

# The Economist

JUNE 30TH–JULY 6TH 2018

Inside Assad's new Syria

America's Supreme Court swings right

Cutting out medical mistakes

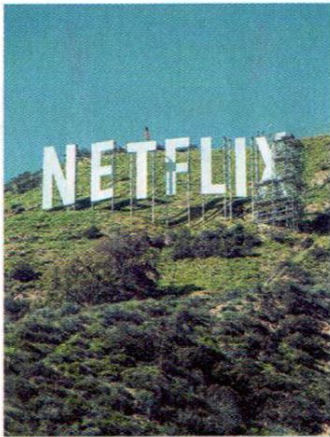
How to make meetings less dreadful



## The tech giant everyone is watching



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**On the cover**  
Netflix has transformed television. It is beloved by investors, consumers and politicians. Can that last? Leader, page 9. The entertainment industry is scrambling to catch up with a disrupter, page 16. The internet was meant to make the world a less centralised place, but the opposite has happened. Ludwig Siegle explains why it matters, and what can be done about it. See our special report after page 40

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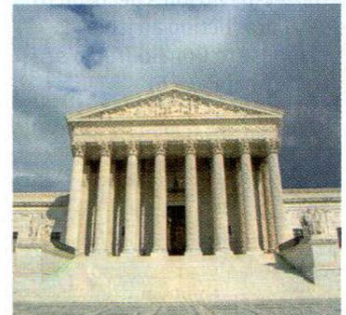
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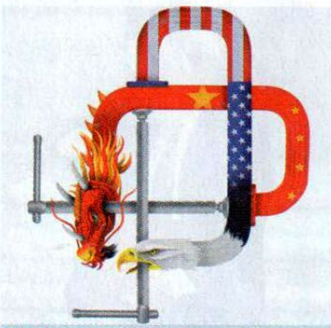
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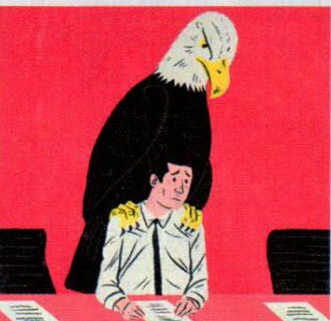
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## Principal commercial offices:

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Rue de l'Athénée 32  
1206 Geneva, Switzerland  
Tel: +41 22 566 2470

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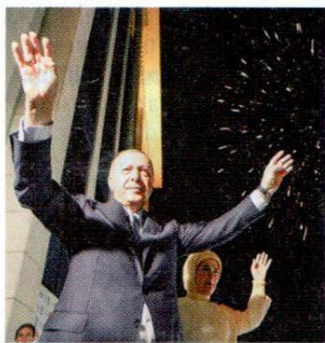


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## Politics



Turkey's president, Recep Tayyip Erdogan, defied the pundits by winning an outright re-election victory in the first round of voting. His Justice and Development (AK) party, together with its allies, also triumphed in simultaneous elections to parliament. The elections marked a rise in nationalist sentiment. In his victory speech Mr Erdogan said the country had "voted for a decisive fight against the PKK", an outlawed Kurdish group.

The EU launched a new defence co-operation arrangement, dubbed E12. Unlike other non-NATO schemes, it will focus on deployment in conflict zones.

A European mini-summit on immigration made little progress. Italy demanded an end to the system whereby migrants must be processed in their first country of arrival.

The British government's plan for a third runway at Heathrow was passed by the House of Commons by 415 to 119 votes. Boris Johnson, the foreign secretary, was widely ridiculed for missing the vote, having previously said he would lie down in front of bulldozers to stop the runway. Other opponents of the runway vowed to continue their fight to prevent further noise and air pollution.

A heterosexual couple opposed to the "patriarchal nature" of marriage won the legal right to have a civil partnership, after appealing to Britain's Supreme Court. The law states that civil partners

must be two people of the same sex, but the court found that this breaches the European Convention on Human Rights. Those who advocate broadening civil partnerships to all people urged the government to change the law.

## Lucky escapes

An explosion at a campaign rally in Zimbabwe attended by Emmerson Mnangagwa, the president, killed two people and injured dozens. The government claimed that Mr Mnangagwa was the target of the attack. He was unharmed and said a general election, scheduled for July 30th, would go ahead.

A similar attack in Ethiopia killed two people and injured over 150. This one targeted a political rally for Abiy Ahmed, the new prime minister, who is pursuing political and economic reforms and has reached out to the opposition.

The warring sides in South Sudan's civil war signed a permanent ceasefire, which calls for a transitional government to be created within four months and to govern for three years. If it holds, the deal will secure the flow of aid into the country.



A long-standing ban on women driving was lifted in Saudi Arabia. The mood was celebratory as women took to the road. So far relatively few have been granted licences, though many thousands have applied.

Big protests erupted in Iran. Thousands of people marched towards the parliament building in Tehran, angered by rising prices and a sinking currency. Some clashed with the police, who eventually dispersed the crowd with tear gas.

The Syrian army stepped up its assault on the rebel-held part of Deraa, a province in the south-west. The fighting has displaced 45,000 people, according to the UN.

## A moderate climate

Centrists did well in provincial elections in Indonesia. But in the governor's race in North Sumatra, in which the two candidates resembled the likely contenders in next year's presidential election, the moderate whose views are closest to those of the president, Joko Widodo, was beaten by a general backed by religious and nationalist parties.

Rodrigo Duterte, the president of the Philippines, called God a "son of a whore". "Who is this stupid God?" he asked in a speech, prompting predictable outrage.

Malaysian authorities announced that they had seized cash, jewellery, designer handbags and other luxury goods worth \$273m from properties belonging to Najib Razak, a former prime minister, as part of a corruption investigation.

## A bad week for liberals

America's Supreme Court issued some blockbuster rulings. It decided that Donald Trump's travel ban on people from several Muslim countries is constitutional; let stand a congressional map drawn to favour Republicans in North Carolina; overturned a law from 1977 that required non-unionised public-sector workers to contribute fees towards collective bargaining; and found that religiously oriented pregnancy clinics are not compelled to provide information on abortion on free-speech grounds.

Anthony Kennedy announced his retirement from the Supreme Court. He often delivered the swing vote between the court's ideological wings and wrote the opinion legalising gay marriage. Mr Trump now has the chance to nominate a judge with a more decisively conservative bent and reshape the court.

A federal judge issued an order to reunite families who have been separated at the Mexican border when trying to cross it illegally. More than 2,000 children separated from their parents in the recent crackdown remain in custody; in some cases their parents have already been deported. The House, meanwhile, rejected an immigration reform bill when over 100 Republicans ignored their party's leaders and voted against it.

In this week's primaries, Mitt Romney won his bid to become the Republican candidate for a Senate seat in Utah. He is all but assured of winning the seat in November; in his victory speech Mr Romney vowed to tackle immigration reform. There was a big upset in a primary for a congressional seat in New York City, where Joseph Crowley, one of the Democrats' leaders in the House, was defeated by Alexandria Ocasio-Cortez, a 28-year-old socialist.

## Slapping a helping hand



A 24-hour strike to protest against Argentina's \$50bn standby-loan agreement with the IMF brought much of the country to a standstill. The General Confederation of Workers, the largest trade union, which called the strike, also demanded pay rises to match the annual-inflation rate, which is 26%.

The EU imposed sanctions on 11 Venezuelan officials, including the vice-president, Delcy Rodríguez. The EU said that the re-election in May of the president, Nicolás Maduro, was "neither free nor fair". The sanctions freeze the officials' assets in the EU and ban them from travelling there. ▶▶

# The tech giant everyone is watching

Netflix has transformed television. It is beloved by investors, consumers and politicians. Can that last?



**B**IG technology firms elicit extreme and conflicting reactions. Investors love them for their stellar growth and vast ambition: the FAANG group of technology stocks, comprising Facebook, Amazon, Apple, Netflix and Alphabet (Google's parent),

is worth more than the whole of the FTSE100. Without them to power its growth, America's stockmarket would have fallen this year. Yet the techlash has also entangled the digital giants in all manner of controversies, from data abuse and anti-competitive behaviour to tax avoidance and smartphone addiction. They have become the firms politicians love to hate.

All but one. Alone among the giants, Netflix is a clear exception to this mix of soaring share prices and suspicion. Since its founding in 1997, the company has morphed from a DVD-rental service to a streaming-video upstart to the world's first global TV powerhouse. This year its entertainment output will far exceed that of any TV network; its production of over 80 feature films is far larger than any Hollywood studio's. Netflix will spend \$12bn-13bn on content this year, \$3bn-4bn more than last year. That extra spending alone would be enough to pay for all of HBO's programming—or the BBC's.

The 125m households the company serves, twice as many as it had in 2014, watch Netflix for more than two hours a day on average, eating up a fifth of the world's downstream internet bandwidth. (China is the one big market where it is not allowed to operate.) Its ascent has mirrored the decline of traditional television viewing: Americans between the ages of 12 and 24 watch half as much pay-TV today as they did in 2010.

Uniquely among tech upstarts that have reshaped industries in recent years, Netflix has wrought its transformation without triggering a public or regulatory backlash. With a share price that has more than doubled since the start of the year, it is as popular with investors as it is with consumers. All of which raises three questions. What are Netflix's lessons for other media firms? What can the rest of the FAANGs learn from its success? And can it go on keeping everyone happy?

## Hollywood ending

Start with other media firms. Moguls who once happily handed their content to Netflix as a source of extra revenue are now scrambling to compete with it. The result is a dealmaking frenzy, with AT&T buying Time Warner, and Disney and Comcast fighting over bits of 21st Century Fox. Consolidation is only part of the answer for conventional entertainment firms, however. They must also follow Netflix's lead and use the internet to offer consumers lower prices and more choice. Netflix now has more subscribers outside America than inside it. From Mexico to India people stream "Narcos" and "Stranger Things" in a planet-wide community of binge-watchers. It makes expert use of data, categorising individual users' preferences into about 2,000 "taste clusters", to serve up different shows to different users, including within the same family, via targeted recommendations. This combination of scale and data science

has long been a hallmark of tech firms. Amazon, Disney and others are refining their own direct-to-consumer video services. But most media firms have a lot of catching up to do.

Other tech giants can also learn from Netflix. Compared with the other FAANGs, the firm is distinctive in several ways. Unlike Facebook and Google, Netflix has steered clear of news and mostly stuck to entertainment. That has protected it from scandals over fake news, electoral manipulation and political tribalism. And unlike those two ad-based platforms, its subscription-based business model means that the firm does not rely on selling users' data or attention to outsiders. Instead, it offers customers a simple exchange: a monthly fee in return for television they want to watch. Unlike all the other FAANGs, which are global but unmistakably American, Netflix is becoming truly international: it makes TV shows in 21 countries, dubbing and subtitling them into multiple languages. The other tech firms are not about to rip up their business models; they work too well. But they can still learn from Netflix: to use data with greater care, to be clearer about the terms of trade with their customers and to be more respectful of local markets.

## Next up: house of cards

If such traits help to explain why the firm has avoided the techlash, they do not ensure it can keep everyone happy. The short-term danger is financial. Frothy valuations are commonplace at the moment, but Netflix still stands out. To justify its current valuation, Netflix's gross operating profits in a decade's time would have to be equivalent to about half of all the profits made by American entertainment firms this year. "If Jesus were a stock, he'd be Netflix," one savvy investor is said to have observed. "You either believe or you don't."

There are plenty of reasons to doubt. The company has amassed \$8.5bn of debt. Reed Hastings, its chief executive, has said it will continue borrowing billions "for many years"; free cashflow is expected to remain negative for some time. That strategy will pay off if Netflix can raise prices while continuing to add subscribers—26m in the 12 months to March 31st. But competition is becoming more intense. And in countries without "net neutrality" protections, owners of wireless or broadband infrastructure that also control content-makers may use their distribution clout to favour their own material.

The long-term risk for Netflix, paradoxically, is if today's dizzying valuation proves not to be too high, but accurate. The techlash has been driven partly by fears that centralised digital platforms will end up throttling competition (see our special report). Some suspect that Netflix harbours ambitions to monopolise TV. Such a move would concentrate enormous amounts of cultural power in the hands of a few content commissioners and algorithms. It would hollow out support for public-service broadcasters, by reducing their audience, and risk leaving poorer users with fewer affordable entertainment options. And it would inevitably find it much harder to avoid the attention of regulators. Here, then, is a final lesson that applies to Netflix, and all tech firms. To keep consumers, regulators and politicians happy over the long term, there is no substitute for competition. ■

### A new trading order

Your recommendation of retaliatory tariffs against America is the perfect prescription for ensuring a destructive trade war ("Rules of war", June 9th). You strongly defended the status quo in global trade rules. Although America's steel and aluminium tariffs are, at best, dubious on their merits and represent a threat to the trading system, there is a reasonable chance that they could withstand a legal challenge. Unilateral retaliatory tariffs are, on the other hand, clearly prohibited under the rules of the World Trade Organisation and would never withstand legal challenges. Your support for illegal retaliation under the pretence of preserving a rule-based order is bizarre. The reality is that such retaliation is driven by local political imperatives and for preserving trade surpluses, not by a faux respect for the rules.

Anyone who believes that retaliatory tariffs have the slightest chance of stopping American policy in its tracks is living in some fantasy world. The reality is that the post-war world order that was steered by a hegemonic United States is no longer fit for purpose in a 21st-century world where trade issues are much more complex and are coalescing around three competing blocs led by America, China and the European Union. In such a world, competition is more likely than co-operation. If an all-out trade war is to be avoided, we must rethink the basis of our global trading system rather than sticking doggedly to an unsustainable status quo.

Europe and Canada should tread with caution. Should a fierce trade war break out, they stand to lose much more than anyone else and risk being squeezed between America and China. A severe transatlantic rift would also jeopardise the future of a European project that is still heavily dependent on America's security umbrella.

JOE ZAMMIT-LUCIA

Co-founder

Radix

London

Retaliation is never a good option to save a multilateral order based on facilitating trade and the most-favoured nation principle (MFN). The better option for America's trading partners would be to lower their applied tariffs unilaterally below what has been negotiated on a MFN basis, thus against all trading partners. This would strengthen the system, signal a shift in leadership from America to other WTO members and help consumers. As tariffs would be no longer the most important barrier to trade, short-term adjustment costs would be manageable to the benefit of the competitiveness of the economies in the longer run because of balancing incentives of production between imports and exports. Donald Trump's aggressive bilateralism could be sidestepped if the MFN principle re-emerged as the trade-policy yardstick of America's trading partners.

ROLF J. LANGHAMMER

Kiel Institute for the World Economy  
Kiel, Germany

### Unlocking criminals' phones

Your leader on technology and surveillance compares an encrypted mobile phone to a filing cabinet, stating that just "as filing cabinets can be locked, encryption should not be curtailed" ("Perfecting in China, a threat in the West", June 2nd). Yet a filing cabinet cannot be used instantaneously to organise a large-scale drug deal, procure firearms or orchestrate a murder. Moreover, assuming probable cause to believe there is evidence of an offence, the police can obtain a warrant for a filing cabinet and easily enter a place to retrieve the evidence.

As a prosecutor dealing with organised crime I have encountered many instances where the police, with more than ample grounds, have obtained warrants for mobile devices, but have been foiled by encryption. You are right that computer technology has facilitated the surveillance state in countries lacking constitutional privacy protections.

But that should not mean that, when a judicial officer has issued a warrant, the mobile phones of suspected criminals or terrorists are inaccessible in an investigation.

MICHAEL BARRENGER

North Vancouver, Canada

There are indeed many advantages to using ankle bracelets to keep those accused of less serious crimes under house arrest. Unfortunately, many jurisdictions (including Ontario) stifle these technological advances by making the accused pay for their own ankle bracelet at a cost of \$600 a month. If they can't afford to pay, the state throws them in jail for ten times the cost at taxpayers' expense. Artificial intelligence is one thing but we need more of the organic kind.

STEPHEN AYLWARD

Toronto

### China's actions in Xinjiang

Despite what you say, the Chinese government attaches great importance to the stability and development of Xinjiang ("Apartheid with Chinese characteristics", June 2nd). The economic, social and security measures that have been implemented in the region are based in law and aimed at ensuring stability, harmony and economic prosperity. These measures have been effective in safeguarding the safety of life and property of people from all ethnic groups in Xinjiang and enjoy extensive public support.

Xinjiang's development has been notable in recent years. Its gross economic output increased from 753bn yuan (\$119bn) in 2012 to 1,092bn yuan in 2017. Disposable income per head during the same period grew by 10% on average each year. The local government has allocated 70% of the public budget to improving lives, and has successfully resolved a large number of difficult issues that matter to people's everyday lives.

Local ethnic culture and the freedom of religious belief are fully protected. Your mention of the "control" of religious belief in Xinjiang and descrip-

tion of "apartheid with Chinese characteristics" are totally unfounded. Xinjiang has been battling separatism, terrorism and religious extremism, the latter of which is a distortion of and disrespect for religion and undermines public security. The local government has taken measures to prevent and combat religious extremism and protect normal religious activities. These measures are lawful and have curbed the spread of extremism. They are a positive contribution to international deradicalisation and counter-terrorism efforts.

ZENG RONG

Spokesperson of the Chinese embassy  
London

### Football crazy, football mad

Out of curiosity, I was moved to watch those World Cup moments you depicted so poignantly in "A beautiful game" (June 9th). Seeing Diego Maradona's glory and the unravelling of Zinedine Zidane as an expression of heroic genius is just as exquisite as a day at the Louvre.

KELLY MORGAN

Los Gatos, California

### Tissue of lies



Brexit on a loo-roll (Cover, June 16th)? A picture is worth a thousand words, and it was not a strain to flush out your meaning.

ALEC BURNSIDE

Wезembeek-Oppem, Belgium ■

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## The television will be revolutionised

AMSTERDAM, HOLLYWOOD AND LOS GATOS

The entertainment industry is scrambling to catch up with a disrupter

**I**N THE heyday of the talkie, Louis B. Mayer, head of the biggest studio, was Hollywood's lion king. In the 1980s, with the studio system on the wane, "super-agent" Michael Ovitz was often described as the most powerful man in town. Now the honour falls to someone who used to run a video store in Phoenix, Arizona.

Ted Sarandos joined Netflix, a DVD-rental firm, in 2000. In 2011, when Netflix was first moving into streaming video, he bought "House of Cards", a television drama starring Kevin Spacey and Robin Wright and produced by, among others, the film director David Fincher, for \$100m. The nine-figure statement of intent was widely derided as profligate, showing that Netflix might be a source of cash but scarcely offered serious competition. A mail-order video store could hardly be expected to take on networks and studios which took decades to build and were notoriously difficult to run.

Instead it has become an industry in and of itself. Mr Sarandos, Netflix's chief content officer, and his colleagues will spend \$12bn-13bn this year—more than any studio spends on films, or any television company lays out on stuff that isn't sport. Their viewers will get 82 feature films in a year when Warner Brothers, the Hollywood studio with the biggest slate, will

send cinemas only 23. (Disney, the most profitable studio, is putting out just ten.) Netflix is producing or procuring 700 new or exclusively licensed television shows, including more than 100 scripted dramas and comedies, dozens of documentaries and children's shows, stand-up comedy specials and unscripted reality and talk shows. And its ambitions go far beyond Hollywood. It is currently making programmes in 21 countries, including Brazil, Germany, India and South Korea.

Mr Sarandos buys quality as well as quantity with his billions. From Mr Fincher on, he has hired directors both famous and interesting, including Spike Lee, the Wachowski siblings and the Coen brothers. He is building a bench of established television hit-makers: Ryan Murphy (creator of "Glee" and "American Horror Story") and Shonda Rhimes (creator of "Grey's Anatomy" and "How to Get Away with Murder") both recently signed up. David Letterman has come out of retirement to do a talk show. Barack and Michelle Obama have signed a production deal, too. The money helps: Mr Murphy's deal is reportedly worth \$300m; Mr Letterman is said to be getting \$2m a show. But so does the company's growing reputation. "They want to be on the channel that they watch," Mr Sarandos says.

In the first quarter of this year Netflix added 7.4m net new subscribers worldwide. That gave it a total of 125m, 57m of them in America. With an average subscription of \$10 a month, those customers represent some \$14bn in annual revenue which the company will plough straight back into programming, marketing and technology—along with billions more that it will borrow. Goldman Sachs, a bank, thinks that it could be spending an annual \$22.5bn on content by 2022. That would put it within spitting distance of the total currently spent on entertainment by all America's networks and cable companies.

Enticed by such prospects, the market values Netflix at \$170bn, which is more than Disney. Some analysts see this as outlandish for a company yet to make a profit, which has \$8.5bn in debt and hasn't even had that many hit programmes. Its competitors, though, see it as a call to arms. It was the prospect of building a similarly integrated producer, purchaser and distributor of content that led AT&T, a wireless giant, to buy Time Warner for \$109bn. If Comcast, America's largest broadband provider, buys most of 21st Century Fox from the Murdoch family for more than \$70bn, it will be to a similar end—and if the Fox goes to the mouse house instead, it will be because Disney knows that to compete with the new giant it needs to own even more content than it already does.

Amazon, Apple, Facebook, YouTube and Instagram are all developing programming efforts of their own. "The first thought on everyone's mind is how do we compete with Netflix?" says Chris Silberman, managing director of ICM, an agency that represents a number of people who



## Politics in the Philippines

# Rebel with a cause

MANILA

The president wants to change the constitution. Critics suspect an ulterior motive

NEVER one to stick to a script, Rodrigo Duterte regales audiences with tirades, profanities and anecdotes. A politician forged in town-hall frays, he knows how to capture hearts and headlines. This week he decided to take on God, calling him “stupid” and a “son of a whore”, to predictable uproar. Mr Duterte clearly relishes the spotlight—which has caused some Filipinos to wonder whether he will ever willingly leave it.

Mr Duterte became president two years ago, after winning 39% of the vote in a four-way race. He immediately implemented a series of controversial policies, most notably a bloody anti-drugs campaign. He also imposed martial law on the troubled southern island of Mindanao, a bold step given that a former president, Ferdinand Marcos, used martial law to turn himself into a dictator. Indeed, he allowed Marcos’s embalmed body, previously preserved in a ghoulish shrine in his home province, to be interred in Heroes’ Cemetery in Manila, the capital.

Most voters are untroubled: seven in ten Filipinos approve of Mr Duterte’s performance. Members of Congress, intimidated by his popularity, fawn in the face of his rough talk and tough policies. Both the Senate and House of Representatives voted overwhelmingly to extend the state of emergency. “There’s something about him which draws you in,” trills Alan Cayetano, the foreign secretary.

Those who are not drawn in find themselves in trouble. In May the chief justice of the Supreme Court lost her job, ostensibly for failing to file some asset-disclosure forms, after she upbraided the president for infringing on the independence of the judiciary in his anti-drugs campaign. Senator Leila de Lima, who has accused Mr Duterte of orchestrating extra-judicial killings in Davao, a city he ran for more than two decades, has found herself in prison for 16 months. She was accused and convicted, improbably enough, of peddling drugs with a former lover. “De Lima is not only screwing her driver; she is also screwing the nation,” Mr Duterte thundered before her arrest. In both cases, Mr Duterte denies involvement, but did nothing to restrain the allies and underlings who pursued the two women.

### For my next trick

The president’s next initiative, and perhaps his most controversial, is an attempt to change the constitution, both to introduce federalism and to change the central government from a purely presidential system to a presidential-parliamentary model, similar to that of France. In his big set-piece address to Congress in late July he is expected to urge the lawmakers to declare themselves a constituent assembly with the authority to redraft the constitution. They may cravenly oblige.

Mr Duterte argues that federalism

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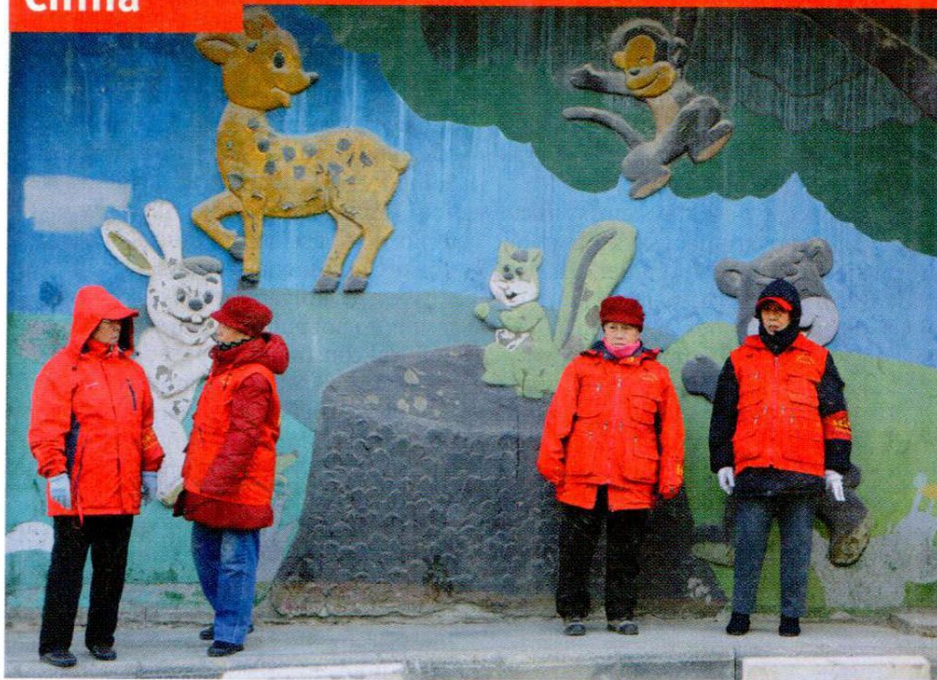
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would transfer power and money away from Manila to other, poorer parts of the country. It would also bolster peace deals with armed groups in Mindanao which have sought greater autonomy. The country’s 18 regions could become states. The main argument in favour of a parliamentary model, meanwhile, is to foster party politics, rather than the patronage system that currently applies. Lowlier politicians, whatever their notional partisan affiliation, typically rush to ally themselves with the president of the day; there are no mass, ideologically based parties. Even so, the president struggles to push legislation through Congress, not because of determined opposition but because it is a hopeless morass. The need for a government to command a durable majority in parliament, it is hoped, would change all that.

In theory, all these changes would reduce Mr Duterte’s authority, both over the regions and over Congress. But critics worry that amid all the upheaval Congress could easily be induced to slip in a provision scrapping the rule limiting presidents to a single six-year term. And there might not be term limits for the new office of prime minister, giving Mr Duterte two potential future perches. Even elections could be affected if the period of transition to a federal system is deemed an excuse to delay them (the next ones, for half the Senate and the entire House, are due in May).

Mr Duterte has repeatedly said that, should he attempt to stay in office beyond the six-year limit, someone should shoot him. But sceptics note that he showed no compunction about gaming term-limits when mayor of Davao. The first time he reached the maximum of three consecutive terms, he spent three years as the local congressman before running for mayor again. The second time, he served as vice-mayor while his daughter was mayor. In ►►





## Community management

# Vigilaunties

BEIJING

China is reviving a traditional neighbourhood-watch system, adapted for a high-tech era

EVERY day Zhong Zhenhua patrols a small network of streets in a well-heeled part of northern Beijing, where a dozen apartment blocks house about 3,000 people. In recent weeks he has been paying attention to local construction workers to make sure that their building materials do not block people's way. Mr Zhong says he also likes to call on local residents—particularly sick or elderly ones who might need help. The aim is to visit at least one household a day, he explains, though sometimes he can fit in up to five.

Mr Zhong is a “grid manager” operating in part of Huayan Beili Xi Community, a middle-class residential area near the capital's iconic “bird's nest” Olympic stadium. He has been recruited by the local government to watch over a “grid” of streets in the neighbourhood, solve problems if possible and pass bigger ones up the chain of command for higher-level attention. The grid system of ensuring order in urban areas was pioneered in Dongcheng, a central district of Beijing, in 2004. By 2017 about 60% of China's cities were using it in some form, reckons Zhou Wang of Nankai University in Tianjin, up from 45% in 2015.

China has a long history of community control involving civilians. In the 16th century a system known as *baojia* was devised that required households to take turns to monitor each others' activities. Modifications of it have persisted for much of the country's history since then. Com-

munist leaders have been especially fond of deploying local residents to keep a look-out on street corners.

Under Mao, city dwellers were assigned to workplace “units”, or *danwei*, which were responsible for providing them with housing and telling the authorities about potential troublemakers, including people considered disloyal to the Communist Party. As a result of economic reforms that China launched in 1978, the *danwei* system has mostly vanished. Every urban area still has a “neighbourhood committee” (its leaders are “elected” by residents from among party-approved candidates). But such organisations have only a shaky foothold in the newly built districts that are home to many millions of young commuters. Luigi Tomba of the University of Sydney says the emergence of new grassroots forces, such as profit-driven property-management companies and nimbyish homeowners' associations, has been complicating the work of the party-backed committees.

### Grid, locked

The aim of grid management is to tighten control again. The government wants this partly because so many urban residents are recent migrants from the countryside or other cities. Long gone are the days when local officials would know, or be able to check quickly, every resident's background. They want to use the grid system

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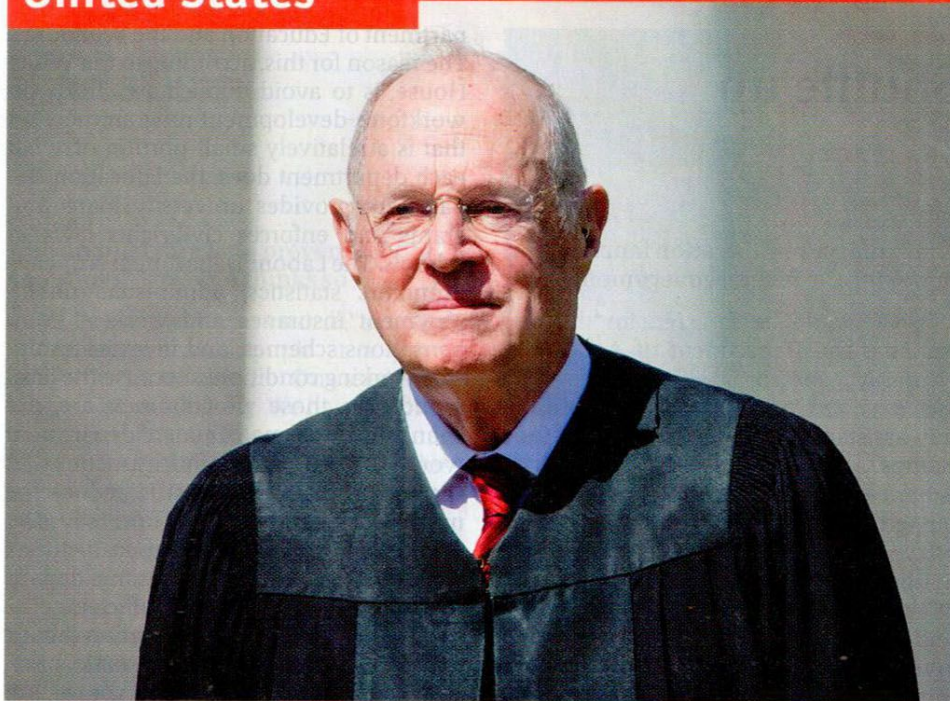
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to curb crime, help solve residents' complaints and watch out for hazards such as fire risks and pollution. They also want to make sure they can forestall any unrest long before it has a chance to break out. Many residents want greater security, too. They often blame migrants from other areas for crimes such as robbery and rape.

The system involves dividing neighbourhoods into grids covering a few streets. A manager such as Mr Zhong is assigned to each of them. The authorities mobilise volunteers, mostly local pensioners, to help. Retirees have long been the backbone of neighbourhood-watch schemes. During big political meetings or around the time of sensitive anniversaries large numbers of them stand on pavements wearing red hats and armbands (see picture). In some rural places residents are being issued with set-top boxes that allow them to monitor feeds from security cameras in the comfort of armchairs, according to state media. In regions where officials are worried about the possibility of large-scale or violent unrest, such as Tibet and Xinjiang, the grid system has been used as part of a vast extension of surveillance measures aimed at keeping secessionists and terrorists in check. In some parts of Xinjiang waiters and shop assistants have been issued with clubs, body armour and hard hats to help them perform security duties when required.

Officials in Mr Zhong's grid say that one in seven local residents plays some role in public-security work. One of his duties is to look into the problems they report (they often do so using WeChat, an instant-messaging app). He says he also asks volunteers in each apartment building to suggest families who might benefit from his house-calls. Cui Baoxiang, a recently retired businessman who has lived in the area for three decades, is part of a team of 120 party



**The Supreme Court**  
**Right of way**

WASHINGTON, DC

**With the swing justice hanging up his robe, the deeply conservative 2017-18 term is just a taste of what the Supreme Court could become**

LAST June, progressives breathed a sigh of relief when Anthony Kennedy (pictured) stuck around to serve a 30th term on the Supreme Court. But a year later, with Justice Kennedy announcing he is ending his tenure on July 31st 2018 and handing another high-court vacancy to President Donald Trump, the left is gasping for air. Abortion, environmental protections, gay and lesbian rights, racial equality and voting rights are all newly vulnerable.

As the court's median justice for more than a decade, the 81-year-old Reagan appointee has sided with the liberals in certain key cases. He stood up for abortion rights and protected affirmative action at universities. He helped to save the anti-discrimination protections at the heart of the Fair Housing Act in 2015. Most famously, he wrote four gay-rights rulings, culminating in a 2015 decision opening marriage laws to gays and lesbians. Yet Justice Kennedy closed his third decade on the court in a decidedly rightward pose. This term the court issued 63 rulings, 18 of which were decided 5-4. Of those, only four rather piddling victories went the liberals' way. And Justice Kennedy did not swing towards them in any of the tight decisions.

That should not come as a huge surprise, says Leah Litman, a law professor at the University of California at Irvine and former Kennedy clerk. Her old boss "has always been on the right", she says. "The left

just eked out a few wins along the way". But liberals had high hopes that Justice Kennedy would see the law their way in three of the year's most contentious cases.

The first disappointment for liberals came in *Masterpiece Cakeshop v Colorado Civil Rights Commission*, the tiff over whether Jack Phillips, a Christian baker, had the right to refuse to bake a cake celebrating the nuptials of two men. Justice Kennedy's empathy for the baker won the day in *Masterpiece*. A civil-rights commissioner had spoken disrespectfully of Mr Phillips's faith, Justice Kennedy wrote for a 7-2 majority, unconstitutionally impinging on his religious liberty.

Another case involving hostility towards religion—the wrangle over the third iteration of Mr Trump's ban on travellers from certain Muslim countries—seemed different in the outgoing justice's eyes. In *Trump v Hawaii*, Justice Kennedy voted to uphold Mr Trump's proclamation despite presidential comments suggesting that "Islam hates us" and that Muslim terrorists should be shot with bullets dipped in pig's blood. The Supreme Court's job, Chief Justice John Roberts wrote for the five conservatives, is not to "denounce" presidential statements but to respect "the authority of the presidency itself".

The decision drew a furious dissent from Justice Sonia Sotomayor. It inspired an almost plaintive concurring opinion

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from Justice Kennedy. While many statements and actions of government officials "are not subject to judicial scrutiny or intervention", he wrote, "that does not mean those officials are free to disregard the constitution and the rights it proclaims and protects". It is an "urgent necessity", Justice Kennedy continued, "that officials adhere to these constitutional guarantees and mandates in all their actions, even in the sphere of foreign affairs". With some evident trepidation about the hands in which he was about to place the responsibility of filling his seat, Justice Kennedy added this mild parting shot: "An anxious world must know that our government remains committed always to the liberties the constitution seeks to preserve and protect, so that freedom extends outward, and lasts."

**Anthony and Caesar**

A pair of partisan gerrymandering cases teed up just for Justice Kennedy might have reformed voting laws had the man Rick Hasen, an election-law expert, calls "Justice Hamlet" been a little less mercurial. In 2004, Justice Kennedy lamented election "rigging" but couldn't find a workable standard for policing the practice of lawmakers drawing electoral districts to rope out the competition; 14 years later, he had little interest in new theories on how to define egregious gerrymandering in *Gill v Whitford* and *Benisek v Lamone*. What could have been a coalition to rein in partisan redistricting became unanimous decisions to put off the matter for another day. With Justice Kennedy on his way out, and the conservative justices unworried by gerrymandering, that day may never come.

Justice Kennedy and the court's four liberal justices may not have waltzed together in a 5-4 decision this term, but Chief Justice Roberts did, twice, and the soon-to-be-sec- ▶▶



### The future of Syria

## Smaller, in ruins and more sectarian

ALEPPO, DAMASCUS AND HOMS

### How a victorious Bashar al-Assad is changing Syria

**A**NEW Syria is emerging from the rubble of war. In Homs, which Syrians once dubbed the “capital of the revolution” against President Bashar al-Assad, the Muslim quarter and commercial district still lie in ruins, but the Christian quarter is reviving. Churches have been lavishly restored; a large crucifix hangs over the main street. “Groom of Heaven”, proclaims a billboard featuring a photo of a Christian soldier killed in the seven-year conflict. In their sermons, Orthodox patriarchs praise Mr Assad for saving one of the world’s oldest Christian communities.

Homs, like all of the cities recaptured by the government, now belongs mostly to Syria’s victorious minorities: Christians, Shias and Alawites (an esoteric offshoot of Shia Islam from which Mr Assad hails). These groups banded together against the rebels, who are nearly all Sunni, and chased them out of the cities. Sunni civilians, once a large majority, followed. More than half of the country’s population of 22m has been displaced—6.5m inside Syria and over 6m abroad. Most are Sunnis.

The authorities seem intent on maintaining the new demography. Four years after the government regained Homs, residents still need a security clearance to return and rebuild their homes. Few Sunnis get one. Those that do have little money to restart their lives. Some attend Christian

mass, hoping for charity or a visa to the West from bishops with foreign connections. Even these Sunnis fall under suspicion. “We lived so well before,” says a Christian teacher in Homs. “But how can you live with a neighbour who overnight called you a *kafir* (infidel)?”

Even in areas less touched by the war, Syria is changing. The old city of Damascus, Syria’s capital, is an architectural testament to Sunni Islam. But the Iranian-backed Shia militias that fight for Mr Assad have expanded the city’s Shia quarter into Sunni and Jewish areas. Portraits of Hassan Nasrallah, the leader of Hizbullah, a Lebanese Shia militia, hang from Sunni

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mosques. Advertisements for Shia pilgrimages line the walls. In the capital’s new cafés revellers barely notice the jets overhead, bombing rebel-held suburbs. “I love those sounds,” says a Christian woman who works for the UN. Like other regime loyalists, she wants to see the “terrorists” punished.

Mr Assad’s men captured the last rebel strongholds around Damascus in May. He now controls Syria’s spine, from Aleppo in the north to Damascus in the south—what French colonisers once called *la Syrie utile* (useful Syria). The rebels are confined to pockets along the southern and northern borders (see map on next page). Lately the government has attacked them in the south-western province of Deraa.

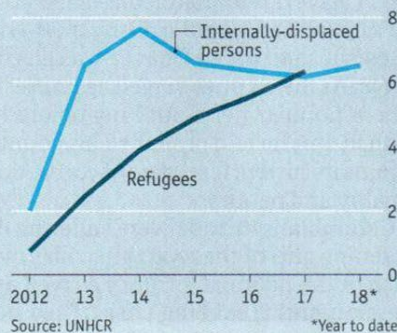
### A prize of ruins

The regime is in a celebratory mood. Though thinly spread, it has survived the war largely intact. Government departments are functioning. In areas that remained under Mr Assad’s control, electricity and water supplies are more reliable than in much of the Middle East. Officials predict that next year’s natural-gas production will surpass pre-war levels. The National Museum in Damascus, which locked up its prized antiquities for protection, is preparing to reopen to the public. The railway from Damascus to Aleppo might resume operations this summer.

To mark national day on April 17th, the ancient citadel of Aleppo hosted a festival for the first time since the war began. Martial bands, dancing girls, children’s choirs and a Swiss opera singer (of Syrian origin) crowded onto the stage. “God, Syria and Bashar alone,” roared the flag-waving crowd, as video screens showed the battle to retake the city. Below the citadel, the ru- ▶▶

### Still going

Syrians, m



The  
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SPECIAL REPORT  
**FIXING THE INTERNET**

June 30th 2018

# The ins and outs





## The ins and outs

**The internet was meant to make the world a less centralised place, but the opposite has happened. Ludwig Siegele explains why it matters, and what can be done about it**

HAS THE INTERNET failed? Sitting in his office at Christ Church College, Oxford, Sir Tim Berners-Lee, the inventor of the world wide web, has his answer ready: "I wouldn't say the internet has failed with a capital F, but it has failed to deliver the positive, constructive society many of us had hoped for."

Two decades ago he would have scoffed at the idea that the internet and the web would do anything but make this planet a better place. In his autobiography written in the late 1990s, "Weaving the Web", he concluded: "The experience of seeing the web take off by the grassroots effort of thousands gives me tremendous hope that...we can collectively make our world what we want."

Until a few years ago most users, asked what they thought of the internet, would have rattled off a list of the things they love about it—that it lets them stay in touch with friends, provides instant access to a huge range of information, sparks innovation, even helps undermine authoritarian regimes. And in some ways it has been a tremendous success. Just under a quarter of a century after the first web browser was released, around half the world's population is online. But like Sir Tim, many people have recently become more critical of it, concerned that it creates online addicts, hoovers up everybody's data and empowers malicious trolls and hackers.

At the heart of their disenchantment, this special report will argue, is that the internet has become much more "centralised" (in the tech crowd's terminology) than it was even ten years ago. Both in the West and in China, the activities this global network of networks makes possible are dominated by a few giants, from Facebook to Tencent. In his latest book, "The Square and the Tower", Niall Ferguson, a historian, explains that this pattern—a disruptive new network being infiltrated by a new hierarchy—has many historical precedents. Examples range from the invention of the printing press to the Industrial Revolution.

At the same time the internet has become much more strictly controlled. When access to it was still mainly via desktop or laptop computers, users could stumble across amazing new services and try many things for themselves. These days the main way of getting online is via smartphones and tablets that confine users to carefully circumscribed spaces, or "walled gardens", which are hardly more exciting than televi-

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European rail

# New kids on the track

PARIS AND PRAGUE

**A fight is brewing as European state rail giants prepare to compete with scrappy new train operators**

THE opening of Britain's Liverpool and Manchester Railway in 1830 marked several firsts in rail history. It was the world's first inter-city line. It was the scene of the first widely reported passenger fatality. And it was also the first where all trains were hauled by the track owners. Previous lines had seen competition between operators, leading to the drivers of horse-drawn passenger trains and steam-pulled coal trucks having fisticuffs on the tracks. Two centuries later, the question of whether train and tracks should be operated by the same firm still simmers across Europe.

That is because new EU rules, enticingly called the "fourth railway package", will force all state rail firms to open their tracks to rivals from next year. It means a "tectonic shift" for the industry, argues Leos Novotny of LEO Express, a rail startup based in Prague. And it comes at a time when commuters are particularly grumpy about trains. In France three months of labour strikes at SNCF, the state rail firm, have made millions late for work every week and chaos marks Britain's railways after an abortive timetable change on May 20th. In Germany, Deutsche Bahn, the state rail giant, once looked up to as a paragon of quality and efficiency in Europe, is increasingly under attack in the country's press for its dirty, late trains.

The new rules are the culmination of a decades-long effort by the European Commission to boost competition. This began

in 1991 when it forced rail operators to produce separate financial accounts for their track and train-operations units. As part of its latest reforms, the commission wanted to introduce a strict separation of the two businesses. However, under pressure from some state rail operators—in particular Deutsche Bahn and SNCF—it compromised. Only an internal "Chinese wall" is needed to separate the functions.

Even so, the coming changes are radical. The "market pillar" of the reforms will force state rail firms to open their tracks to competition. From 2019, anyone will be allowed to run services on profitable routes using "open access" rights. And from 2026, private companies will also be able to bid

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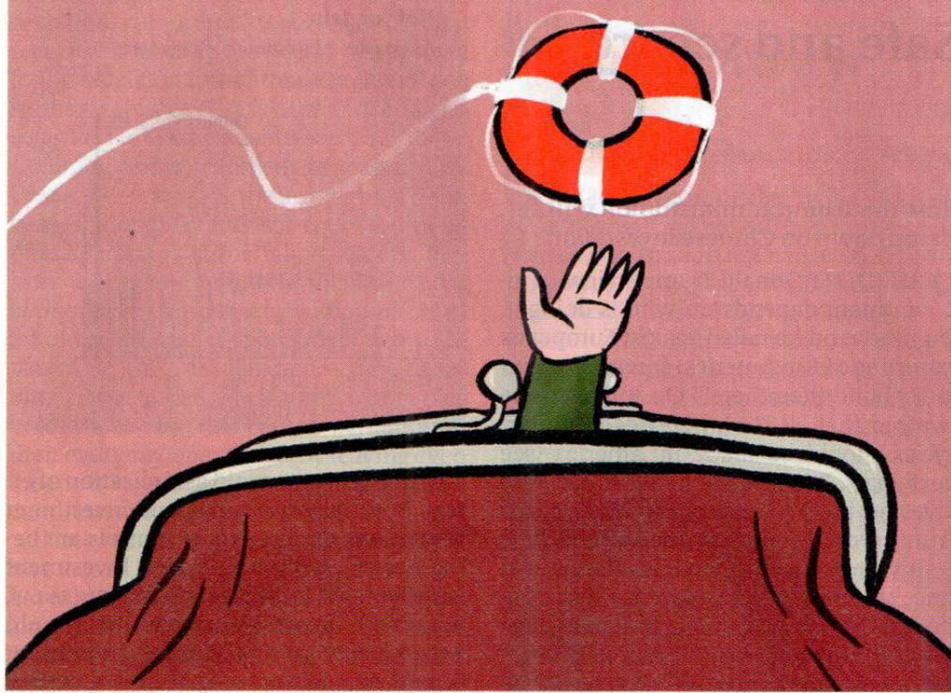
for public-service contracts on lines that require state subsidies to operate.

The experience of countries that have already opened up to competition is that it cuts costs and hammers down fares. In the Czech Republic, for example, new operators have achieved costs per seat kilometre that are 30-50% lower than those of the state operator. Passengers are benefiting: the average ticket price from Prague to Ostrava has fallen by 61% since 2011, when the state rail firm lost its monopoly. Greater liberalisation is also associated with rising passenger numbers and an ability to get by on lower subsidies (see chart).

Competition is also spurring innovation. Many firms are adopting yield-pricing strategies used by budget airlines to increase the utilisation of their trains and to cut costs per seat. To keep customers from defecting to rivals, some are attaching other travel services to their own in order to differentiate themselves. Deutsche Bahn, which does already face some private competition, now offers e-bike hire as well as train tickets in some German cities. On June 22nd Italy's state rail firm launched an app called Nugo through which travel services from 50 other companies, including ferry and car-sharing rides, can be bundled into the firm's tickets.

As for the newcomers, they come in three main types: state rail operators from other countries; bus companies looking to diversify, such as Germany's FlixBus; and private rail firms that have started from scratch, a category which includes LEO Express. A few of them are simply copying the business models of incumbents but with much lower costs. Some, such as NTV-Italo, an Italian startup, behave more like full-service airlines, with four classes of service instead of two and loyalty schemes. That has forced its rivals to up their game.





**Wages**  
**The real story**

WASHINGTON, DC  
**Pay is rising, but so are prices. That is bad news for workers**

CENTRAL bankers and economists have spilled much ink in recent years on the question of why wages have not grown more. The average unemployment rate in advanced economies is 5.3%, lower than before the financial crisis. Yet even in America, the hottest rich-world economy, pay is growing by less than 3% annually. This month the European Central Bank devoted much of its annual shindig in Sintra, Portugal to discussing the wage puzzle.

Recent data show, however, that the problem rich countries face is not that nominal wage growth has failed to respond to economic conditions. It is that inflation is eating up pay increases and that real—that is, inflation-adjusted—wages are therefore stagnant. Real wages in America and the euro zone, for example, are growing more slowly even as the world economy, and headline pay, have both picked up (see chart).

The proximate cause is the oil price. As the price of Brent crude oil, a benchmark, fell from over \$110 a barrel in mid-2014 to under \$30 a barrel by January 2016, inflation tumbled, even turning negative in Europe. That sparked justified worries about a global deflationary slump. But it was an immediate boon for workers, who saw nominal pay increases of around 2% translate into real wage gains of about the same size. (An exception was Japan, where a rise

in the sales tax from 5% to 8% in 2014 squeezed wallets.)

Since then, nominal wage growth has gradually picked up as labour markets have tightened, roughly in line with the predictions of economists who use broader measures of slack than just the unemployment rate. But inflation has risen in tandem with wages, as the oil price has recovered to close to \$75 a barrel. That means many workers are yet to feel the benefit of the global economic upswing that began during 2017. In America and Europe, real wages are growing barely faster than they were five years ago, when unemployment was much higher.

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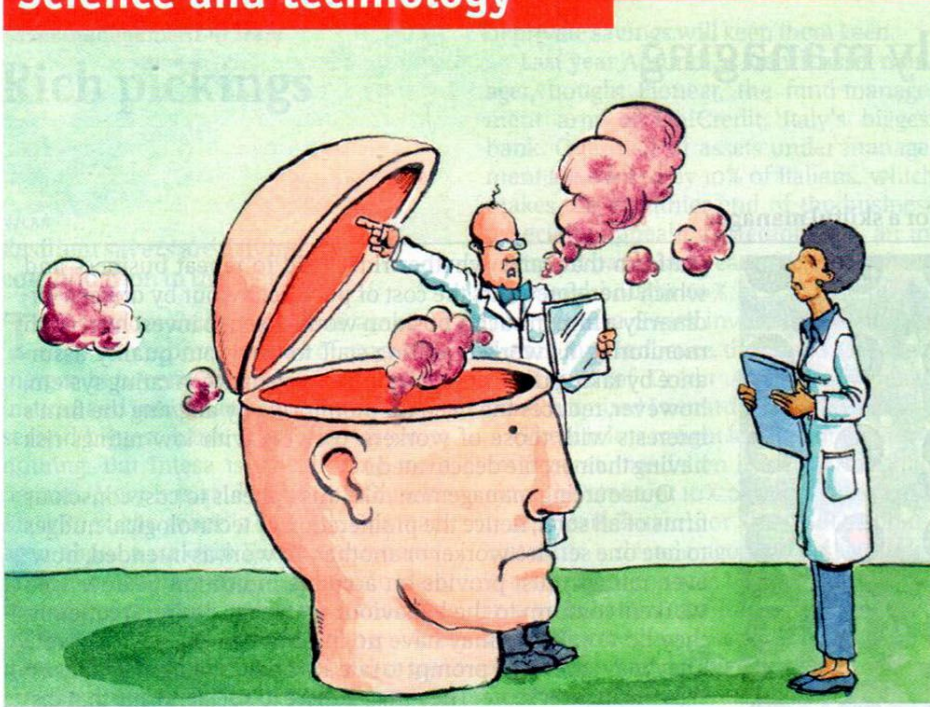
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In the long run, changes in real wages are linked to changes in workers' productivity, which has grown slowly everywhere since the financial crisis. In the year to the first quarter of 2018, for example, American productivity grew by only 0.4%. But some spy a rebound. For current forecasts of blazing economic growth in America to bear out, productivity must grow faster. In the second half of 2017, productivity in Britain grew at the fastest rate since 2005. The Bank of Japan thinks that firms there are investing heavily to boost productivity so that they do not have to pay for higher wages by raising prices.

Yet even a recovery in productivity would not guarantee good times for workers. In recent decades the share of GDP going to labour, rather than to capital, has fallen because real pay has increased more slowly than productivity. In advanced economies labour's share fell from almost 55% to about 51% between 1970 and 2015, according to researchers at the IMF. A widely heard explanation is that a fall in union membership, combined with rising off-▶▶





### Psychiatric illness

## Who is to decide, when doctors disagree?

A huge international collaboration is attempting to get to the bottom of psychiatric illnesses

DISEASES of the psyche have always been slippery things. Schizophrenia, bipolar disorder, major depression and a host of others have no visible markers in the brain. Their symptoms overlap sufficiently that diagnoses may differ between medical practitioners, or even vary over time when given by a single practitioner. In this they are unlike neurological diseases. These either leave organic traces in the brain that, though not always accessible before a patient's death, are characteristic of the condition in question, or cause recognisable perturbations of things such as electroencephalograms.

The impulse to categorise, though, is enormous—as witness the ever greater number of conditions identified in successive editions of the Diagnostic and Statistical Manual of Mental Disorders, published by the American Psychiatric Association. That is because diagnosis and treatment go hand in hand. But if diagnostic categories are misconceived then treatment may be misapplied. In this context a paper published recently in *Science*, by a group calling itself the Brainstorm Consortium, is helpful. The consortium has brought together many research groups who work on various psychiatric diseases, as well as on neurological diseases, and has run their collective data through the wringer.

In particular, the consortium's researchers have looked at what are known

as genome-wide association studies, or GWASS. In these, thousands of genomes are searched in order to identify places where differences between people's DNA seem associated with the presence or absence of particular diseases or symptoms. Past GWASS, comparing pairs of diseases, have shown overlapping genetic involvement in some psychiatric illnesses. But, by pooling the work of so many groups, the Brainstorm Consortium was able to go beyond this and cross-correlate the putative genetic underpinnings of 25 psychiatric and neurological problems. In all, the consortium looked at 265,218 cases of different brain disorders and 784,643 healthy volunteers who acted as controls.

### Metamorphoses

Of the 25 conditions in question, ten are conventionally classified as psychiatric. Besides schizophrenia, bipolar disorder and major depression, these include obsessive-compulsive disorder, anorexia nervosa and Tourette's syndrome. Neurological problems, the remaining 15 conditions, include Alzheimer's disease, Parkinson's disease, various forms of epilepsy, strokes and migraines.

There were many underlying genetic correlations between pairs of psychiatric disorders. Assuming these are in part causative of disease, such overlaps go a long way to explaining the slippery nature of

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psychiatric diagnosis, by providing a genetic explanation for shared symptoms.

There were also, however, observable patterns in the data that might help refine the process of classification. Major depression has at least some positive genetic correlation with each of the other nine conditions. Schizophrenia, bipolar disorder, anxiety disorders and attention-deficit hyperactivity disorder (ADHD) are strongly correlated with one another, as well as with major depression. Anorexia nervosa, obsessive-compulsive disorder and schizophrenia also cluster, as do Tourette's syndrome and obsessive-compulsive disorder. The only psychiatric illness that showed no significant correlation with the others was post-traumatic-stress disorder.

Such clustering was absent from most neurological disorders. In particular, Alzheimer's disease, Parkinson's disease, multiple sclerosis and epilepsy all stood independent from each other. Nor, with the exception of migraine, which clustered with Tourette's, major depression and ADHD, did neurological disorders show much correlation with psychiatric ones. This study therefore confirms genetically the idea that the set of diseases dealt with by psychiatry is indeed distinct from that dealt with by neurology and explains why psychiatric disease is a hydra-headed monster that is difficult to pin down.

Going from the sorts of GWASS on which the consortium relied to an underlying understanding of psychiatric illness will, though, be a long haul. The genetic differences picked out are often things called single-nucleotide polymorphisms (SNPs), which are places in the genome where a lone pair of bases, the chemical letters in which genetic messages are written, can vary between individuals. Frequently, such SNPs are not even in the bits of the ge- ▶▶





### Revisiting the cold war

## The thaw

For today's film-makers and audiences, the confrontation with the Soviet Union is more than a story of good versus evil

THE cold war was fought as much in the imagination as on the battlefield. Each side sought to project images of social and cultural superiority; stories of people corrupted by the decadent West or persecuted by the KGB were turned into weapons. This struggle was largely waged on screen, in shows and films that were subject to varying degrees of government involvement. When the Berlin Wall fell, and the Soviet Union followed, writers and directors put down their arms. Barely any films about the cold war were made in the years immediately following its end.

Nearly three decades later, American drama is revisiting the period with a vengeance. There were occasional cold-war films in the early 21st century, such as "Charlie Wilson's War" (released in 2007), but the revival began in earnest with "The Americans", a TV series that from 2013 followed deep-cover KGB agents in Washington. Its finale aired last month. "Bridge of Spies" (2015), a film directed by Steven Spielberg, told the story of a lawyer instructed to defend a Soviet spy. The drive for scientific dominance forms the backdrop for both "Stranger Things", one of Netflix's biggest shows, and "The Shape of Water", winner of this year's Oscar for best picture. "The White Crow", currently in production, is a biopic of Rudolf Nureyev, a Russian ballet dancer who defected in 1961. A new six-part adaptation of John le Carré's "The Spy Who Came in from the

Cold", about a British spy's assignment in East Germany, is also in the works.

These productions diverge strikingly from the Manichean tone of many blockbusters made during the conflict, especially those from the tub-thumping Reagan era (Mr le Carré was always a subtle exception). For example, Ivan Drago, the antagonist of "Rocky IV" (1985), was an emotionless brute: "If he dies," he memorably says of a defeated American boxer, "he dies." So was Podovsky, a Russian torturer, in the "Rambo" series. In "From Russia With Love" (1963), the assassin Rosa Klebb relished inflicting pain on both her compatriots and her enemies. In his book "Hollywood's Cold War", Tony Shaw, a historian, summarises the celluloid Soviets of yore: "the male of the species normally sported a cheap suit, a black hat and an ugly face ... the rare female communist was either a nymphomaniac or frigid and repressed."

### Brothers in arms

"They" were cold-blooded criminals, subversives and deviants; "we" were enlightened defenders of democracy and freedom. Even in grittier, more realistic works, the motivations of communist characters were rarely explored. They existed mostly as "foils against which the men of the West demonstrated their superior skills," says Michael Kackman of the University of Wisconsin-Madison.

These hard-faced psychopaths have

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now been ousted by richly textured Soviet citizens. "The Americans" is concerned as much with the marriage of Philip and Elizabeth Jennings, the Russian agents (pictured), and the trials of raising their children in America, as with espionage. The pair grapple with guilt and the meaning of freedom. Flashbacks to their country's Stalin-era suffering help explain their devotion to their mission; even so, doubts and disillusionment with the Soviet cause creep in. Supporting roles are thoughtfully rendered, too, such as a Soviet diplomat who is willing to commit treason for the greater good.

So human are these characters, in fact, that viewers are persuaded not only to empathise with them, but to hope they evade capture—even as they kill and blackmail Americans. The hope cultivated by "Bridge of Spies" is that Rudolf Abel, the affable Soviet agent, will not be executed after he is sent home. In "The Shape of Water", Dimitri Mosenkov, an undercover Soviet scientist, is an ally in saving the Amphibian Man. Mosenkov's survival is vital for the creature's own safety and its relationship with Elisa, the heroine.

In these stories, the idea of Western superiority—either moral or professional—is questionable. In the case of "The Americans", it can be laughable: one of the series' funniest moments comes when the head of counter-intelligence at the FBI discovers that his secretary has secretly married a KGB officer. The villain of "The Shape of Water" is not Mosenkov but a repulsive American colonel. In "Stranger Things", the bad guys are scientists on the American government's payroll, who use the cold war as a pretext for dangerous and exploitative experiments.

The richness of these new storylines in part reflects the intellectual dividend of the Soviet Union's fall. The overseers of "The