

# The Economist

JUNE 2ND-8TH 2018

Italy's threat to the euro

Silicon Valley's kill-zone

What investors can learn from poker

How humans got bigger brains

# The surveillance state



## Perfected in China, a threat in the West



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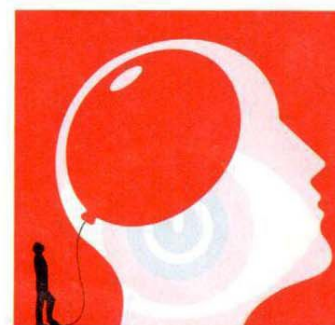
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## Politics



Italy's president, Sergio Mattarella, vetoed a proposed finance minister put forward by the Five Star Movement and the Northern League, populist movements of respectively the left and the right, who are trying to form a government. After a day of consternation on the markets, alternatives were being considered, including a technocratic government that will run Italy until a fresh election is held.

Mariano Rajoy, Spain's prime minister, faced a censure motion that might trigger early elections in the country.

Voters in Ireland backed a change to the constitution to make abortion legal, by 66% to 34% in a referendum. After Ireland's decision, the British government came under pressure to hold a referendum in Northern Ireland, where abortion remains illegal. A spokesman for Theresa May, whose majority in Parliament depends on support from Northern Ireland's anti-abortion Unionists, said it was a "devolved matter".

London's transport commissioner admitted that "super highways" for cyclists had expanded too rapidly, causing more congestion for cars and buses. But he also supported the safe spaces on roads, which have led to a big drop in cycling deaths in the city.

In a bizarre and opaque tale of deception and intrigue, a Russian journalist detested by the Kremlin faked his own murder in Ukraine. He later appeared at a press conference

saying that the hoax had been planned to catch Russian agents. He apologised to his wife for the distress he caused.

**Murdered in Mozambique**

At least ten people, including several children, were beheaded in northern Mozambique. The attack was blamed on a group of jihadists. The group has conducted sporadic attacks in the country since 2015.

Zimbabwe will hold national elections on July 30th, the first since Robert Mugabe was deposed in a military coup last year. Members of the opposition say they have been prevented from campaigning in some areas and complain that Zimbabweans abroad, who are thought mainly to support the opposition, will not be allowed to vote.

Palestinian militants in Gaza fired dozens of mortar shells at Israel. Israeli aircraft struck back, hitting facilities belonging to militant groups, before a tenuous ceasefire took hold. It was the worst flare-up of cross-border fighting since 2014.

Russia's foreign minister, Sergei Lavrov, called for the withdrawal of all non-Syrian forces along Syria's southern border. Russia appeared to reach an agreement with Israel, which shares the border and has carried out attacks on Iranian-backed forces in Syria.

The leaders of Libya's various factions met in Paris and agreed to hold presidential and parliamentary elections in December. But they were in disagreement about big constitutional issues, such as the role of the armed forces, which they ambitiously hope to resolve by September.

**The final two**

Iván Duque, a conservative former senator, took 39% of the vote in the first round of Colombia's presidential election and will face Gustavo Petro, the left's candidate, who got 25%, in the second round on June 17th. Mr Duque is aligned with Álvaro Uribe, a former president and critic of the

peace deal with FARC guerrillas. Mr Petro used to belong to a separate armed group.



A strike by lorry drivers in Brazil continued to affect fuel supplies across the country, bringing businesses to a standstill. The strike began as a protest against rising petrol prices, but thousands of Brazilians have supported the drivers by taking to the streets and blocking motorways to air a wide range of grievances. Brazil's president, Michel Temer, warned that the army would be used to clear the highways if necessary.

Venezuela released an American Mormon missionary and his wife from prison following talks with an American delegation led by Bob Corker, a senator from Tennessee. Joshua Holt was held without trial for two years for allegedly concealing weapons.

**The on-off switch**

Preparations continued for a summit in Singapore between Donald Trump and Kim Jong Un, North Korea's dictator. Mr Trump, who had called off the meeting because of the North's "hostility", tweeted that "we have put a great team together" for the talks. A senior North Korean official met Mike Pompeo, America's secretary of state, in New York. Mr Kim held a meeting with Moon Jae-in, South Korea's president.

The annual report on religious freedom issued by America's State Department said that Myanmar's bloody campaign against Rohingya Muslims still persists, and that the country's government had also launched an offensive against Christian rebels in Kachin state. Separately, the report

highlighted the treatment of hundreds of thousands of Uighur Muslims in China who have been sent to re-education camps, and criticised Saudi Arabia for its non-tolerance of religions other than Sunni Islam.

Burkina Faso became the latest country to break diplomatic ties with Taiwan. After a campaign by China to lure away Taiwan's allies, only a handful of countries still recognise it.

The latest effort to find the wreckage of Malaysia Airlines Flight MH370, which vanished from radar screens in 2014, came to an end. An American privately funded firm had deployed eight autonomous submarines scouring 86,000 square kilometres of the Indian Ocean's floor. There are no more private or official searches planned, so there may never be an answer to what happened to the doomed plane.

**Stand by your man**

One of Donald Trump's lawyers, Rudy Giuliani, said the president was ready to be interviewed by Robert Mueller, the special counsel leading the investigation into Russian influence. But stepping up criticism of the investigation, Mr Giuliani later said that before any interview was held, Team Trump would need to review documents relating to the FBI's secretive use of an operative to gather information from Trump aides.



Eric Greitens resigned as the governor of Missouri. He was ensnared in a corruption scandal and faced lurid allegations from a former lover. He denies claims of wrongdoing, believing himself to be the victim of a political vendetta. ▶▶

## Business

Italy, two-year government-bond yield, %



Source: Bloomberg

Italy's political turmoil unnerved markets. Share prices of European banks fell sharply, and American stock markets also quivered as the chill spread to American banks. The yield on Italian sovereign bonds rose at a pace not seen since the euro-zone debt crisis. Yields on the two-year bond surged and on the ten-year bond rose to 3%, the highest level since 2014. Ignazio Visco, the governor of the Bank of Italy, warned the quarrelling politicians about the danger of "losing the irreplaceable asset of trust".

### Taking back control

Facing a currency crisis, Turkey's central bank simplified its system of multiple interest rates. The one-week repo rate became its new benchmark, which it also doubled to 16.5%. The central bank's governor met investors to offer reassurances that monetary policy would tighten further if inflation remains stubbornly high. The lira, which has taken a battering over concerns that the central bank's independence is under threat from politicians in Turkey agitating for lower interest rates, rallied in response.

America's banking regulators proposed sweeping changes to the Volcker rule, brought in after the financial crisis and which stops big banks from making certain kinds of risky bets. One of the biggest changes would ease the burden on banks having to prove that each trade has a purpose beyond a speculative bet. The proposals are open to comment, but banks have lobbied hard for the modifications.

The Canadian government stepped in to buy the **Trans Mountain pipeline** from Kinder Morgan, the American operator of one of the main conduits of oil from Alberta's tar sands. Kinder Morgan had sought assurances about the project when the provincial government in British Columbia and environmental groups put up stiff opposition to the planned expansion of the pipeline to terminals on the Pacific coast, which will triple its capacity. The federal government says it bought Trans Mountain to protect jobs.

### Good cop, bad cop

Piling the pressure on China amid negotiations to avoid a trade war, the Trump administration said it was moving ahead with plans to impose tariffs on \$50bn-worth of Chinese imports, contradicting recent remarks by Steven Mnuchin, the treasury secretary, that the penalties had been put on hold. The White House plans to announce a formal list of goods subject to the tariffs by mid-June.

**Bill Browder** was briefly detained by Spanish police at the request of Russia. Mr Browder's Hermitage Capital Management was one of the biggest investors in Russia until he

fell foul of the authorities for highlighting corruption. Mr Browder lobbied Congress to pass a class of sanctions named after Sergei Magnitsky, a lawyer who uncovered a massive fraud but was sent to prison, where he died. The Spanish police said Russia's arrest warrant was not valid.

**Sberbank**, Russia's big state-owned lender, reported a 27% rise in first-quarter profit compared with the same three months last year, to 212bn roubles (\$3.7bn).

America's Justice Department approved **Bayer's** takeover of **Monsanto**, clearing the way for one of the biggest hookups in the agricultural seeds and chemicals industry. The department blessed the deal after ordering the German buyer to sell \$9bn in assets in areas where it competes with Monsanto, the largest-ever divestment demanded by America for consenting to a merger.

**Harvey Weinstein** was charged with rape and sexual abuse in a court in New York. The two cases are the first criminal charges to be brought against the former Hollywood mogul, following a wave of sexual-misconduct allegations that surfaced last October. Mr

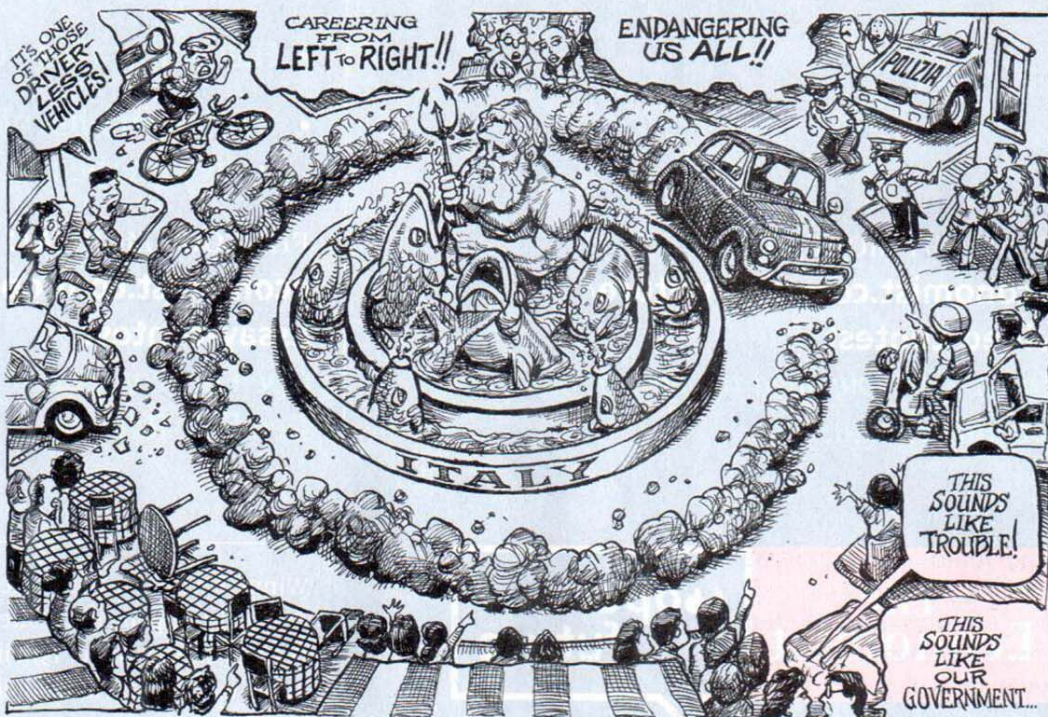
Weinstein, who has denied claims that he forced himself on women, was bailed for \$1m. The Weinstein Company filed for bankruptcy earlier this year. A judge recently approved the sale of the film studio's assets to Lantern Capital, a private-equity firm in Dallas, for \$310m.

Indian authorities started an investigation into claims that **AirAsia** and its boss, Tony Fernandes, tried to bribe officials to change a rule that restricted its operations in India. The Malaysian airline strongly rejected the claims.

### One on every corner

**Pret A Manger**, a rival in Britain to Starbucks, but with a wider range of food products, was sold to **JAB Holdings**, an ambitious coffee and café firm, for \$2bn. Pret was founded in London in 1986, sandwiched between office buildings on Victoria Street. It now has 530 stores, a fifth of which are in America. JAB, which counts the Panera Bread and Peet's Coffee chains among its assets, is reportedly planning to extend Pret's reach in America, especially among young urban office workers.

For other economic data and news see Indicators section



# Perfected in China, a threat in the West

The state can gather more information, more easily, than ever before. Do not underestimate the risks



**T**HEY'RE watching you. When you walk to work, CCTV cameras film you and, increasingly, recognise your face. Drive out of town, and numberplate-reading cameras capture your journey. The smartphone in your pocket leaves a constant

digital trail. Browse the web in the privacy of your home, and your actions are logged and analysed. The resulting data can be crunched to create a minute-by-minute record of your life.

Under an authoritarian government such as China's, digital monitoring is turning a nasty police state into a terrifying, all-knowing one. Especially in the western region of Xinjiang, China is applying artificial intelligence (AI) and mass surveillance to create a 21st-century panopticon and impose total control over millions of Uighurs, a Turkic-language Muslim minority (see Briefing). In Western democracies, police and intelligence agencies are using the same surveillance tools to solve and deter crimes and prevent terrorism (see Technology Quarterly). The results are effective, yet deeply worrying.

Between freedom and oppression stands a system to seek the consent of citizens, maintain checks and balances on governments and, when it comes to surveillance, set rules to restrain those who collect and process information. But with data so plentiful and easy to gather, these protections are being eroded. Privacy rules designed for the landline phone, post-box and filing cabinet urgently need to be strengthened for the age of the smartphone, e-mail and cloud computing.

## I spy with my many eyes

When East Germany collapsed in 1989, people marvelled at the store of information the Stasi security service had garnered on them, and the vast network of informants it took to compile it. Since then the digital revolution has transformed surveillance, as it has so much else, by making it possible to collect and analyse data on an unprecedented scale. Smartphones, web browsers and sensors provide huge quantities of information that governments can hack or collect; data centres allow them to store it indefinitely; AI helps them find needles in the digital haystacks thus assembled. Technologies that once seemed a friend of freedom, allowing dissidents in dictatorships to communicate and organise more easily, now look more Orwellian, letting autocrats watch people even more closely than the Stasi did.

Xinjiang is the nightmarish extreme that the new technology makes possible: a racist police state. Fearing insurrection and separatism, China's rulers have reinforced techniques of totalitarian control—including the mass detention of Uighurs for re-education—with digital technology. In parts of the province streets have poles bristling with CCTV cameras every 100-200 metres. They record each passing driver's face and the car's numberplate. Uighurs' mobile phones must run government-issued spyware. The data associated with their ID cards include not just name, sex and occupation, but can contain relatives' details, fingerprints, blood type, DNA information, de-

tention record and "reliability status". All this and more is fed into the Integrated Joint Operations Platform (IJOP), an AI-powered system, to generate lists of suspects for detention.

Totalitarianism on Xinjiang's scale may be hard to replicate, even across most of China. Repressing an easily identified minority is easier than ensuring absolute control over entire populations. But elements of China's model of surveillance will surely inspire other autocracies—from Russia to Rwanda to Turkey—to which the necessary hardware will happily be sold. Liberal states have an obligation to expose and chastise this export of oppression, however limited their tools of suasion.

The West must look at itself, too. These days its police forces can also have access to a Stasi's worth of data. Officers can set up bogus phone towers to track people's movements and contacts. Data from numberplate-readers can track a person's movements for years. Some American cities have predictive-policing programs akin to IJOP that analyse past crimes to predict future ones. All this allows the monitoring of possible attackers, but the potential for abuse is great. Hundreds of American police officers are known to have used confidential databases to dig dirt on journalists, ex-girlfriends and others.

## Watching the detectives

How to balance freedom and safety? Start by ensuring that the digital world, like the real one, has places where law-abiding people can enjoy privacy. Citizens of liberal democracies do not expect to be frisked without good cause, or have their homes searched without a warrant. Similarly, a mobile phone in a person's pocket should be treated like a filing cabinet at home. Just as filing cabinets can be locked, encryption should not be curtailed. A second priority is to limit how long information on citizens is kept, constrain who has access to it and penalise its misuse fittingly. In 2006 the European Union issued a directive requiring mobile-phone firms to keep customers' metadata for up to two years. That law was struck down by the European Court of Justice in 2014. Misuse of police data should be a criminal offence for which people are punished, not a "mistake" absolved by a collective apology.

A third priority is to monitor the use of AI. Predictive-policing systems are imperfect, better at finding patterns of burglary than of, say, murder. Face-recognition may produce lots of "false positive" results. AI trained with biased data—eg, patterns of arrest that feature a disproportionate number of black people—may reproduce those biases. Some sentencing algorithms are more likely to label black defendants than white ones as being at high risk of reoffending. Such algorithms must be open to scrutiny, not protected as trade secrets.

Vigilance and transparency must be the watchwords. They may enhance the technology's effectiveness: the routine wearing of bodycams by police, for instance, appears to reduce public complaints. Consultation matters, too. A bill recently proposed in California would compel police agencies to disclose what surveillance gear they have, publish data on its use and seek public input before buying any more. If that makes progress slower so be it. Police rightly watch citizens to keep them safe. Citizens must watch the police to remain free. ■

## America and immigrants

## A cruel and unusual border policy

Separating migrant families is un-American and bound to fail



**“F**AMILY values do not stop at the Rio Grande,” said George W. Bush. But that may depend on which bank of the river you have in mind. Even by the standards of President Donald Trump’s administration, the way America has begun separating migrant children from their parents is horrific. The policy, part of an effort by the attorney-general Jeff Sessions to curb a seasonal rise in illegal immigration, is repugnant and self-defeating. It is a disgrace to America and should be stopped.

The Obama and Bush administrations both increased deportations of illegal migrants, yet avoided separating migrant families. Mr Trump’s, by contrast, appears to view its right to deprive migrant parents of their children, when pitching them into the criminal-justice system, as a useful deterrent against future immigration. There are reports of migrants having been deported while their children remain in the United States’ foster-care system. Some were not told where their children are or whether they would see them again—and they may not (see United States section).

Apparently unnerved by the controversy, Mr Trump blamed it on a “horrible law”, which in turn he pinned on the Democrats. It is in fact based on Mr Sessions’s effort to prosecute a lot more illegal entrants. “If you don’t want your child separated, then don’t bring them across the border illegally,” he said. The policy has so far mainly been applied to immigrants charged with a crime, such as crossing illegally more than once. But Mr Sessions also wants to lock up first offenders, who can be detained for up to six months by immigration authorities. In the absence of an increase in family detention centres, that would lead to the break-up of many more families.

It would also put huge pressure on the overburdened foster-

care system—which is only one of the ways Mr Sessions’s tough line is likely to be futile. There is little reason to think it will lead to a big drop in illegal immigration. Most migrants are motivated more by their miserable circumstances back home than the prospect of an easy life in America. Moreover, how countries treat migrants is an important advertisement of their character and values, which Americans underrate to their cost. America’s reputation for being fair and decent attracts highly skilled people. It is also among the reasons foreigners trust American diplomacy and admire its culture—despite the erosion of its reputation that has followed Mr Trump’s election.

**It’s greater to be good**

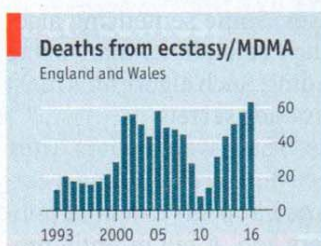
Mr Sessions’s cruelty will also widen the partisan gulf. It provides more ammunition to those on the left who accuse his party of racism. And that, paradoxically, entrenches Republican support. When accused by Democrats of racism, even moderate Republican voters are liable to defend the policy out of partisan pique. There is little danger of the conscience of the right being awakened by the scandal in the way that European attitudes to migrants from Syria were softened by images of a drowned refugee child.

A wiser government would reassure Americans that today’s levels of illegal immigration are modest by historical standards, far lower than a decade ago. But even if the goal is to cut the number of illegal migrants, there are better ways Mr Sessions might go about it. By recruiting more immigration judges, he could cut the vast backlog of cases that his draconian methods also threaten to make worse. By building more family detention centres he could uphold America’s tradition of decency as well as the law. By handling more asylum cases in Central America, where over half the immigrants originate, he might reduce the flow. Such steps would not only be more humane than terrorising migrants. They might even work. ■

## Drug testing

## Just say know

Letting users test their narcotics is a simple and effective way to reduce harm



**A**S THOUSANDS of young people danced in the sun at Britain’s Mutiny Festival on Saturday, two partygoers lay dying. Another dozen or so were sent to hospital. All are thought to have reacted badly to illegal drugs—and they will not be the

last such casualties of the year. The death rate in Britain from ecstasy, a popular festival drug, is at its highest-ever level. Meanwhile deaths from opioids are on the rise across the rich world, particularly in America, where overdoses now kill more people than either cars or guns.

Many of these tragedies are avoidable—as another British festival last weekend showed. At a bash in Bristol, festivalgoers queued to have their illegal drugs tested by volunteer chemists, with the consent of the police. The checks revealed ecstasy pills that were four times stronger than average, pentylone masquerading as MDMA powder, unexpected cocktails of cocaine and ketamine, and other potentially deadly surprises. Such tests, growing in popularity around the world, offer a way to introduce basic safety checks to the chaos of the unregulated illegal-drugs market. Governments must encourage them if they are to turn the rising tide of needless deaths.

The prohibition of drugs means that people selling potentially lethal substances face fewer health-and-safety checks ►►

## Italy and the euro

## Handle with care

Italy can find a way out of its immediate crisis. The long-term outlook is more worrying



**D**URING the worst days of the euro-zone debt crisis, the fear was that bond-market turmoil in places such as Greece and Spain would spread to Italy. The biggest debtor in Europe would be too big to bail out, so Grexit might lead to Italexit and

the break-up of the euro. Now the attention is focused directly on Italy itself.

In March half of Italian voters plumped for two populist parties that until recently favoured leaving the euro: the maverick Five Star Movement, which triumphed in the poorer south; and the xenophobic Northern League, which scored well in the richer north. Neither had fought the election campaign on a promise to leave the euro (the opposite, in fact). And as the two tried to form an all-populist cabinet, investors hoped that the sobering prospect of power, together with EU deficit rules and the behind-the-scenes influence of the Italian president, would allow Italy to keep muddling along.

Such hopes took a nasty jolt on May 27th. The populists named as finance minister Paolo Savona, an economist who does indeed think that Italy should quit the euro. President Sergio Mattarella vetoed Mr Savona (see Europe section). The populists threatened for a moment to impeach him and even hinted at a march on Rome—an allusion to Benito Mussolini's blackshirts in 1922. Amid talk of a political, constitutional and economic crisis, bond yields spiked and global stockmarkets shuddered (see Finance section).

In the short term such fears are overblown. Italy is less vulnerable to panicky investors than many realise. Its economy, let alone its democracy, is nowhere near collapse. But deep-rooted weaknesses are worsening and becoming harder to fix. To avoid an eventual explosion, Italy needs careful handling and a change in mindset—of its and Europe's politicians alike. The worry is that neither seems likely.

### Panic, but not yet

Whatever the outcome of closed-door scheming in Rome this week, Italy is likely to get its first all-populist government—if not now, then soon, after another election. That could lead to spendthrift policies. The populists' plans include a flat tax that would lower revenues and a universal basic income that would raise expenditure; both parties want to wind back previous pension reforms. This could cost as much as 6% of GDP annually—largesse that Italy cannot afford with its public debt at 132% of GDP, the highest in the world after Japan and Greece.

Yet Italy is not Greece. In 2017 the government ran a budget surplus before interest payments of 1.7% of GDP. The average maturity of its debt is about seven years. Given that much of its borrowing is from its own residents, and that the current account is in surplus, Italy is not particularly vulnerable to a run on its bonds by foreign investors. The ECB is still buying its bonds under the quantitative-easing programme, albeit at a reduced rate. Short of a large and prolonged risk premium on its bonds, Italy's debts are serviceable.

Italy's real problem is the debilitating combination of chronically low growth and high public debt. Low growth means living standards are stagnant and Italy cannot work off its debt easily; high debt means it cannot use fiscal stimulus to boost the economy, especially if there is another downturn. Even with the global upswing of recent years, Italy remains one of Europe's worst-performing economies.

Though populists rail against austerity, years of budgetary restraint give them a bit of room to introduce their policies. But doing so at any scale requires them to shift the burden of taxes and expenditure, not add to it. Italy already spends more on cash transfers, 20% of GDP, than any other rich country. If it wants to introduce a universal basic income, it needs to cut pensions, not increase them. Its tax wedge, the gap between what employers pay and what employees take home, is one of the highest in the OECD. This contributes to joblessness. Just 69% of Italian 25- to 54-year-olds are in work, compared with 74% in Spain and 81% in France. Cutting taxes on income and labour, though, will require Italy to raise them elsewhere, ideally on property and consumption.

### Quitaly

A bigger problem is that the populists have little idea how to deal with the myriad causes of Italy's stagnant productivity: a rigid, dual labour market; uncompetitive product markets; the proliferation of family-owned firms that do not grow; a banking system hobbled by bad loans; an underperforming education system; and, more recently, a brain-drain. London is now a sizeable Italian city.

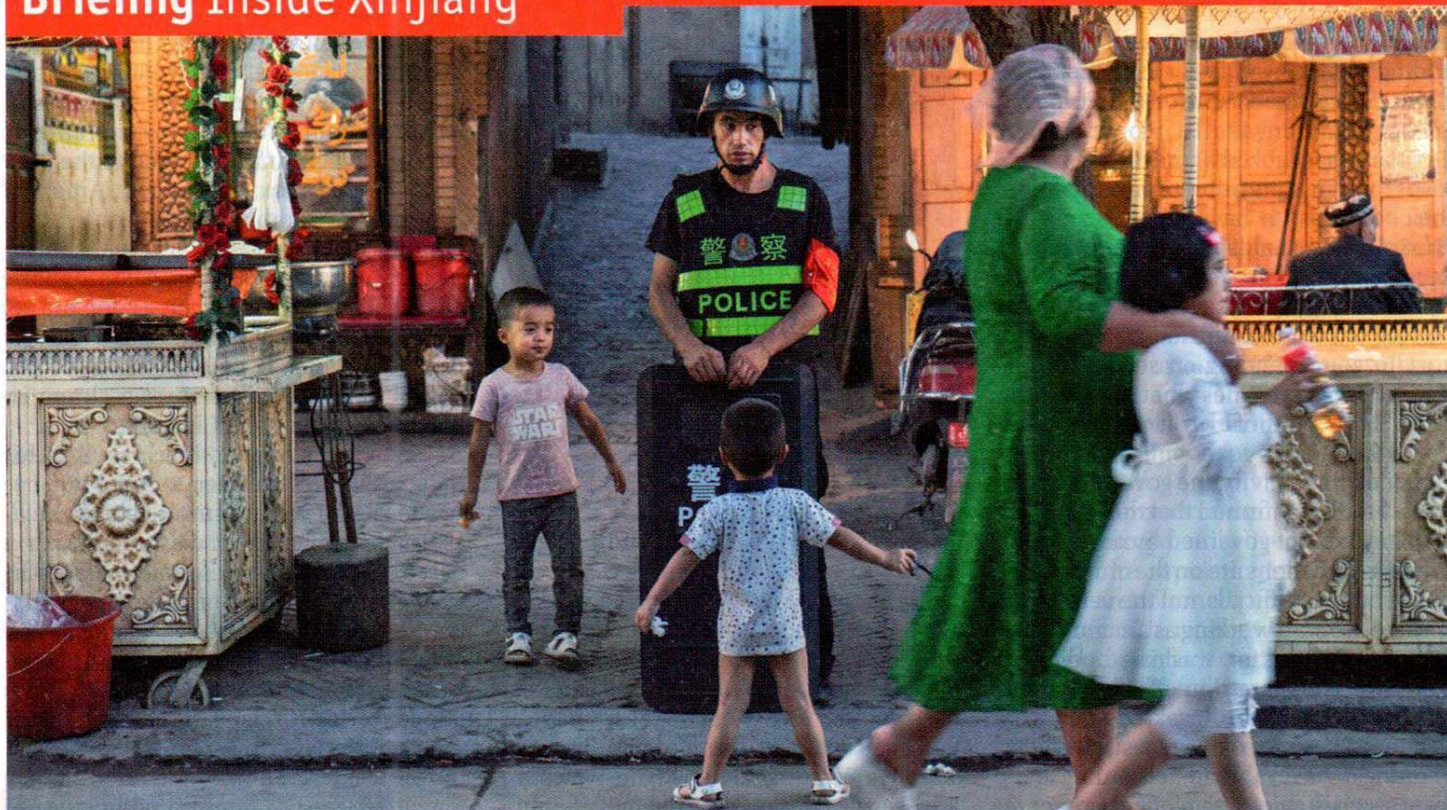
Fixing all this requires years of difficult structural reforms, now all the more difficult after successive governments have wasted the time and opportunity provided by the global recovery and the ECB's ultra-low interest rates.

The same is true of the euro zone as a whole. Its "banking union" is incomplete; its capital markets are underdeveloped. And all ideas for a substantial budget to help countries in the straitjacket of the euro adjust to shocks have been rejected. Creditor countries, led by Germany, have said that they will not accept greater risk-sharing without greater risk-reduction. Italian populists' call to do away with budgetary restraint only deepens Germany's belief that Italy cannot be trusted.

A founder of the EU, Italy was long one of the most Euro-philic members; it is now among the most Eurosceptic. But the populists know that most Italians, even those who voted for them, do not want to see their savings slashed and their jobs destroyed by leaving the single currency. That is why they have toned down their anti-euro rhetoric. But they do not understand that living in a single currency requires a flexible economy. Similarly, Germany has yet to accept that, if it is to thrive, the euro zone must have more risk-sharing.

Inadequate reform and incompatible visions of the euro's future are a poisonous and unsustainable combination. If the turmoil in Italy and the markets' fright have served as a reminder of such dangers, and spur reform both in Rome and Brussels, then some good may come of the mess. The risk is that it will make any reform harder, if not impossible. ■





## Apartheid with Chinese characteristics

HOTAN, XINJIANG PROVINCE

**Totalitarian determination and modern technology have turned Xinjiang into a police state unlike any other. It is a vast abuse of human rights**

“THE prophet Sulayman approached his son and said to him, ‘I have received a message from God. I want you to circle the Earth and see if there are more people who are alive in spirit or more people who are dead in spirit.’ After a period the son returned and said, ‘Father I went to many places and everywhere I went I saw more people who were dead than those who were alive.’”

Hasan shared that message on a WeChat social-messaging group in 2015, when he was 23. Born in Yarkand, a town in southern Xinjiang, Hasan had moved to the provincial capital, Urumqi, to sell jade and shoes and to learn more about Islam. He described himself to Darren Byler, an anthropologist from the University of Washington, as a Sufi wanderer, a pious man with a wife and small daughter, who prayed five times a day and disapproved of dancing and immodesty.

But in January 2015 the provincial government was demanding that everyone in Urumqi return to their native home to get a new identity card. “I am being forced to go back,” Hasan complained to Mr Byler. “The Yarkand police are calling me every day. They are making my parents call me and tell me the same thing.” Eventually, he and his family boarded a bus for the 20-hour journey home. It was hit by a truck. Ha-

san’s wife and daughter were killed. He was hospitalised. “It was the will of Allah,” he said.

Hasan hoped the authorities would allow him to return to Urumqi because of his injuries. No chance. Having lost wife, child and livelihood, Hasan lost his liberty, too. A fortnight after his accident, he was sent to a re-education camp for an indefinite period. There, for all his relatives know, he remains.

Hasan is one of hundreds of thousands of Uighurs, a Turkic-language people, who have disappeared in Xinjiang, China’s north-western province. It is an empty, far-flung place; Hasan’s home town of Yarkand is as close to Baghdad as it is to Beijing. It is also a crucial one. The region is China’s biggest domestic producer of oil and gas, and much of the fuel imported from Central Asia and Russia passes through on its way to the industries of the east coast. It is now a vital link in the Belt and Road Initiative, a foreign policy which aims to bind the Middle East and Europe to China with ties of infrastructure, investment and trade.

But on top of that it is the home of the Uighurs, the largest Muslim group in the country, and ethnically quite distinct from the Han Chinese. A recent history of Uighur unrest—in particular bloody inter-eth-

nic violence in Urumqi in 2009 that followed the murder of Uighurs elsewhere in China—and subsequent terrorism have sent the government’s repressive tendencies into overdrive. Under a new party boss, Chen Quanguo, appointed in 2016, the provincial government has vastly increased the money and effort it puts into controlling the activities and patrolling the beliefs of the Uighur population. Its regime is racist, uncaring and totalitarian, in the sense of aiming to affect every aspect of people’s lives. It has created a fully-fledged police state. And it is committing some of the most extensive, and neglected, human-rights violations in the world.

### The not-quite-Gulag archipelago

The government is building hundreds or thousands of unacknowledged re-education camps to which Uighurs can be sent for any reason or for none. In some of them day-to-day conditions do not appear to be physically abusive as much as creepy. One released prisoner has said he was not permitted to eat until he had thanked Xi Jinping, the Chinese president, and the Communist Party. But there have been reports of torture at others. In January, 82-year-old Muhammad Salih Hajim, a respected religious scholar, died in detention in Urumqi.

Kashgar, the largest Uighur city, has four camps, of which the largest is in Number 5 Middle School. A local security chief said in 2017 that “approximately 120,000” people were being held in the city. In Korla, in the middle of the province, a security official recently said the camps are so full that officials in them are begging the police to stop bringing people.

As a result, more and more camps are ▶▶



### The Korean peninsula

## All aboard the peace train, again

SEOUL

Detente between America and North Korea seems back on track, for now

THE contrast could not have been starker. In a picture released by his office on May 25th, Moon Jae-in, South Korea's president, looked a decade older than his 65 years. All facial features pointing downwards, he might have been about to cry. Only a day later, a fresh crop of images showed Mr Moon (on the right of the picture above) in a decidedly more upbeat mood. Smiling broadly, he shared a warm embrace with Kim Jong Un, the leader of North Korea, at their second meeting in less than a month.

Mr Moon's changing expression reflects the back-and-forth of diplomacy on the Korean peninsula over the past week. On May 24th Donald Trump, America's president, abruptly cancelled a meeting with Mr Kim that had been scheduled to take place in Singapore on June 12th, citing the North's "tremendous anger and open hostility" towards America in its recent official language. The announcement caught both America's allies and Mr Kim by surprise. After the initial shock, to which Mr Moon's ashen-faced expression attested, the leaders of the two Koreas took matters into their own hands. At Mr Kim's initiative,

they made arrangements to meet in the northern part of the demilitarised zone between their countries, and did so within 24 hours. The two leaders agreed their senior officials would hold talks on June 1st—a previously arranged encounter having been cancelled by the North only a week earlier. They also made plans for military talks and reunions of families divided by the Korean war of 1950-53.

### Whoever mentioned a sea of fire?

Both leaders were keen to stress their good relationship. "It was a meeting between friends," Mr Moon told reporters in the South. *Rodong Sinmun*, the North's main newspaper, published an upbeat report of the encounter. But the chief aim of the meeting appears to have been to persuade Mr Trump to renew his efforts to meet Mr Kim. North Korea's leader was still committed to the goal of "denuclearisation", claimed Mr Moon (without specifying what that meant), but was worried about how America would guarantee his regime's security should he give up his weapons. It was therefore vital that America and North Korea keep talking to each

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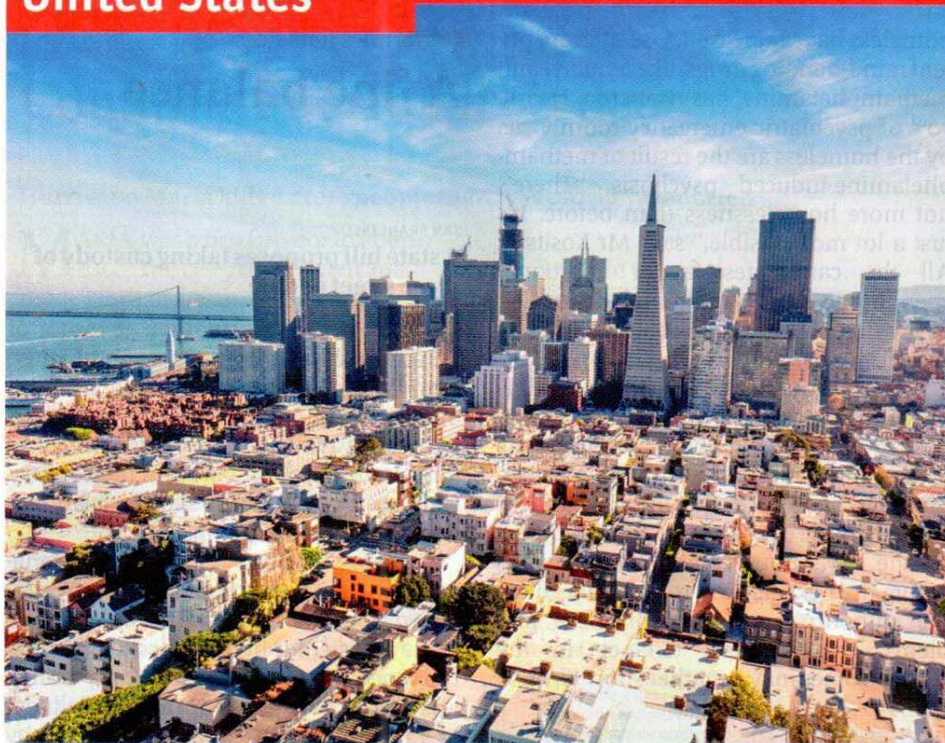
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other, said Mr Moon.

Since he became president a year ago, Mr Moon has staked much political capital on the pursuit of detente on the peninsula. So Mr Trump's volte-face, just after the somewhat subdued reception he had given his Korean ally in Washington, was embarrassing. Most South Koreans strongly support Mr Moon's efforts. They are alarmed by options for military action against the North that have been floated in Washington over the past year. In a poll this week, two-thirds said they felt optimistic about prospects for peace. Nearly 200,000 people have signed a petition encouraging Mr Moon to "cheer up" and keep trying to secure it. On the same day that Mr Trump cancelled the Singapore summit, Mr Moon's other big political project—constitutional reform aimed at reducing the power of the presidency—was derailed by the opposition in the National Assembly. That defeat may have given him all the more impetus to achieve success by bringing Mr Trump and Mr Kim together.

As *The Economist* went to press, it looked as though Mr Moon's efforts were paying off. On May 26th, after news broke of the second inter-Korean summit, Mr Trump sounded as if he had never called off his meeting with Mr Kim. "It's moving along very nicely. So we're looking at June 12th in Singapore. That hasn't changed," he said. On the following day, an American delegation including Sung Kim, a former nuclear negotiator and ambassador to South Korea, travelled to the demilitarised zone for talks. Another American delega- ▶▶



## Running San Francisco

# Reach for the sky

SAN FRANCISCO

**A mayoral election forces a hard look at the housing and homelessness crises in one of America's richest cities**

THE cliché of luxury penthouses and Gucci stores cheek-by-jowl with filth and poverty is usually reserved for poor-world entrepôts. But the contrasts in San Francisco—the richest city in America by median household income—could in places rival those in Mumbai. Fresh human excrement and discarded needles lie scattered on the streets of the Tenderloin district just a few blocks from the five-star hotels of Union Square in the city's downtown. Complaints about shit in the street more than tripled, to 21,000, in the eight years to 2017; for needles the number shot up from 290 in 2009 to nearly 6,400 in 2017. The city's sanitation department spends half its \$60m street-cleaning budget on the stuff. Meanwhile, a typical one-bedroom flat now rents for \$3,440 per month, according to Zumper, a rental website—the highest figure in the country. The median house price has nearly doubled in the past five years, to \$1.6m.

On June 5th San Franciscans will elect a new mayor. The special election, called after the previous mayor died suddenly of a heart attack, has been defined by the twin topics of housing and homelessness. There are three leading candidates, all liberal: London Breed, Jane Kim and Mark Leno. Each would represent a first as mayor of the city. Ms Breed would be the first black woman, Ms Kim the first Asian

woman and Mr Leno the first openly gay man. On housing, though, they take different stances. Whereas Ms Breed has pledged to liberalise the city's housing regulations to rein in the city's runaway rents, Ms Kim and Mr Leno have taken a cooler approach.

San Francisco is an extreme example of a national trend among big cities: demand for housing far exceeds supply. Since 2010 new jobs in San Francisco have outpaced additional homes by a ratio of eight to one. Critics tend to blame the most visible side of the equation. Anti-gentrification activists have shot at tech-workers' commuter buses with pellet guns and vandalised the whizzy electric scooters dotting the pavements. But they pay too little attention to the supply side.

The city's zoning laws are among the most restrictive in the country. They limit the height and density of new buildings and give local residents, often property owners, the ability to severely delay new development. Most of the city's land area, particularly the posh western bits, is zoned for single-family homes, which now comprise one-third of its housing stock. Almost all the city's land faces height limits of 40 feet, or about three storeys. The result is a city where rents are sky-high but buildings are not.

The planning process is a bureaucratic

quagmire, made worse by NIMBYism and nonsensical neighbour complaints. A 75-unit complex in the Mission district is being held up by an investigation into whether a laundromat qualifies as a historic site. A 150-unit housing project for pensioners, with 20% of flats set aside for the formerly homeless, was nixed after fierce opposition from locals in the prosperous Forest Hill neighbourhood. City councillors use the process as a negotiating tactic to extract fees and taxes from developers. "There's regulatory capture and artificial scarcity all across the city," says Laura Clark of YIMBY Action, a local pressure group.

## Flood the zone

Changing the system will be difficult. One bill, called SB 827, put forward in the California state legislature this year, died in committee but may be resuscitated. It proposed overriding local zoning restrictions to spur building in areas near public transport. It would have applied to 96% of San Francisco's plots of land. But the proposal has had a frosty reception from the mayoral candidates. Mr Leno does not believe that "one-size-fits-all state zoning laws" work. Ms Kim sees SB 827 as too generous to developers: "If I'm going to give you ten additional stores, I'm going to want you to increase your middle-income housing programme," she says.

Ms Breed, who supported SB 827, is more realistic. "At the end of the day people lose," she says. "Housing still isn't built because of these obstructionists." She would also like to cut bureaucratic delays and slash building times in half. Though she grew up in public housing and until recently lived with a flatmate, Ms Breed has come under attack for being too cosy with developers (or "real-estate speculators" as

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### Climate change in the Arab world

## Too hot to handle

BEIRUT

As the region warms, it will probably grow more miserable

SIX years ago Nabil Musa, a Kurdish environmentalist, returned from over a decade abroad to find Iraq transformed. Rivers in which he had swum year-round turned to dust in summer. Skies once crowded with storks and herons were empty. Drought had pushed farmers to abandon their crops, and dust storms, once rare, choked the air. Inspired to act, he joined a local conservationist group, Nature Iraq, to lobby for greener practices. But Kurdish officials pay little attention. "One of the last things we want to think about is climate change," says Mr Musa.

Apathy towards climate change is common across the Middle East and north Africa, even as the problems associated with it get worse. Longer droughts, hotter heatwaves and more frequent dust storms will occur from Rabat to Tehran, according to Germany's Max Planck Institute for Chemistry. Already-long dry seasons are growing longer and drier, withering crops. Heat spikes are a growing problem too, with countries regularly notching lethal summer temperatures. Stretch such trends out a few years and they seem frightening—a few decades and they seem apocalyptic.

The institute forecasts that summer temperatures in the Middle East and north Africa will rise over twice as fast as the global average. Extreme temperatures of 46°C

(115°F) or more will be about five times more likely by 2050 than they were at the beginning of the century, when similar peaks were reached, on average, 16 days per year. By 2100 "wet-bulb temperatures"—a measure of humidity and heat—could rise so high in the Gulf as to make it all but uninhabitable, according to a study in *Nature* (though its most catastrophic predictions are based on the assumption that emissions are not abated). Last year Iran came close to breaking the highest reliably recorded temperature of 54°C, which Kuwait reached the year before.

### Dry and discontented

Water presents another problem. The Middle East and north Africa have little of it to begin with, and rainfall is expected to decline because of climate change. In some areas, such as the Moroccan highlands, it could drop by up to 40%. (Climate change might bring extra rain to coastal countries, such as Yemen, but that will probably be offset by higher evaporation.) Farmers struggling to nourish thirsty crops are digging more wells, draining centuries-old aquifers. A study using NASA satellites found that the Tigris and Euphrates basins lost 144 cubic kilometres (about the volume of the Dead Sea) of fresh water from 2003 to 2010. Most of this reduction was

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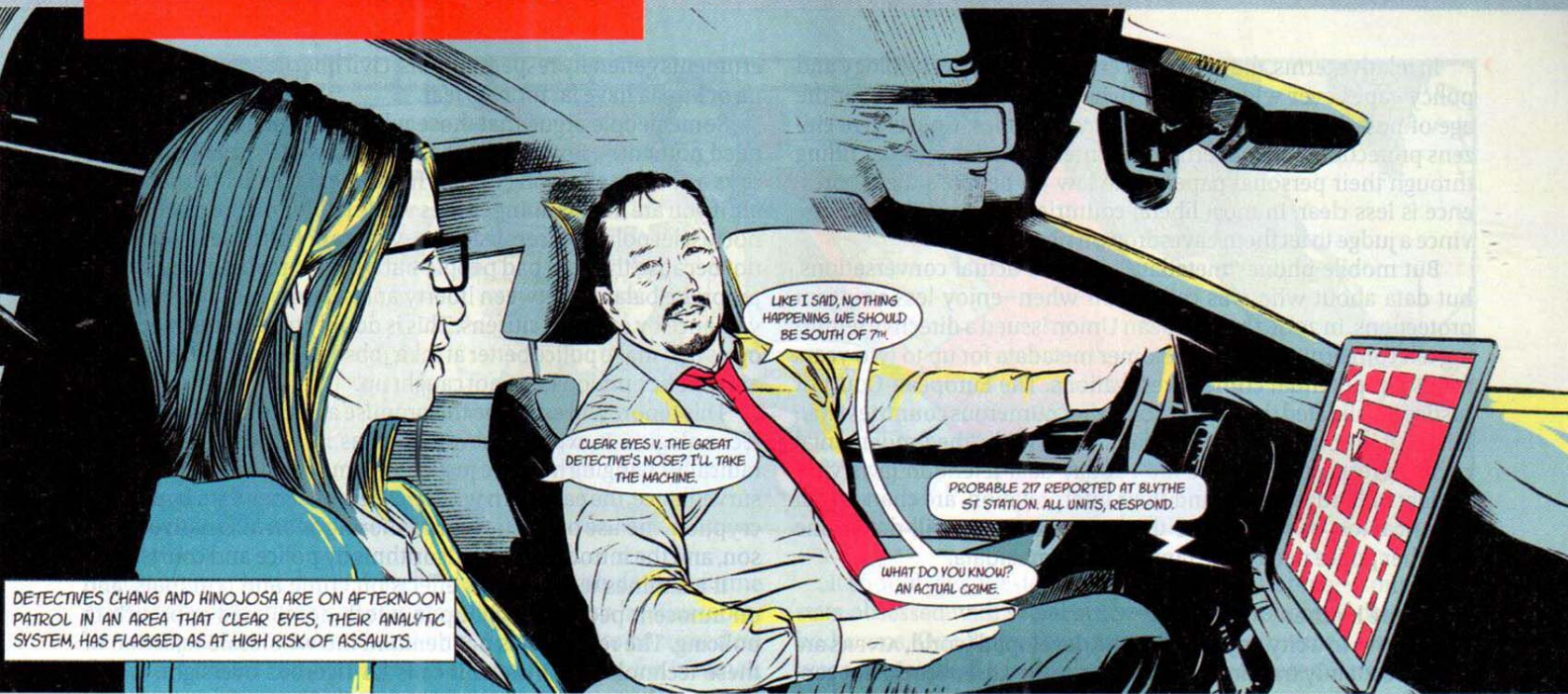
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caused by the pumping of groundwater to make up for reduced rainfall.

Climate change is making the region even more volatile politically. When eastern Syria was ravaged by drought from 2007 to 2010, 1.5m people fled to cities, where many struggled. In Iran, a cycle of extreme droughts since the 1990s caused thousands of frustrated farmers to abandon the countryside. Exactly how much these events fuelled the war that broke out in Syria in 2011 and recent unrest in Iran is a topic of considerable debate. They have certainly added to the grievances that many in both countries feel.

The mere prospect of shortages can lead to conflicts, as states race to secure water supplies at the expense of downstream neighbours. When Ethiopia started building an enormous dam on the Nile, potentially limiting the flow, Egypt, which relies on the river for nearly all of its water, threatened war. Turkish and Iranian dams along the Tigris, Euphrates and other rivers have raised similar ire in Iraq, which is beset by droughts.

Scientists have laid out steps that Arab countries could take to adapt to climate change. Agricultural production could be shifted to heat-resilient crops. Israel uses drip irrigation, which saves water and could be copied. Cities could be modified to reduce the "urban heat-island effect", by which heat from buildings and cars makes cities warmer than nearby rural areas. Few of these efforts have been tried by Arab governments, which are often preoccupied with other problems. Mr Musa says the Kurdish officials he lobbies have been distracted by a war with Islamic State, a failed referendum on independence and, now, repairing relations with Iraq's central



Data for detectives

# I know what you'll do next summer

Unparalleled surveillance capacity and vast amounts of data are radically transforming criminal-justice systems, says Jon Fasman

**O**N WHAT does the administration of justice depend? Devotees of the Old Testament might say wisdom, as displayed in King Solomon's judgment. Others might say a dispassionate objectivity. It also requires the threat of punishment—the basis of the modern state's coercive power to enforce laws. But John Fielding knew that, before administrators of justice could mete out punishment or exercise wisdom, they needed something else: information.

Together with his half-brother Henry (a magistrate better remembered as the author of "Tom Jones"), in 1749 Fielding founded the Bow Street Runners, London's—and the world's—first professional police force, paid for largely with public funds. Information was at the centre of everything Fielding did. He retained descriptions of suspected criminals, for instance, as well as a "watch book", which contained details of expensive timepieces to help prevent their resale if stolen.

The world's most famous detective shared Fielding's view; Sherlock Holmes retained an extensive indexed library of criminals and their crimes. The delight readers took in following him—a delight that makes crime fiction one of the great literary genres—also had information at its heart. What is a clue? What is a red herring? How does justice work? We pay homage to that tradition with the graphic story that illustrates these pages.

In fact as in fiction, the trend has continued. The Metropolitan police department, which has patrolled Washington, DC, since 1861, retains annual reports detailing crimes in each precinct. American homicide detectives record details of their cases in "murder books",

which are then filed for future consultation.

Historically, gathering information was an arduous process, requiring innumerable conversations, many of which later proved to be irrelevant; hours staking out a subject; researching documents and testimony; and reams of tedious paperwork. In illiberal countries, where governments do not care about their citizens' civil rights, police could easily tap phones and open letters. Liberal countries make that harder; police who want to listen to someone's phone calls can do so only for limited periods and specific purposes, and then only with judicial approval.

### It's not Cagney and Lacey

Now the relationship between information and crime has changed in two ways, one absolute, one relative. In absolute terms, people generate more searchable information than they used to. Smartphones passively track and record where people go, who they talk to and for how long; their apps reveal subtler personal information, such as their political views, what they like to read and watch and how they spend their money. As more appliances and accoutrements become networked, so the amount of information people inadvertently create will continue to grow.

To track a suspect's movements and conversations, police chiefs no longer need to allocate dozens of officers for round-the-clock stakeouts. They just need to seize the suspect's phone and bypass its encryption. If he drives, police cars, streetlights and car parks equipped with automatic number-plate readers (ANPRS, known in America as automatic licence-plate readers or ALPRS) can track all his movements.

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