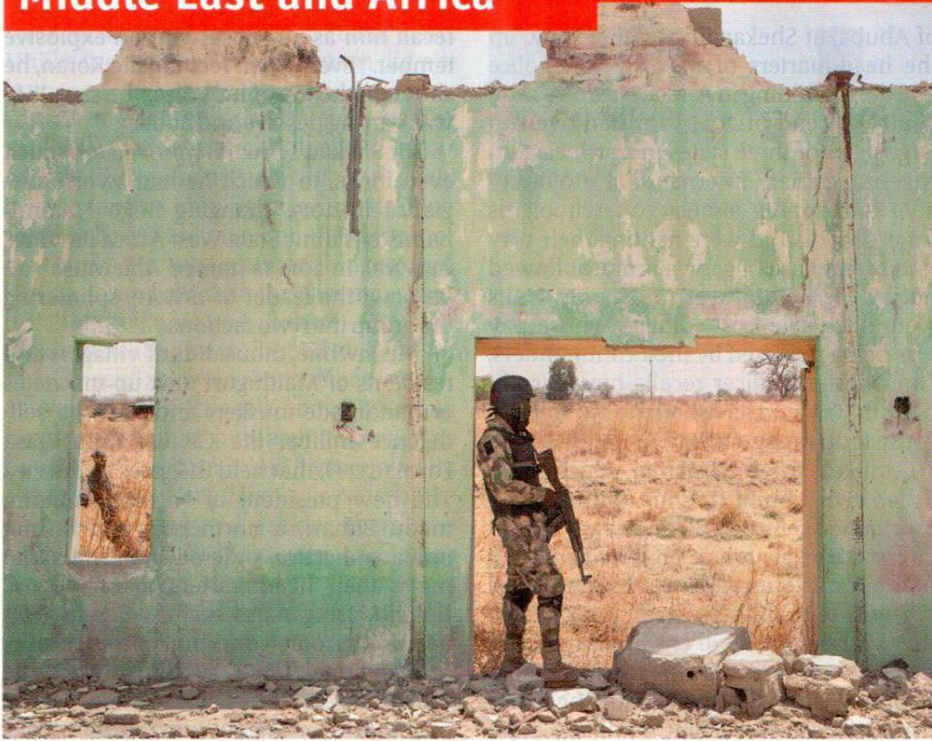
There are several possible reasons for this shift. Financial and economic vulnerability is the most obvious one. A trade war need not be disastrous. China's economy depends less on exports than it used to, and the proportion of China's total trade threatened by tariffs remains relatively small (see chart). Yet China's indebted economy was already slowing before the trade war. Jitters leading to capital outflows could threaten a financial crisis. On no account, say the leaked instructions, should falls in the stockmarket be linked to the trade conflict. Keep calm and carry on. Accentuate the positive.

A related motivation must surely be to avoid a staple of Chinese economic warfare: consumer boycotts. These erupted against Japanese businesses in 2012 and against a South Korean supermarket chain last year, both preceded by belligerent signalling in state propaganda. A large-scale anti-American boycott now would greatly raise political tensions. And given how interconnected the two economies are, it would hurt plenty of Chinese firms, too. For example, a Chinese state entity controls McDonald's franchises in the country.

Overseas, China wishes to win allies in its war by appearing statesmanlike, an image that would be undermined by shrill rhetoric—or too many reminders, in the shape of "Made in China 2025", that it is bidding to overtake America. Yanmei Xie of Gavekal Dragonomics, a research firm in Beijing, says China wants to be seen as the defender of the global trade order and so claim the moral high ground.

Chinese officials will play that card at a ▶▶





Terrorism in Africa

Jihad's next battleground

MAIDUGURI AND NIAMEY

The fight against Islamic State is moving to Africa

THEIR hair tightly braided, two young girls sleep head-to-toe in matching pink dresses with gold trim—a sight to gladden the heart were it not for the startling white bandages around their arms and legs. The beds in this ward are overflowing with patients, the rounded stumps of their amputated limbs pointing at the ceiling. Colour-coded tags hang near the door to sort casualties: red for the most urgent cases, black for those beyond help. They attest to the grim efficiency of the surgeons from the International Committee of the Red Cross (ICRC), gained from dealing with the unrelenting flow of bomb and gunshot victims. Their clinic is, perhaps, the only thing that works well in Maiduguri.

Nigeria's main north-eastern city is at the centre of a series of jihadist campaigns stretching in two broad belts across Africa on either side of the Sahara. The northern one hugs the Mediterranean, from Egypt through Libya and Tunisia to Algeria. The southern one extends from Somalia and Kenya in the east through Nigeria and Niger and on to Mali, Burkina Faso and Senegal in the west (see map). Such vast distances separate the different battlefields, that Dakar, in Senegal, is almost as close to Miami as it is to Mogadishu in Somalia.

Much of the conflict is barely reported on, even though last year it claimed more than 10,000 lives, almost all of them civil-

ian. It also involves a battle against what General Mark Hicks, the commander of American special forces in Africa, calls “probably the largest card-carrying group” of Islamic State (IS) members outside Iraq and Syria. The war has drawn in troops from America, France, Britain and Germany, and is attracting remnants of IS.

African blues

Worryingly, it is a war that the jihadists seem to be winning. General Bruno Guibert, who commands the French counter-terrorism effort in the region, Operation Barkhane, which has about 4,500 troops, claims that the campaign is making significant progress: “I can't say the situation is getting worse, actually it is getting better.” Yet the statistics suggest otherwise: the number of violent incidents involving jihadist groups in Africa has increased by more than 300% between 2010 and 2017; the number of African countries experiencing sustained militant activity has more than doubled to 12 over the period, according to the Africa Centre for Strategic Studies, which is part of America's Defence Department. Many Western officers are despondent. Without more troops “there is no question we will lose”, says a senior French officer.

In the potpourri of jihadist groups, many pledge their loyalties to al-Qaeda or

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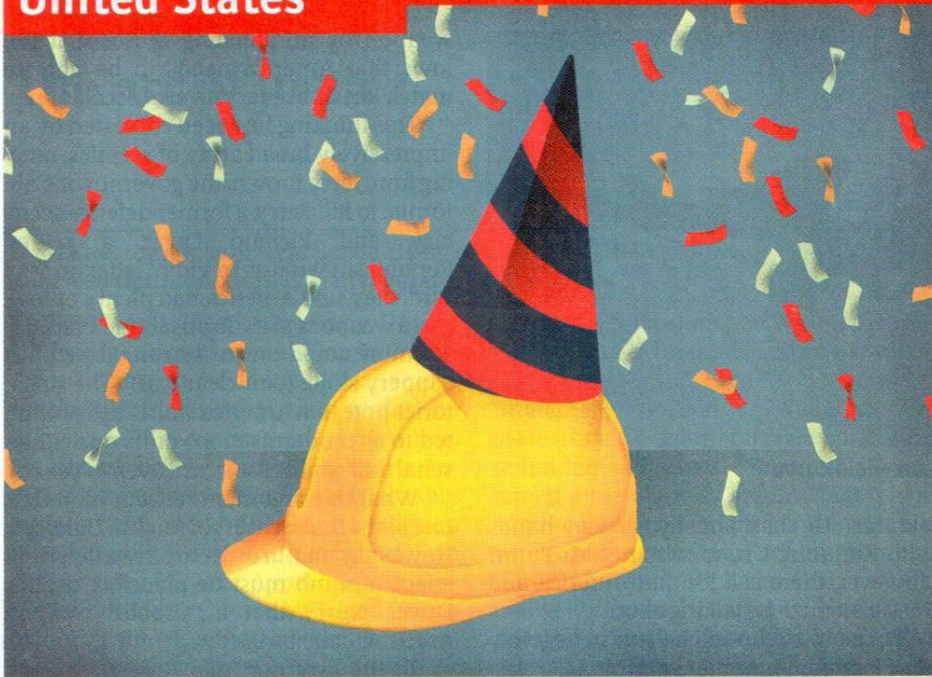
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is. They include al-Shabab in Somalia, Boko Haram and its factions in Nigeria, and Jama'a Nusrat al-Islam wal-Muslimin in Mali. In each country, conflict may be fuelled largely by local grievances. But the insurgents share some ideological traits. Many have been strengthened by the breakdown of Libya after the downfall of Muammar Qaddafi's regime in 2011. Weapons spilled out of Libya's armouries, and smuggling networks for everything from people to drugs developed across the Sahara. There are signs that the jihadists are learning from one another and sucking money and support from militant groups in the Middle East. Emmanuel Macron, France's president, warned: “The challenge for us is to manage the conflicts ... and stop them joining together.”

The most important of the battles is Nigeria's campaign against Boko Haram. With a land mass about as big as France and Germany combined, Nigeria is Africa's most populous country (with perhaps 180m people) and its biggest economy. If a country with such resources cannot contain the jihadist virus, what hope for Africa's poorer and less capable states? A retired general who once held a senior post at AFRICOM, America's military command for Africa, puts it thus: “If Nigeria goes down it would make a giant sinkhole that would suck in six or seven other countries.” Nigeria's difficulties, moreover, offer sobering lessons to many other African countries, and their Western allies.

The Nigerian government insists that the war has already been won. “Boko Haram has been defeated,” says Tukur Buratai, Nigeria's top-ranking general. Yet his assurance sounds hollow in the village of Kiribiri, about 20km (12 miles) from Maiduguri, where the limit of government-con-



Employment and wages

Labour party

WASHINGTON, DC

Why a shortage of workers is something to celebrate

SINCE 2015 many hawks have continually suggested that the American economy is at or close to maximum sustainable employment. They have some explaining to do. Fully 5.8m more Americans are in work than in December of that year, when the Federal Reserve began raising interest rates. That is two-thirds as many as lost their jobs during the Great Recession. In May the unemployment rate fell to 3.8%, its lowest for 18 years (it has since risen back to 4%). Yet the economy has not yet overheated. Only recently has inflation hit or exceeded 2%, the Fed's target, for three straight months—and that is partly because of a worldwide recovery in oil prices.

Nevertheless, the hand-wringing has continued. The latest supposed problem is a labour shortage. For the first time since data began to be collected in 2000, there are more job openings than there are unemployed workers (see chart). Nearly 90% of small businesses who are hiring or trying to hire workers report that there are few or no qualified applicants, according to the National Federation of Independent Business. The shortage is reaching a “critical point”, read one recent CNBC headline. A lack of applicants for blue-collar jobs such as trucking and construction has received particular scrutiny, as have states like Iowa where the unemployment rate is especially low (it is just 2.7% in the Hawkeye state).

But portraying widespread labour shortages as an economic problem is mis-

guided. While they may be bad for firms, they are a boon for society—so long as inflation remains contained. In fact, a labour market in which firms must compete for workers, rather than workers competing for jobs, should help resolve three of America's biggest economic problems.

The first is inadequate wage growth. From mid-2009 to the end of 2017, wages and salaries grew by only 2% a year on average. That outpaced inflation, but mainly because petrol prices slumped in 2014. Today, however, paycheques are fattening faster. In the year to the first quarter of 2018, wages and salaries grew by 2.9%—equal to the average growth, though hardly the quickest, seen during the 2000s.

Plenty of outside opportunities give



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workers negotiating power even without labour unions, which have been in near-terminal decline. In May 2.4% of workers quit their jobs, the highest figure since 2001—good news in an economy that has been plagued by falling dynamism. Job-switchers are banking median pay rises of nearly 4%, according to the Atlanta Fed. In the jobs boom of the late-1990s, overall wage and salary growth reached 4.3%.

At that time, fast productivity growth enabled wages to boom without provoking inflation. Yet the second benefit of economy-wide labour shortages is that they may precipitate faster productivity growth, which has been disappointing in America—and in other rich countries—since the financial crisis. If less profitable firms have to fold because they cannot pay enough to attract workers, their labour and capital can be put to better use. A similar process can take place within firms. Plagued by resignations, Dunkin' Donuts, a purveyor of starch, sugar and caffeine, recently asked its ex-employees which tasks they disliked most, and then automated the dullest, such as writing labels and checking the quality of coffee grounds. Less prosaically, worker shortages might encourage firms to adopt path-breaking technologies such as artificial intelligence.

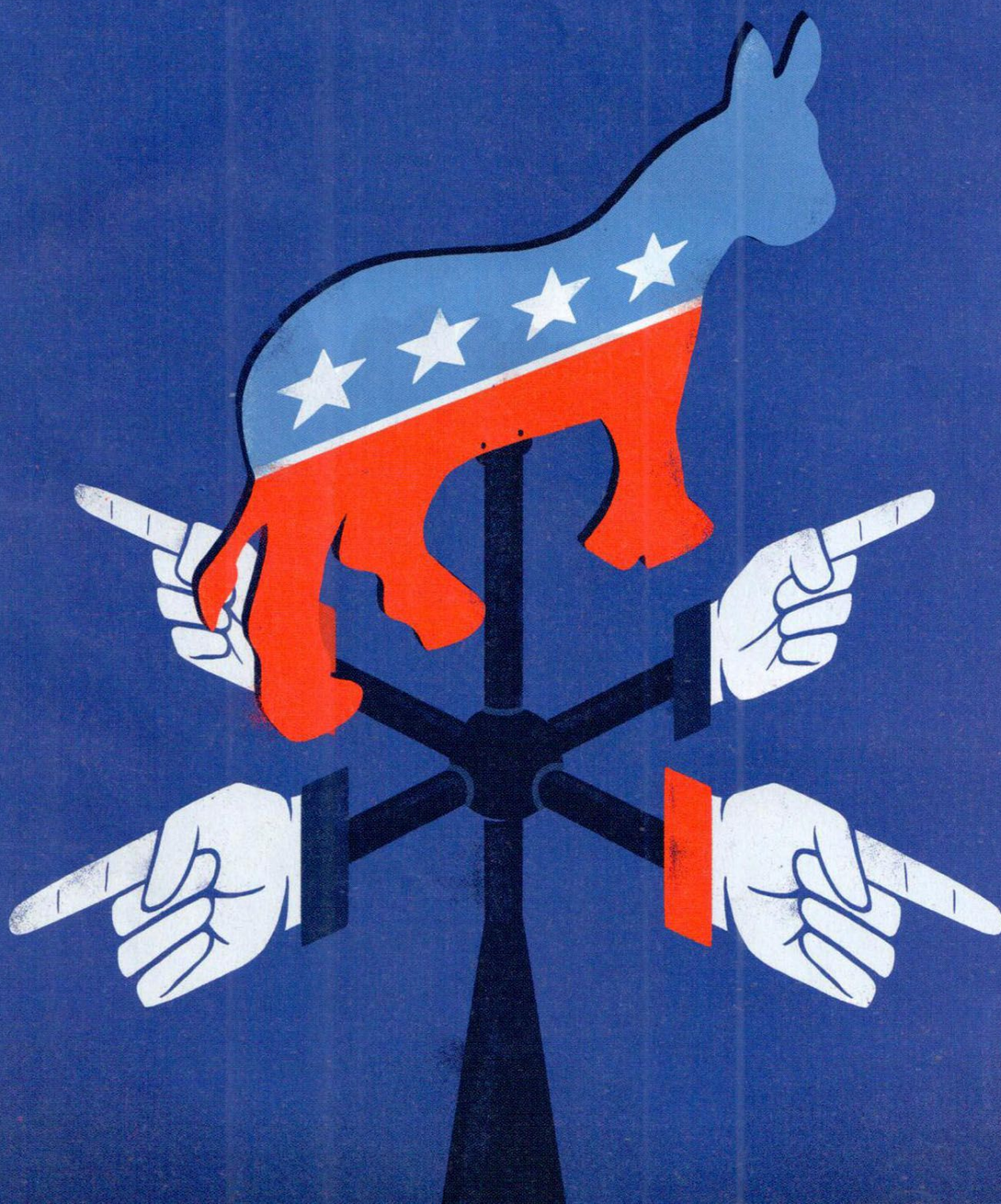
A labour shortage is also likely to reduce inequality. As wages stagnated, corporate profits—and stockmarkets—touched record highs. That has contributed to a feeling that the economy has tilted towards capital and away from labour. From 2000 to 2014 labour's share of national income fell from just over 57% to below 54%. If rising wages reduce profits, labour's share could yet rebound. Moreover, the biggest wage gains in a tight labour market tend to accrue to the poorest workers. Full-time employees at the 10th percentile of the income distribution are earning almost 4%

The
Economist

SPECIAL REPORT
AMERICA'S DEMOCRATS

July 14th 2018

Where to now?





Left, behind

Donald Trump is causing change in the Democratic Party as surely as he has among Republicans, says John Prideaux. Will it bring the party closer to political power, or send it into the wilderness?

BEFORE THE 2016 presidential election, Kirsten Hirsch was so law-abiding that she had never received so much as a parking ticket. In the months since then, she has been arrested four times for protesting on Capitol Hill. Before her first arrest, Ms Hirsch recalls, she was nervous. She had travelled from her home in suburban Denver, leaving a husband and two children at home, with the intention of getting herself slung in jail. The night before that protest, which was against attempts by Republicans in Congress to overturn the Affordable Care Act, she and her fellow activists were put up around town by volunteers organised by church groups. On the day itself the Capitol Police gave them three warnings so those who did not want to be arrested could leave (the officers were “fantastic”). After the third warning Ms Hirsch and her new acquaintances were taken to a paddy wagon, then driven to a makeshift pen at a vehicle maintenance depot (the city jail did not have enough space for them all). “I made some really good friends in there,” she says.

Something unusual is happening in left-of-centre politics. Mass political meetings were supposed to be going out of style as Americans bowled alone and communed with their smartphones, yet one in five adults has attended a protest or political rally in the past two years, the vast majority of them hostile to the president (less than 5% of voters went to a Trump or Clinton rally in 2016). Two years ago, 28 Congressional seats were so safe that Republican candidates ran unopposed; in November’s midterms Democrats will contest all but four House districts. So many people have volunteered to stand for the party this year that its primaries have become rowdy. The national leadership has intervened, sometimes clumsily, on behalf of the candidates it thinks most likely to win, infuriating some activists.

ACKNOWLEDGMENTS

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What’s left?



Digital media

Yes to a free online press

BUENOS AIRES AND SÃO PAULO

As feisty news start-ups mature, the established media they set out to challenge are becoming more like them

DURING Nicaragua's current unrest, the president, Daniel Ortega, tried a tactic that had worked before. In León, a stronghold of government support, thugs loyal to his Sandinista regime tried to put university students onto buses heading for Managua, the capital, to use them to help suppress protests there. The students refused. They had seen videos of police beating demonstrators and wanted no part of it. Their resistance, reported on independent news websites, inspired more protests.

After Mr Ortega was elected in 2006 he sold half of the state broadcasting channels, put his children in charge of the other half and let his wife (who is also his vice-president) drone on for 20 minutes a day on national television. But a proliferation of social-media pages are covering the protests, while more established outlets, like 100% Noticias, a TV news channel, have stopped censoring themselves. "People are no longer interested in news provided by the regime," says Carlos Fernando Chamorro, the owner of *Confidencial*, an independent newspaper.

In many Latin American countries the traditional media have done a reasonable job of holding governments to account. Newspapers in Brazil, Argentina, Peru and Guatemala have probed corruption and helped to bring down presidents or ministers. In Colombia *Semana*, a news magazine, has a long tradition of denouncing abuses by the security forces. Many newspaper and radio journalists, especially in

far-flung provinces, have been murdered because of their work, often by drug-traffickers or other local potentates.

But Latin American media markets tend to be small and dominated by tycoons with other businesses, who prize cosy relationships with governments. They are being shaken up by digital media. Without the need to buy or rent printing presses, digital publishers can start with "sweat equity alone", says Janine Warner of SembraMedia, an NGO that helps Latin American journalists become entrepreneurs. Its directory lists more than 770 sites in 19 countries that "serve the public interest" and do not rely on a single corporation or party for revenue.

In dictatorships they are the only independent media voices. Venezuela's *Efecto Cocuyo* (Firefly Effect) reports facts that the regime tries to hide, including murder counts and the black-market exchange rate (see next story). In Cuba start-ups like *El Estornudo* (the Sneeze) and *Periodismo de Barrio* (Neighbourhood News), though cautious about challenging the legitimacy of the regime, are reporting critically about the state of the country.

In freer places, upstarts are challenging oligopoly as much as officialdom. According to a report by UNESCO, in most of Latin America one firm controls around half the market in each category of media. In Chile two newspaper companies, *El Mercurio* and *Copesa*, have more than 90% of readers. In Colombia three conglomerates ha-

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ve almost 60% of the print, radio and internet audience. In Mexico the government of Enrique Peña Nieto, whose term ends in December, has kept newspapers and television stations quiet by buying lots of advertising. Concentration and bias provoke mistrust. Just a quarter of Latin Americans think that the media are independent of powerful interests, according to polls by *Latinobarómetro*.

The new breed of journalists has produced some impressive scoops. Reporters at *Aristegui Noticias*, a website, uncovered some of the biggest scandals of Mr Peña's government, including the purchase of a mansion by his wife with help from a government contractor. In April 2015 the site reported that federal police had killed 16 civilians earlier that year in Apatzingán, a city in central Mexico. *El Universal*, a big newspaper, had reportedly declined to publish the story.

Chequeado, Latin America's first fact-checking site, embarrasses both the left and the right. It has reported that the election campaign of Mauricio Macri, now Argentina's centre-right president, got contributions from firms that had won government contracts in Buenos Aires while he was mayor. It has also revealed that construction firms at the centre of Brazil's *Lava Jato* corruption investigation had won at least \$9.6bn worth of overvalued contracts in Argentina during the earlier left-wing governments of Cristina Fernández de Kirchner and her husband, Néstor Kirchner. In 2015 *Chequeado* was the first media outlet in Latin America to fact-check a presidential-election debate while it was happening. "Our goal is to raise the cost of a lie," says its founder, Laura Zommer.

In Brazil most of the revelations from *Lava Jato* have been given to mainstream newspapers by prosecutors. New media focus on neglected subjects. *Jota* dissects the judiciary; *Nexo* specialises in explana- ▶▶



France

Jupiter humbled

VERSAILLES

Emmanuel Macron adjusts his tone as criticism of his presidency mounts

A YEAR ago, as a young freshly elected president eager to look the part, Emmanuel Macron summoned a joint sitting of both houses of parliament in the former royal palace at Versailles, and spoke loftily of grandeur and destiny. On July 9th, for his second speech to Congress, it was a more humble head of state who stepped into the chamber. "I know that I can't do everything," he declared, "I know that I won't succeed in everything." The setting was unchanged, but the tone was markedly different. A chastened president, it seems, is trying to recover his touch.

In a stiflingly hot chamber, as parliamentarians fanned their moist faces, Mr Macron sent two broad messages. First, that the president, so often accused of arrogance, is in fact listening. He spoke of voters' anger and fear, of those who feel they are "ignored, held in contempt", and struggle to make ends meet. Results, he warned, could take time to come through. But he would keep trying. Jupiter, in other words, may still be sitting on the republican throne, but he is not deaf to his critics, nor the concerns of ordinary folk.

His second message had less to do with style than philosophy. Mr Macron's detractors accuse him of lacking ideology, or political clarity. He campaigned as neither on the left nor right, and invented a centrist party, which dominates the National Assembly, from nothing. Some one-time supporters on the left consider that the deci-

sions taken in his first year—cuts to corporate and wealth taxes, a focus on curbing the budget deficit to below 3%, an increase in social charges on pensions—prove that the former Socialist minister has turned into a right-winger and "president of the rich".

In response, and with an unspoken nod to Amartya Sen, John Rawls and Nordic welfare models, Mr Macron reiterated his core beliefs. First, that social policy should be measured not—as traditionally in France—by the level of benefits paid, but by investment in individuals, in education and training, to help "emancipate" them from poverty. Second, that he is not out to help the rich, but those who create wealth. "If we want to share out the pie," he said,

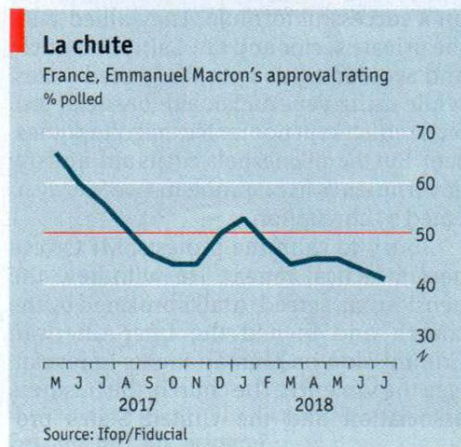
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"we have to make sure that there is a pie" to share. Mr Macron promised to unveil an anti-poverty programme in September, as part of a redesign of France's welfare state for the 21st century. The point, he stressed, was "not to enable the poor to live better, but for them to climb out of poverty."

Mr Macron needs a boost. His approval ratings have fallen to new lows, touching 41% in July, according to Ifop, a polling group, down from 66% after his election last year. Fully 58% of voters consider that he defends French interests well abroad, but only 29% think he is close to the preoccupations of ordinary people. A series of misjudged remarks, some recorded and publicised by his own staff, have contributed to an impression of regal self-importance. He publicly scolded a teenager in a crowd, who addressed Mr Macron colloquially as "Manu", and instructed him to say "Monsieur le Président". News that the Elysée Palace has ordered a pricey new dinner service, and is building a swimming pool at the presidential summer fort on the Mediterranean coast, were gifts to his opponents. This week, Unsubmissive France, a far-left party whose deputies boycotted the president's address to Congress, ran a social-media campaign against him under the hashtag #MacronMonarc. Abroad, he has failed to get anything out of Donald Trump over Iran, and very little from the EU on euro-zone reform.

That Mr Macron's political opponents remain hostile is no surprise. A sharper critique emerged from a trio of economists who helped to write his election manifesto, among them Jean Pisani-Ferry, who coordinated the campaign programme. In a note to the president, leaked to *Le Monde* last month, they warned Mr Macron that his government came across as "indifferent" to social issues, and neglectful of the "struggle against unequal access" that had





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British politics

In somewhat turmoil

What doesn't kill her makes Theresa May stronger. But can she use her new strength to pull off a workable Brexit?

IT HAS been a week of chaos. Two cabinet ministers resigned, and several junior ministers and party functionaries followed them. Tories muttered about “coups” and “betrayal”. Emily Thornberry, the shadow foreign secretary, compared watching the Conservative Party to watching “Reservoir Dogs”, remade by the Chuckle Brothers. And after all this, Theresa May could look forward to entertaining Donald Trump, who was due to arrive on July 12th for a visit that included meetings with the prime minister and the queen.

The immediate reason for Britain’s “somewhat turmoil”, as Mr Trump helpfully put it, was a meeting of the cabinet at Chequers, the prime minister’s country residence, on July 6th to hash out a British negotiating position on Brexit. Downing Street initially trumpeted the agreement as a triumph. But two days later, just before midnight, David Davis resigned as Brexit secretary, in protest at Mrs May’s move towards a “soft” Brexit that would maintain close ties to the EU. Boris Johnson, the foreign secretary, followed him out of the door the next day.

It is easy to see why so many people concluded from this that the government was on the ropes and Mrs May on her last legs. The European question destroyed the previous three Tory prime ministers. But perhaps the most extraordinary thing about this extraordinary week was that Mrs May ended it stronger than she began.

The simple fact of surviving such turmoil enhanced her position. She faced down her critics on both sides of the House of Commons by giving a spirited defence of her plan on July 9th. Members of the powerful 1922 Committee of Tory MPs declared their support. For all their bluster, her Brexiteer critics couldn’t muster the 48 votes necessary to trigger a vote of no confidence in the prime minister, let alone the 159 necessary to defeat her.

Missing you already

Mrs May also ended the week with a much better cabinet than she started: not just more united, but more competent and dynamic. Mr Johnson was one of the worst foreign secretaries the country has had. Mr Davis is a 69-year-old maverick who loves threatening to resign. Their successors, Jeremy Hunt and Dominic Raab, are highly competent. This week’s turmoil has forced Mrs May to sideline the blow-hards and has-beens at the top of her party and promote the talented members of the 2010 intake, something she should have done long ago.

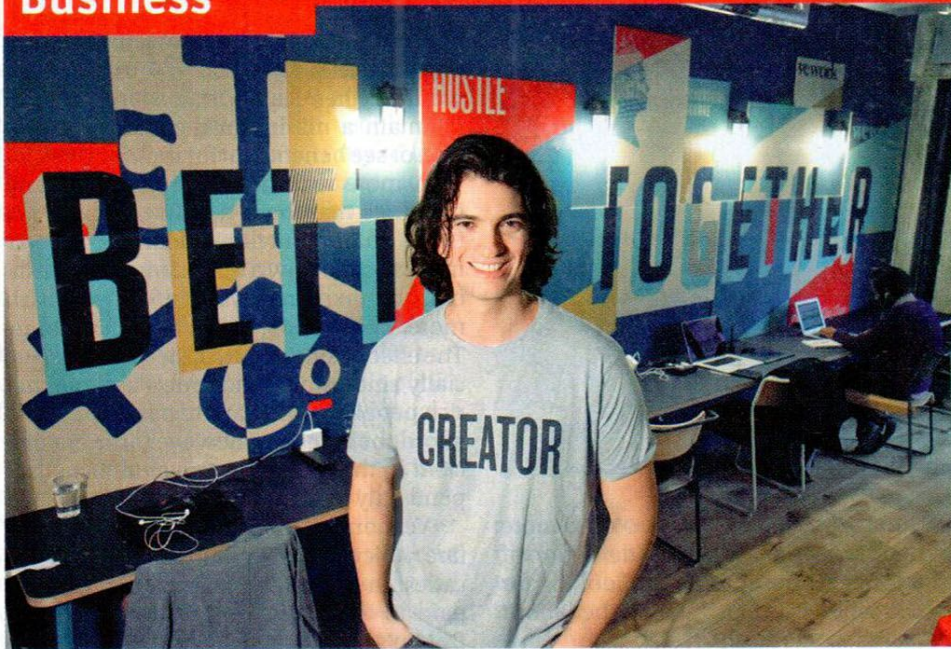
By contrast, the Brexiteers had a bad week. They not only lost their most powerful voices at the top of government, including Steve Baker, Mr Davis’s number two and a rather more formidable figure. They also began to fragment. Mrs May has co-opted the likes of Michael Gove, the environment secretary, and Andrea Leadsom,

the leader of the House, from the ranks of the hardliners. The ultras did themselves no favours by failing to suggest their own solutions to the complex problems that the Chequers compromise took on. Neither Mr Johnson nor Mr Davis even mentioned the problem of the Irish border in their lengthy resignation letters.

Mrs May’s oddly successful week puts her in a good position to start selling the Chequers compromise. She is engaged in a charm-offensive with European leaders. But she still faces a daunting set of problems. The most obvious one comes from the EU. A nit-picking response to her plan could irritate moderate Tories, shifting the balance of power within the party towards the hard-Brexiteers. There are signs that the Europeans recognise the delicacy of the situation (see next story). Angela Merkel, Germany’s chancellor, called the new plan “a solid step forward”.

Yet things could easily fall apart. Mrs May’s proposals, which have already tested many Tories’ loyalties to breaking point, will inevitably be made even harder to swallow in the course of the negotiations. Mrs May’s position depends on a fudge: insisting that Britain formally leaves the customs union and the single market, while doing her best to make sure that “leaving” means as little as possible. But the EU is a legal construct which likes words to have precise meanings.

The second problem comes from the Brexiteers. They are moving quickly to recover lost ground, putting down several amendments to a trade bill being debated next week. The Brexiteers resemble a party within a party. The European Reform Group, a Eurosceptic caucus, has 80 members, many of whom think that Brexit trumps everything else, including keeping Labour out of Downing Street. Mr Johnson is likely to be much more troublesome as



WeWork

The capitalist kibbutz

NEW YORK

Sceptics abound, but there may be more to the American property startup than meets the eye

WITH his flowing locks and hip clothes Adam Neumann, co-founder and chief executive of WeWork, looks less like a property baron than the frontman of a rock group. He speaks expansively on the subjects of character, destiny and God. His four-year-old daughter wanders through his office during an interview with *The Economist*. Yet Mr Neumann, a veteran of the Israeli navy, also has a reputation for being an intense and demanding businessman. Both sides to his character come together in WeWork. Mr Neumann thinks of his property startup as a profit-making version of Israel's famed communal farms—a sort of “capitalist kibbutz”.

Shaking up the market for commercial offices globally is the firm's mission. WeWork's “co-working” offices, in more than 250 locations and over 70 cities worldwide, are a blend of small private spaces and large public areas designed to encourage a sense of community among its users. The firm rents huge chunks of space from landlords, kits them out and charges clients a membership fee starting at a few hundred dollars a month. Customers rent anything from one desk to whole buildings and range from tiny startups to giants such as General Motors and Samsung.

In the eight years since its founding WeWork has become the largest private-sector occupier of offices in central London, and the second-largest in Manhattan. Its expansion is being fuelled by SoftBank's near-\$100bn Vision Fund, which last year put

several billion dollars into the firm, valuing it at \$20bn. This is more than most big property companies, even though it is not yet profitable. SoftBank is expected shortly to invest another \$3bn into the company in a deal that could lift its valuation to \$35bn.

Big questions nonetheless swirl. Sceptics wonder about the model's viability in an unsentimental, margin-driven property industry that is prone to painful ups and downs. As a result, they scoff at its valuation. WeWork's top brass talk of its becoming a \$100bn firm; others regard a tag of \$20bn as already extremely stretched.

Suite smell of success

WeWork does deserve credit for reimagining the conventional corporate office. It has spread design innovations from tech companies such as Google. A large common area with sofas and work desks, fruit-infused water and open lines of sight welcomes visitors to every location. Each is manned by a concierge who gets to know “members” and curates events ranging from yoga classes to investor talks. The

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halls and stairways are deliberately made narrow as a way of encouraging people to interact. In lounges music is played loud enough to prevent eavesdropping. The firm uses a mixture of anthropological research, sensors and data analytics to hone and customise office designs.

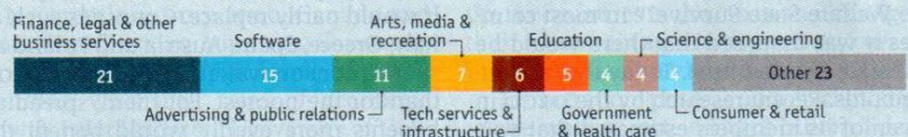
At its location near Grand Central Station in midtown New York, a member working at an advertising startup says his old ad agency was so full of politics and corporate silos that he rarely socialised with colleagues. In his new co-working space he often enjoys beers or plays video games with people from other firms. Down the hall, a boss of an Icelandic yogurt firm says running instant focus groups on new flavours in the lounge speeds product development.

Research suggests that employees are happier in co-working environments like those run by WeWork. But the firm's real genius is that it is also far cheaper for their employers. Property experts estimate that firms typically spend anywhere between \$16,000 and \$25,000 per employee on rent, security, technology and related office expenses. Mr Neumann insists they can get all of that from WeWork starting at \$8,000 per worker. Efficient use of space is one reason. Ron Zappile of Colliers, a property-services firm, reckons that typical corporate offices use some 185 square feet (17 square metres) per employee. WeWork members get by on 50 square feet per head.

WeWork has more than 250,000 mem- ▶▶

Hot desks

WeWork, co-working desks by industry, 2017, %



Source: Company reports



Mini-grids and development

Empowering villages

NAROTOLI, INDIA

New ways of producing and storing electricity could be a boon to poor people in rural communities

A FORESTED village in Jharkhand state, eastern India, Narotoli is home mainly to adherents of Sarna, a nature-worshipping tribal religion. In more ways than one, it has long been off-grid. Drive past a police checkpoint a few miles away and you are in territory loyal to “the guys”, a euphemism for Maoist guerrillas. That makes Narotoli more marginalised than most places. A few months ago it became one of the last in India to benefit from a push by Narendra Modi, the prime minister, to supply electricity to all the country’s villages. But the power lines are so “reliably unreliable”, says an Indian executive, that they might as well be washing lines.

Two years before the grid arrived, however, Mlinda, a social enterprise, had set up a “mini-grid”, a bank of batteries charged by solar panels and hooked up to homes, to guarantee round-the-clock power independent of the national network. Mini-grids are different from the rooftop solar panels and batteries (sometimes linked up in “micro-grids”) increasingly used in poor countries to provide LED lighting and to charge mobile phones. Narotoli’s 22.5-kilowatt mini-grid provides lighting to scores of homes linked by its poles and wires, as well as powering a seed-crushing machine for cooking oil, irrigation in the dry season and power for a poultry farm—all of which engender economic activity.

The power generated by the plant is expensive (though it costs less than villagers often pay for alternatives such as kerosene for lighting and diesel for irrigation pumps). The worry is that demand for electricity may not be enough to justify the installation cost. As one Indian official recently scoffed: “Why provide a Ferrari to people who need a bullock cart?”

But Mlinda and other mini-grid installers see them as more than a way to satisfy existing demand for electricity: they are a way to catalyse development. The installers advise villagers on irrigation, farming and marketing to help them develop businesses that require reliable electricity, which in turn justifies the expense of installation. Vijay Bhaskar of Mlinda says a big mistake in development has been to assume that, once people are hooked up to electricity, businesses will automatically flourish. People have to be taught how to make the most of power, he says. “Bringing energy is the easy part. The hard part is finding productive ways to make use of it.”

This understanding is spreading throughout rural parts of South Asia and Africa, where mini-grids are increasingly seen as one of the most promising ways of connecting the 1.1bn people in the world who still lack access to electricity. The World Bank says users of mini-grids may need microfinance and vocational training

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to make best use of it. According to one British expert, “mini-grid operators are not sellers of kilowatt-hours; they are stimulators of rural development.” Jaideep Mukherjee, the boss of Smart Power India, an NGO supported by the Rockefeller Foundation, says their job is to “demonstrate the benefits, train and then propagate”.

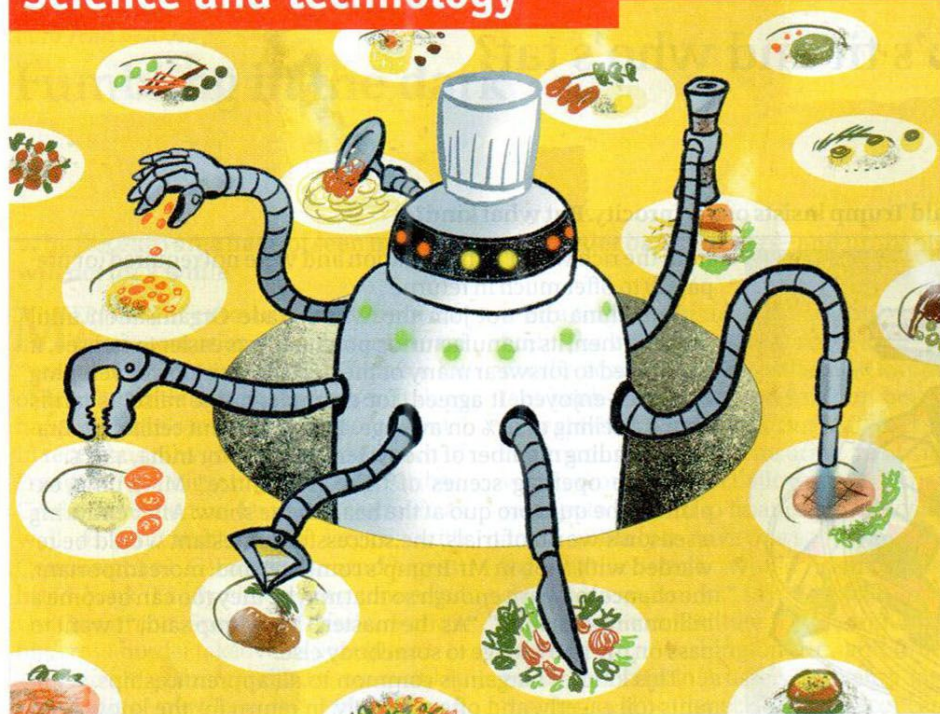
Talk to Havil Bilung, a farmer in Narotoli, and the potential is clear. He says that with help from Mlinda, increased access to electricity has allowed him to use irrigation pumps to grow an extra harvest of pumpkin and okra in the pre-monsoon months, boosting his income. More crops have cut the number of young men seeking itinerant employment in the cities during the dry season. Women make mustard-seed cooking oil, which sells in Kolkata. An independent study for Mlinda found that GDP per person in eight villages with mini-grids rose by 10.6% on average over the first 13 months, compared with 4.6% in a group of similar villages without them.

Power pose

It is still early days. Mlinda struggles to teach business concepts (Mr Bhaskar notes that the local language does not even have a future tense). But the village is prepared to fork out 55,000 rupees (\$800) on average a month—a small fortune—to keep the mini-grid running. In contrast, villagers say it is not worth paying the local utility for the unreliable grid, which they rarely use.

Mini-grids are being set up at the rate of just 100 or so a year, from Myanmar to Mozambique. But the International Energy Agency (IEA), a forecaster, says hundreds of thousands of them could connect 440m people by 2030, with the right policies and about \$300bn of investment.

African countries used to focus almost



Automating cookery

The rise of the robochef

A new generation of cooks are fast, reliable and don't swear at their underlings

CREATOR, a new hamburger joint in San Francisco, claims to deliver a burger worth \$18 for \$6—in other words, to provide the quality associated with posh restaurants at a fast-food price. The substance behind this claim is that its *chef-de-cuisine* is a robot.

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Listed like that, the process sounds rather quotidian. In fact, it took eight years to perfect. As far back as 2012, a mere two years into the project, the machine was described as “95% reliable”, but that is not enough for a busy kitchen. Chopping tomatoes was a particularly tough challenge, but even details like the paddle which packs the burger into a bag without squashing it were tricky to master. Only now, with a machine they claim can turn out, reliably, 120 burgers an hour, do Alex Vardakostas, the engineer behind the project, and his co-founders, a mixture of technologists and caterers, feel confident enough to open their first restaurant.

Burgers and chips

What works for one sort of fast food can work for others. Though the business of pizza-making has not yet been robotised completely, Zume Pizza, also based in California, is getting close. It has a team of “doughbots” that speed up stretching the dough from 45 seconds to just nine. The toppings still have to be made the conventional way, but the firm has robotised the dispensing and spreading of them, and also the moving of topped pizzas into and out of ovens.

Over on America’s east coast, in Boston, a restaurant called Spycy offers more fashionable robot-created fare. Customers or-

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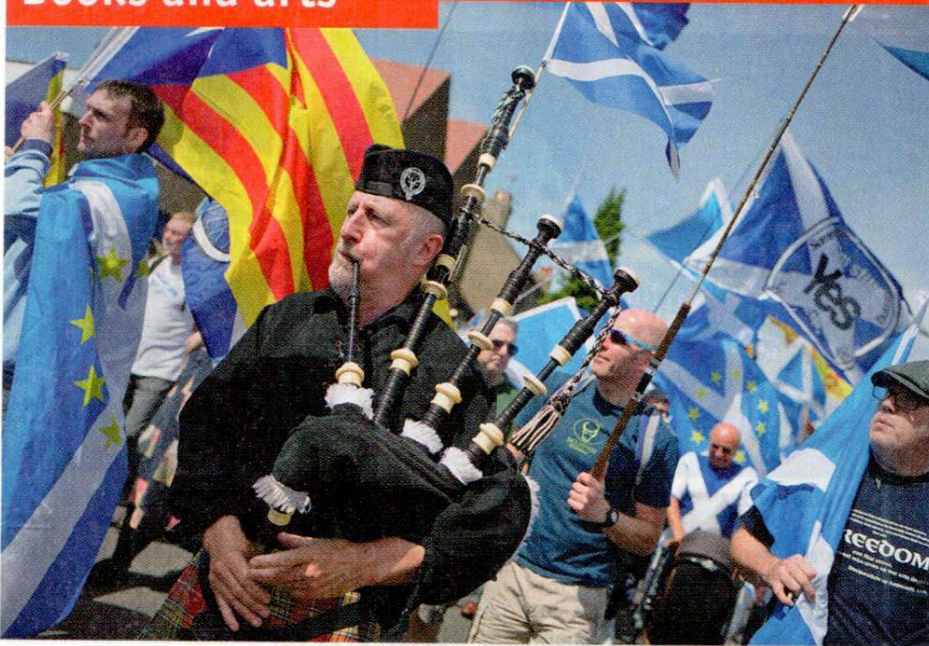
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Separatism in Europe

Brothers in arms

A distinguished historian analyses the forces behind two secessionist movements

NOWHERE was the referendum on Scotland's independence in 2014 followed more closely than in Catalonia. And few people have offered more solidarity than the Scots to the separatist Catalan politicians who face jail and extradition for their illegal declaration of independence from Spain last year. Both territories have long been integral elements of larger states. But both are also self-proclaimed nations with a sense that their history and culture are distinct. In the 21st century, in an age of uncertainty over identities prompted by globalisation, assertive nationalists have taken power in both places and sought to break away from the advanced European democracies of which they form part.

This dual phenomenon deserves examination. Since nationalists look selectively to the past in making their case for a different future, the fluctuations of national sentiment are a good starting-point. Sir John Elliott traces those trajectories in "Scots and Catalans", a pioneering and scrupulously even-handed comparative history. The foremost historian of the politics of the Spanish Golden Age of the 16th and 17th centuries, he wrote his doctoral thesis on the Catalan Revolt of 1640 and speaks Catalan. He admits that Scotland was "unknown territory" for him, but comparative history is not. His previous book was a masterly study of the American empires of Britain and Spain.

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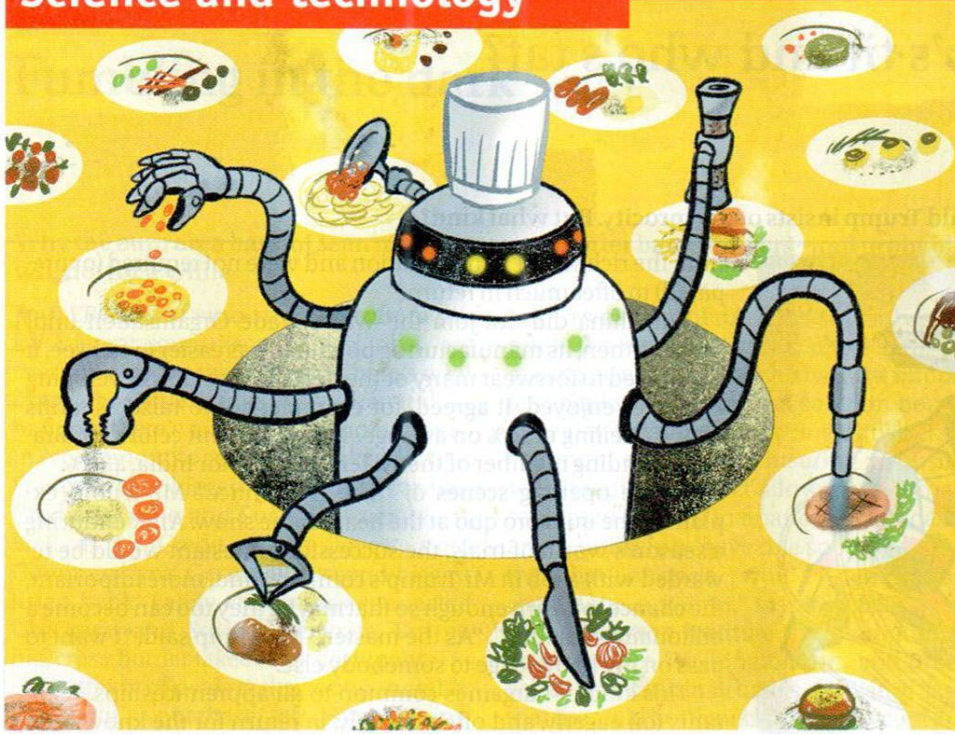
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Whatever their sense of political humiliation, both places thrived, with new access to colonial markets eventually driving industrialisation. In both, the Romantic movement and liberalism would bring about a revival of cultural nationalism in the 19th century, prompting a "dual patriotism" of simultaneous identification with the immediate homeland and the broader nations of Britain and Spain.

Then the stories diverge again. In Britain, England was always the preponderant partner. But the union was consensual, and Scots played a full part in British political life. By contrast, Catalonia's economic strength generated bigger tensions with Madrid, and was never matched by political clout: Spanish governments between 1875 and 1931 included only 18 Catalan ministers in total. In Spain's long history of political instability, Catalan problems and demands often met a heavy-handed response, culminating in that of the Franco dictatorship of 1939-75. Franco imposed rigid centralisation and banned the public and official use of Catalan (though over time his regime relaxed its grip, tolerating publications in the language).

With the restoration of democracy, Catalonia achieved the home rule that had long been the limit of its political ambition. That would come to Scotland with devolution in 1999. Yet in neither case did extra autonomy sate nationalist appetites. These thrived on the collapse of support for national political parties, and on a sense that contemporary national governments were insensitive to Scottish and Catalan concerns. "Separatism appeared to offer an easy answer to those who felt that they had lost control over their own lives,"



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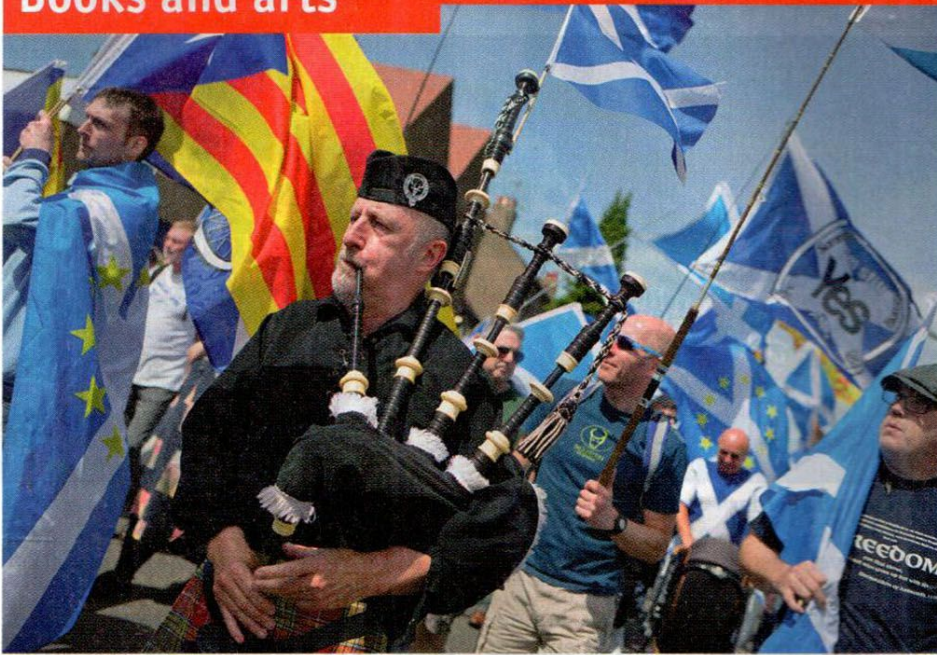
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victory in 1714 in the War of the Spanish Succession, in which most of the Catalan elite had ended up backing the losing Austrian side, the victorious Bourbons imposed an absolute and unitary monarchy.

Whatever their sense of political humiliation, both places thrived, with new access to colonial markets eventually driving industrialisation. In both, the Romantic movement and liberalism would bring about a revival of cultural nationalism in the 19th century, prompting a "dual patriotism" of simultaneous identification with the immediate homeland and the broader nations of Britain and Spain.

Then the stories diverge again. In Britain, England was always the preponderant partner. But the union was consensual, and Scots played a full part in British political life. By contrast, Catalonia's economic strength generated bigger tensions with Madrid, and was never matched by political clout: Spanish governments between 1875 and 1931 included only 18 Catalan ministers in total. In Spain's long history of political instability, Catalan problems and demands often met a heavy-handed response, culminating in that of the Franco dictatorship of 1939-75. Franco imposed rigid centralisation and banned the public and official use of Catalan (though over time his regime relaxed its grip, tolerating publications in the language).

With the restoration of democracy, Catalonia achieved the home rule that had long been the limit of its political ambition. That would come to Scotland with devolution in 1999. Yet in neither case did extra autonomy satiate nationalist appetites. These thrived on the collapse of support for national political parties, and on a sense that contemporary national governments were insensitive to Scottish and Catalan concerns. "Separatism appeared to offer an easy answer to those who felt that they had lost control over their own lives,"