The Economist

AUGUST 1ST–7TH 2026

THE GLOBAL CURRENCY BEEF

Lessons from 40 years of the Big Mac index

August 1st 2026

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The world this week

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Politics

Jul 30th 2026

America and Iran returned to fighting after an informal five-day truce. After Iran attacked American bases in Jordan, Donald Trump retaliated, bombing targets in southern Iran. Iran's insistence on controlling shipping in the Strait of Hormuz has caused negotiations to stall, though Mr Trump said he would "let them keep talking". Meanwhile the Houthis, an Iran-backed Yemeni militia, struck tankers linked to Saudi Arabia in the Red Sea. The price of Brent crude, the global benchmark, rose to around $90 a barrel, having fallen to $84 on July 28th.

Mourners gathered in Washington, DC, for the funeral of Lindsey Graham, a Republican senator who died on July 11th. Israel's prime minister, Binyamin Netanyahu, and Ukraine's president, Volodymyr Zelensky, attended the ceremony after joining separate meetings with Donald Trump. Mr Graham was a strong supporter of both countries. Meanwhile senators advanced a bill, proposed by Graham, that would toughen sanctions on Russia and Iran.

Democrats in Maine chose Troy Jackson as their new candidate for a Senate race in November. The previous nominee, Graham Platner, dropped out following allegations of sexual assault (which he denies). Mr Jackson is a fifth-generation logger and former president of the Maine Senate. He will take on Susan Collins, a five-term Republican. Democrats need a net gain of four seats in the midterms for a Senate majority.

Andy Burnham, Britain's prime minister, said he was willing to "spend political capital" to reform social care, calling the system "as unfair as American health care". Mr Burnham wants to raise pay for workers in the social-care sector, which has struggled with recruitment in recent years. He did not rule out raising taxes to pay for his reforms. The prime minister also opened Number 10 North, a branch of 10 Downing Street, in Manchester.

Protests in Delhi and elsewhere in India led by the Cockroach Janta Party, an upstart youth movement, wound down, after it achieved its core aim, the resignation of Dharmendra Pradhan, the education minister, because of the leaking of important exam papers. For the government of Narendra Modi, the prime minister, which makes a point of not succumbing to pressure, the outcome was humiliating.

The Kumamoto area of Japan's southern island of Kyushu was rocked by an earthquake of magnitude 6.8, killing at least 18 people. Some died in a shopping mall in the town of Kashima, where a gas explosion occurred 50 minutes after the quake.

Kassym-Jomart Tokayev, Kazakhstan's leader, urged Vladimir Putin, Russia's president, to "freeze" the war in Ukraine. Speaking at a meeting in Siberia, Mr Tokayev urged Mr Putin to negotiate because "the fraternal peoples of Russia and Ukraine are dying". Kazakhstan is an important ally and trading partner for Russia. Mr Tokayev's remarks are his most direct criticism of the war.

The Sudanese Armed Forces (SAF), Sudan's army, launched an offensive against the paramilitary Rapid Support Forces (RSF) around el-Obeid, the capital of North Kordofan state. On July 26th the SAF said it had recaptured cities and towns along the road between the city and Khartoum, the national capital. That should enable the army to resupply its forces in el-Obeid.

Confirmed cases of Ebola in the Democratic Republic of Congo reached 3,360, according to the latest data from the ministry of health. Just under half that number died of the disease. The number of confirmed cases is nearly as high as the total recorded in Congo and Uganda during the last Ebola outbreak between 2018 and 2020.

Wildfires raged in France and Spain as temperatures in Europe soared. Emmanuel Macron, France's president, said the blazes were the worst "since the second world war". More than 350,000 people have been evacuated in the two countries. Dry weather, high temperatures and strong winds have caused the fires to spread quickly. Mr Macron warned that "the coming weeks will be tough."

Russia's Federal Security Service (FSB) charged Pavel Durov, the founder of Telegram, with "facilitating terrorist activity". The intelligence agency accused him of allowing Ukrainians to "co-ordinate acts of sabotage and terrorism, mass killings and cyber-fraud" on the messaging platform. The

FSB issued an international warrant for Mr Durov, who was born in Russia and is a citizen of France and the United Arab Emirates.

Jaroslaw Kaczynski, the leader of Poland's hard-right Law and Justice (PiS) party, expelled Matuesz Morawiecki, a former prime minister. He also expelled from PiS more than 30 MPs who were Mr Morawiecki's allies. Mr Morawiecki had set up a group to push for PiS to adopt policies that would help the party gain support among centre-right voters. Mr Kaczynski had ordered him to dissolve it or be expelled.

Romania shot down three Russian drones over its territory. Nicusor Dan, Romania's president, said the incursions were "intolerable". In recent months Russian drones have repeatedly crossed into Romania, which is part of NATO. In May a stray drone hit an apartment building in Galati, a city near the border with Ukraine, injuring two civilians.

Keiko Fujimori was sworn in as Peru's president. She is the ninth person to lead the country in a decade. Ms Fujimori narrowly beat her left-wing rival in a run-off. She is a polarising figure, best known as the eldest daughter of the late Alberto Fujimori, an autocrat. She vowed to bring "order and national reconciliation" to Peru's unstable politics.

Flávio Bolsonaro launched his campaign ahead of Brazil's presidential election this October. Mr Bolsonaro is the son of Jair Bolsonaro, a hard-right former president, who is barred from seeking office for plotting a military coup in 2022. The senior Bolsonaro, who is under house arrest and banned from campaigning, delivered his endorsement via an AI-generated video. Right-wing candidates have won the past seven presidential elections in Latin America.

María Corina Machado, Venezuela's leading opposition politician, announced she would not join American-backed talks with the Venezuelan government. She urged participants to clarify their "objectives, methodology and timeline". America hopes the talks can help Venezuela prepare to hold free elections.

The world this week

Business

Jul 30th 2026

America’s Federal Reserve held its main interest rate in the range of 3.5-3.75%. Three of 12 members of the central bank’s rate-setting committee voted to raise rates by a quarter of a percentage point. Kevin Warsh, the Fed’s chair, hinted that the bank could raise rates if the rate of inflation—which has been running above the bank’s 2% target—continues to remain high. Bond markets seemed unconvinced by his commentary. The yield on 30-year Treasury bonds rose above 5.2%, its highest since 2007.

Meta, an American tech giant, made $16bn in profit in the second quarter, down by 14% from the same period last year. Its cashflow fell by 91%, as it increased its spending on artificial-intelligence infrastructure such as data centres. Meta’s share price fell by about 7.5% in after-hours trading.

Financial regulators in South Korea said they would limit access to some leveraged exchange-traded funds (ETFs) after the KOSPI, the country's main stock index, fell sharply. Officials blame the funds for exaggerating moves in the share prices of South Korean companies. After rising sharply in the first half of the year, the index has fallen by nearly 40% from its peak in late June (though it is still 30% higher than at the start of the year).

SK Hynix, a South Korean chipmaker, made profits of 93.9trn won ($64.6bn) in the second quarter, up 1,240% year on year. Yet this was still below analysts' expectations. Investors are concerned about the firm's spending. Its share price fell by 6% on July 30th.

Over 50 companies, including Microsoft, Nvidia and OpenAI, signed a letter in support of open-weight AI models (which users can customise) as American firms seek to compete with cheaper Chinese competitors. Anthropic, a rival of OpenAI, published its own letter in response, saying it does not support a ban on open-weight models, but that they present safety risks by possibly allowing bad actors to modify leading-edge models.

Shares of ASML, the company that manufactures the tools used to make the most advanced semiconductors, has fallen by 13% since July 24th. The drop came after the Information, a news outlet, reported that China has started making its own deep ultraviolet lithography machines. Such machines are not the cutting edge of chipmaking tech, but they would represent a breakthrough for China.

CXMT, a chipmaker, became China’s most valuable onshore firm when its shares rose by 466% following its IPO in Shanghai. The company is China’s largest producer of memory chips, whose price has soared worldwide as the data-centre buildout raises demand. CXMT, which makes around 8% of DRAM chips (the kind used in smartphones and laptops), is likely to grow quickly if American firms pivot to buying Chinese chips for their consumer goods.

Paramount Skydance said it would pause its $111bn takeover of Warner Bros as courts consider a challenge to the deal from 12 American states. The trial will add hefty legal fees on top of the costs of the debt-heavy transaction. Neither firm is likely to take big risks while the acquisition is on hold, leaving Hollywood short of buyers for ambitious projects.

Kering, a luxury firm, reported organic sales growth for the first time in three years. The group, which operates brands such as Gucci and Saint Laurent, has suffered many of the same problems as other luxury firms as consumers tired of price hikes. Its boss, Luca de Meo, hopes new designers at many brands and closing underperforming stores will help the group grow again. Hermès and LVMH, two other luxury firms, also had positive sales in important divisions.

Apple launched a leasing scheme for many of its devices with Klarna, a payments firm. The iPhone-maker has raised prices for its products because of rising memory-chip costs. The initiative aims to attract thrifty consumers while limiting financial risk through the partnership. Prices to lease an iPhone start at $17.99 a month.

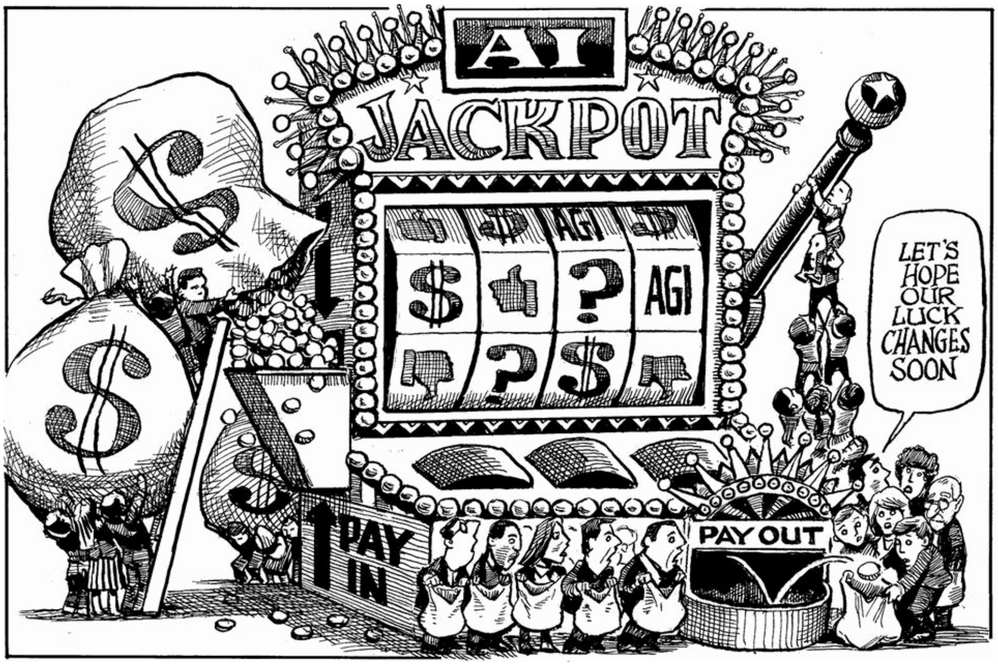
America banned imports of humanoid robots, citing “unacceptable risks” to national security. The Federal Communications Commission said the devices, which are mostly made in China, could “surveil Americans”. The regulator also blocked foreign-made power inverters, which are used in data centres and solar panels.

FIFA, football’s governing body, proposed raising $4.2bn by selling stakes in a venture to help run its tournaments, including the World Cup. Josh Kushner, the brother of Donald Trump’s son-in-law, has been tapped as an investor. FIFA’s member associations must approve the plan. UEFA, which governs the European game, said FIFA was selling the “soul...of football”. The European Union vowed to investigate it.

The world this week

Cartoon: Who benefits from AI?

A lighter take on the news



Jul 30th 2026

Dig deeper into the subject of this cartoon:

How to spot AI writing

AI is getting better at writing. Humans must get better at editing

Quantum computers promise mathematical superpowers

AI and quantum computers will be frenemies

You can see previous ones here.

Leaders

- What the Big Mac index reveals about a global currency beef
- It is past time to upgrade to post-quantum encryption
- China is testing America’s defence lines in Asia
- Europe’s fires are just the start
- AI is getting better at writing. Humans must get better at editing
- America’s startup boom offers hope for the future of work

Leaders | 40 years of burgernomics

What the Big Mac index reveals about a global currency beef

It highlights economic problems—and helps explain how to solve them

Jul 30th 2026

LOCKED IN A vault near Paris, ensconced in three bell jars, sits a small cylinder of platinum alloy, forged in London in 1879. Known as Le Grand K, it long served as the definitive standard for measuring the kilogram. There is no universal standard for measuring the monetary heft or purchasing power of currencies. But The Economist has a favourite candidate. It weighs up to 240g. It is ensconced in a cardboard box. And you can find it under two Golden Arches. Our version of Le Grand K is the McDonald’s Big Mac.

The Big Mac index we forged in London in 1986 will be 40 years old in September. What began as a playful thought experiment has taken on a life of its own. It has amused readers, intrigued currency traders and irritated central banks. It has also attracted critics who think fast food has nothing to say about global economics. It was born in an era of high monetary diplomacy, when policymakers fretted that the world's most important currencies were horribly misaligned, inviting financial calamity or trade protectionism. Forty years on, similar debates are raging once again, this time about the dollar, yuan and yen. In a world of currency tumult and controversy, our palatable guide to exchange rates is as valuable as ever.

Fast food may seem an eccentric choice as a standard of value. But the Big Mac has unique advantages. You can buy it almost anywhere and it tastes much the same everywhere. McDonald's calibrates its appearance, texture, flavour and smell with the same diligence that scientists lavished on that 1kg cylinder in Paris. Wherever you purchase your Big Mac, you are buying much the same thing.

That makes it a good measure of the bang you can get for your buck. In America $100 buys about 16 Big Macs. That is roughly the same burger-buying power as 100 euros, 426 Chinese yuan, or 8,039 Japanese yen. Yet $100 in fact buys about €87 in the foreign-exchange markets, or 677 yuan, or over ¥16,000, showing how far from their purchasing power the world's currencies have strayed.

The index does not satisfy everyone. Some think it's too narrow—what could one product possibly say about an entire economy? Others think it's too broad—by some estimates, inputs that cannot be traded easily across borders, such as labour and retail space, account for over half the Big Mac's cost. Some doubt its predictive value for exchange rates, others doubt its descriptive value as an indicator of a currency's true worth, and a third camp doubt its prescriptive value as a guide to where exchange rates ought to be. Some just hate the puns.

To judge the oomph of currencies, it is obviously better to compare the price of thousands of products, rather than just one. But the elaborate measures of purchasing power assembled by organisations like the World Bank also have their flaws. Those global figures appear only once every three years and with a long lag—for example, 2021's numbers came out only in 2024. Compiling them is one of the largest statistical initiatives in the world. They are also hard to verify and understand. The Big Mac index is quicker, fresher and easier to digest. And yet despite that, our results line up reasonably well with theirs. Of the 54 economies that appear in both our index and the World Bank's database, only seven were deemed cheap in one but expensive in the other.

That is because the Big Mac, though a single product, has over 60 distinct ingredients, from beef to xanthan gum. It also draws on labour and property markets wherever it is made and served. The Big Mac index's predictive record is admittedly mixed. But it showed correctly, for example, that the euro was overvalued when it came into being in 1999.

What to make of the index now once again finding that the euro, yuan and yen are out of kilter? Earlier this year, the IMF suggested China's currency was 16% weaker than economic fundamentals implied. This competitive edge has helped the country rack up enormous trade surpluses in goods, which reached almost $1.2trn last year. President Emmanuel Macron of France has described these imbalances as "unbearable" and a mortal threat to European industry. He has threatened strong measures if China does not relent.

Donald Trump, America's president, has often been the world's most strident critic of cheap Asian currencies. In January he described how he "used to fight like hell" with China and Japan, which "always wanted to… devalue, devalue, devalue". Such talk from the White House has ebbed lately. But currency traders are abuzz every few months with rumours of a new Plaza Accord, the 1980s pact to devalue the dollar—despite the extreme unlikelihood that such an agreement could work today.

The Big Mac index can play a role in this high-stakes debate. It makes clear that a cheap real exchange rate means a dollar price of burgers below America's price. This imbalance goes along with low domestic consumption on China and a yawning budget deficit in America—and the flows of capital needed to sustain them. For the yuan to improve its standing in our index, it has two paths. Either the currency must strengthen or China's Big Macs must rise in price, faster than they rise in America.

A sharp rise in China’s yuan could undermine the country’s growth and worsen its deflationary tendencies). It might bring about a relevelling of global trade, but it would be a levelling-down. Better for China’s policymakers to stimulate the economy so that wages and prices rise more quickly. That would make the yuan less undervalued, even if its exchange rate remained steady. Economists would call it a rise in the “real”, price-adjusted exchange rate.

About 10km from the Elysée Palace, Le Grand K still sits in its vault. It was retired in 2019 after 130 years of service. If currencies did ever move into close alignment with their purchasing power, the Big Mac index might also become redundant. But for as long as currencies remain unmoored, and the Big Mac remains consistent, our index will serve a useful purpose—however distasteful its critics may find it. ■

Leaders | Quantum and solace

It is past time to upgrade to post-quantum encryption

When the quantum breakthrough comes, data being harvested today will be exposed

Jul 30th 2026

IT IS not just artificial intelligence that is sparking hopes of an imminent productivity miracle. Quantum computing, another long-promised technology, is also making progress and attracting serious interest. Investment in startups in the field rose six-fold in 2025, to $13bn, according to McKinsey, a consultancy. Both startups and tech titans are racing to exploit the technology. In May the Trump administration pledged $2bn to take equity stakes in nine quantum-computing companies.

Quantum computers exploit the weird physics of quantum mechanics to perform some types of calculations at breathtaking speed. Jobs that would take ordinary, "classical" computers billions of years might be polished off in just a few hours. But whereas AI is a general-purpose technology that promises to transform many fields of endeavour, the mathematical superpowers of quantum computers are likely to help in only a few areas, such as making possible rigorous digital simulations of complex physics and chemistry. For many tasks, quantum computers will offer no improvement at all over cheaper ordinary machines.

In one area, though, they are certain to make a world of difference—and perhaps turn out to be destructive. The security and privacy of global commerce and communication depend on forms of encryption that would take classical computers billions of years to crack. A powerful quantum computer might break such codes in just a few minutes, using an algorithm that has already been designed. On "Q-day", as geeks call it, the encryption methods that permit everything from credit-card details to racy photos to be securely and privately transmitted will no longer be safe to use.

Alarmingly, encrypted data being transmitted today is already at risk since, in reality, Q-day will be a gradual process, not a single event. Intelligence agencies are already harvesting encrypted data in the belief that they will be able to mine it for secrets later. Cybercriminals could be doing the same.

The good news is that a fix already exists. Post-quantum cryptography (pqc) is based on maths that does not seem to be vulnerable to quantum computers, and can be implemented by classical computers now. It is not as battle-tested as existing encryption standards, which have gone unbroken for decades, but the two can be bundled to provide both sorts of protection at once. Web-browsers such as Firefox and Chrome have already enabled pqc, as have Apple's iMessage service and many big cloud-computing companies. Cloudflare, one such firm, reports that 59% of the front-end web traffic it handles has made the switch, up from 38% a year ago.

Unfortunately this still leaves a lot of data exposed. Just 11% of the servers which Cloudflare deals with on the back end support pqc. And many organisations are full of internet-connected equipment that may not be easy to upgrade. The modest chips in things like sensors or medical devices may be too weedy to handle PQC, which is usually more computationally demanding than standard cryptography. If a gadget's maker has gone bust, or stopped supporting an old product, there may be no one to provide updates—and even if patches exist, they may not be applied. One reason why Britain's health service suffered so badly from a malware attack in 2017 was because it used thousands of machines running an unpatched version of Microsoft Windows.

Companies and governments should invest urgently to upgrade their systems. Switching does not guarantee security. PQC is new, so it may have undiscovered vulnerabilities. If so, pqc-protected traffic harvested today could yet be decrypted and abused. But upgrading now—and having researchers stress-test the new methods—offers the best hope of securing data, today and into the future. ■

Leaders | Pacific security

China is testing America's defence lines in Asia

The allies must work to strengthen themselves, but also to strengthen America's commitment

Jul 30th 2026

A GROUP OF Chinese and Russian warships sailed side-by-side through Japan's southernmost exclusive economic zone (EEZ) on July 19th. Japanese sailors observing from a vessel nearby photographed them holding exercises, fire spitting from a Chinese destroyer's turret. It was the first time Japan had captured and publicised a Chinese live-fire drill inside its EEZ. The images themselves were grainy, but the message was clear: Chinese pressure is rising.

The incident was only the latest in a series of [recent provocations against America's Asian allies](), in particular the Philippines, Japan and Australia. In late June the Chinese and Russian air forces conducted a joint flight of nuclear-capable bombers over the Sea of Japan and the East China Sea, before passing between Japan's south-western isles into the Pacific Ocean, the second such passage since December. China has intensified coastguard patrols east of Taiwan. In early July it fired a ballistic missile from a submarine off its southern coast over the Philippines and into the Pacific Ocean—only the second time it has launched a ballistic missile into international waters since 1980. A few days later Chinese and Philippine sailors skirmished with oars and water cannon over two disputed islets in the South China Sea.

Growing Chinese assertiveness is nothing new. But a pattern has been noticeable since President Donald Trump met his counterpart, Xi Jinping, in South Korea last October and signalled a desire to improve relations, followed in May by a cordial meeting in Beijing. Mr Trump and many of his officials have since then contorted themselves to avoid uttering an ill word about China, and been slow to stand up for allies facing Chinese bullying, seemingly in the hope that three further summits planned for this year will thereby come off more smoothly. Mr Trump is ensnared in Iran, diverting resources and attention from the Pacific. Now China appears to be probing America's defence lines and testing its commitments in the region.

Faced with an unreliable America and an aggressive China, America's allies in Asia need to do three things to improve their security: strengthen themselves, strengthen their ties with each other and strengthen America's commitment to them. Progress on the first two tasks has been substantial, though still insufficient. Australia, Japan and the Philippines are all raising their defence spending and modernising their armed forces; Australia and Japan are both offering aid to the Philippines to help build up its maritime defences.

But that will be too little if America chooses to be absent. In Europe uncertainty over American reliability triggers talk of Plan Bs. Even without America, the remaining 31 NATO members' combined defence spending is more than three times that of Russia, their main adversary, and two of them—Britain and France—have nuclear weapons. But allies in Asia rightly understand that they are too small to form a coalition that can maintain the balance of power in their backyard. There is no NATO-style collective-security pact, only a series of bilateral security treaties with America. The cumulative defence spending of America’s treaty allies is less than half that of China; and none of them has nukes.

That makes the third task as essential as the first two. One strategy is to collaborate more deeply with the bits of the American system that still care about deterring China, such as the military brass. But credible deterrence must come from the top—and China hawks fret that Mr Trump seems to have lost all interest in getting tough on Chinese expansionism, not least because he has learned that China is willing to use its grip on the supply of rare earths as a chokepoint. Can he be persuaded to change his mind? Perhaps. Volodymyr Zelensky has convinced him, for example, that Ukraine does in fact hold some cards.

The best evidence that Mr Trump could flip on China again is that he has done so before. During his first term, he attacked China as the destroyer of American jobs and the thief of American intellectual property. He was egged on by Asian leaders such as Abe Shinzo, Japan’s late prime minister, who spent hours encouraging him to take a hard look at the military threat China poses.

Asian leaders need to make the case directly to the president that China threatens America’s position as the world’s leading superpower—and that its military ambitions go hand in glove with its industrial, technological and economic ambitions. If Mr Trump accepts that China remains a shrewd and potentially dangerous competitor, he may be willing to take a broader view of America’s interests in the Pacific. ■

Leaders | Climate change

Europe’s fires are just the start

They are not a new normal. But worse can nonetheless be expected

Jul 30th 2026

From 2006 to 2025 the total area burned by fires in France every year averaged some 15,000 hectares—a bit smaller than Washington, DC. By July 28th, the fire to the west of Bordeaux which started just six days earlier had burned almost three times that. Meanwhile, some 500km to the south, savage fires advanced perilously close to Madrid. More than 300,000 people have been evacuated.

These fires may end up being the worst that Europe sees this summer. But do not bank on it. A series of heatwaves has left lots of places desiccated and flammable—and more hot weather is to come. Last year the European Union saw more than 1m hectares burn; this year could break that record.

And it is not just one summer. The continent is heating up faster than any other. Because it has decades of worsening hazards ahead, it needs to get ready.

The rest of the world is not far behind. Wildfires are not purely a matter of climate, but climate does matter. The frequency and extremity of fire-friendly weather have been increasing for 40 years; conditions very unlikely before climate change are becoming increasingly common. Measured against a definition of extreme fires that combines size and intensity, the past decade has been particularly bad.

In a world that is about 0.5°C (0.9°F) above the average temperature of the first decades of this century (and thus about 1.5°C above that of the 19th century), fire risks are projected to increase across 88% of the planet's fire-prone area—pretty much everywhere that is not a desert or an ice sheet. The increase from 1.5°C to 2°C raises the risks by even more.

This will bring more heroism, more concerned politicians being briefed by begrimed firefighters, more disrupted lives, more destruction and destitution. It will also greatly increase the risks from wildfires' less obvious, but more baleful, effects on the lungs of people who never come even within a thousand kilometres of the flames.

Most of the deaths associated with wildfires come from smoke inhalation. The wind-blown particles that choked cities in Canada and the United States alike in the middle of July will have shortened hundreds or thousands of lives. Smoke from fires in Indonesia is estimated to have killed 100,000 people in 2015. Something similar is all too likely there this year. Demand for biofuels in a world of pricey oil leads to the destructive slash-and-burn agriculture at the heart of the problem, and a strengthening El Niño will promote fire weather across the region in the months to come, as happened in 2015.

Projections on the basis of a fairly moderate emissions scenario—and taking account of the ageing global population—suggest that deaths from wildfire smoke, estimated at 240,000 a year in the 2010s, will reach 1.4m a year by the end of the century. A recent study suggested up to 30,000 excess deaths a year from wildfire smoke in America by 2050. That would put all other direct climate impacts in the shade.

Firefighting is, to some extent, like fighting wars; if the enemy attacks more frequently and with greater ferocity, you need greater force on your side. So places that have not previously felt threatened need to up their game. They may also wish to bring new technologies into play. Satellites can spot fires almost as soon as they start—intelligence which could sometimes prove crucial, provided systems are capable of acting on it. Drones will doubtless have a role. Allies can help, too. Europe has pooled firefighting resources now being deployed in Spain and France; Mexico is helping Canada.

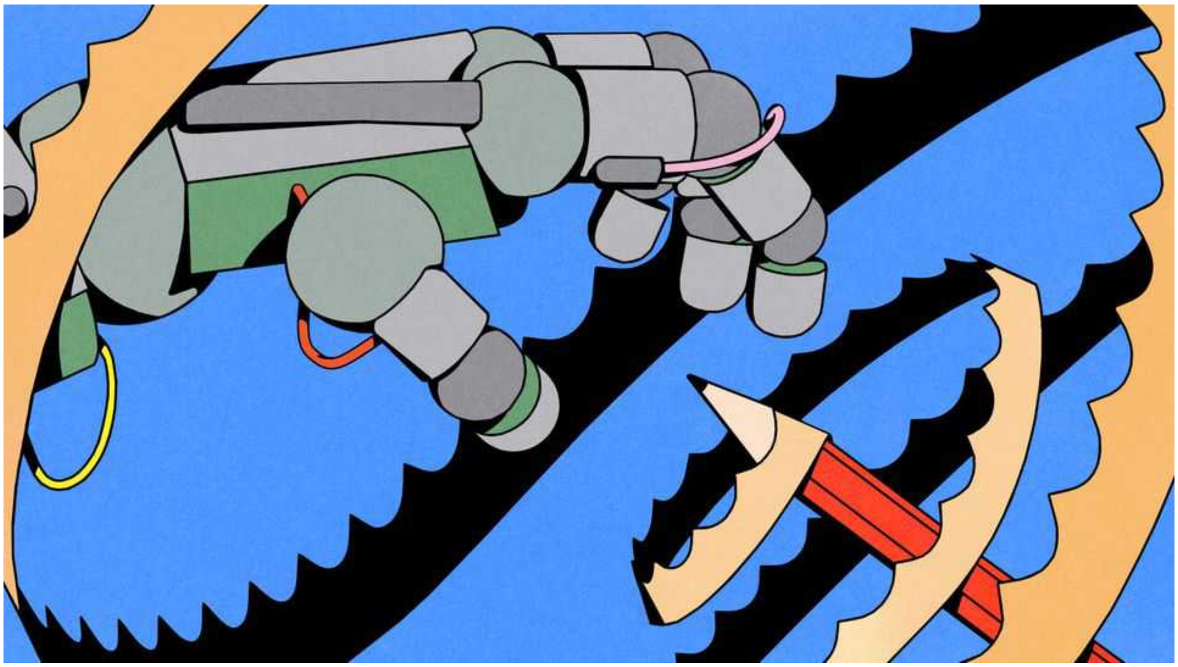
Being better at fighting fires, though, is not enough. The greatest benefits will come from being better at preventing them and living with their effects. The diktats of danger and urgency tend to mean fire-suppression eats into budgets for managing landscapes, teaching the public about when to filter the air or how to protect a house, and so on. No such projects are ever needed in the same way as a planeload of cold water on a fire-front. But they are vital nonetheless.

The fires in France and Spain are not, as some say, the new normal. Fire is capricious. It does not repeat itself from one year to the next. But this year's fires are firmly within the limits of the new possible—and the extremities of that new possible have yet to be mapped. ■

Leaders | Prose and cons

AI is getting better at writing. Humans must get better at editing

Our investigation suggests how



Jul 30th 2026

WRITING IS HARD. For Franz Kafka, putting words on the page was a process of “unending torments”. George Orwell said it felt like “a long bout of some painful illness”. Hunter S. Thompson, a journalist, saw it as the opposite of sex: “only good when it’s over”. Now AI has come to the rescue. Large language models (LLMs) eagerly offer reams of text without any pain or torment. Bots can spew out emails (excellently), longer prose (passably) and poetry (poorly). To them, writer’s block is a 500-sheet pack of paper: any user of an LLM can produce as many words in a day as Kafka did in his life.

For human writers this is a blessing and a curse. If you claim to be an author but use AI, you look like a fraud—bot-busting tools like Pangram are good at spotting when someone has had an AI helping hand. Take the hundreds of people who have used LLMs to write applications for The Economist's internships, or the government ministers who have submitted AI-generated works to our By Invitation column (it's tempting, but we won't name them).

Our investigation of the stylistic quirks of the big bots reveals how, with every update, AI writing is getting closer to human writing. We compared the outputs of LLMs to prose we know is produced by humans: our own. We asked 14 variants of ChatGPT, Claude, Gemini and Grok released since 2024 to write versions of our articles without consulting the web. We compared our corpus across 55,940 sentences and 1.2m words, and checked our results against other newspapers and hit fiction books. We found that some of AI's former tricks—using lots of em-dashes, for instance, or words like "leveraging"—are no longer leveraged much in its writing.

It's a good thing that AI writing is getting better. Sifting through today's slop is a drain on your brain and your time. LLMs have tripled the number of new e-books published on Amazon every month, to 300,000, a recent study found, and draft more than a third of new websites by one count.

If LLMs keep improving, in a few years they could be as good as professional wordsmiths. In the meantime, though, their baggy prose puts a premium on editing skills. After all, even the best writers need a good editor to keep them sharp. Editing is something The Economist deals with day in, day out, so here are our tips for re-writing AI prose.

First, commission well. George R.R. Martin once said the job of editors is to "clip the wings" of writers, and "tell them in which direction to fly". When it comes to LLMs, that means giving clear instructions about exactly what you want, and asking them to refine their output as many times as necessary. You'll get less pushback from machines than men. Mr Martin said editors were "the writer's natural enemy"; AI would probably say "great observation!" and "love the enemy analogy!"

Second, pay attention to detail. AI writers will make mistakes and offer phrases that sound good but mean nothing. They like to lavish their prose with Latinate words, talking about the “bi-directional flow” and how to “expedite grid enhancements”; remind them that Anglo-Saxon words are often punchier. They like clichéd metaphors: there are lots of “Achilles’ heels”. And AI tends to use the “rule of three” far more than humans. The Economist also likes this rhetorical trick. But whereas we try to group three sensible bits of advice, AI offers such redundant sentences as: “The mystery has been solved—not partially, not ambiguously, but definitively.” Such lines should be cut—definitively.

Finally, know your audience. The editor is an intermediary between writer and reader. LLMs are sycophants and their smarmy tone is often off-key. If you are writing an email to break some bad news to your boss, tell your bot to skip the exclamation marks. AI can be pretentious or pontificating (it was trained on human writing, after all). Most people are short of time, but a verbose AI pins you to the wall like a bore at a party.

“Write drunk, edit sober,” goes the old writers’ maxim. If that’s right, when the AI-human team gets down to work, the AIs will have all the fun. ■

Leaders | Yeomen in the cloud

America's startup boom offers hope for the future of work

AI could make more people their own boss

Jul 30th 2026

MANY AMERICANS long to be their own boss. Their yearning is as old as the Republic itself: Thomas Jefferson thought the ideal citizen was a yeoman farmer, whose economic independence allowed him to participate in civic life. For decades, 60% of Americans have said they want to be self-employed. Yet in recent years fewer than 10% have been.

That is now changing. As we report, America is in the midst of a small-business boom. It began during the covid-19 pandemic and has since picked up steam, fuelled by artificial intelligence, low hiring and the growing ease of starting small online shops on platforms such as Etsy, Shopify and TikTok Shop. In June the Census Bureau recorded more than 531,000 new business applications, a rise of 81% compared with the average month in 2019. Such factors have buoyed self-employment in Britain and France, according to Stripe, a payments firm. But it is America where the trend is most pronounced. It is a welcome one.

Small businesses are popular with politicians, but economists can turn up their noses. Many fail. Those that survive often suffer from low productivity: small American firms are only 70% as productive as big ones. In recent years much innovation has come from large “superstar” firms. Small companies often lack the digital tools and administrative efficiency that come with scale.

Yet there are signs that AI can help small businesses become more sophisticated, even as it automates away some jobs with big employers. Basic chatbots can help firms register with local authorities, draft business plans and market themselves to clients. AI agents can carry out repetitive administrative tasks and make sense of sales trends and other data. Many of America’s new businesses are one-man bands, categorised by the government as unlikely to hire within their first few years of operation. They may be able to scale up anyway, using AI agents instead of employees.

All this raises the tantalising prospect that self-employment could provide meaningful alternative work for some who lose their jobs to ai. Gloomy futurists in Silicon Valley warn that AI will create a “permanent underclass” of people who own little capital and, with the professional classes displaced, perform only menial jobs. A more hopeful possibility is that the technology democratises the ability to put ideas into practice and become a successful business owner. There are some signs of such an effect: a rising share of new entrepreneurs are low-income, according to Bank of America.

True, becoming a “solopreneur” will provide neither the manufacturing jobs craved by populists nor a predictable 9-5 office life and a corporate ladder. The new startups are mainly services firms, many in tech, retail or health care. But, when asked, their founders say they are happy with service work. It is an encouraging precedent that many of these new businesses have sprung up in places formerly hollowed out by the loss of manufacturing. Shopify reckons that the share of new businesses from rural areas has been rising.

The government could make life easier still for entrepreneurs. Although Obamacare, a health-care reform in the 2010s, helped, it is often still too hard for self-employed Americans to access health insurance. Employees should not have to cling to their jobs to stay covered. And swathes of the economy suffer from burdensome occupational-licensing requirements, which act as a barrier to entry for anyone looking to set up shop. They should be pared back.

Nobody knows how AI will reshape work, but across-the-board pessimism is unwarranted. An economy powered by individual entrepreneurship, with AI handling tedious back-end tasks, could yet prove fulfilling and lucrative for many people. It might even help more Americans realise Jefferson’s vision of self-reliance as a path to liberty. ■

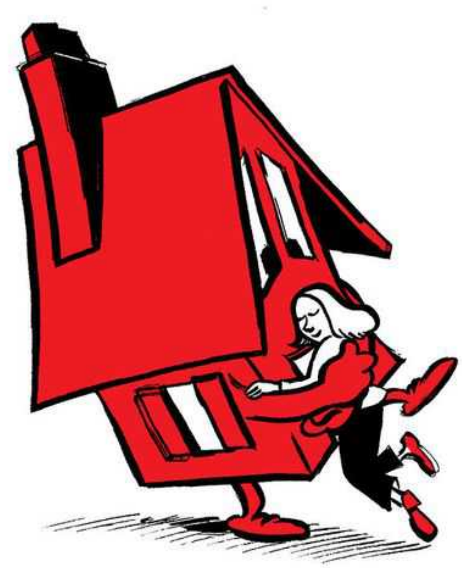
Letters

- Does Britain’s social housing subsidise the wrong people?

Letters | A selection of correspondence

Does Britain’s social housing subsidise the wrong people?

Also this week, weather forecasts, using AI in law, falling cows, drones and zebras, questions



Jul 30th 2026

Letters are welcome via email to letters@economist.comFind out more about how we process your letter

As representatives of both social-housing residents and providers we were struck by the way your recent article described people who live in social housing (“The rent is too damn low”, July 11th). Phrases such as “subsidises the wrong people”, references to residents who “cling” to their homes and examples chosen to illustrate perceived unfairness all contribute to a familiar narrative: that social-housing residents on good incomes are recipients of undeserved subsidies.

You imply that residents who increase their earnings while remaining in social-housing represent a flaw in the system. We see something different. We see people who have been given a stable foundation from which to build their lives. That is something housing policy should aspire to for people from a range of incomes and jobs living in the same communities.

We support informed debate about making better use of social homes, improving mobility and ensuring that public investment delivers the greatest possible benefit. But that debate should begin with evidence and respect. Social-housing residents deserve to be recognised not for the discount attached to their rent, but for the contribution they make to Britain's economy, public services and communities. Similarly, public spending on building social housing should be treated as an investment in essential infrastructure for the long-term prosperity of the country. It's an asset not a cost and we hope to see a more balanced discussion of this in The Economist in future.

Ian McDermottChair of G15Daisy ArmstrongOn behalf of the G15 Residents' GroupLondon

You argue that Andy Burnham, Britain's new prime minister, should not spend "vast sums on building new council homes". Perhaps. But thankfully the housing-association sector is spending vast sums on building new homes through a mixture of government grant, borrowing and cross-subsidy from profit on sales. This makes sense as a counter-cyclical investment given that construction in Britain is notoriously volatile.

Social landlords are less exposed to the absorption rate (the rate at which private builders construct homes to align with sales) so can build more consistently, and can use more innovative methods because their commercial model is different. Social landlords consistently build about 20% of all new builds every year. This sounds about right in a mixed market.

Maybe local councils shouldn't play in this space, maybe they should. When they have done it well they have built some of the best quality, most innovative, award-winning developments in the country. Their role in the newbuild market and as place-based leaders creating solutions for the communities they serve deserves more consideration.

Tom JarmanHousing consultantWhitley Bay, Tyne and Wear

It’s an interesting theory that trust in weather forecasters has increased in Britain because of fading memories of the “great storm” of October 1987, when Michael Fish, a national broadcaster, said that the powerful cyclone would not hit the country (“A hot topic”, July 11th). He was wrong.

In 1987 Mr Fish had only one forecast on which to base his conclusions. But today, weather centres routinely produce dozens of forecasts for tomorrow’s weather. These forecasts differ from each other in their initial conditions and in aspects of the predictive model. Taken together, they describe possible parallel universes with varying weather conditions, helping forecasters assess not only what is most likely to happen, but also how confident they should be.

The Met Office communicates this uncertainty through the familiar “30% chance of rain” shown on its app. Naming storms also helps communicate this uncertainty, for example, as a storm’s track becomes clearer.

Communicating uncertainty has also increased public trust. It demonstrates honesty about the limits of forecasting a chaotic atmosphere. As in many areas of life, it is better to be honestly uncertain than confidently wrong.

Hannah ChristensenAssociate professor of physical climateUniversity of Oxford

“Even lawyers have been caught out”, you say, by the rise of vibe lawyering, where potential legal clients are turning to AI to help with their cases (“Trial and error”, July 4th). Indeed. A database maintained by Damien Charlotin, a research fellow at HEC Paris, tracks the use of AI in over 1,800 cases that lead to a legal decision. He finds that roughly 40% of the cases with AI hallucinations come from lawyers.

Additionally, in a paper recently presented at the International Conference on Artificial Intelligence and Law titled “PermitBot”, we found that when people with no legal training are guided on how to prompt a chatbot to provide relevant legal information, the quality of answers also improves.

There is therefore ground to believe that specially designed legal AI bots could do a better job than the current general-purpose models.

Clement GuittonZofingen, Switzerland

Ashoka wrote about falling objects in India (July 18th) because of the lax enforcement of safety regulations. The list of things that have fallen on people's heads include trees, slabs of concrete and iron rods. The column struck a chord.

Fifty years ago, as the administrative partner of an accounting firm in Kolkata, I received an application for long leave from my clerk with a truly spectacular excuse: on his commute to work a cow had fallen on him. As it turned out he had been walking past three men carrying a sick calf in a large basket. When a passing tram loudly clanged its bell, the startled animal jumped, landing directly on my unfortunate colleague and rupturing a heart valve. He survived the surgery and recovered well, but he walked away with the ultimate story for his grandchildren.

NAWSHIR MIRZAMumbai

Advancing technology repeatedly parallels the inventions of nature. I was fascinated to read how zebra-striped vehicles are being used to avoid drone strikes in Ukraine ("Hiding in plain site", July 11th). In the early 1980s, I set out with colleagues in southern Africa to reduce the impact of tsetse flies and sleeping sickness on humans and animals. Noticing how horses suffered from tsetse whereas zebras are rarely bitten we hypothesised that the visual system of flies, generally designed to orient towards the edge of solidly coloured objects, would fail to identify zebras as a host.

Dragging variously patterned electrified zebra models through the Zimbabwean bush revealed just such an effect. The pattern-matching training for machine vision in drones seems to have resembled the evolutionary process by which tsetse has come to find its animal hosts, most of which are big and brown.

Like zebras, striped military lorries appear to have beaten the system. Unfortunately for the lorries, AI-assisted drone technology is evolving far more rapidly than flies and their hosts.

Professor Jeff WaageLondon School of Hygiene & Tropical Medicine

Regarding Bartleby's observation that "people who ask more questions tend to be better liked" (July 11th). As a child I was known as "20 questions". I was an irritant to adults. I became a journalist.

Robin KnightLondon

By Invitation

- Don’t blame global imbalances on the undervalued yuan

By Invitation | No more gimmicks

Don’t blame global imbalances on the undervalued yuan

Demanding that China revalue the yuan gets both the diagnosis and the cure wrong, write Gita Gopinath, Pierre-Olivier Gourinchas and Hélène Rey

Jul 30th 2026

THERE IS A comfortable ritual in international economic diplomacy. Whenever global imbalances emerge as a source of anxiety—as they have again today—the conversation gravitates towards the exchange rate. China runs large and growing external surpluses. America runs large and growing external deficits. Both are assessed as excessive by the IMF. If only policymakers could meet in some fancy hotel, agree to strengthen the yuan and weaken the dollar, the argument runs, then China would import more and export less, America would do the opposite and the world’s lopsided pattern of surpluses and deficits would gently correct itself. Of late, this view has gathered supporters in the West.

To be clear, the Chinese yuan is no doubt undervalued. But the emphasis on the exchange rate as the lever of adjustment is misplaced. In a G7 expert report and an IMF policy paper on global imbalances, both published this year (with input from the authors of this article), the exchange rate is treated not as a culprit, but as an outcome—an undesirable but predictable consequence of a particular configuration of domestic policies.

A country that suppresses household consumption while simultaneously facing a collapse of property investment will run persistent current-account surpluses and will, other things equal, have a weak currency. A country with insufficient private savings and unsustainably large fiscal deficits will run persistent current-account deficits and will, other things equal, have a strong real exchange rate against other other currencies. The currency is misaligned because the underlying policy mix produces too much or too little saving. The exchange rate is a symptom, not the disease.

Some argue that China's exchange rate reflects currency-intervention policies to keep the yuan weak. Indeed, the yuan does not float freely, and it is possible to engineer both a persistent current account surplus and a weak real exchange rate through a combination of capital controls, consumption suppression and foreign-exchange interventions. But China's currency interventions in recent years have often been to prevent the currency from weakening, and the yuan, if anything, has been stable. The recent depreciation of China's real exchange rate has followed mainly from weaker inflation in China relative to its trading partners.

The knee-jerk emphasis on the currency has two serious drawbacks, and they compound each other. The first is economic. Suppose China did revalue tomorrow, sharply and by fiat, with no accompanying change in its underlying macroeconomic policies. Would the required global adjustment follow? In all likelihood, it would not. In the short run, the nominal appreciation would have limited effect on China's exports as the majority of its export prices are set in dollars and adjust slowly.

On the other side of the ledger, meanwhile, it would lower the yuan price of its imports immediately. All else equal, this can increase China's imports and reduce its trade surplus. But all else is not equal: the stronger yuan would further exacerbate China's deflation problem and reduce its overall demand. This is precisely the opposite of what rebalancing requires—which is that China absorb more of what the world produces.

Equally important, a nominal appreciation unsupported by macroeconomic-policy changes to rebalance the economy is likely to morph quickly into a real depreciation owing to deflationary pressures. Some argue that this would push China to reflate its economy. But if the ultimate goal is for China to pursue better policies, why not simply discuss those directly? Why route the request through the exchange rate?

The second drawback is political. Demanding a nominal revaluation as a headline concession is, in practice, extremely unlikely to be accepted. History is not encouraging. Contrary to what is often believed, the success of the Plaza Accord in 1985 relied on the co-operation of Japan and significant macroeconomic adjustments, including to America's fiscal stance, to support the dollar's depreciation. Today China may be more receptive to a conversation about strengthening its social safety net, its pension system or its non-traded service sector. When you push for growth-supporting reforms, you have a chance. When you push for an exchange-rate adjustment, you ask for conflict.

None of this lets China off the hook. Its surpluses are real, large and a legitimate concern for the rest of the world, including for a European economy that cannot serve as the absorber of last resort. What China needs to do—and what is in its own long-term interest, given its ageing population and an investment model overly reliant on the tradable sector—is to raise the share of household income in GDP, expand social insurance so that families feel able to spend, and stop financing tradable-sector expansion at the expense of consumption. Do those things, and a real appreciation of the yuan will follow.

But let's also be clear that the required adjustment is not only on China's side. America will also need to tackle its unsustainable fiscal policy, as well as its persistently low private savings. That, too, cannot be addressed by exchange-rate gimmicks.

The G7 and the IMF locate the problem correctly: it lies in the constellation of domestic macroeconomic choices on both sides of the imbalance. A policy package, whereby China pivots to consumption and services-led growth, and America reins in fiscal deficits, is less spectacular than a grand currency bargain. But it has the advantage of being both effective and achievable.■

Gita Gopinath was chief economist of the IMF from 2019 to 2022 and Pierre-Olivier Gourinchas from 2022 to 2026. Hélène Rey is a professor at London Business School.

Briefing

- Despite 40 years of our Big Mac index, currencies are still mispriced

Briefing | Patties, prices and puns

Despite 40 years of our Big Mac index, currencies are still mispriced

Exchange-rate theory can be a lot to digest. Instead, take three trips to McDonald's

Jul 30th 2026

THE GOD Apollo, his arms wide, beckons five scantily clad muses. The mural, which caused a stir when it first appeared in Basel's Barfüsserplatz in 1941, is best admired from a McDonald's housed in a quaint old building on the other side of the tram tracks. It's a lovely spot in which to enjoy a burger in the sunshine.

But the experience will set you back. A Big Mac costs SFr7.30 in Switzerland or more than $9. You can enjoy the same taste for much less if you are prepared to pop over to Taiwan, a mere 9,500km away. A giant statue of Ronald McDonald used to welcome visitors to the chain's first outlet in Taipei, the capital city. The prices remain inviting. You can buy a Big Mac for the equivalent of just $2.42.

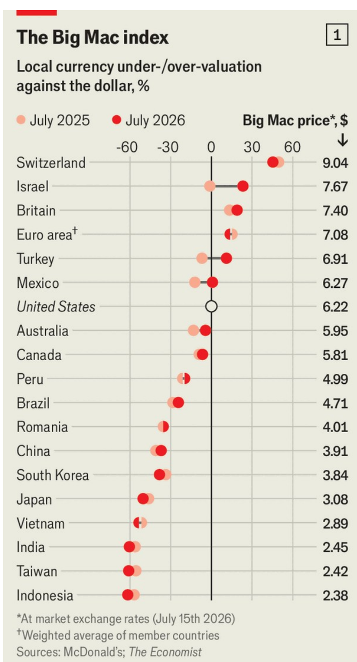
Why does a Big Mac cost so much more in some countries than in others? Many factors could be at play: tariffs, transport costs, lack of competition. In some countries the Big Mac is a familiar comfort food. In others, it is an exotic treat. In Switzerland strict food rules keep farms small and oblige restaurants to declare the source of their meat and fish. (According to the Herkunftsdeklaration in the Basel outlet, the beef in its Big Macs is a Swiss-Austrian mix.) But pricey burgers can also reveal something interesting about currencies. That thought struck Pam Woodall, our former economics editor, soon after she began writing for us 40 years ago. It was, she says, a "bathtub moment". The Big Mac has been our muse ever since.

The value of a currency should reflect its purchasing power, its command over goods and services. That is an old idea, formalised by Gustav Cassel, a Swedish economist, around the time of the first world war. The catastrophe had wreaked havoc on the gold standard, which had largely fixed exchange rates by pegging the value of the main currencies to gold. People were slow to grasp, however, that the "ancient bonds" between currencies had been sundered. "The public, with incredible tenacity, sticks to the idea that a krona is still a krona, and a pound a pound, whatever one may do with the currency in question," Cassel complained. He insisted instead that the value of the Swedish krona or British pound should depend instead on whatever one may do with it. "Our valuation of a foreign currency," he wrote, "mainly depends on [its] relative purchasing power."

That power depends on prices. To know whether 1,000 dong, soles or lei is a lot of money or a little, you need to know the price of things in Vietnam, Peru or Romania. Every few years the World Bank leads an effort to collect that kind of information, comparing prices for hundreds of items across the world. The European Union's own list runs to over 2,000 products. It is a laborious undertaking, one of the biggest statistical initiatives in the world. And doubts remain about whether the goods are truly comparable across countries. Europe's statisticians once spent half a day arguing about the continent's many varieties of strawberry jam.

Our approach is simpler. Rather than window shop for thousands of goods, we collect prices on just one: the Big Mac. It is available almost everywhere —in more than 100 countries around the world. It tastes much the same from Basel to Taipei, thanks to the zealous commitment to consistency for which McDonald's is renowned. It "has the flavour of 'the perfect universal commodity'", as Li Lian Ong, a former economist at the IMF, once put it.

We define a currency's purchasing power as the number of Big Macs it can buy. In America, for example, a single Big Mac can be bought for $6.22. In Switzerland, SFr7.30 is required. Since those two amounts reflect the same purchasing power, it seems reasonable to think you could convert one into the other. The hypothetical exchange rate that would do the trick is SFr1.17 for a dollar. According to the theory of purchasing-power parity, this rate represents the fair value of the two currencies. If the world's foreign-exchange traders adhered to it, the dollar price of the Big Mac would be the same in both countries and the market value of each currency would match its burger-buying power.



But that is not what usually happens. Actual exchange rates often differ markedly from their Big Mac parities. If a currency is worth less in the markets than Big Mac prices would warrant, our index deems it undervalued. If it is worth more, we consider it overvalued (see chart 1). The

Swiss franc is a good example. As anyone who has recently visited the country can testify, a single dollar cannot buy 1.17 Swiss francs at any bureau de change. It cannot even buy one. The actual exchange rate is SFr0.81. That suggests the Swiss franc is disconcertingly expensive. We calculate it is overvalued by 45%.

The misalignment of Taiwan's currency is even greater, albeit in the opposite direction. In Taiwan a Big Mac costs NT$78. So NT$78 has the same purchasing power as $6.22: both can buy one burger. The exchange rate that would make these two sums equivalent is NT$12.54 to the dollar. But on the currency markets, a solitary dollar can buy you over 32 New Taiwan dollars. We calculate that the Taiwan dollar is undervalued by more than 60%.

Even bigger misvaluations were evident in the first Big Mac index published in 1986. It indicated that France's currency was overvalued by 73% and Brazil's was undervalued by an astonishing 87%. That article was "probably…my first memorable piece", recalls Ms Woodall. It was supposed to be a bit of fun. It was not originally intended as more than a one-off.

Instead the index has continued for 40 years. It has become a fixture of economics textbooks, spawned a cottage industry of academic articles (over 50 by 2023) and racked up over 3,000 citations on Google Scholar. Many variants have been tried or suggested: an index comparing the price of a Starbucks latte in different countries, another tracking IKEA's Billy bookshelves, a third based on Apple iPods, iPads and iPhones. In 1991 the Union Bank of Switzerland used the Big Mac to compare wages around the world, calculating how long it would take the average worker to earn the price of a burger and fries. (Unbeknown to us, Howard Banks had used the Big Mac to compare earnings around the world in Forbes magazine in 1984.)

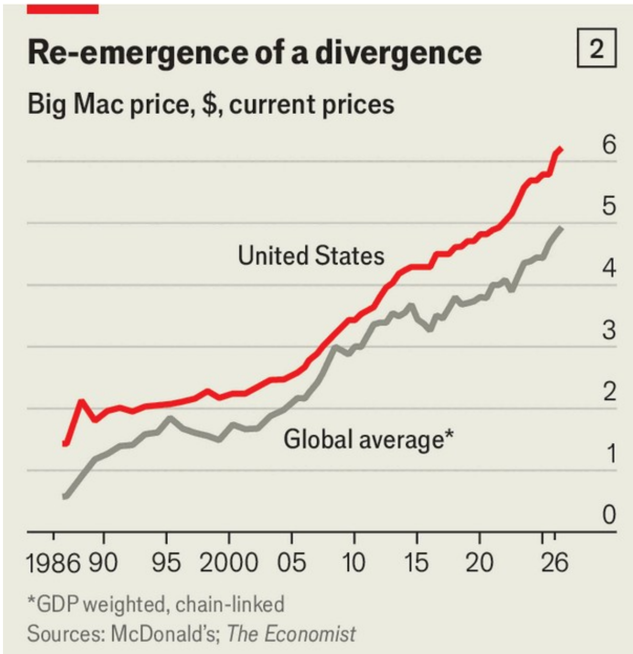
Its fame has reached some unusual spots. Ms Woodall remembers climbing to Everest base camp and finding an index update in a copy of The Economist left behind by another mountaineer. "You can't get away from it. Even at 5,000 metres." A colleague proudly presented the index to North Korean functionaries on a rare visit to Pyongyang. The country lacks a McDonald's, but the North Koreans were nonetheless interested in the index's verdict on the Chinese yuan.

A look back over the index's life is a reminder that across the span of four decades, currencies—and even countries—can come and go. The original article featured West Germany, which dropped the modifier in 1990. The Soviet Union made a brief appearance after McDonald's opened a restaurant in Moscow's Pushkin Square in January 1990. On its first day, it served the Bolshoi Mak and other marvels to over 30,000 people, some of whom had queued for six hours. "In Moscow," we reported, "fast food comes slow."

The Soviet Union was replaced by Russia in the index of 1992. Then Russia itself disappeared from the menu 20 years later after its invasion of Ukraine prompted McDonald's to depart. Yugoslavia dropped out of the index in 1991. It would have been nice if it had stuck around. Its novi dinar, introduced after many parts of the country had broken away, was given the three-letter currency code YUM.

Even when countries remain intact, their currencies sometimes fall apart. The Big Mac index has provided grim snapshots of catastrophic losses of purchasing power. Back in 1986, for example, it took 2.5 cruzeiros to buy the burger in Brazil. By 1993 it required 77,000. The cruzeiro was retired shortly afterwards. Even those crazy prices were later surpassed in Venezuela. In July 2021 a Big Mac cost 16.02m Venezuelan bolívares, the highest number ever recorded in the index.

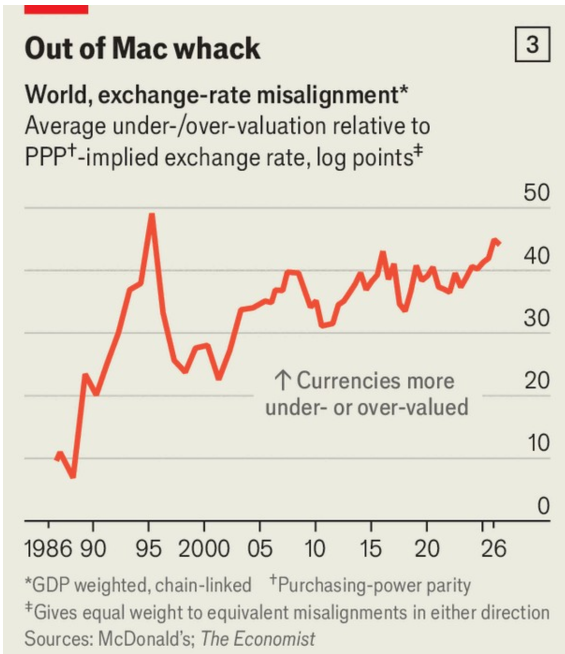
With the benefit of hindsight, the early indices yield a particular surprise. In the first edition, we asked not whether other currencies were misaligned against the dollar, but whether the dollar was misaligned against them. That was revealing. The index first appeared a year after the Plaza Accord, a concerted effort by America, Britain, France, Germany and Japan to weaken the dollar, which was too strong for comfort. The article was followed a few months later by the Louvre Accord, in which the same countries (plus Canada) tried instead to stabilise the dollar, which had fallen too far too fast. The dollar, in other words, could not be taken for granted as the prime meridian against which other currencies should be judged. It was a problem that America and the rest of the world were trying to resolve.



Currencies are once again moving out of whack. According to the Big Mac index, the world price of burgers (converted into dollars, then averaged across countries, weighted by their GDP) moved closer to the American price in the first decade of this century. But since 2010 it has once again diverged (see chart 2). Recent editions of the index show that currency misalignments in either direction are at their widest since the mid-1990s (see chart 3). American inflation after 2021 is one culprit. The growing prominence of an undervalued Chinese yuan is another. A third contributor is the plunging yen. Incredibly, it is now about 20% cheaper to buy a Big Mac in Japan than in China.

This story is broadly confirmed by the more sophisticated purchasing-power parities calculated by international financial institutions. According to the IMF, for example, the average dollar price of goods and services across countries (again, weighted by the size of their economies) was only 56% of the American price in 2025, the biggest gap in the past 40 years.

The diminished global price may partly reflect the growing economic weight of emerging economies. These countries often look cheap on our index; rich countries tend to be expensive. One reason is productivity gaps within countries. In prosperous parts of the world, a critical mass of tradable industries is highly productive and can thus afford to pay workers high wages. The generous pay bids up the wages of workers even in more sheltered, less productive bits of the economy. These trailing industries pass on the higher labour costs to customers in the form of higher prices. That makes rich countries expensive, relative to poorer ones, where both productivity and wages are low.



To take account of this pattern, we introduced an alternative version of the index in 2011. Adjusted for GDP per person, it assesses whether a country's currency is more undervalued than you would expect for an economy at its level of development. The Peruvian sol, for example, is 20% undervalued on our raw index, but about fair value on the adjusted version.

No serious economist thinks currencies will ever move by enough to equalise dollar prices across all countries, rich and poor. But they should adjust enough to correct abnormally large misalignments. Recent studies suggest that floating exchange rates largely offset differences in inflation over a span of 5-6 years. Some currency traders might even be tempted to bet on this idea.

But be warned, the predictive record of the Big Mac index is decidedly hit and miss. In 1996 Robert Cumby of Georgetown University tested the index's predictive powers over the first decade of its existence. He pointed out what is obvious to any faithful reader: many currencies remain overvalued year after year; others are stubbornly cheap. The Taiwan dollar, for example, has not been overvalued by our yardstick in 25 years; the Swiss franc has never been undervalued. But Mr Cumby pointed out that clever traders can take these persistent misalignments into account. They can then look to profit from currencies that are not merely out of whack, but more out of whack than they usually are. Based on such calculations he offered forecasts for 13 currencies. A year later, nine of them had moved in the direction he predicted.

This strategy worked in the early years of the index. It seems less effective over a longer time span. Our attempt to apply Mr Cumby's method to the same currencies (plus the euro) over the past 40 years yielded less impressive results. The longer period may make it harder to figure out what counts as a "normal" misalignment. A lot can change in 40 years. Some currencies that were once structurally weak or strong may have flipped over the intervening decades. Alternatively perhaps clever traders have already digested Mr Cumby's work and added his special sauce to their trading strategies. Some of them may even be checking the price of burgers themselves.

The index's greatest predictive triumph concerned the euro. Many economists had forecast that the new currency would strengthen after its introduction in 1999. But the Big Mac index showed it was 13% overvalued. Soros Fund Management, a big hedge fund owned by George Soros, later admitted that it had considered acting on this sell signal at the time. In the end, however, it chose to ignore our cue, thus missing out when the euro duly tumbled. Mr Soros, as we put it at the time, must have been "cheesed off".

The Big Mac index invites puns. And our journalists have enthusiastically accepted the offer. Rising currencies are often described as "sizzling". Weak ones are "undercooked". The index itself is a "bun-loving guide" to currencies. An article about President Donald Trump's efforts to punish countries with undervalued exchange rates, said that his threats should be taken with a "pinch of salt". (A Big Mac contains about 2g.)

In few other articles in The Economist would you get away with so many gags, recalls Ms Woodall. Inventing puns was often the hardest part of the exercise: "We were desperate to think of something new." And we did not always succeed. Some puns made multiple appearances over the years, and many were a bit "corny", she admits. But they served a useful purpose. In a world where powerful policymakers are browbeating smaller countries about their exchange rates, the puns help "make sure that people don't take us too seriously", she says. "It's the concept that's serious, not the actual numbers." ■

Asia

- China bets that Donald Trump won’t mind it bullying American allies
- Behind India’s protests is a crisis in the graduate-jobs market
- Japanese politics is becoming less of a turn-off for the young
- Beerlao: probably the most important lager in the world
- Narendra Modi is on a quest to regain his aura

Asia | Troubled waters

China bets that Donald Trump won't mind it bullying American allies

It has stepped up its abuse of Australia, the Philippines and Japan

Jul 30th 2026

"THEY ARE making fools of us," Gilbert Teodoro junior, the Philippines' defence secretary, complained to reporters in Manila on July 23rd. Three days earlier, Chinese coastguards had been filmed using oars to batter Philippine sailors aboard a navy vessel at Second Thomas Shoal, an atoll claimed by both countries in the South China Sea. After a brief brawl, the Filipinos, in shorts and T-shirts, repulsed the Chinese coastguards clad in navy uniforms and orange high-viz vests. Two of the Filipinos were later hospitalised.

The fracas was just one in a series of recent incidents along archipelagic Asia that add up to a picture of a more aggressive China. In March an

Australian helicopter enforcing United Nations sanctions against North Korea reported a dangerous interception by Chinese aircraft over the Yellow Sea. In early July China launched a ballistic missile from a submarine in the South China Sea over the Philippines and into the South Pacific. And just a day before the punch-up at Second Thomas Shoal, Chinese vessels staged a live-fire exercise in Japan's exclusive economic zone east of the Philippines.

There is a pattern to this uptick in aggressive acts. China began probing American allies soon after a meeting between Presidents Donald Trump and Xi Jinping in Busan in October 2025, escalated its activities in March as America became bogged down in the Persian Gulf, and has gone even further since Mr Trump and Mr Xi held a summit in Beijing in May. "It's a test of how much Washington is going to react and defend its allies in the region," says Huong Le Thu of the International Crisis Group, a think-tank with headquarters in Brussels. Yet over the same period relations between China and America have improved. China, say Asian diplomats, is betting that Mr Trump won't do anything to upset that trend, much less tell China to leave its allies alone.

The incidents range along the so-called "first island chain", the string of archipelagoes stretching from northern Japan through Taiwan to the

Philippines. China has tended to target American allies in turn, but this time the People's Liberation Army seems to be bullying several at once.

The Philippines has come in for the worst treatment so far. Not coincidentally, it is the weakest American ally in the chain and the one to which American commitments have long appeared shakiest. In 2024 Ferdinand Marcos junior, the country's president, said that any loss of life in the South China Sea would be "very, very close to what we would define as an act of war" and that he would expect an American response. But it is doubtful that Donald Trump would honour American commitments as Mr Marcos expects.

The skirmish near Second Thomas Shoal on July 20th was particularly dangerous. The desolate reef has become a flashpoint because of the Sierra Madre, a rusting Philippine navy ship beached there in 1999 as a show of sovereignty. While America is not bound to defend other disputed islets claimed by the Philippines, it has clear obligations under its mutual-defence treaty to protect the Sierra Madre and the small detachment of Philippine marines on board. Some analysts think that China is trying to drive a wedge between America and the Philippines by showing Filipinos that Uncle Sam cannot be trusted to meet those commitments.

The pressure on Australia and Japan has been more carefully calibrated, but no less palpable. China's ballistic-missile test into the South Pacific took place on the day that Australia signed a mutual-defence pact with Fiji. The live-fire drills in Japan's EEZ were preceded in late June by a joint patrol of Chinese and Russian nuclear-capable bombers around Japan; it was the second such flight since Japan's prime minister, Takaichi Sanae, angered China last November by suggesting that Japan may have a role to play in a conflict over Taiwan. China's simultaneous squeeze of American allies in part reflects its perception that America's influence in Asia is waning and its attention is diverted by the war in Iran, reckons Iida Masafumi of the National Institute for Defence Studies in Tokyo, a Ministry of Defence think-tank: "From China's point of view, Donald Trump is digging his own grave."

American forces are hardly absent. Marco Rubio, America's secretary of state, has said that an American coastguard cutter was near enough to

Second Thomas Shoal on July 20th to pick up the two injured Filipinos and ferry them to safety. American officials acknowledge that some units normally based in Asia have been deployed to the Middle East. But at the same time, America's Pacific Command has sent ships, aircraft, troops and missiles westward from bases in America into the first island chain to try to deter Chinese aggression against allies. It has deployed advanced missile systems to both Japan and the Philippines until the end of the summer, and on July 21st Pacific Command released photographs, by then several weeks old, showing the Dark Eagle long-range hypersonic system, the cutting edge of America's missile arsenal, deployed within range of mainland China for the first time.

But this appears not to have deterred China. The problem is not American military capabilities so much as Mr Trump's intentions. At their summit in May, Mr Trump and Mr Xi agreed to uphold what the Chinese side termed "constructive strategic stability". American officials quickly adopted the phrase, too, but have yet to clarify what it means to them. Ms Le Thu of Crisis Group says that China is using military activities to define the words as giving China a bigger sphere of influence. James Char of Nanyang Technological University in Singapore agrees. "The Chinese are trying to normalise these activities," he says, "to tell the world that they have the ability to hurt these countries that are not friendly." ■

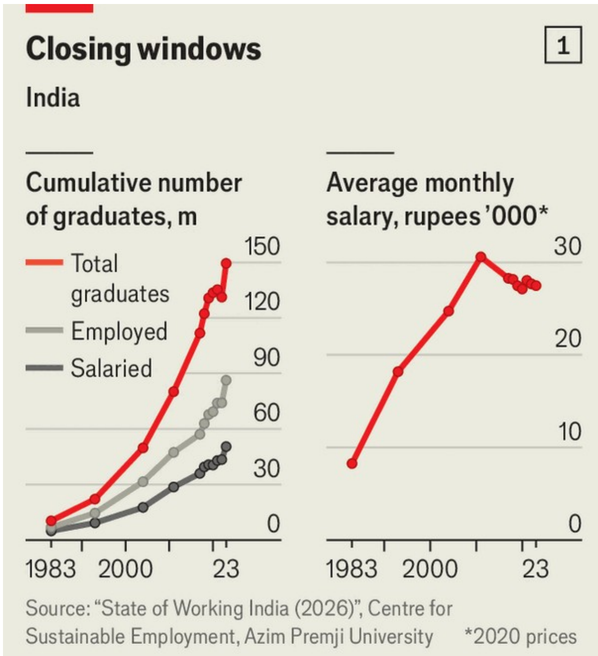
Asia | Not a good job

Behind India's protests is a crisis in the graduate-jobs market

Fixing the exam system will not solve that

Jul 30th 2026

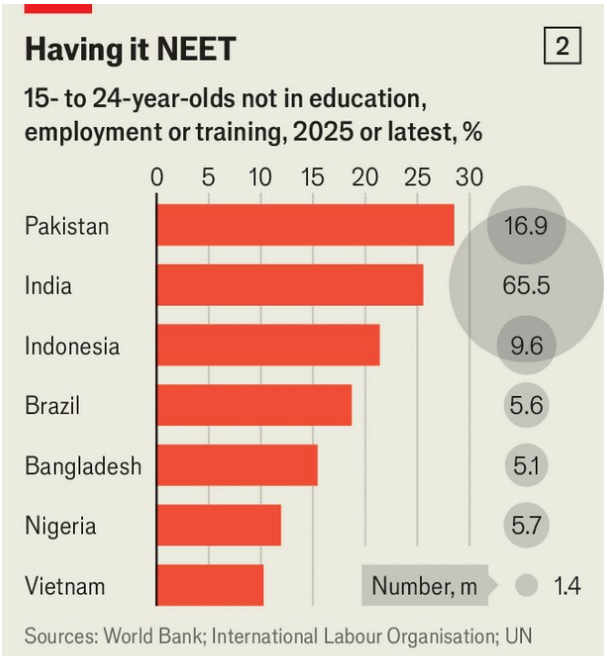
ONE STATISTIC illustrates the frustrations of India's educated young, so vividly expressed on the streets of Delhi and elsewhere in recent weeks. Research by the Azim Premji University in Bangalore shows that each year between 2004 and 2023 roughly 5m graduates were added to the workforce; but the number in employment rose by only about 2.8m. That was not the issue that drew the crowds. But it helps explain why the one that did—the leaking of a public exam paper for graduates—rouses such passions. The youngsters wanted the country's education minister to resign. After weeks of resistance, on July 25th Narendra Modi, the prime minister, caved in and the minister quit.



Millions of young Indians spend years slogging away at tests, in which the odds of success are barely improving. Last year 2.2m students sat the one for medical schools, chasing just 126,600 places. Another exam, for low-level government positions, drew some 2.8m applicants for about 15,000 posts. The leaks of important exams are affecting more and more young people. Since 2016 there have been at least 80, involving more than 20m students, estimates Sujay Nadkarni, a data analyst. The government has announced—not for the first time—moves to clean up the exam system.

Even more than the leaks, it is exams' growing and enduring importance that should worry policymakers. Young Indians persist in trying to win in this rickety system because the alternative—finding a job in the market—is even harder. Of the young people who report themselves unemployed, fewer than 7% of graduates find permanent salaried work within a year.

All of this threatens the compact that has long underpinned Indian society: study, and success will follow. Education-fuelled aspirations have pushed enrolment in tertiary education to 30% of 18- to 23-year-olds, while the number of higher-education institutions has grown from 6,000 to around 70,000 in the span of 30 years, thanks to a boom in private education.



Yet economists worry that around 45% of Indian graduates have degrees in arts or commerce rather than, say, engineering or medicine. A report by a business body in 2024 estimated that only 55% of India's graduates were employable. Industrial training institutes provide vocational training. But researchers at Azim Premji University found that their locations are poorly related to where manufacturing firms are. And more serious than the availability of qualified workers is the shortage of jobs. Between 2021 and 2024, India added 83m, but around half were on farms. India's factories and offices are not employing enough labour—graduates or not.

India is not alone in facing these issues. Youth unemployment is high across South and South-East Asia. China is grappling with a graduate glut. But India's youth cohort (those aged 15 to 29) is the world's largest, at around 370m, and is expected to keep growing until 2030 at least. Absorbing this labour force is a formidable economic challenge. As this summer has shown, it is a political one, too. ■

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Asia | Youthful stirrings

Japanese politics is becoming less of a turn-off for the young

Social-media-savvy politicians are drawing them in

Jul 30th 2026

KOSHIYAMA RYOTARO, a 33-year-old in Hokkaido, northern Japan, used to pay little heed to politics. But a few years ago he discovered a reformist mayor in western Japan who live-streamed his council meetings on YouTube. Mr Koshiyama learnt video-editing and posted clips of parliamentary debates and rallies, hoping "to show people how interesting politics is".

Mr Koshiyama is part of a broader shift. Thanks to younger, social-media-savvy politicians, disengaged younger Japanese are taking more interest in politics. In last year's upper-house election—when upstart parties of various stripes made striking gains—turnout among 18- and 19-year-olds rose from

35% in 2022 to 45%; among those in their 20s and 30s, it jumped by more than ten percentage points; the trend continued at the lower-house election in February. The Liberal Democratic Party (LDP) still dominates. But the young are transforming politics, making it more volatile and more competitive.

Japan's political system has long seemed ossified. Like many other countries, it was shaken by a wave of leftist student demonstrations in the 1960s and 1970s. But then apathy set in. Today, pensioners are more likely to join protests than students are. Voter turnout languishes at around 50% across all age groups, and is at 30% or so for those in their 20s.

Young voters have suffered a sense of “powerlessness”, observes Hata Masaki of Osaka University of Economics. At the ballot box they were outnumbered by the old, and few politicians seemed to represent their interests or understand their habits. Though online campaigning has been legal since 2013, politicians still relied on old-school methods—shouting from loudspeaker lorries and shaking hands.

But recently a more entrepreneurial, meme-driven form of politics has emerged. In 2024 Ishimaru Shinji, a little-known former mayor of a small town in Hiroshima (Mr Koshiyama, the YouTuber, is a fan), achieved a stunning second place in a Tokyo gubernatorial race, mobilising young voters through YouTube and TikTok and promising to oust power-hungry politicians. (He has since appeared in a reality-TV dating show.)

That autumn the Democratic Party for the People, a new party, quadrupled to 28 its number of seats in the lower house of parliament; its promise to increase take-home pay by cutting social-insurance premiums resonated with young people squeezed by stagnant wages. In last year’s upper-house election, a populist-right party, Sanseito (”Do It Yourself”), gained ground, while Team Mirai (”Future”), a techno-optimist party that embraces AI, broke through in lower-house elections.

Takaichi Sanae, the country’s first female prime minister, has proved well-suited to the online age. Before she took office in October, the ruling LDP was in deep crisis after a series of scandals. But she led it to a historic landslide in February’s election—though her previously sky-high approval ratings have started to dip. “Most of my friends thought: ‘Wow! She seems different, she might be able to do something for us’,” explains Ichisawa Konagi, a 21-year-old in Tokyo, though she adds that many of her friends would struggle to explain any of Ms Takaichi’s policies.

The danger is that online campaigning encourages politicians to become more provocative in their hunt for clicks and views. Sanseito, which ran on an anti-immigrant platform, has managed to win over many young voters. Tamekuri Masaya, a 34-year-old supporter in Imabari in the west of Japan, feels the country is “getting invaded”. Distrusting mainstream media, he gets his news online. Masuo Hiroshi, who makes money posting political videos on YouTube, says he gets more views when he flatters right-leaning politicians and mocks liberals and leftists. Furuya Tsunehira, a commentator, reckons that a small network of right-wing users sets the tone for a far larger audience with no strong views of their own. Some pundits liken youngsters’ political engagement to “oshikatsu”, a term used for pop-idol fandom.

Younger Japanese are likely to support socially progressive values, but not to vote for leftist politicians espousing such policies. They have grown up wary of bellicose neighbours such as North Korea and China. The left’s opposition to military spending and its decades-long insistence on preserving Japan’s pacifist constitution feel out of touch, observes Murohashi Yuki of the Japan Youth Council, a pressure group. The same is true of nuclear power: many young people take a pragmatic view and favour restarting plants shut down after the Fukushima disaster in 2011; older progressives still staunchly oppose this.

“Young people are not necessarily shifting to the right,” says Mr Murohashi, “but they are becoming more realistic.” Dismissing their political engagement as mere fandom may be missing the point. ■

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Asia | No small beer

Beerlao: probably the most important lager in the world

Its country's economy depends on it

Jul 30th 2026

BUT FOR a few crumbling villas, little French influence survives in Laos nearly 73 years after the end of colonial rule. It is China that shapes the fortunes of its poor and landlocked southern neighbour. But one French legacy lingers. In 1973 French and Lao businessmen founded a joint venture, Brasseries et Glacières du Laos. Now called the Lao Brewery Company (LBC), it sits in a different joint venture, between the state and Carlsberg, a Danish giant. Its signature product, Beerlao, probably matters more to its home country than any other beer in the world.

Beerlao is everywhere in Laos. Its branding is emblazoned on T-shirts and billboards. A marketing campaign fusing the drink with national identity

("Be Lao") has helped, as has Laotians' prodigious thirst for beer. Kirin, a Japanese brewer, puts this at 55 litres per person a year, more than in any other Asian country. Nearly 90% of that is Beerlao, says Carlsberg, for which Laos, with just 7.9m people, is the second-biggest Asian market after China.

Its success is not a mystery. European malt and hops are combined with locally grown jasmine rice, making a light, faintly sweet lager (often drunk with ice by locals). It wins international awards, too, and on travel forums backpackers swear by it, loving both the taste and the price—a 640ml bottle costs around 20,000 kip ($0.90).

In 2024 sales of the stuff amounted to $600m, equivalent to some 3.5% of the country's GDP. That year LBC also paid 5.1trn kip ($240m) in taxes, a third more than the year before, making it comfortably the country's largest taxpayer. Exports to the Asian region are growing.

Yet celebrating Beerlao leaves a hangover. Its success reflects the economy's moribund state. One-party rule has failed to kick-start other industries; the thriving ones—hydropower and mining—create too few jobs. LBC should be a model for others, argues Phouphet Kyophilavong of the National University of Laos, of how foreign investment can boost the economy. But for now LBC is drinking alone. ■

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Asia | Ashoka

Narendra Modi is on a quest to regain his aura

What India's government learnt from recent student protests

Jul 30th 2026

TWO YEARS ago the Indian electorate handed a shock result to Narendra Modi. His Bharatiya Janata Party (BJP) had predicted a supermajority. Voters deprived it even of a simple majority and forced it into a coalition. Mr Modi's "aura of invincibility" had been lost, crowed commentators. Yet the party soon earned it back by flattening rivals in most state elections that followed.

A similar triumphalism is in the air among Mr Modi's critics now. Student protests in Delhi and elsewhere culminated on July 25th with the resignation of Dharmendra Pradhan, the education minister. Crucial exam papers had leaked repeatedly. The annual medical-college entrance test was compromised this May for the second time in three years. In most democracies a ministerial resignation for outright incompetence is embarrassing, but unexceptional. For Mr Modi's government, which has made it a point of principle never to succumb to pressure, it is extraordinary. That trope about a lost aura of invincibility is doing the rounds again. Will it prove more accurate this time?

The BJP is not a party that smiles magnanimously in the face of defeat. The lesson Mr Modi and his party took from their setback in 2024 was to double down on their strengths. The BJP boosted its grassroots organisation, it splurged more on welfare, and its dirty-tricks department found novel ways to hobble the opposition. Yet recovering its swagger after the government's first forced resignation in its 12 years in power is a different challenge from asserting itself at the polling booth.

Mr Modi has in recent days strived to show that he is a responsive leader. He transferred the senior bureaucrat in the higher education department and fired 47 officials from the national testing body. His government introduced a bill promising harsher punishment for leakers and fast-track courts to prosecute them. He announced a "high-powered task-force" to reform the testing regime. Yet beyond immediate damage control, little suggests a government deep in the throes of introspection. Its actions—such as continuing to pursue action against protesters despite promising not to—point to a strategy of quadrupling down on its never-apologise-never-explain instincts.

Start with Mr Pradhan himself. His resignation letter portrays its author as the hapless victim of external forces. "Irregularities came to light" after the recent exam. Baddies "attempted to create obstacles and mislead students". But he resigned anyway, to fend off "anti-national forces". Allies gave the martyred minister a hero's welcome in parliament two days later. "It happens," an opposition leader said in sympathy. "Nothing happened," Mr Pradhan shot back.

Mr Modi's plans to fix the system are also more show than substance. The "high-powered task-force" is a sequel to a "high-level committee" set up in 2024 after the same exam sprang leaks. The bill promising harsher penalties is a cover version of a 2024 law. The education ministry has been thrust upon a man already responsible for renewable energy, consumer affairs, food and public distribution. Nothing says “top priority” like extreme multitasking.

It is in its desire to clamp down on free speech that Mr Modi’s party is most itself. The government initially blocked the protest movement’s X account in May. It then blocked mobile internet around the protest area in central Delhi for several days, as well as a peer-to-peer messaging app. It told social-media networks to take down anti-Modi posts. A parliamentary committee has called a meeting with the main platforms to discuss, among other things, how to ensure “the government’s public order”.

There is, however, one new move in the government’s response. It has realised that Instagram, where the protest movement gathered momentum, is the dominant social-media network of the day. On July 23rd Mr Modi posted his first-ever reel, or short-form video, on the platform. As Indians made mocking memes of the video, pliant media boasted that it had set “a new world record for the most views [of] an Instagram Reel within 24 hours”. Mr Modi has instructed ministers to enhance their presence on the platform. The party wheeled out a 42-year-old MP to give a speech to parliament in which she “borrowed Gen Z language” to say that Mr Modi “clocked” the problem. Young people describe the act of putting visible effort into appearing cool on social media as “aura farming”. It is a guaranteed way to have no aura at all.■

China

- China’s mightiest river is coming back from the brink
- Xi Jinping, pioneering venture capitalist
- The curious, never-ending crackdown on Hong Kong’s booksellers
- Sex, blood and Communist Party virtues

China | The mother river

China’s mightiest river is coming back from the brink

But eco-authoritarianism is not all roses

Jul 30th 2026

THE MIGHTY Yangzi, running 6,300km from the Tibetan plateau to Shanghai, is sometimes known as China’s “mother river”. Yet it was not always treated with much respect. Sewage and industrial waste were poured into its waters. Millions of tonnes of fish were dragged out. Mega-dams clogged up its channels. It was all too much for some of the Yangzi’s most wondrous inhabitants. The baiji, a white-bellied, nearly sightless dolphin, is probably extinct; so is the gigantic, sword-nosed paddlefish. But not all the damage is permanent. Asia’s longest river is now making a remarkable comeback.

Sweeping protection measures in place since 2021 seem to be aiding a recovery. Fish biomass (the estimated total weight of all the fish in the river) has risen by over 200% since then, after seven decades of decline, according to a study released in February by researchers in China, Canada, America and France. In April other scientists witnessed a rare type of sturgeon breeding in the wild for the first time in two decades. Another study published in July found that a significantly greater proportion of fish in the river were reaching sexual maturity, good news for the prospects of the next generation. The latest government figures, meanwhile, say over 1,400 finless porpoises—a chubby, snub-nosed relative of the baiji that locals call a "river pig"—now live in the river's basin, up from a low of 1,000 in 2017.

The Chinese Communist Party, once famous for pillaging from the natural world, has set to protecting parts of it. State-run media claim China is now a "global biodiversity champion". At least in the case of the Yangzi, the results have been impressive. The river's rapid turnaround might offer lessons for other ravaged watercourses, such as the Mekong in South-East Asia. But China's "eco-authoritarian" approach—top-down and intolerant of resistance—deserves scrutiny before being imitated. The government does not listen to the people that its environmental policies harm. And sometimes it does not listen to environmentalists, either.

The heart of the Yangzi's rescue package was a ten-year commercial fishing ban on the river, its major tributaries and the vast lakes in its basin. In the 1950s over 400,000 tonnes of fish were taken from the river every year; though by the time the ban came into force in 2021 the catch had fallen to less than 100,000 tonnes. River patrols, drones, surveillance cameras and tough fines help enforce the ban. Xi Jinping, China's supreme leader, personally champions it, and in recent years local officials' promotion prospects have been tied to environmental metrics. Some illegal fishing still occurs, but it appears to be relatively small-scale and diminishing; last year the number of related criminal cases fell by 40% from 2024.

At the same time the Yangzi's waters have become cleaner. Officials closed or relocated thousands of chemical factories near its banks. They planted forests on its upper reaches to bind the soil together, so less slipped into the water. And they "spongified" many cities in the river's basin by adding artificial wetlands, permeable surfaces and greenery to absorb more rainfall. That reduced flooding and helped clean stormwater before it entered the river. All this has made the waterway more hospitable to wildlife.

The Yangzi's initial recovery is testimony to China's "immense" ability to concentrate state resources on environmental problems, says Wang Limin, a veteran Chinese conservationist. He is encouraged most by the rise in the finless porpoise population because, as an "indicator species" and top predator, the porpoise is a sensitive measure of the health of the overall ecosystem. It is also cute enough to attract lots of public attention. Mr Wang hopes the tale of the Yangzi's decline and rebound will make the Chinese people more environmentally aware.

Even so, the human cost of the Yangzi's recovery has been substantial. Some 230,000 fishermen lost their jobs and their boats, which were destroyed or confiscated. According to China's state-run media, they were given compensation, were retrained and in some cases found new jobs that were better paid than their old ones. But a visit to former fishing communities paints a different picture.

Jinxian county is on the banks of Junshan lake, south of the Yangzi's main channel. Locals reckon that only one in five fishermen got compensation for the loss of their livelihood, and even that was far less than they used to earn.

Most had to leave to work as migrant labourers in big cities. “No one listens to the common people. The government decided everything. You can’t argue with them,” says one bitter former fisherwoman who now runs a restaurant. A propaganda sign nearby offers cold comfort: “Ban fishing together; move forward together.”

At a village down the road Mr Zhang, shirtless in the stifling heat, points to the dock where his boat used to be moored, now overgrown with weeds. He once enjoyed the best fishing on the lake, he sighs. Encouraged by the government, he has raised swamp eels, a local delicacy, in ponds since the ban. But unlike fishing, aquaculture requires big investments that can go sour if demand slumps. “Everyone’s losing money this year,” he says.

China’s approach to biodiversity also suffers from some blind spots. Ever since the 1950s the government has had a love of dams, to control floods and generate hydroelectricity. A dozen gigantic ones have been built on the Yangzi, including the Three Gorges dam, the world’s largest, as well as thousands of smaller ones elsewhere in the river’s basin. They may have done as much damage to the river’s wildlife as fishing, because dams stop fish migrating up or downstream to spawn.

China continues to set out big targets for more dams. “The hydropower industry has really got a pass. Everybody else has stepped up, and nothing has changed with respect to hydropower,” says Steven Cooke of Carleton University in Ottawa, a co-author of the February paper. Unless dams are removed, or re-engineered to add channels for fish, all this infrastructure will limit the river’s further recovery.

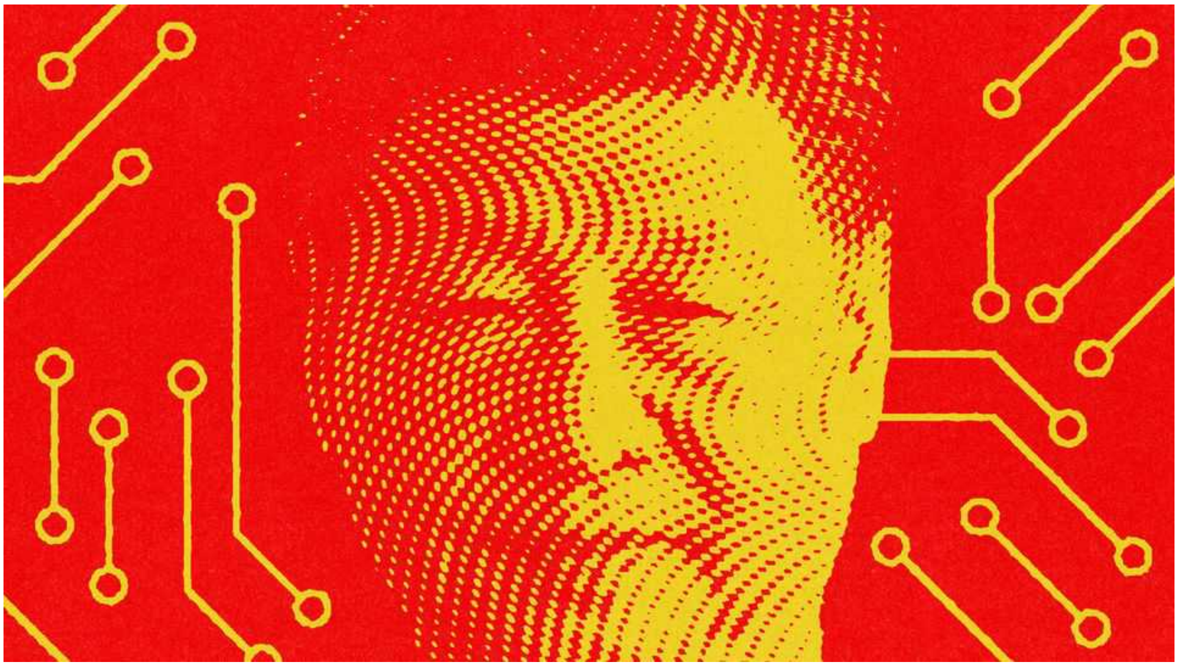
Perhaps the most controversial current project in the river’s basin is a proposed 3km-wide dam to be built between Poyang, the country’s largest freshwater lake, and the Yangzi. China’s government says it will help control the lake’s water level in the dry season. But many fear it will destroy the habitat of migratory birds and finless porpoises. Earlier this year authorities approved the dam’s construction. For environmentalists, as for the Yangzi’s fishermen, the state is an unreliable ally. ■

world.

China | Power law

Xi Jinping, pioneering venture capitalist

CXMT's monster initial public offering is a money-maker for the state. Its success may not be repeated



Jul 30th 2026

When CXMT listed on July 27th, China's government had what Silicon Valley types call "a sudden wealth event". The computer-memory chipmaker raised 57.9bn yuan ($8.6bn) at 8.66 yuan a share in a blockbuster initial public offering. Shares in CXMT closed trading on Shanghai's STAR Market at 49 yuan, an increase of 466%, valuing the firm at 3.3trn yuan. That makes CXMT China's most valuable mainland-listed company. Good news for CXMT's largest equity owner—and its earliest investor: the Chinese government.

Xi Jinping, China's president, has emerged in recent years as the country's top venture capitalist (VC). He has bet big on China becoming a high-tech powerhouse, pouring state cash into green energy, electric vehicles and semiconductor manufacturing. His administration has backed firms making batteries, drones and even flying cars. By late 2024 his government had pledged some 12trn yuan across more than 2,000 state-backed funds. He is credited with steely patience and impressive foresight: the first big infusions of cash into China's innovation machine happened a decade ago, about as long as the life cycle of a typical VC fund.

CXMT is his most successful bet yet. It was co-founded by the government in 2016 as a product of the so-called Hefei model, named after the eastern Chinese city where it was developed. Under the model, the state becomes an early-stage equity partner in strategic tech businesses rather than picking winners among existing firms. Such investments are remaking China's economy: before this week the most valuable mainland-listed firm was a stodgy bank. They are also part of a state effort to erode foreign dominance in high-tech sectors and make China more self-reliant.

Indeed, CXMT is challenging a small group of leading foreign firms. Together Micron, SK Hynix and Samsung account for about 90% of the global market for DRAM, the memory used in smartphones and laptops. Each has surpassed $1trn in market capitalisation this year owing to insatiable demand from AI companies. CXMT broke into the industry in 2019 when it licensed memory patents from a failed German company. For now, the firm supplies only 8% of the DRAM market, but its share looks set to grow.

The state is also reaping a vast financial windfall. According to our analysis of IPO documents filed with the STAR Market, helped by AI tools, some 15 state-linked investors directly owned 36% of the firm. The government's exposure is higher if you include state holdings in private funds. The direct holdings amount to a position worth 1.1trn yuan on paper after dilution, and using basic assumptions probably represent a return of more than 40 times on invested capital. One of CXMT's earliest state backers, ChangXin Integrated, has shares worth 345bn yuan. Any Silicon Valley VC would be delighted with such returns.

But CXMT is only one of the government's bets, and others are going less well. Elsewhere in its portfolio, the state finds itself without an exit strategy.

It became a VC of last resort in recent years as private funds pulled back following a political crackdown on the tech sector starting in 2020. Government investors supplied nine-tenths of the capital committed to private-equity markets last year, according to Zerone, a Chinese data provider. The scale of its funds suggests the state will need more CXMTs to cover failed bets elsewhere.

Such funds are also prone to corruption. In 2022 police accused officials in charge of China's main semiconductor fund, worth 343bn yuan, of pilfering state assets; its disbursements had to be paused. Corruption makes even squeaky-clean officials difficult owners. Losing money on a reasonable investment leaves them vulnerable to claims of impropriety—leading them to treat equity investments more like loans, including by imposing onerous conditions on startup founders.

Even if China VC had more star firms and less graft, it lacks buyers with deep pockets. Private investors may not have the funds to buy successful firms from the government. In the month prior to CXMT's IPO the STAR 50 Index had fallen by 16%, prompting concern that investors were pulling out cash to buy the chipmaker's stock. CXMT's largest investors, including state funds, face a three-year wait before they can offload their shares. Fortunately for Mr Xi, like many VCs, he gets to mark the value of his own portfolio assets. And they will presumably be scored on political benchmarks, not financial ones. ■

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China | Reading between the red lines

The curious, never-ending crackdown on Hong Kong’s booksellers

A case of national-security theatre

Jul 30th 2026

Evidently the officers in charge of the raid had not expected such a big haul, or they would have brought more bins. The last of it had to be carried out in a suitcase. After the contraband came the suspect: a bespectacled woman, with a T-shirt printed “I am a bookstore employee”.

The raid on “Have a Nice Stay”, a bookstore in Hong Kong’s trendy Mong Kok district, on July 15th was part of the Hong Kong government’s campaign against retailers of the printed word. Since passing a draconian national-security law in 2020 authorities have gone after shops selling “seditious” texts. This was not even the day’s first operation. Outside the half-closed shutter of the nearby Greenfield bookstore, two plainclothes police officers brusquely told your correspondent to shove off. At least 11 booksellers have been arrested this year.

The government's heavy-handed approach is puzzling. Any real danger from controversial texts is surely online, where they may be easily shared. And raiding bookshops looks patently repressive, especially to people in Taiwan who watch Hong Kong to see what Chinese rule might be like. Lam Wing-kee, an early casualty of the war on booksellers, died there on July 2nd. Why this archaic obsession with bookshops?

It is not to keep provocative titles out of eager readers' hands. The government will not say what is forbidden, so booksellers cannot know what not to stock. The day before the raids "Have a Nice Stay" said it was closing, as it could not navigate the government's "unclear red lines". The police's enormous haul suggests they might not know where the lines are either.

Rather, the war against words is theatre performed for three audiences. The first is the bookshops and their clientele. Many of them opened after the pro-democracy protests in 2019 that led to the national-security law. Some held related events or sold aides-mémoire with slogans from the demonstrations. Authorities want to "suppress the collective memory of what happened" and punish book pedlars for "not shutting up", says Albert Wan, who closed his shop, Bleak House Books, in 2021.

The second audience is ordinary Hong Kongers, says Bao Pu, a publisher whose history books were shunned on the mainland but stocked by Greenfield. It is an "exercise of hard power", he says, targeting not books, but resistance. The raids send a message "that these are the bad guys".

The third is the boss. The police seem eager to justify the HK$18bn ($2.3bn) spent on national security since the law passed. And Hong Kong authorities want to please a watchful China. Wang Zhenmin, the former legal chief of China's Hong Kong liaison office and an influential voice, said on July 14th that national-security risks were "rising significantly" and urged stronger "enforcement mechanisms". Hong Kong's national-security theatre may be on show for some time yet. ■

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China | Taming Tarantino

Sex, blood and Communist Party virtues

A gory film tests prudish government censors

Jul 30th 2026

"Kill Bill" is among the most violent works in the bloodsoaked filmography of Quentin Tarantino. When the two volumes of the film are combined they form a four-and-a-half-hour gore-fest known collectively as "The Whole Bloody Affair". The compilation has been hitting silver screens around the world this year and in August will be aired in China, where violence, cursing and sex are thoroughly scrubbed from all forms of entertainment.

Mr Tarantino's style seems like a bad fit for China, or at least for the Communist Party. The China Film Administration (CFA), part of the party's propaganda department, regularly blocks the release of steamy films. Only one of Mr Tarantino's flicks has made it to Chinese cinemas: "Django Unchained" in 2013. But its opening was abruptly cancelled; it was released a month later, more heavily censored. Another, “Once Upon a Time in Hollywood”, was approved, then cancelled for unclear reasons.

Fans have been thrilled by the approval of “The Whole Bloody Affair” but also curious about what they will not see. China does not have a content-rating system. The party’s longstanding policy on entertainment is that all content must be wholesome enough for universal consumption. (A four-year-old and a 40-year-old should be able to enjoy all the same films, thinks the party.) The CFA has therefore become adept at purging provocative elements from Western cinema by cutting sex and violence, digitally adding clothing to nudes and zooming in during tricky scenes to crop out all it deems improper.

Whether the decapitations and eye-gougings in the upcoming release can be cut and still keep the plotline intact is anyone’s guess. Local film buffs also wonder if screening racier films this year is a response to dismal box-offices. Sales in the first half of 2026 dived by two-fifths on the same period last year, the lowest in a decade (excluding 2020 and 2022, when most theatres were closed due to covid-19). More than 550 cinemas closed in the first four months of the year. The release of Mr Tarantino’s picture along with a horror film called “Obsession”, which opened on July 24th, might be an attempt to boost audiences.

It is far from certain this will work. Insiders have long believed it will take a real rating system to protect kids while also giving grown-ups the blood and sex they want. For now the party seems unwilling to budge. If its censors can turn “The Whole Bloody Affair” into a film the whole family can enjoy, perhaps they are deserving of an Oscar. ■

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United States

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United States | After-effects

The anti-abortion crusade's new fight

With legal abortions on the rise, an aggressive battle is beginning

Jul 30th 2026

ANTI-ABORTION ACTIVISTS once longed for the circumstances of 2026. Republicans control the Senate, House and White House. The Supreme Court is controlled by conservative justices and has overturned Roe v Wade, which had enshrined the right to abortion. Yet there are now more abortions in America than when Roe stood, as a rising number of women have abortions by pills received by post. Allowing women to choose an abortion, particularly early in a pregnancy, is consistently popular with voters.

For those defending the right to an abortion, this is an unexpected success. For those who want to end abortion, it is inspiring a new fight. Lawyers are seeking to block access to abortion pills by post. Some politicians want to criminalise the women who take them, breaking a long-standing taboo for a movement once eager to win broad support. That it is now being meaningfully debated shows the depth of frustration with the status quo.

Abortion pills are "the biggest front for the pro-life community", says Erik Baptist of the Alliance Defending Freedom, a law firm which helped argue the case that overturned Roe. Approved in 2000, the pills are used to end a pregnancy within its first ten weeks. Their use climbed rapidly after rules for their administration at home were eased during the covid pandemic.

Four years ago, in the wake of the ruling overturning Roe, Massachusetts passed the first so-called telemedicine "shield" law, which gave providers of abortion pills in states without bans protection from criminal and civil charges. Seven states have followed. According to data from the Society of Family Planning, a non-profit group, by December 2025 almost 15,000 abortions were provided each month under shield laws. "In pro-life states such as Louisiana," complains Mr Baptist, "they're encountering 800 to 900 abortions each month, when that number should be zero."

So far legal challenges have been slow to progress. Louisiana has tried to extradite doctors from New York and California, but both requests have been blocked by the states' Democratic governors, who refused to sign warrants. Ken Paxton, Texas's attorney-general, who is running for the Senate, also sued a New York doctor, unsuccessfully. Although a case against shield laws is expected to escalate eventually to the Supreme Court, "some of [the cases] have just been caught in the traps that shield law has designed," says Greer Donley, a professor at the University of Pittsburgh and one of the "proud" architects of the laws. For example, the constitution's extradition clause was written to apply to fugitives who fled from one state to another, not to a local travelling no further than a nearby post office.

Some anti-abortion activists are concluding that it may prove faster and more effective to go after the medicines directly. In 2025 Louisiana sued the Food and Drug Administration (FDA), claiming it was reckless when it allowed mifepristone, one of the two drugs used in a medical abortion, to be dispensed remotely. A federal appeals court will hear the case in September.

In the meantime, campaigners want the White House to help. After much delay, the FDA is directly reviewing mifepristone's safety record (complications requiring hospital admission have occurred in 0.3-0.9% of cases). Even if remote mifepristone were unavailable, doctors could still prescribe misoprostol, approved for treating ulcers and whose use for abortion is hard to restrict. Results from clinical studies vary, but misoprostol seems only marginally less effective at ending a pregnancy. It is, however, more likely to cause side-effects, such as pain and bleeding.

The White House could do more. Todd Blanche, the nominee for attorney-general, has agreed to consider enforcing the Comstock Act, an old anti-obscenity law, to ban the posting of any abortifacients. But the administration may not act. The “big surprise about Trump 2.0,” observes Ms Donley, “is that it seems like he actually meant what he said on the campaign trail”, that he would leave abortion policy to states. This has disappointed many anti-abortion advocates, who have vowed to back candidates who want more forceful action.

Having failed to choke off supply, parts of the anti-abortion movement are turning to demand. “The woman is now the only actor here,” says Mark Corral, an anti-abortion activist in South Carolina. “Who else are you going to hold accountable?” Richard Cash, a Republican state senator there, would ban abortion from conception; women who abort would face up to two years in prison. His proposal cleared the state’s Senate health committee and will come up for a broader vote next year. He would prefer to treat abortion as homicide, carrying the death penalty, but he acknowledges that is politically infeasible for now. “A law without a penalty is just a suggestion,” he explains.

Other radical ideas are gaining traction, even if they are further from the finish line. Abortion “abolitionists” are advocating for “equal protection” bills to give a fetus the same constitutional rights as a person under the 14th Amendment. According to the Foundation to Abolish Abortion, an advocacy group, in 2024 ten such bills were introduced in eight states, backed by 58 lawmakers. This year that rose to 16 bills in 13 states with 130 sponsors. In Oklahoma and Idaho, a third of state senators signed on. In June, Texas Republicans adopted language in their official party platform to give fetuses equal-protection rights, and called for repealing provisions giving immunity from prosecution for abortions.

As politicians debate new laws, a few prosecutors are testing the limits of existing ones. In January, a woman in Kentucky who took abortion pills and buried her fetus was charged with homicide, abuse of a corpse and evidence tampering. Two months later, prosecutors charged a Georgia woman who miscarried in hospital with murder, citing an account that she told nurses she took mifepristone. According to Pregnancy Justice, a non-profit, nine women have faced charges of this sort since Roe was overturned. Some cases have been dropped; others are still pending.

The rise of abolitionism has exposed a generational divide. For decades, pro-lifers built their movement around the idea of "loving them both", the mother and unborn baby. Those advocates now argue that criminalising women would squander their political progress. "It would cause us to lose ground with voters," says Amy O'Donnell of Texas Alliance for Life, one of the state's largest anti-abortion groups.

Bradley Pierce, the abolitionists' most influential activist, reckons Christians are hungry for something that works. "We need to love our pre-born neighbours more than we love a seat at the table," he says. "And we need to fear God more than we fear the Democrats."■

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United States | Friends, for now

Donald Trump is warming to Volodymyr Zelensky

The man with "no cards" plays a deft hand

Jul 30th 2026

It was not long ago that America's relationship with Ukraine seemed irreversibly shattered. But on July 28th the Senate voted, 86 to 12, to advance a bill that would impose sanctions on Russia and let the president place steep tariffs on the main importers of its oil and gas. "This piece of legislation may have more effect than anything that's done on the battlefield," exulted James Risch, a Republican senator, somewhat implausibly. He credited Donald Trump for the vote's success.

It is the latest example of thawing relations between American and Ukrainian leaders. Hours before the vote, Mr Trump hosted Volodymyr Zelensky at the White House. "The meeting went very well!", the president later posted on Truth Social. It is a remarkable turnaround since their bust-up in the Oval Office last year, which was preceded by Mr Trump calling the Ukrainian president a “dictator”. Mr Trump’s warming to Mr Zelensky owes much to Ukraine’s military prowess, as well as his frustration with Russia. The death of Lindsey Graham, a senator and champion of Ukraine whose funeral in Washington took place on the day of Mr Zelensky’s meeting, also seems to have tipped some Republicans off the fence.

Since the war began in February 2022, America has provided over $130bn in direct aid to Ukraine, including $74bn in military equipment and support, according to figures from the Kiel Institute, a think-tank. But in Mr Trump’s second term, there has been no significant legislation or authorisation of help for Ukraine. Though a chunk of aid appropriated during Joe Biden’s presidency remains in the pipeline, Trump officials have already twice paused deliveries of weapons temporarily.

Mr Trump’s newfound friendliness towards Mr Zelensky, according to those watching from the Capitol, seems to reflect growing respect for Ukraine’s military capabilities. Mr Trump has been wowed by Ukraine’s long-range drone strikes, which have reached deep inside Russia. “It’s an escalation, but it’s also an escalation that can help lead to an end,” Mr Trump mused at NATO’s summit in Ankara on July 8th. Ukraine’s ability to build many of its own weapons, and thus reduce its dependency on America, has also helped. The relationship “feels stronger at the moment because the Ukrainians are, in many ways, driving their own success”, points out Heather Conley of the American Enterprise Institute, a conservative think-tank.

Eager to learn from Ukraine’s drone whizzes, America has recently stepped up defence-industrial co-operation. That includes setting up a new factory in America that will churn out drones built from Ukrainian blueprints. Mr Zelensky, for his part, lobbied Mr Trump for more Patriot air-defence interceptors. The two sides have agreed on a licensing deal, though it could take years for production to begin.

It is no coincidence that Mr Trump’s new friendliness towards Ukraine coincides with decidedly chillier relations with Russia. “I think he is beginning to realise, or has already realised, that Putin just lies to him,” says Kurt Volker, a former special representative for Ukraine during the president’s first term. Laura Loomer, an influential MAGA activist and former critic of Ukraine, recently visited the country and now admits she was “bamboozled by Russian propaganda”. Ms Loomer is urging Mr Trump to back Ukraine.

If the meeting in Washington was a success, the next steps in Ukraine are murkier. Ukraine faces the prospect of a rough winter as Russian missiles and drones continue to pound its cities. Peace negotiations are moribund. Two of Mr Trump’s envoys, Steve Witkoff and Jared Kushner, are expected to travel to Kyiv soon for the first time to revive talks, but the chance of progress is slim.

Senate Republicans hope that the sanctions bill will bring Russia back to the negotiating table, but there are obstacles here, too. The bill still faces a vote in the House, where scepticism of Ukraine is stronger among Republicans and where Democrats fear it will give the mercurial Mr Trump even greater power over tariffs. Indeed even if Congress passes the bill, Mr Trump may be wary of imposing tariffs that could raise Americans’ prices at the pump. Nevertheless, for a man who was once told by Mr Trump that he had “no cards”, Mr Zelensky appears to have played a deft hand in Washington. ■

United States | With friends like these

How to turn solutions into problems

Lessons from a fight over a bridge between America and Canada

Jul 30th 2026

In hockey, to achieve a Gordie Howe hat-trick is to score a goal, record an assist and get into a fight, all in a single game. Over some 14 years, Canada and America endured a similar combination of glory, co-operation and conflict in building a bridge named after the Canadian legend.

The fight happened to break out when Donald Trump entered the arena. Earlier this year the president lambasted Canada and threatened to block the bridge, delaying it by months. It is one of myriad fights that Mr Trump has picked in his second term, exerting pressure on everything from universities to law firms to trading partners such as Canada that, until recently, would have been considered America's closest allies. The Gordie Howe opened, at last, on July 27th. But, a year and a half into Mr Trump's campaign of skirmishes, the bridge is a neat parable of how trifling some of these efforts have proved to be.

It should instead have been a case study in mutual benefit. For decades there had been only one bridge, the privately owned Ambassador, spanning the stretch of the Detroit river that separates the city from Windsor, Ontario. The bridge has been among the busiest in the Canadian-American trade corridor, handling about a quarter of the countries' freight trade by lorry. So in 2012, Canada and Michigan agreed to co-own a second bridge, to ease traffic and charge cheaper tolls. Canada would pay for construction and keep toll profits until it recouped its costs. "This is one of those situations where you should just be happy," said Rick Snyder, Michigan's Republican governor at the time.

After covid-related delays, the bridge was slated to open early this year. Then, in February, Mr Trump threatened to block the opening until America received a 50% ownership stake and Canada "compensated" its neighbour for alleged trade violations. More narrowly, he also appears to have been lobbied by Matthew Moroun, who owns the Ambassador bridge and who had given $1m to a MAGA super political-action committee. Democrats in Congress launched an inquiry, to which Mr Moroun did not respond.

A planned opening in June was cancelled. In mid-July the countries announced they had struck a new "agreement in principle". Canada would give an American fund 50% of net profits, minus undefined "operating costs", over 15 years. But any profits will take years to materialise. The new deal is "a face-saving exit" for the Trump administration, says Christopher Sands of Johns Hopkins University.

It is unclear what has been gained from this spat. It imposed real costs on companies seeking transport between Canada and America, as well as on Canada's bridge authority, of $6m-7m a week since February, according to the Anderson Economic Group, a consultancy. Talks over a renewed trade deal with Canada continue, with Mr Trump using the threat of new tariffs to try to win concessions. But the bridge fight is over, and may not make Mark Carney, Canada's prime minister, more inclined to accept Mr Trump's terms on trade. Vexed Canadians have taken an "elbows up" approach to American bullying. It was Howe's preferred tactic.■

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United States | Doom to boom

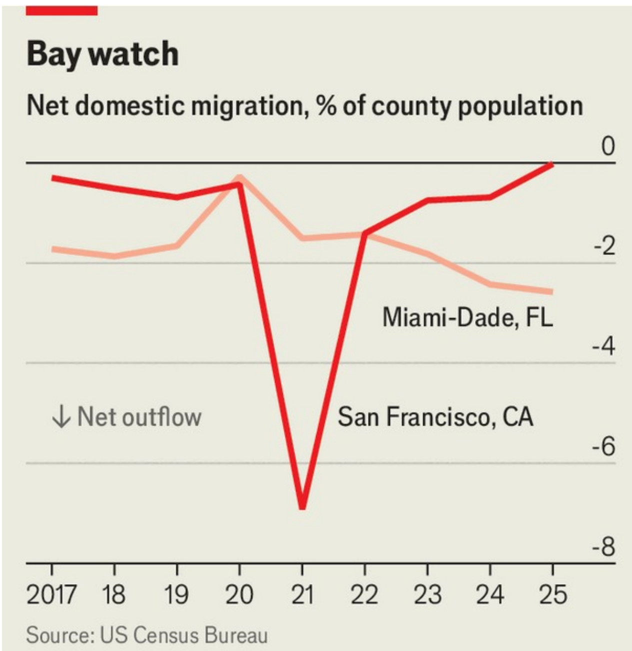
The tide turns for a Florida darling and California loser

Miami faces new problems as San Francisco makes a comeback

Jul 30th 2026

ON A CHILLY night in San Francisco this summer, Persia, a drag queen in a gold dress, danced around a crowd gathered before a big screen to watch the World Cup. “Hopefully that energy will go to Team USA!” she wheezed, out of breath (it didn’t). As Daniel Lurie, the city’s mayor, talked about San Francisco’s recovery from the pandemic, he jerked his head around to check the score. “The city is on the rise,” he insisted, as he gestured at the party before him. “But it’s fragile.”

Such a scene would have been unthinkable a few years ago. During and after the covid pandemic, tech workers toiled remotely, the Financial District was a ghost town and homelessness and public drug use were ubiquitous. Pundits wondered whether a "doom loop" would sink the world's tech capital. People flocked to cities with lower taxes and cheaper housing, like Austin, Texas and Miami, Florida. Republicans argued that Americans were voting with their feet by leaving states run by Democrats. New political rivalries were born. During "The Great Red v Blue State Debate" in 2023, Fox News pitted Gavin Newsom, the governor of California, against Ron DeSantis, the governor of Florida. Mr DeSantis gloated that California "ran out of U-Hauls" because so many residents were fleeing. He held up a map of San Francisco that marked all the places where human faeces had been found.



Yet pandemic losers and pandemic darlings do not always stay thus. Six years after the world locked down, San Francisco and Miami have seen a reversal in their fortunes. In 2021, San Francisco lost the equivalent of nearly 7% of its population to out-migration, but the exodus has subsided (see chart). Greater Miami lost the equivalent of 3% of its population due to domestic out-migration in 2025, a higher share than any other large county in America.

There are two main trends behind San Francisco's recovery. The first is a political reckoning that began in 2022, when voters booted their progressive district attorney and three school board members from office. The city's moderate moment continued in 2024, when San Franciscans elected Mr

Lurie, an heir to the Levi Strauss fortune, who promised to clean up the streets and boost the city's economy. Mr Lurie has set about plugging budget deficits, trying to speed up permitting and advocating against new business taxes. At a moment when some other big cities are flirting with socialism, San Francisco, usually a standard-bearer for progressive politics, has become an unlikely paragon of pragmatism.

Second, the AI boom has injected new life into downtown. The city's office-vacancy rate is still higher than in other global tech hubs, but it is falling. Between 2019 and 2026 San Francisco and Silicon Valley, just down the road, accounted for two-thirds of all square footage leased by AI firms in the six largest AI markets, according to CBRE, a property firm. Yet fears of a bubble can make it hard to plan. "The thing about AI is nobody knows how big the iceberg is that you're looking at the tip of," says Ted Egan, San Francisco's chief economist. Enrique Landa, a developer, has a sunnier view. "This city has a 150-year track record of setting itself on fire every 20 years and coming back," says Mr Landa. He offers the gold rush, the 1906 earthquake and the dotcom bubble as evidence of a boom-bust cycle. For now, he's content to "make hay when the sun is shining".

In recent years Miami has enjoyed its own boom, with total net migration, including from abroad, jumping from -25,000 to 50,000 from 2021 to 2023. "Hope is what Miami has always sold," says Fernand Amandi, a longtime Democratic operative in the city. "It's the appeal of the velvet rope at the nightclub that one day you'll be able to get past." Low taxes, lax pandemic policies and sandy beaches haven't hurt.

However the population of Miami-Dade County, which contains the city, is now ebbing. International migration halved from 2023 to 2025, due largely to Donald Trump's immigration policies. The city's other problem is borne of success. Home prices in the county have risen by 58% since 2020, compared with a national average of 44%. As a share of income, Miamians now pay more for housing than residents in any other big American city, including San Francisco and New York.

Residents who cannot afford these costs are now leaving. The average household that moved out of Miami-Dade County in 2023 earned about 40% less than the average newcomer, according to the most recent data from the

Internal Revenue Service. This imbalance may become more extreme. “During covid we had lots of millionaires and multimillionaires move here; now you’re really seeing a billionaire movement,” says Daniel de la Vega of ONE Sotheby’s, a top luxury developer in Miami. He reckons that animus toward the uber-rich in other cities is one reason billionaires are fleeing to the beach. New York has a new tax on pieds-à-terre, and California is considering a wealth tax on billionaires. Sergey Brin and Larry Page, Google’s founders, fled Silicon Valley for Miami last year.

Locals in Miami fear they are falling into a familiar trap. “We could become a San Francisco, with massive wealth alongside homelessness,” says Annie Lord of Miami Homes for All, a non-profit. Tax data suggest that San Francisco’s new residents earn about 25% less than those leaving it. Nevertheless, both Miami and San Francisco face the possibility of becoming places for plutocrats to enjoy their palazzos, while their housekeepers live two hours away.

The task for Miami’s politicians, and one that continues to vex San Francisco’s, is to ensure their cities can work for a wide swathe of residents, rather than a select few. When one of your correspondents met Mr Egan at Holbrook House, a newish restaurant in San Francisco, a waiter offered her a tableside champagne cart (she declined). “The seafood tower and caviar are new since the last time I was here,” says Mr Egan. “Walk in, have a $250 spoon of caviar, walk out like it’s a Starbucks.”

Eileen Higgins, Miami’s new mayor, wants to build more affordable homes. “There’s all kinds of ways you can do this,” she told her fellow mayors at a recent conference in California, including making it easier to build housing near public transport. For private developers, however, the more obvious immediate opportunity is to serve the rich. The average home price in Pacific Heights, a posh part of San Francisco, has risen 14% in the past year. Building crews are hard at work on Miami Beach’s gated islands; they’re tearing down stucco bungalows to build “tropical modern” megamansions.■

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United States | Who’s picking up the tab?

Donald Trump’s food-stamp overhaul is beginning to bite

Federal reforms have left the states with a growing bill

Jul 30th 2026

On a recent morning in Tucson, Wayne Zhang pulled his car around the back of a church. His 92-year-old father, Youde, who has dementia, sat beside him. They parked alongside a row of saguaro cacti and palo verde trees as volunteers from the Interfaith Community Services food bank loaded boxes of tuna, peanut butter and rice into their trunk. Youde receives money from the Supplemental Nutrition Assistance Programme (snap), a federal welfare scheme known as food stamps. But recently his monthly benefits were cut from $293 to $161. Adjusting has been difficult, says Wayne. “Here we can get my dad a little bit more food.”

Across America, millions of people like Youde are finding life harder. One in nine Americans receives food stamps; around 70% of recipients are pensioners, children or people with disabilities. But the One Big Beautiful Bill Act (obbba), passed last year without a single Democratic vote, is projected to cut federal spending on snap by about a fifth over the coming decade. Enrolment has already fallen by 12%, or around 5m people.

The obbba did more than cut food stamps. It shifted costs to the states and gave them a powerful incentive to reduce the number of people receiving benefits. As a result, many are tightening the programme's administration in ways that may push eligible recipients off the rolls.

For years after its creation snap enjoyed bipartisan support. The modern version of the programme was signed into law by Richard Nixon in 1971 amid concerns about malnutrition. "It was viewed as a national emergency", says Robert Greenstein of the Brookings Institution, a think-tank. But from the 1980s onwards, Republicans repeatedly sought to trim the programme. The obbba used cuts to snap and Medicaid, the health programme for the poor, to partially offset the cost of its tax cuts.

The law reduces federal spending on snap in three ways. First, it extends work requirements to more recipients, causing some to lose eligibility or drop off the rolls. Second, beginning in October, states will see their share of snap's operating costs rise from half to three-quarters.

Finally—and most consequentially—the federal government will no longer pay the full cost of snap benefits. Starting next year states that make too many errors determining recipients' eligibility or benefit levels will have to pay some of those costs. Most will be on the hook for between 5% and 15%. That is likely to amount to $100m or more each year for almost half of states, according to the Centre on Budget and Policy Priorities (cbpp), another think-tank. Richer states such as Connecticut say they can absorb the hit. Others, including Arizona, face stark trade-offs.

The bill-splitting will not begin until October 2027, but initial payments will be based on error rates from previous years. All but nine states have rates high enough to trigger payments. Brooke Rollins, the agriculture secretary, whose department oversees snap, argues that this is "further proof that state accountability is severely lacking". But calculating snap benefits is complicated. They depend on household composition and net income. Routine changes in circumstances, such as a worker adjusting her hours, can lead to errors.

States are scrambling to drive down their error rates "at almost any cost", says the cbpp's Joseph Llobrera. Many are demanding more paperwork. Some, however, lack the staff to process it. Arizona's welfare agency cut its workforce by 5% in 2025, and snap enrolment has since fallen by half. Michael Wisehart, the agency's director, says his state has simply moved faster than others to respond to the obbba.

The National Governors Association has asked for the cost-sharing measures to be delayed until 2030. But a reprieve seems unlikely, leaving states to consider their options. Some are spending millions to upgrade their error-spotting systems. Others are hiring additional staff. The most drastic option would be to leave SNAP. In a recent survey, 11% of state SNAP administrators said that was a potential risk.

Back in Tucson, the changes are already reverberating through local politics. Juan Ciscomani, the Republican congressman for part of the city, voted for the obbba. As people drive up to the food bank, they pass yard signs for him and JoAnna Mendoza, his Democratic opponent. Ms Mendoza grew up on food stamps. She says she doesn't have to remind voters that Mr Ciscomani supported President Trump's bill. "They know," she says. "They tell me." ■

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United States | Lexington

The Michigan Senate primary is a fight for control of the Democrats

Anger at Donald Trump and Israel have given the left an opening

Jul 30th 2026

Abdul El-Sayed, the progressive candidate to be the Democratic nominee for the Senate from Michigan, rejects the label "progressive". He is not sure what people mean by it, he said after rallying with some of the party's leading progressives on July 25th before a mostly white crowd in Ferndale, a hipster suburb of Detroit. "I choose the word 'populist,'" he said, "because I'm for people, and I want people to have more power, versus the elites."

For her part, Haley Stevens, the moderate in the race, brushes away the adjective "moderate". She will let other people "do labels", she said after speaking the next day before a black congregation at Hartford Memorial Baptist Church in Detroit. Yet moments before, when Lexington asked if she would call herself a populist, she had lit up. “Sure,” she said. “I mean, I’d call myself for making a big change for people right now.”

Each candidate is trying to solve the same tricky political equation: how to add together the party’s college-educated activists and its centrists, the Democrats’ coalition since they alienated working-class white voters in Michigan as elsewhere. The winner of the primary, on August 4th, will face Mike Rogers, a former congressman who has converted from old-school Republicanism to Donald Trumpism. The race is vital to Democrats’ hopes of winning a Senate majority. Yet it is hard to shake the suspicion that, for the Democratic leaders passionately backing each candidate, the biggest fear is not that, if nominated, the other one might lose to Mr Rogers. It is instead that he or she might win, tilting the balance of influence in the bitter intraparty struggle.

Call them progressive v moderate or insurgent v establishment, the two camps are increasingly defined by differences not only of policy but also of style, even culture. The candidates in Michigan embody these differences. One is an unflashy party loyalist with a record of electoral and legislative success in Congress, but also of compromise to make that possible, along with a wan social media presence. The other, an anti-elitist with elite credentials, is innocent of Washington service and so online that he has his own digital content company for his own digital content; he also has a vision of national transformation and as much contempt for some of his party’s leaders as for those of the Republicans.

Ms Stevens, who is 43, worked for Barack Obama to rescue the car industry before, in 2018, flipping a Republican district. She has held the seat through three more elections, partly by taking some votes the left despises, including to supply military aid to Israel. That has brought her a poisoned chalice from the American Israel Public Affairs Committee (AIPAC). Through its knavishly named super PAC, United Democracy Project, and affiliated groups, AIPAC has unloaded a shocking sum—close to $30m—on advertising to promote her or assail her opponent.

Dr El-Sayed is the son of immigrants from Egypt. A standout student and athlete at the University of Michigan, he was a Rhodes Scholar at Oxford before completing his medical degree at Columbia University. He went into public health, running the health departments of Detroit and of its home county, Wayne. He ran for governor in 2018 but was crushed in the primary by Gretchen Whitmer, who is finishing her second term and has endorsed Ms Stevens. He went on to host a podcast on health care and co-write a book on Medicare for all, a plank of his campaign.

Dr El-Sayed, 41, has also made a central issue of eliminating military aid to Israel, battering Ms Stevens for her ties to AIPAC. But he is careful to say he also opposes military aid to Egypt. His politics seem calibrated to satisfy the left without scaring Michigan's centrist voters, who have twice helped elect Mr Trump. He says America is an oligopoly requiring tighter regulation, but he rejects socialism. He wants to abolish Immigration and Customs Enforcement, but he says immigration laws can be enforced without it. When he called to "defund" the police back in 2020, he has said, he was just using a term that was "in vogue", and he had in mind such measures as investing more in police pensions.

His biceps bulging against his T-shirts, Dr El-Sayed exudes the macho vibe that is becoming a hallmark of the new left—not the soldierly version of Graham Platner, the former Maine Senate candidate, but a fist-bumping, fratty variety. With his obvious intelligence, Dr El-Sayed risks leaving an impression that he regards others as lesser intellects, including his opponent, who he once said could not "string together two coherent sentences." She has since made a virtue of her heavy Michigan accent and plainer speaking style. At a Teamsters hall in Detroit on July 24th, she said "cool kids on the internet" and "coastal elites" made fun of how she talks. "They're thinking they're better than us," she said.

Yet if the race comes down to who is more persuasively populist, Dr El-Sayed has the edge, and not only because he enthralls the cool kids. In Michigan as elsewhere Democratic voters, furious at Mr Trump and convinced their leaders could do more to thwart him, want to vent. Anger at Ms Stevens over AIPAC and Israel runs so hot among Dr El-Sayed's supporters that, should she win the primary, she may have the harder time uniting the coalition.

Dr El-Sayed insists he is focused on Michigan, but he aspires to remake the party nationally. On a call with donors disclosed by Politico, he said he wanted to bring moderates into line by putting “one ogre on a pike”, a reference to Senator John Fetterman of Pennsylvania, a heterodox Democrat. Jeff Timmer, a former executive director of the Michigan Republican Party, respects both Democratic candidates. But he worries he is witnessing the rise among Democrats of the same intolerance that, in his party, presaged the arrival of Mr Trump. His fear, he says, is “they’re just ten years behind the Republicans.” ■

The Americas

- Canada turns to Europe for its security
- How Filipino immigrants revitalised a small Canadian town
- Brazil has the world’s strictest laws against racist speech

The Americas | Military procurement

Canada turns to Europe for its security

Donald Trump's capriciousness has pushed Canada's military spending towards Europe

Jul 30th 2026

AFTER DECADES as one of NATO's worst laggards on military spending, Canada is changing fast. On July 8th, at the alliance's summit in Ankara, Mark Carney, the prime minister, repeated his pledge that Canada's defence budget would rise from a measly 1.5% of GDP in 2024 to 4% within the next two years. Recent polling suggests that more than 80% of Canadians support much higher spending on defence.

Two days before his pledge, Mr Carney had announced that Thyssenkrup Marine Systems (TKMS), a German defence firm, had won a contest to be preferred bidder to supply the Royal Canadian Navy with up to 12 advanced diesel-electric submarines. The first four are to be delivered by 2034. That is by far the biggest defence deal in Canadian history, with a purchase cost of C$24bn ($17bn) rising to more than C$100bn once ongoing costs like maintainance are factored in. These plans are evidence of the Carney government's determination to snuggle closer to Europe at a time when the United States, historically and geographically Canada's closest ally, has become an unreliable and at times downright hostile neighbour.

The procurement decision happened very quickly. Canada began thinking about replacing its four ancient, chronically unreliable Victoria-class submarines five years ago, but little progress was made. However, seven months after taking office in March last year, Mr Carney set up a new body, the Defence Investment Agency, to simplify and accelerate a sclerotic military-procurement system.

The contest to build the subs was reduced from five to two bidders: Hanwha Ocean from South Korea and TKMS. Within four months of the bids coming in, the choice was made. David Perry of the Canadian Global Affairs Institute, an Ottawa-based think-tank, says: "The new agency demonstrates Carney's sense of urgency."

Both the Hanwha and TKMS subs possessed sufficient range and endurance. The Korean vessel is equipped with a vertical-launch system from which land-attack missiles can be fired, while the German craft is probably the stealthier of the two, thanks to its unique diamond-shaped hull design and other advanced technologies. Youri Cormier, a defence expert at Ottawa University, reckons the absence of a land-attack capability suggests that the boats will play a defensive role, protecting both the Arctic and sea-lanes used by allies from Russian and Chinese aggression. "You can't have the world's longest coastline without a strong sub fleet," he says.

But it was the geopolitical priority of closer ties with Europe that tipped the contest in TKMS's favour. Mr Cormier says that with seven NATO countries either operating or expecting to operate TKMS submarines "the interoperability and the availability of spares will be fantastic". He adds that over the life of the contract, spanning many years, working with Europeans rather than Koreans will be easier from a linguistic and cultural point of view.

Two other factors sealed the deal, says Gaëlle Rivard Piché of the CDA Institute, another think-tank in Ottawa. The first was the offer by Norway to give up slots in the production line so Canada could deploy boats by 2034. The second was the guarantee by TKMS to match 100% of the value of the contract through both military and civil investments in Canada.

On the face of it, the deal should not worsen relations with the United States, as its shipyards make nuclear-powered submarines, not diesel-electric ones. Moreover, analysts say that the new boats' intelligence-gathering skills will make Canada a much more valuable member of Five Eyes, the alliance of English-speaking intelligence agencies.

Mr Perry says this makes the TKMS deal a perfect opportunity for Canada to build up its security relationship with Germany, which will become its second-biggest core defence supplier after the United States. He believes the project will end up costing much more than C$100bn: "Tripling the size of the submarine fleet means tripling the size of the infrastructure and the number of workers needed to support it." In just the first five years of the programme around 50,000 new jobs should be created.

However, the Trump administration may be less happy about some of Mr Carney's other efforts to develop stronger military ties with Europe. In February Canada became the first, and so far only, non-European country to join the EU's €150bn SAFE financial scheme, which provides long-term, low-interest loans to improve military heft. It will allow Canadian firms to fulfil 80% of the value of approved procurement contracts. Ms Rivard Piché says that in the past Canada has spent 70% of its equipment budget on American kit. Joining SAFE is "a quick win" that will help reduce that dependency.

In June 2025, Mr Carney's government also signed the EU-Canada Security and Defence Partnership, which is intended to create a comprehensive framework for strategic co-operation. The EU's foreign-affairs chief, Kaja Kallas, describing Canada as "a trusted friend", said that "at a time of rising tensions, it will deepen our defence ties and unlock new co-operation."

In another Europe-focused initiative, Mr Carney is leading the effort to set up a "NATO bank"—the Defence Security and Resilience Bank. Its purpose is to bolster the defence of allied nations by raising up to $135bn in cheap loans. So far eight countries have joined alongside Canada, but it must get the support of Britain, France and Germany, Europe's heavyweight military powers, if it is to gain the financial and geopolitical firepower it needs.

Canada is also reportedly contemplating scaling back the number of F-35 fighters it buys from Lockheed, an American firm. It is considering supplementing these with the Gripen, made by Sweden's Saab, despite that jet being less capable than the F-35 and not being compliant with Norad, the bi-national warning-and-control command that it jointly operates with the United States. However, it is possible that Gripen might make the plane in Canada. With trust between the Norad partners at a low ebb, that is a benefit.

Saab has proposed a full technology transfer, including access to the source code of the Gripen's mission systems, giving Canada full control of all data generated by the aeroplanes, and independent upgrade and maintenance rights. By contrast, though some components of Canadian F-35s are made in Canada, the source code is closely guarded by the United States.

If Canada increasingly sees Europe as its key security and military procurement partner, Donald Trump has only himself to blame. His threats to Canada's sovereignty, his punitive tariffs and his wavering commitment to the defence of NATO allies has inevitably pushed Canada into the arms of a welcoming Europe. ■

The Americas | Paradise lost

How Filipino immigrants revitalised a small Canadian town

And how Mark Carney's immigration curbs threaten the model

Jul 30th 2026

Neepawa has white-picket fences, a curling rink and a hockey arena, just like any other small town in southern Manitoba, one of Canada's prairie provinces. But it also has something more unusual. More than half of Neepawa's 5,600 residents are from the Philippines. This share has almost doubled since 2016. The differences in lifestyle are obvious. "Hot there, cold here," grins one woman while shovelling snow.

That so many Filipinos have settled in Neepawa is largely thanks to HyLife, a pork-meat processor, which employs a third of the town. Since it started operating in 2008 the firm has recruited hundreds of Filipinos to Canada to work as butchers. Most arrive on temporary-worker visas, work hard and gain permanent residence. Their families join them. Some seek employment elsewhere or start businesses of their own. Their integration into Neepawa has revitalised the town.

Ashley arrived in 2015 to join her husband, who had worked at HyLife for four years. The snow made it feel "like an enchanted kingdom", she says. She still loves Neepawa. She and her husband now work at two jobs each. They and their three children have become Canadian citizens after passing a rigorous test. Her Canadian-born colleague jokes: "She knew more about Canada than we did."

There are now six Filipino-owned businesses on Neepawa's small high street. Vego's Home Pinoy Restaurant was opened by Catherine Vego, a Filipino, who moved from Winnipeg to join the community. Other immigrants are arriving, too. The town has its own taxi service, founded recently by an Indian. "It's crazy…for middle-of-the-prairies Manitoba," says Marilyn Crewe, the town's economic-development officer, who has helped many Filipinos navigate business regulations and the routes to home ownership.

Neepawa has a dozen churches, but congregations had been dwindling. Filipinos have revived them. St Dominic's has seen numbers at Sunday mass balloon to 300 thanks to immigrant attendees. "We need a few of them," chuckles a man whose church merged with another to survive.

There are problems. Population growth strains infrastructure. The council forecasts a shortfall of 460 housing units by 2028. Neepawa's schools are oversubscribed. Job agencies are flooded with emails from Filipinos who have heard about the town. They are directed to HyLife, but some are exploited by traffickers.

And politics have been changing. Mark Carney, Canada's prime minister, is cutting the number of visas issued to temporary workers and students. About 687,000 students and workers arrived in 2024, the year before he was elected; he plans to issue 385,000 such visas in 2026.

It has also become harder to gain permanent residence. The number accepted fell by a quarter between 2024 and 2025, from 484,000 to 394,000. Neepawa residents felt the change. “We’re so sad,” says one Filipino businessman, whose brother was denied residency. A Filipino woman is distraught after her boyfriend, a construction worker, returned to Mexico after being denied citizenship.

Mr Carney is responding to discomfort about the pace of demographic change expressed by some Canadians. One of them, Darren, runs the bar at Neepawa’s Royal Canadian Legion, a club for military veterans. A 5-tonne German schwere Feldhaubitze howitzer, seized during the first world war, stands at the door. Darren is a fan of Donald Trump. But he praises his Filipino neighbours for celebrating Canada Day more than his “own freaking community” and for reviving the town: “This would be a have-not town, if it wasn’t for HyLife.”

Nonetheless, he is frustrated. Newcomers have “stretched our infrastructure and our health care to the limits”. He believes that immigrants were bought in to keep “the government in power” and that “Canadians were, like, left out.” It seems Mr Carney is listening more closely to Darren than to Canada’s newer citizens. ■

The Americas | Dealing with bigots

Brazil has the world's strictest laws against racist speech

But it is unclear what the rocketing number of prosecutions is achieving

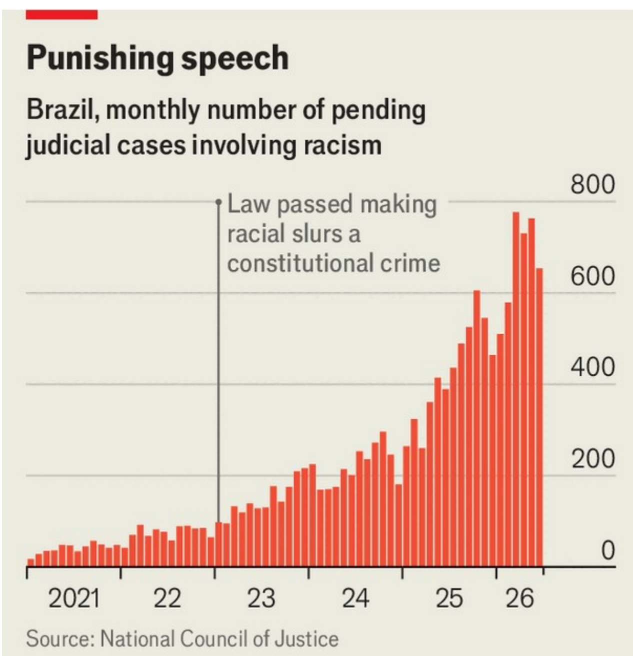
Jul 30th 2026

RACIST language is neither new nor uncommon. But around the world governments are showing growing willingness to treat it as a crime. In recent years landmark jail sentences for racist insults have been handed down in Belgium, South Africa and Spain. New laws prohibiting hate speech are on the books in Canada, Australia and Singapore.

No country has gone further than Brazil. In 2021 its Supreme Court issued a ruling equating racial insults, which are directed at an individual, with racism itself, understood as discrimination against an entire group, which is banned under the constitution. Racist slurs became a crime with stiff penalties. Congress subsequently gave the decision statutory effect. The constitution offers no statute of limitations for racism, so offenders can be prosecuted years after the fact. Penalties include jail time and hefty fines.

The number of people prosecuted for racism has increased dramatically, but it is not clear that this is doing much to curb racial inequality or prejudice. Its main achievement may simply be to make Brazil's judiciary feel virtuous while angering racists even more. As the rest of the world considers how to tackle hate speech, Brazil provides some useful lessons.

Brazil's zealous laws are a response to a historical wrong. Of the 12m people trafficked from Africa to the Americas between 1501 and 1866, almost 5m disembarked in Brazil, more than anywhere else. Brazil was the last country in the Americas to abolish slavery, in 1888. In recent years a growing black-rights movement has led more Brazilians to identify as preto (black) or pardo (mixed-race or brown) in the census. Today they make up slightly over half the population.



The prosecution of racist speech has been turbocharged. The number of racism cases brought before the courts each month has increased ten-fold since 2021. (see chart) Some 931 people are serving prison sentences for racism or racial abuse—460 of them behind bars, the rest in regimes that let them work outside by day.

Ignorant tourists are being ensnared, too. Five foreigners have been detained for racist speech this year. One, Agostina Páez, a 29-year-old Argentine woman, was filmed making monkey gestures at black bartenders in Rio de Janeiro. Another Argentine, Eduardo Ignacio Murias, took photos of a black child on a train and sent them to a friend on WhatsApp, writing that "I'm thinking of bringing home a slave, there's so many of them here." He was arrested after a fellow passenger alerted the child's mother. Mr Murias is in pre-trial detention in Brazil, while Ms Páez has been allowed to return to Argentina while she awaits trial by a Brazilian court.

Supporters of the new regime point to the publicity around these incidents as one of its benefits. It "shows people what racism looks like and that it is not allowed in our society", says Alessandra Benedito of the Getulio Vargas Foundation, a university in São Paulo. "These laws make a difference, not just because they punish but because they teach, they raise awareness among the rest of the population."

Awareness-raising is one thing, but racial inequality remains stark. The World Bank reckons that Brazil is one of the world's most unequal countries outside southern Africa. In 2021 the census found that the average per person earnings of white households were double those of black or mixed-race households—a gap that has not narrowed since Brazil's statistics agency began collecting the data in 2012. The hourly wage for black Brazilian women is about 30% lower than that of white men in similar jobs, even after controlling for education, location and sector of employment.

Racist speech is not a primary cause. Brazil's shoddy public-education system is. The gap between the test scores of public and private secondary-school students is larger in Brazil than anywhere else in Latin America. Richer Brazilians, who tend to be white, do what they can to keep their children out of the public system. Poor grades for those who do attend often lead them to lower-quality universities, to read subjects tending towards lower-paying jobs. Mauricio Reis of the Institute for Applied Economics in Rio de Janeiro reckons this accounts for a third of the gap in median earnings between whites and blacks.

And even as Brazil's police forces are opening units specialising in racist speech, they are also killing thousands of black people every year.

According to the Brazilian Forum for Public Safety, a non-profit that compiles crime statistics, black Brazilians were three and a half times as likely to be killed by the police as white ones in 2025. There is little evidence that the police are targeting non-whites deliberately, rather than tending to police poorer neighbourhoods, but the volume of deaths is staggering. Brazilian police kill nine times more people than do officers in the United States, when adjusted for population size.

Rather than addressing the causes of inequality, Brazil's muscular hate-speech laws can undermine free speech. In May 2023 a court in São Paulo convicted a comedian, Leonardo Lins, of using racist speech. Mr Lins, who is known for his distasteful jokes, was sentenced to eight years and three months in a high-security prison. He was also ordered to pay fines of 1.7m reais (around $330,000). Only in February did a higher court overturn the conviction. Racist speech is vile. That does not mean it is a good idea to make it illegal. ■

Middle East & Africa

- New strikes in Iran show the weakness of Donald Trump’s deal
- Saudi Arabia is locked in a dangerous stand-off with the Houthis
- The International Criminal Court puts its house in order
- West Africa has become a huge cocaine-trading hub
- Why Rwandans are warming to dogs

Middle East & Africa | Doom loop in the Gulf

New strikes in Iran show the weakness of Donald Trump's deal

The two sides are trapped in a cycle of fighting and half-baked attempts at diplomacy

Jul 30th 2026

THE CALENDAR says it is July, but the headlines look like April. The war between America and Iran has ebbed but not ended. The Strait of Hormuz is in effect shut, but Gulf states are trying to broker a deal that would reopen it, at least temporarily. Donald Trump retreated from his threat to launch a "massive attack" on Iran and claimed negotiations were going well, only for Iran to reject the latest proposed deal and fire another round of missiles.

That was the state of play for much of spring, until America and Iran signed an interim peace deal on June 17th. And so it is again. Under the terms of that "memorandum of understanding" (MOU), the two countries should be almost done negotiating a comprehensive pact to end five decades of hostility. Instead they are back to haggling over the strait. Even if diplomats manage to find a solution, which looks unlikely, it may be only a patch on a deal that was threadbare to begin with.

The MOU began to unravel on July 6th, when Iran attacked several oil and gas tankers. It did so to halt growing traffic through the southern side of Hormuz, which lies in Omani territorial waters and thus diminishes Iran's control of the waterway. America then began almost two weeks of daily air strikes, mostly aimed at military targets and economic infrastructure in southern Iran. The regime launched missiles and drones at American bases in the Gulf and Jordan.

On July 24th, though, Mr Trump abruptly halted the bombing campaign. In public, American officials said they were keen to give diplomacy a chance. Privately some also worry about a dwindling supply of air-defence interceptors and fret that limited air strikes have little value. Iran also stopped attacking commercial ships, although that may have simply reflected a lack of targets: the number of vessels using the southern passage through Hormuz has dropped close to zero.

Last weekend a delegation of Omani officials visited Tehran for talks. Though Iran is not speaking directly to the Americans, Oman is acting as an intermediary. It offered Iran a proposal that includes a formal truce, perhaps lasting ten days, and a plan to reopen the strait. Iran and littoral Arab states would manage it through a joint mechanism. Ships would not pay a toll for transit, but the consortium could collect "voluntary contributions" for navigational aids, environmental services and the like, similar to what South-East Asian nations do in the Strait of Malacca.

In theory this offered everyone a face-saving compromise. Iran could say it had imposed a new arrangement on the strait, while America could say it had refused Iran's demand for full control and mandatory fees. Gulf states would get free passage. The trouble is that Oman has proposed a similar arrangement in the past—only for Iran to repeatedly reject it.

Sure enough, it refused this one too. Kazem Gharibabadi, its deputy foreign minister, said on July 28th that any deal must give Iran full control over inbound traffic. Later that night Iran fired a barrage of missiles at an American base in Jordan. Mr Trump, never one for understatement, promised to "beat the fucking shit out of them". Early on July 30th the Pentagon carried out another heavy round of air strikes.

Barely a month after it was signed, large parts of the MOU already look defunct. Its first clause said that America and Iran had agreed to a "permanent" end to their war. Forever is not what it used to be: sustained fighting resumed less than three weeks later. Another disagreement concerns tens of billions of dollars in Iranian assets that are frozen in foreign banks because of sanctions. Iran expected some of those funds to be released immediately, while the Trump administration insisted it would only release the money in stages if Iran complied with the deal.

The two sides should have been deep into 60 days of planned negotiations over a comprehensive deal to address America's concerns about Iran's nuclear programme and demand for long-lasting sanctions relief. Instead they have barely addressed these bigger issues. There have been no high-level talks at all this month, and the 60-day deadline will arrive on August 16th (though it can be extended by mutual agreement).

Mr Trump is in a bind. Escalating the war would be risky. Accepting Iran's control over the strait would be an embarrassment at home and an affront to his Gulf allies. For now he seems inclined to stall for time. He bombed and threatened Iran until the price of Brent crude broke $100 a barrel on July 23rd. Then he reversed himself, which sent prices plummeting. He may hope to keep the war at a simmer while his blockade of Iranian ports squeezes the country's economy—but Iran's attack on Jordan was a reminder that Mr Trump alone does not dictate the pace of battle.

America's allies in the region are concerned, and confused. Binyamin Netanyahu, the Israeli prime minister, met Mr Trump at the White House on July 28th. But it was an unusually discreet meeting. He was brought in through a side entrance and Mr Trump eschewed his usual scrum with reporters in the Oval Office. The next day Khalid bin Salman, the Saudi defence minister, made his own flying visit to Washington. The kingdom has been attacked recently by both the Houthis, a Shia militia in Yemen, and Iran-backed groups in Iraq.

America and Iran have been here before. Both agreed to the MOU because the economic pain from the war, and their duelling blockades of Hormuz, was becoming intolerable. But its vague language failed to resolve any of their underlying issues—and there is little reason to hope a new deal will do the job. ■

Middle East & Africa | The Red Sea

Saudi Arabia is locked in a dangerous stand-off with the Houthis

By threatening shipping, the Yemeni rebels hope to wring concessions from the kingdom

Jul 30th 2026

ABDUL-MALIK AL-HOUTHI does not mince his words. On July 16th the leader of the Houthis, a Shia militia that controls most of north-west Yemen, vowed a ruthless campaign against Saudi Arabia, his long-time foe. "The equation will be airports for airports, ports for ports, a blockade for a blockade," he said in a broadcast. The Houthis quickly made good on the threat. Over the past couple of weeks the group has hit Saudi-linked tankers in the Red Sea and oil facilities in Jizan and Yanbu on the kingdom's west coast. Shipping through the Bab al-Mandab strait, at the mouth of the sea, has fallen to its lowest level in months.

When the Houthis targeted ships during Israel’s war in Gaza between 2023 and 2025, traffic through Bab al-Mandab roughly halved. Now the strategy will be more potent. Since war in Iran closed the Strait of Hormuz, the Red Sea has become a lifeline for Saudi oil exports: the kingdom has been shipping 3.5m barrels a day (b/d) from ports on its west coast, up from 120,000 b/d before the war. Getting those volumes out through the Suez Canal will be difficult and possibly unsafe. On July 29th a drone hit a gas storage tanker near the northern end of the canal (see map).

The rebels are keen to exploit Saudi Arabia’s vulnerability. Their campaign is “two-in-one”, says Farea al-Muslimi of Chatham House, a think-tank in London. Choking Saudi oil exports (and adding pressure to global markets) boosts Iran, the Houthis’ closest ally, in its war with America. But the Houthis are also frustrated with the truce they struck with Yemen’s internationally recognised government and its Saudi backers in 2022. They hope to extract concessions from Saudi Arabia and expand their power in Yemen.

Their main demand is an end to Saudi-imposed restrictions on shipping and flights in Yemen, especially a ban on Iranian flights. On July 13th they invited a plane from Tehran to land in Sana’a, the Houthi-controlled capital. The flight was a provocation to the Saudis and their allies in Yemen, who bombed the runway before it could touch down. The Houthis retaliated by striking Abha airport in Saudi Arabia (see map).

The rebels also want money. Some 60% of Yemenis in Houthi-controlled areas are not getting enough food. The group has started fining the poor for begging. The rebels want Saudi Arabia to fund civil servants' salaries, which have not been paid in full since 2018. The two sides came close to agreeing on this in 2023, but the Houthis' campaign in the Red Sea that year scuppered it. Now they think they can get the cash through blackmail.

By playing tough, the Houthis are following Iran's example. Having seen it win big concessions in its deal with America in mid-June, they hope they can do the same with Saudi Arabia. But the Saudis and their Yemeni allies have good reasons to hold firm. Saudi officials say the flight to Sana'a was carrying weapons and military advisers from Iran. Allowing the Houthis an air bridge to Tehran would strengthen one of Iran's fiercest and best-equipped allies. The kingdom is reportedly trying to rally allies to escort ships.

Some reckon the Houthis are preparing to go further. "A return to large-scale conflict is inevitable," says Nadwa al-Dawsari of the Centre on Armed Groups, a think-tank in Geneva. The rebels are probing several fronts. In early July they attacked government positions in Hays, south of the Houthi-held port of Hodeidah. They have mobilised troops in Marib, an oil-rich region east of Sana'a, and around Taiz, a city in the south. The government is readying its forces, too. “We are prepared for any escalations,” said Afrah al-Zouba, Yemen’s foreign minister, on July 27th.

Yemen’s anti-Houthi forces are more united than at the start of the year, when they were split into rival factions backed by Saudi Arabia and the United Arab Emirates (UAE). Yet it is not clear they can put up a serious fight. So far Saudi Arabia has bombed several Houthi positions, including Hodeidah on July 24th. But the kingdom may be reluctant to reprise the massive air raids that it led during the 2010s—not least because the Houthis’ drones and missiles give them new ways to retaliate. And any campaign would have to be done without the UAE, whose forces left Yemen in January at the Saudis’ behest.

Whether air strikes would be effective is another question. The lesson of the Saudi raids of the 2010s and America’s campaign last year is that the mountainous highlands controlled by the Houthis make it hard to destroy enough of their weapons to make a difference. “You can’t reduce their anti-shipping capability so much that they’re unable to hit and possibly sink one or two ships a month,” says Michael Knights of Horizon Engage, a consultancy. “That’s enough of a deterrent for shippers to just stop going.” The Houthis know that full well. ■

Middle East & Africa | From crisis to crisis

The International Criminal Court puts its house in order

But a new chief prosecutor will not end its troubles

Jul 30th 2026

WHEN KARIM KHAN was running for the job of leading the International Criminal Court (ICC) in The Hague, the committee assigned to selecting candidates made no bones about his shortcomings. He was not among the most highly qualified, it said, before damning him with faint praise: "Mr Khan is a charismatic and articulate communicator who is well aware of his achievements." Alas, the countries belonging to the court did not read between the lines and in 2021 appointed him to a nine-year term as chief prosecutor.

Regret followed, though for a different reason. On July 24th they took the unprecedented step of sacking him over allegations of sexual misconduct.

Mr Khan has strenuously denied any wrongdoing or having a sexual relationship with the female staffer who made the allegations.

The members of the court, which has the power to investigate and prosecute people for the most serious war crimes and crimes against humanity, may have wished to draw a line under a scandal that has damaged the credibility of the ICC since 2024, when the allegations first emerged. “The proceedings had reached a point where it was really problematic for the institution for him to continue, whatever the merits or demerits of the claim,” says Stephen Pomper, who held the ICC portfolio under Barack Obama.

But the court’s members are likely to be disappointed again if they hope that Mr Khan’s firing will turn things around. It is unlikely to tackle the deep troubles facing the court, including American sanctions against some of its staff and a recent threat by Marco Rubio, America’s secretary of state, to “dismantle the ICC—brick by brick, if necessary”.

Critics of Mr Khan’s treatment argue that he was removed because he had put the court on a collision course with America when he issued arrest warrants for Binyamin Netanyahu, Israel’s prime minister, and Yoav Gallant, its then defence minister, over their actions during the war in Gaza. There is no evidence backing this claim. The court’s Palestinian representative explicitly rejects it, saying Mr Khan’s removal “was not a political proxy vote on any situation before the ICC”. Nonetheless, the prosecutor’s dismissal will harden views in many developing countries, particularly in Africa, that the court is more willing to bring cases against their citizens than against those of powerful countries.

They are not wrong. The ICC, aware that it has no police or army to enforce its judgments, has always been careful not to antagonise powerful countries. In 2019 its judges rejected the chief prosecutor’s request to investigate alleged American war crimes in Afghanistan, arguing that it “would not serve the interests of justice”. (America has never signed up to the ICC.)

A wiser prosecutor might have better navigated the delicate balance between the principles of universal justice and the messy world of great-power politics. What the court needs is an unflashy and competent prosecutor who can focus on cases with the best chance of success, says Sabine Nölke, a retired Canadian diplomat who was the head of the selection committee that initially rejected Mr Khan for failing to meet these criteria. Instead, the ICC's members have arguably been dazzled by self-promoters. "That needs to change," she says. ■

Middle East & Africa | A new high

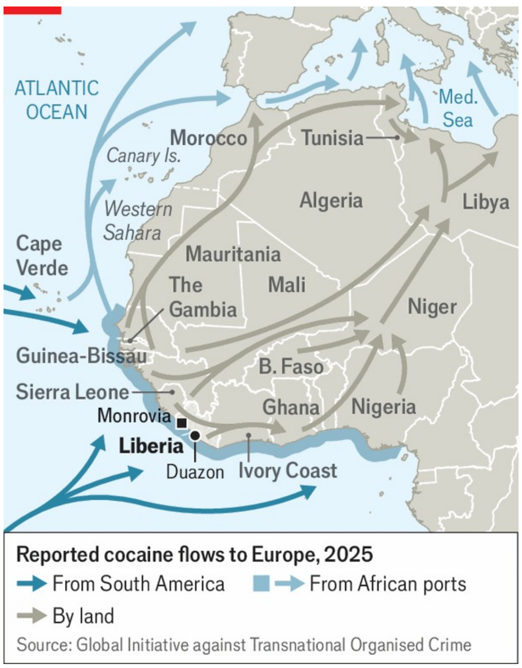
West Africa has become a huge cocaine-trading hub

Scrutiny of other routes has changed traffickers' strategy for shipping to Europe

Jul 30th 2026

On July 21st Liberian police raided a bungalow in Duazon, a town between Monrovia, the capital, and its airport. Inside they found two men and hundreds of packages of white powder that were stacked up to the ceiling. They arrested the men, a Serbian and a Spanish-Colombian, and confiscated the packages. After two days of counting and testing they said they had seized nearly four tonnes of high-grade cocaine with a street value of around $317m (the wholesale value in Europe is lower at €50m-60m, or $57m-68m).

It was not even the biggest cocaine haul in Africa this year. In May a ship flying the flag of the Comoros islands was intercepted off the coast of Western Sahara carrying almost 31 tonnes of the drug, more than the 30 seized in west Africa in all of 2025. Between 2019 and 2025 the volume of cocaine seized in the region each year increased by 50%. The size of seized shipments has gone up, too: in 2025 the average haul on routes from the region weighed 5.6 tonnes, compared with 2.4 in 2024. In a few years, west Africa has become one of the biggest hubs sending cocaine to Europe.



The region has long been a convenient waypoint, about halfway between South America, where most cocaine is made, and Europe, where much of it is consumed (see map). Corruption and lousy policing have also helped. Jos Leijdekkers, a Dutch national and one of Europe's most wanted drug traffickers, who is meant to be serving 24 years in a Dutch prison, is reportedly running a large trafficking network from Sierra Leone. The Netherlands has requested his extradition, to no avail. In recent years a boom in cocaine production, increased policing in Europe of shipments from South America and technological innovations by traffickers have increased both the amount of cocaine routed through the region and the number of countries implicated in the trade.

Traffickers now bulk-ship cocaine from South America to west Africa, where port controls are relatively weak. There, shipments are repackaged and loaded onto large “mother vessels”, before being moved to smaller high-speed boats known as “go-fasts” that hover around north Africa and the Canary Islands or on the high seas. The boats are too fast for most navies to intercept safely. They bypass European ports for beaches and makeshift jetties. Though the increasing number of successful drug busts suggests authorities have got better at intercepting the traffic, much still slips through the net. The EU’s Maritime Analysis and Information Centre (Narcotics) (MAOC-N), an enforcement body, reckons that over 100 tonnes of cocaine successfully made it from west Africa to European customers last year.

The region has become particularly attractive as a hub because European countries have cracked down hard on direct imports from countries such as Brazil, Guyana and Suriname, says Paulo Silva of MAOC-N. “It creates two points of departure which makes it much harder for us in Europe,” he says. “You cannot possibly go through everything coming from west Africa.” For drug traffickers, the route presents a “lower risk of disruption and seizure, which overall makes it cheaper”, says Lucia Bird of the Global Initiative against Transnational Organised Crime, an NGO.

The expansion of legal trade around the region is also helping the illegal sort. Ports, airports and land borders handle more cargo than they used to, so larger vessels carrying more drugs are easier to disguise. A former boss of Liberia’s Drug Enforcement Agency believes most cocaine enters the country by road from Sierra Leone, labelled as frozen food. Kingpins from the Balkans to Brazil can monitor in real time when containers are being loaded at port or transferred out at sea. Police involved in the Duazon raid found a Starlink router, a diving suit and waterproof GPS trackers that they suspect were used to keep the traffickers’ bosses in the loop.

Compared with previous decades, when the drug trade was centred in a handful of weak states such as The Gambia, Guinea-Bissau and Sierra Leone, it is increasingly pulling in other countries, partly thanks to Mr Leijdekkers. His presence in Sierra Leone means shipments from there now draw extra scrutiny from European authorities, prompting diversification to Ghana, Ivory Coast and Liberia. A 238kg shipment of cocaine (street value $19.2m) seized at Monrovia’s airport in June has been linked to the Dutch trafficker. Authorities in Ghana and the Netherlands say a 4.5-tonne haul originating in Ghana that was recently seized in Amsterdam was also moved by his network.

Despite the great fanfare accompanying each drug bust, west African countries are largely powerless to stop the thriving trade. Modern security technology is too expensive to employ widely at ports, airports and on the high seas. “We still do this 1940s style of security,” laments one activist in Monrovia. “Even sniffing dogs, we don’t have.” Scanners fail when there is no electricity. The perimeters of smaller airports are easily compromised.

So are officials with puny salaries (in Liberia some are paid barely $100 a month). “We have state actors that we’ve identified have been working with the cartel. We have officers that have been charged,” says Gregory Coleman, Liberia’s inspector-general of police. In Sierra Leone, Mr Leijdekkers seems to have successfully swayed the entire state. Cocaine demand in Europe continues to rise. For the cartels, the occasional bust is merely the cost of doing business. ■

Sign up to the Analysing Africa, a weekly newsletter that keeps you in the loop about the world’s youngest—and least understood—continent.

Middle East & Africa | Furry friends once more

Why Rwandans are warming to dogs

Shunned after the genocide, they have become a status symbol

Jul 30th 2026

For many years dogs were loathed in Rwanda. Rwandans turned against them after the genocide in 1994, when Hutu militias killed between 500,000 and 800,000 Tutsis, Twa and moderate Hutus. Stray dogs ate the bodies. Tutsi rebels led by Paul Kagame, now the president, shot the dogs as they took control of the country. But the image of canines gorging on corpses stayed with many people.

More than 30 years on, dogs are still not universally popular. Alidry Ineza has been chased with a knife, shouted at and called a mzungu (Swahili for white person, though he is black), simply because he owns 12 of them. Yet attitudes are changing. Based in Kigali, the capital, Mr Ineza is one of Rwanda's best-known dog trainers. His company, Paws and Hands, offers day care, walking, grooming and training for purebred dogs, now a status symbol for Rwanda's urban middle class.

Dogs, along with houses and cars, are signs of new wealth in a country that recorded annual GDP growth of 9.4% in 2025. They are not cheap. A German shepherd costs 200,000-500,000 Rwandan francs ($135-$340). A Dogo Argentino recently sold for 2m francs ($1,360), more than the country's annual GDP per person of $1,124.

There is no data on how many purebred dogs Rwanda has. Yet they support a sizeable market in Kigali. Pet shops and doggy day-care centres have sprung up around the city. Owners fork out for walkers, groomers and trainers. Mr Ineza, who is 28, started training dogs ten years ago, initially earning 30,000 francs (then $38) a month. Now he employs 15 people.

Mr Ineza partly credits Rwanda's police with starting the furry trend. In 2017 a news segment showed off their German shepherd unit. People did not associate the sleek police dogs with the street dogs they had seen during the genocide, and "suddenly everyone wanted one," he says.

The love for purebred dogs does not yet extend to strays, says Olivia Clarke, who runs Wags, a shelter for abandoned dogs. Unwanted puppies are often thrown over the organisation's wall. Finding a home for a local mutt is hard. Yet that may be merely a question of branding. In Rwanda's unregulated dog-breeding market, any white dog can be sold as a "Maltese". And some of the "German shepherds" in Kigali's doggy day-care centres look suspiciously like their stray cousins. ■

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Europe

- France and Spain are suffering their biggest wildfires on record
- The Berlin terror attack exposes deep failings in the state
- A new party breathes life into Turkey’s opposition
- Russian strikes may keep Ukraine's grain from reaching markets
- In Italy, America does business on the ambassador’s yacht

Europe | Rising flames

France and Spain are suffering their biggest wildfires on record

Bordeaux is on alert, and worse is yet to come

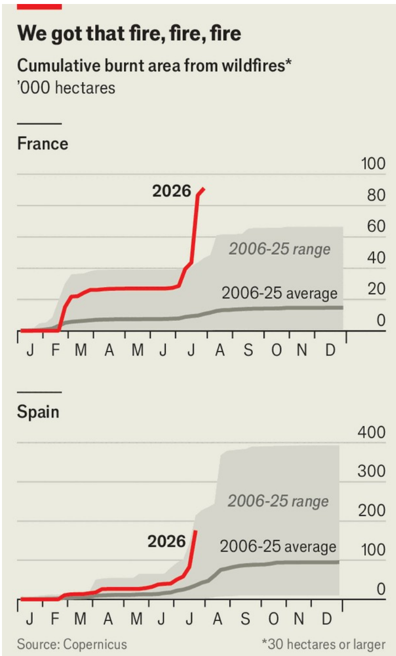
Jul 30th 2026

France is facing the "toughest situation since the second world war", declared Emmanuel Macron on July 27th on a visit to firefighters in the Gironde area around Bordeaux. He was referring to the scale of the wildfires, but at times it felt as if he was referring to a crisis of any sort. Even in a country well used to rebellion and riot his words felt only slightly excessive. Images of the wildfires that began five days earlier in one of south-west France's most forested areas have shaken the country. Firefighters called the scenes apocalyptic and Dantesque. The area destroyed, 42,000 hectares, is four times the size of Paris. Over 200,000 people have been evacuated. A week after they broke out, the fires were still not under control and were just 15km from the city of Bordeaux itself.

The wildfires started in the village of Saumos, west of Bordeaux, possibly when a motorised device used for brush-clearing caught alight. That they spread so fast was the result of exceptional conditions. In June and July France had two canicules, or spells of extreme heat, with temperatures at 40°C and above; this parched the land and turned pine forests into tinder. At one point intense heat created a weather phenomenon known as pyrocumulonimbus, whereby smoke from the fire generated its own thunderclouds and lightning that struck the ground and set off new fires. France has never witnessed one before.

The evacuations have been anguished but orderly. Despite traffic jams on the narrow Cap Ferret peninsula, motorists were able to leave; others were evacuated by boat. Some 7,000 people have been housed on camp beds in a vast exhibition hall, thanks to the Bordeaux town hall. Thomas Cazenave, the mayor, told evacuees the shelter was temporary and that they would be given beds in student accommodations or rooms offered by volunteers. Some will not be returning home at all. In the village of Le Porge, 183 homes were burnt to the ground; twisted remains of bicycles and garden chairs lay beside the ruins.

Neighbouring Spain has been hit just as hard. In early July, 14 people were killed by a swift conflagration in a village in Almería province. Later in the month, two wildfires in Ávila province and the Madrid region merged into the country's biggest-ever blaze, destroying 77,000 hectares, more even than in France. A further 9,300 have burned near Valencia. On July 24th a large plume of smoke was visible from central Madrid; the fire threatened a 16th-century monastery at El Escorial before the wind mercifully changed direction.



Visiting Ávila on July 26th, Pedro Sánchez, the prime minister, warned of "complex hours ahead". Two days of lower temperatures and lighter winds then helped thousands of firefighters bring the flames under control. Around 100,000 people were evacuated or told to stay put, with only one further fatality. Yet the fires are far from over. Spain's fourth heatwave of the summer began on July 29th. It will bring a return of the "30/30/30" conditions that firefighters dread: temperatures of above 30°C, less than 30% humidity and winds over 30kph. Throw in an exceptionally wet spring that increased vegetation and a bone-dry early summer that dried it out, and Spain has become a tinder box.

In some respects, the wildfires have shown off effective crisis management. In France, firefighting protocols are well-known and practised. The country has a fleet of Canadair water-dropping aircraft and a huge reserve of 200,000 volunteer firefighters, who make up 78% of all firefighters. An Airbus A400M military plane was used for firefighting for the first time, using special kit to drop 20 tonnes of retardant. Farmers towing water cisterns joined convoys of rescue vehicles. Mr Macron activated the EU's civil-protection mechanism; firefighting aircraft and vehicles poured in, not just from union members such as Sweden, Germany, Portugal and Slovakia, but from non-members Turkey and Switzerland.

In Spain, there has been little of the political bickering that often disfigures disaster response. Madrid's conservative-run regional government quickly got Mr Sánchez's Socialist-led administration to declare a national emergency. The Interior Ministry took charge of an impressive firefighting effort, which has blended regional forces, the army and volunteers.

Yet the disaster has also exposed shortcomings in both countries, not least the difficulty of planning for what has until now been judged a low-probability event. France's 12 Canadairs, eight Dash aircraft, six Air Tractors and about 30 firefighting helicopters suffice in a normal year, especially when supported by other EU countries. But opposition politicians, including from Marine Le Pen's populist-right National Rally, have rounded on the government for not buying more and sooner. A new batch of Canadairs is due to be delivered in 2028 at the earliest. As for Spain, only seven of the government's 14 Canadairs are operational, although allies loaned six more.

The new generation of blazes, fired by climate change and variations in land use, are of almost uncontrollable ferocity—and are getting closer to cities. In Spain rural depopulation means less attention is paid to forest management. Regional governments slashed spending on fire prevention after the great recession, and it has yet to recover. Eduardo Tolosana, president of the national association of forestry engineers, told El Mundo that Spain needs more cleared strips around housing estates, more evacuation routes and hydrants and active forest management.

As he visited the sites of fires this week, Mr Sánchez called for a national pact against climate change. He knows that some on the right are climate deniers. But he is not a consensus-builder.

When the flames recede, France and Spain will have to reassess the risks. In France the area destroyed so far this year, around 115,000 hectares, is nearly twice the most recent peak in a whole year, in 2022. Wildfires have broken out not only in southern forests known to be at risk but in places like Fontainebleau, outside Paris. In Spain the damaged area stands at 170,000 hectares, more than six times the figure for the same period last year. The summer's drama is far from over: the city of Bordeaux remains on high alert, and both countries are bracing for fresh heatwaves. With every year, such blazes become less an exception and more the rule. ■

Europe | An attack in plain sight

The Berlin terror attack exposes deep failings in the state

Germany knew Abdul Ballout was dangerous. It let him go anyway

Jul 30th 2026

"LONE WOLF" terrorists are a headache for security officials. It is hard to detect extremists who self-radicalise online, do not attend mosques and plan attacks alone. Germany, where the Islamist terrorist threat arrived relatively late, has had to learn this lesson. In 2024 a Syrian failed asylum-seeker who had evaded deportation killed three people in a stabbing spree in Solingen, near Düsseldorf. Although he was aligned with Islamic State (is), he was never identified as a security threat.

But with Abdul Ballout the warning lights could not have flashed more brightly. On July 25th Mr Ballout is alleged to have driven a van into crowds leaving Berlin's Christopher Street Day parade, a gay-pride event, before reportedly stabbing a number of people. (He fled, and was later shot dead by police.) A Polish woman was killed, and dozens hurt. Mr Ballout is said to have left behind a short confession video pledging his allegiance to is. The attack cannot have surprised the German security agencies, because they had been tracking him for years.

A teenage troublemaker convicted of assault and robbery, Mr Ballout appears to have been radicalised online and via extremist preachers in Berlin, his home city. He twice pursued jihadist connections abroad, in Mauritania and later Lebanon, from where he intended to join is fighters in Syria. The second trip saw him imprisoned in Lebanon last year. Officials there informed their German counterparts, and on his return home Mr Ballout was immediately placed into pre-trial detention. In May a Berlin court handed him a prison sentence of one year and ten months, under juvenile criminal law (which can apply to young adults), for "preparing a serious act of violence endangering the state".

By then police had flagged Mr Ballout as a serious security risk. Yet he was released after the verdict, pending a later decision on whether to enforce the sentence, and ordered to attend a deradicalisation course. Juvenile law in Germany emphasises rehabilitation over the security risks that an individual may pose, says Peter Neumann, a German security expert at King's College London. The court itself wrote that it was not convinced that Mr Ballout would not transgress again. His movements and communications remained under surveillance; a covert camera captured him leaving his flat on the night of the attack. Mr Ballout carried out his deadly atrocity in plain sight.

The attack inspired odd leaps of logic. Some politicians called for deporting immigrant criminals faster and reversing a recent liberalisation of naturalisation rules. Friedrich Merz, the chancellor, said Germany should consider stripping citizenship from dual nationals convicted of heinous crimes. None of this would have stopped Mr Ballout, a citizen of Germany alone, born in Berlin to Lebanese parents. His case shows that Germany's Islamist threat is not merely imported.

Others are asking more pointed questions about an apparently awkward disjunct between the security services and courts. Berlin's judicial authorities insist they followed the law in releasing Mr Ballout. But many wonder how a man convicted of extremist-related offences, and regarded as a serious security threat, could nonetheless have been set free. “The question is whether the system needs reform, or whether its application was wrong,” says Hans-Jakob Schindler, an expert on terrorism at the Counter Extremism Project, an ngo. “But it certainly looks odd.”

Since 2001 Germany has passed reams of anti-terrorism measures. Yet so glaring are the apparent missteps in this case that more seem inevitable. Alexander Dobrindt, the interior minister, called for expanding preventive detention, curtailing the use of juvenile courts and more electronic monitoring. The Bundestag will soon consider a law to increase the powers of domestic spooks, currently hamstrung by strict rules on data protection and other matters. There have been over 20 Islamist terrorist acts in Germany since 2001. Few doubt there will be more. ■

Europe | Sprouting a new head

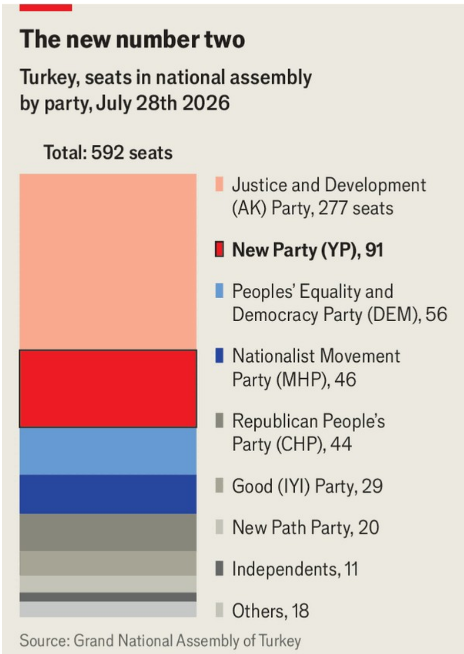
A new party breathes life into Turkey's opposition

An end-run around a court ban gives Recep Tayyip Erdogan a strong challenger

Jul 30th 2026

TURKEY's president, Recep Tayyip Erdogan, has repeatedly claimed that he and his ruling Justice and Development (AK) party deserve a new opposition. His wish came true on July 24th, when Ozgur Ozel, Turkey's top opposition politician not behind bars, announced the launch of a new party named, apparently for lack of a better alternative, the New Party (YP).

At a stroke, Mr Ozel, recently removed as leader of the Republican People's Party (CHP), has redrawn Turkey's political map. Already, 91 of the CHP's 135 parliamentarians have defected to the YP, making it the second-biggest in parliament (see chart). The CHP had been Turkey's main opposition party since 2002, when voters swept AK to power. Opinion polls suggest Mr Ozel has taken with him most of the CHP's voters, too. Some put the YP's support at over 30%, ahead of Mr Erdogan's party.



After leading the CHP for over two years, Mr Ozel was deposed by a court decree in late May. The court ruled that the party congress that elected him had been rigged and replaced him with Kemal Kilicdaroglu, who had been the party's previous leader. When Mr Ozel's supporters said they would not abide by the verdict, police stormed the CHP's headquarters.

Critics saw Mr Erdogan's fingerprints all over the ruling. Turkey's strongman sees Mr Kilicdaroglu as an opponent he can tame. During his previous tenure as the CHP's chairman, Mr Kilicdaroglu guided the party to a string of defeats at the polls, including his own loss to Mr Erdogan in the presidential elections of 2023. Only a year later, with Mr Ozel at the helm, the CHP had its best showing in half a century, edging out AK in local elections.

Turkey's oldest party may be on its way to becoming a zombie. Polls suggest its support has sunk into the single digits since the split. A new low came on July 25th, when a journalist covering a CHP event presided over by Mr Kilicdaroglu discovered that hundreds of those in attendance were actually extras, recruited by casting agencies and paid 950 lira ($20) each to show up and cheer.

Assuming Turkey's main court of appeal upholds Mr Kilicdaroglu's reinstatement (a ruling is expected in the autumn), the YP may soon welcome yet more CHP defectors. Less clear is whether it can become more than a clone of the party from which it has broken away. The YP seems to have inherited most of the CHP's secular and social-democratic base already. To take on Mr Erdogan, however, the party needs to build a wider coalition, encompassing parts of the centre-right as well as some nationalists and Kurds. It has not done so yet.

Mr Erdogan, prime minister between 2003-14 and president since, has already extended his time in office once, by changing the constitution. To give himself a shot at another term, he is expected to ask parliament to bring forward the coming presidential and parliamentary elections, officially scheduled for 2028, to next year. On paper, Mr Ozel and the YP can give him and AK a run for their money.

Yet in practice they face an array of obstacles, including growing repression and a judiciary beholden to Mr Erdogan. The courts have been clearing the field for the president (or for an anointed successor, should Mr Erdogan, who turns 73 next year, be unable to run). Ekrem Imamoglu, the popular then-mayor of Istanbul, was arrested in March 2025, days before being named the CHP's presidential candidate. Opinion polls gave him a strong chance of beating Mr Erdogan. He faces up to 2,300 years in prison on corruption charges.

At least 26 other CHP mayors and hundreds of local officials and municipal workers have been arrested in the past couple of years. The net may also be closing around the opposition's back-up candidate for the presidency, Mansur Yavas, the mayor of Ankara. As soon as the NATO summit held in the city in early July was over and foreign leaders headed home, police stepped up arrests of officials close to Mr Yavas.

The YP seems almost certain to become the target of new crackdowns. "Right now, the main question for the opposition is to survive, not to win elections," says Berk Esen of Sabanci University in Istanbul. If they can endure for another six months to a year, Mr Ozel and his supporters may be able to put up a fight, he says. Mr Erdogan has pruned the opposition into what he thinks is manageable shape. It may surprise him by growing back stronger. ■

Europe | Blocked-up grains

Russian strikes may keep Ukraine's grain from reaching markets

Missile hits on ports near Odessa could stop the export of a bumper harvest

Jul 30th 2026

This hit was only the latest, says the security guard, waving at a scorched patch on the lawn where a week ago a rocket struck the depot in Odessa port where he works. He hears a strike “almost every day”. A moment later sirens go off, followed by an earth-shaking thump, anti-aircraft fire and the high-pitched whine of an interceptor drone.

Russia has stepped up its attacks on Ukraine’s ports in recent weeks, with potentially dire consequences for agricultural exports. Fully 90% of Ukraine’s grains and oilseeds go through Odessa and the nearby ports of Chornomorsk and Pivdenne. Russia is hitting infrastructure and shipping with missiles and drones from Crimea. There have been at least 56 attacks this month, killing 26 port workers and sailors. Some facilities have suspended operations, including a sunflower-oil terminal at Chornomorsk set ablaze on July 14th.

Ukraine's armed forces do their best. Commander Dmytro Pletenchuk explains that some air defences have moved out to sea, with heavy machineguns mounted on patrol boats. A naval helicopter, he says, recently downed seven Shahed drones on a single mission. But Russia is burying them with numbers. On July 19th the Golden Leo, a Turkish-owned grain carrier, was hit by cruise missiles within sight of holidaymakers on Odessa's beaches. Ten sailors were killed. On July 29th VesselFinder, a tracking service, showed no arrivals at the ports in the previous 24 hours, though it misses ships that turn off their transponders.

On July 22nd Maersk, a Danish shipping giant, announced its vessels would unload at Constanta, in Romania, rather than Chornomorsk. Oleksiy Smolyar, director of an Odessa-based maritime-services company, says large shipping firms have been avoiding Ukraine since spring: the costs of war-risk insurance plus potential lost business outweigh the fees. Their place has been taken by opportunistic Middle Eastern outfits, which bought their first ships ("maybe not so new and not in such good condition") when Russia launched its full-scale invasion four years ago. Mr Smolyar's business, Trident Maritime, has shifted to providing inspection services to the "convenience states"—Guinea-Bissau, Togo and the like—under whose flags the opportunists sail.

The attacks coincide with Ukraine's harvest, forecast at 81m tonnes of grains and oilseeds, up from 80m tonnes last year. But Taras Vysotsky, the agriculture minister, warns that exports were down by a quarter in May and June, and "if attacks double or triple, it'll really be a challenge." Agricultural goods make up nearly 60% of Ukraine's total exports.

The ministry tracks the numbers of farmworkers killed by Russian first-person-view drones. "Every week we hear that three, four, five farmers have been killed," says Mr Vysotsky. "It's obvious that they deliberately hunt people." Also targeted is farm machinery: 820 pieces of equipment, from harrows to irrigation systems, have been destroyed this year.

Two hours' drive north of Odessa, Anatoliy Artemenko stands in a field dotted with cylindrical bales. He has 2,000 hectares and grows rice and amaranth as well as wheat and maize. This year he will have a bumper harvest. His problem is what to do with it. With no exports there are no buyers, and his barns are nearly full of unsold produce, although over half the harvest is still to come in.

His other big problem is labour. Conscription rules allow businesses deemed critical to the war to reserve up to half their employees. But exemptions must be renewed every six months, and the criteria are tightening. "A lot of men, when they realise that I can't reserve them, either run away or go into hiding," says Mr Artemenko. Of the 50-odd he employed before the war, he has lost 30 to recruitment or draft-dodging. Local women don't want to learn to drive lorries or tractors, he says. Instead he pays his remaining male staff to work twice the hours.

The road to Kyiv swoops between huge fields of wheat and sunflowers. Combines are at work, haloed by clouds of chaff. The earth is startlingly black, Ukraine's famously fertile chernozem. But what use is a good harvest, asks Mr Artemenko, if there is no way of getting it to market? ■

Europe | Fun-boat diplomacy

In Italy, America does business on the ambassador's yacht

A billionaire diplomat's floating statecraft

Jul 30th 2026

AMERICA'S EMBASSY in Rome occupies the imposing Palazzo Margherita, the former residence of an ex-queen of Italy. But this year its flashiest events have been hosted on the Boardwalk, a 117-metre superyacht. With its teak decks, twin helipads and swimming pools, spa and putting green, it is worth an estimated $450m. The owner is Tilman Fertitta, a Texan billionaire and Republican Party donor named as ambassador by Donald Trump. He has spent the summer of America's 250th anniversary cruising the Italian coast.

Mooring off Cefalù and Sorrento, beneath an erupting Mount Etna and fireworks in Venice, the yacht has hosted receptions for politicians, business leaders and celebrities. Guests drink champagne from commemorative "Freedom 250" flutes. In Naples they included the mayor, the president of Campania and the owner of the city's football club. In Venice the yacht arrived under the watch of helicopters and rooftop snipers, while activists staged protests against billionaire excesses.

In part, the Boardwalk is simply an extension of the ambassador's official residence. But it also exemplifies changes in American diplomacy. Ambassadors once projected power through institutions and protocol. Under Mr Trump, personal wealth and proximity to the president are at least as important. Mr Fertitta's businesses include restaurants, casinos, hotels and the Houston Rockets basketball team. Just as Mar-a-Lago has become an unofficial White House, the yacht has become an unofficial embassy.

Appointing rich donors rather than foreign-service officers as ambassadors is routine in America. Supporters of the practice see access to the president as crucial to the job, says Ryan Scoville of Marquette University Law School, who studies ambassadorial appointments. Critics argue that political appointees often lack the needed experience and leave much of the work to career diplomats. "A wiser appointee would keep a lower profile," says Sir Emyr Jones Parry, a former British ambassador to NATO, "and never flash wealth ostentatiously."

That may sound old-fashioned. Giorgia Meloni, Italy's right-wing prime minister, has praised Mr Fertitta for helping her reconcile with Mr Trump after clashes over Iran and the pope. But Lia Quartapelle of the opposition Democrats questions whether displays of fabulous wealth make good diplomacy when Italians are struggling financially. She went to a "July 4th" party at the ambassador's official residence. But she hasn't been on his boat.■

Britain

- Having clawed his way to power, Andy Burnham wants to give some away
- The world is entering a post-postcard era
- A widely repeated statistic is shaping Britain’s grooming-gangs debate
- Health tech and AI come to equestrianism
- Britain is struggling to build data centres
- The indie establishment

Britain | Devolution in England

Having clawed his way to power, Andy Burnham wants to give some away

No representation without taxation

Jul 30th 2026

Northampton, a town of some 250,000 people located almost as far from the coast as it is possible to get in England, is a pleasant place. It has become even nicer recently. A fleet of new electric buses trundles along the roads. A derelict pub, the Old Black Lion, has been beautifully renovated. The market square has been spruced up. It will soon acquire a giant sandpit and deckchairs, for those who cannot face the drive to the seaside.

What might surprise a foreign visitor, although probably not a Briton, is how these enhancements have been paid for. Every one, including the temporary beach, is financed at least partly by the national government in Westminster.

"Funded by UK government," reads a sign in the market square, just to rub it in.

Britain's national government grips England—though not Northern Ireland, Scotland or Wales—with a tightness that would embarrass a dictator. Westminster decides everything from the sums that local authorities can charge for planning applications (90% of the processing cost) to the tinkling of ice-cream vans ("the passage of music played should not last more than 12 seconds"). It collects almost all taxes, leaving a pittance for local governments (see chart). "We are more centralised than New Zealand, which has five million people," says Philip McCann, a regional economist at the University of Manchester.

You might suppose that an all-powerful central government would at least manage to spread wealth around the country. Yet Britain is startlingly unequal, despite the visible efforts made in towns like Northampton. GDP per person in Greater London is almost two and a half times what it is in north-east England—a bigger gap than the one between New York state and Mississippi in America, or the one between Hamburg and Thuringia in Germany.

Andy Burnham, the new prime minister, thinks these two facts are connected. To him, places are poor not only because they have been overlooked by Westminster but also because they lack the power to improve their fortunes. On July 23rd he opened a "Number 10 North" office in Manchester, where he was recently mayor. As The Economist was published, he was preparing to announce that metropolitan governments would be able to keep more of the taxes raised in their territories. It is a welcome change, but a treacherous one.

England was not always so highly centralised. Its towns and cities are studded with spectacular town halls and guildhalls which memorialise an era of civic power in the 19th century. Centralisation lurched forward after the second world war under two great prime ministers. Clement Attlee built a national welfare state and health service; Margaret Thatcher abolished metropolitan governments in London, Manchester and elsewhere.

Britons have grown accustomed to centralisation. They use the phrase "postcode lottery" to describe the horrifying prospect of public services differing from place to place. They use local ballots to deliver judgments on national politicians (an awful set of local election results in May triggered the previous prime minister's downfall). But Mr Burnham's diagnosis of the link between centralisation and poor local performance is almost certainly right.

Local governments currently have few direct incentives to encourage economic growth in their patches. If, probably against strong local opposition, a local authority decides to permit a new housing estate, the transaction taxes on the homes would go to the national treasury, as would the income taxes and vat paid by the new residents. As Rachel Reeves, then the chancellor, put it in March: "The fiscal reward for local economic success flows straight to the Exchequer."

Instead of driving their own growth, local governments beg for handouts. Central-government departments are always offering money for something, and councils might as well ask for some. Local priorities may be a secondary consideration. In 2020 the transport department offered money for schemes that promoted "active" (that is, muscle-powered) travel. Northampton won after proposing to turn a major road one-way for cars and to add cycle lanes.

Local people hated the idea, forcing the council to concoct an alternative scheme with Westminster.

Many of Britain's biggest metropolises are weak. The former steel town of Sheffield is not just far poorer than the former steel town of Pittsburgh in America; it is also poorer than its surrounding region, Yorkshire and the Humber. National politicians know this. Over the past decade they have concentrated on building metropolitan institutions a little like the ones that were abolished in the 1980s, and giving them more responsibility.

Local councils that agree to form "combined authorities", with elected mayors, have been rewarded with slightly more powers. The most potent, such as Greater Manchester and the West Midlands, now hold sway over transport and have some influence over adult education and health. Central-government grants come to them in the form of single pots. The combined authorities have some leeway to spend more on this, less on that, although they must still try to hit numerous performance targets agreed with Westminster.

This hesitant devolution seems to have worked. Greater Manchester has built a tram network with 99 stops and has taken control of its buses. Since 2012, when the central government signed a "city deal" with the metropolis, output has grown faster than in Britain as a whole. Research by Michiel Daams, Colin Mayer and Mr McCann shows that real-estate investors have long tolerated lower returns in London than in other cities. Recently Greater Manchester and the West Midlands have converged with the capital. Their comparatively strong governments may have made them seem safer investments.

True autonomy will come only from giving areas more control over taxes. That would allow local politicians to raise money to fund local priorities and to create revenue streams that can be borrowed against. Crucially, local economic growth would benefit them more. Research by the OECD, a club of mostly rich countries, suggests that devolving taxes boosts incomes more than devolving spending.

But how to do it? The path away from centralisation is strewn with obstacles, starting with the wildly varying capacities of local governments.

The slickest metropolitan authorities have inward-investment arms; the weakest local councils are little more than glorified litter-collectors. Many, including Northampton, are yet to join combined authorities. Britain's regional inequality is another problem. Letting local areas keep more of their tax revenue could lead to rich places getting richer and poor places getting poorer.

A safe first step for Mr Burnham is to continue with his predecessors' plans. Ms Reeves announced last autumn that mayors would be allowed to tax overnight visitors. Tapping tourists would raise only small sums outside London (one estimate suggested Liverpool might get £11m a year). But getting the tax onto the statute book this year would be a sign of intent.

Bolder would be to give the most competent combined authorities a share of the national taxes that are raised locally—something that Ms Reeves promised to explore. The choice of levy will be crucial. VAT is a poor candidate. As a consumption tax, it is too messy to apportion when supply chains cross administrative boundaries. Property taxes already flow to local authorities, but they are the linchpin of the current byzantine redistribution system between areas. Disrupting it risks starving services in poorer regions.

The best candidate is income tax. It is easy to divvy up (a person can have only one main residence) and incentives are well-aligned. If a place manages to create more and better-paying jobs, it would reap the benefits through a higher tax take. The sums need not be huge at first. The Centre for Cities, a think-tank, reckons that around 2% of income tax raised locally is enough on average to replace the grants that existing mayors receive.

Mr Burnham could go further and let places set their own income-tax rates, as the Scottish and Welsh governments can do. Citizens might vote with their feet, moving to areas with low taxes and basic services or the opposite. That is the American way: income taxes are hefty in Massachusetts, for example, but so is school funding. Such a move is best treated as a long-term aspiration, given the need to build up local government's capability to manage such large responsibilities.

This still leaves the question of how to achieve fairness across cities and regions. Mr Burnham has previously looked to Germany for inspiration. The country's Basic Law stipulates that there must be "equivalent living standards" across its states, a goal backed up by a complicated system for redistributing money from richer to poorer places. Britain has a similar mechanism for the little spending it currently lets local areas control. If fiscal devolution is to work at a grander scale, Mr Burnham will have to find a formula for redistribution that prevents growing inequality while preserving growth incentives.

Britain's new prime minister insists that it should be possible to achieve growth across the entire country, if every arm of government pulls together. It is a nice sentiment, but an unrealistic one. Meaningful devolution within England is bound to create winners and losers, as some places exploit opportunities better than others. The losers will cry foul. Listen for their howls: it will suggest that Mr Burnham's devolution revolution is working.■

Britain | Wish you were here?

The world is entering a post-postcard era

This means fewer ghastly pictures of sunsets. More ghastly Instagram

Jul 30th 2026

The postcards looked lighthearted, frivolous even. One offered this "Vue" of a French beach; another that "Plage" in Normandy; another a "Rue" in a pretty coastal town. They could not have been more serious. It was March 1942. Britain was readying itself to fight the Nazis on the beaches and on the landing grounds. But they had very little idea what those beaches and landing grounds looked like.

Admiral John Godfrey, the head of British naval intelligence, took to the BBC with a public plea. Your photos and postcards, he said, might look like holiday frivolity but "experts may see a lot more". He asked people to send them in—and they did. In droves. 10,000 were expected; 10m were received. Then British intelligence started to sort them; not now under words like “rue” or “plage” but under different names: under “Omaha”, “Sword” and “Juno”. The preparations for what would become known as “D-Day” had begun.

Postcards—cheap, smutty, sometimes saucy—are often assumed to be silly but their effects have been very serious indeed. They have changed the world. One historian has called them “the largest class of artefacts humankind has ever exchanged”. An international treaty was signed to enable their travel across borders; wars have been chronicled with them; battles planned using them. The French philosopher Jacques Derrida even wrote a book about them, rich in phrases such as “supplementary prosthesis”.

Now they are dying out. All (flat) physical post is in trouble: 20 years ago the Royal Mail, Britain’s postal service, sent 20bn letters a year; by 2025 that number was 6.6bn. Postcards are doing worse still: only 8% of British adults now send postcards, according to a study by English Heritage, a charity. The postcard, it observed, as it launched a summer campaign this July to revive them, is “in terminal decline”.

Its rise was similarly swift. The first postcard was sent in 1840, when a British novelist called Theodore Hook sent a card through the post to himself in Fulham, a London neighbourhood. This card featured a picture (which would become common) and (soon to be commoner still) a lame joke. The idea caught on. In September 1869 Austria's postal service started to sell "Correspondenz-Karten"; within three months, as Lydia Pyne records in her book "Postcards", 3m had been sent.

Their advantages were clear. They lifted a physical burden from postal services (a single leaf of card was far lighter and cheaper to transport than the triplicate thickness of a letter in an envelope) and a literary burden from the writer: like teenagers turning to text, Victorians relished the limits imposed on their prose. Some 200bn to 300bn were estimated to have been in circulation between 1895 and 1915. Britons, with their empire, were particularly keen. Postcards, says Ms Pyne, were the "first worldwide social network".

And they were loved. A physical letter is not merely words, it is "far more personal, even intimate, than a text or email", says Robert Douglas-Fairhurst, a professor of English at Oxford. Part memo, part memento, it bears the "physical traces of the person who sent it".

Postcards changed the way the world was seen. Often, critics said, by making it look worse. Their visual style—palm trees, sunsets, saturated colour—is as recognisable as a Greek vase and, thanks to photographers like Martin Parr, as parodied. The postcard became a byword for saccharine beauty (“picture postcard”) and even a unit of measurement (“postcard-sized”).

Cheap and cheerful, they gave tourists an invaluable sense of place—and intellectuals an invaluable sense of superiority. George Orwell, a writer of many things (though not, one senses, of many postcards) noted comic postcards’ appearance of “overpowering vulgarity” and general “hideousness”. Though arguably they are not as hideous as the world of Instagram-influencers that replaced them. It is hard to look at the era of the postcard and not wish that you were there.■

Britain | Child sexual abuse

A widely repeated statistic is shaping Britain's grooming-gangs debate

The Economist investigates whether it stands up

Jul 30th 2026

SCANDAL IS an overused term. But the decades-long sexual abuse of (mostly white) British girls by gangs of men of predominantly Pakistani heritage, often ignored by the authorities, more than deserves the label.

It has also become an obsession of the international far right. On July 22nd Jordan Peterson, a popular conservative commentator, described it as a "sexual atrocity now seemingly integral to multicultural Britain". Asked in a recent interview with The Economist whether he is anti-Muslim, Elon Musk said, "I am against rape and murder." He has previously claimed on his social-media platform, X, that the media "hid the fact that a quarter million little girls were—still are—being systematically raped by migrant gangs in

Britain". Those on the right are particularly outraged that authorities' fears of appearing racist or upsetting relations between groups in the affected communities were a central cause of the state's failure to protect vulnerable children.

The right's obsession has itself produced a reaction from those on the "anti-racist", progressive left, who have tended to play down the (undeniable) ethnic and religious element of these crimes. They accuse right-wing campaigners of cynically exploiting the grooming-gang scandal to stir up anti-Muslim hatred and advance their views that Pakistani or Muslim men are a profound threat to Western society. In the light of rising hate crimes against Muslims in Britain, such concerns are not unfounded. This heated row has long prevented a sensible conversation about how controversial factors—from honour culture to the role of misogyny in fundamentalist Islam—may have led to the overrepresentation of Pakistani men in these gangs.

Into this maelstrom Rupert Lowe, leader of the far-right Restore Britain party, has thrown a shocking number. A post sharing his crowdfunded "Rape Gang Inquiry Report", published last month, has received more than 51m views on X. Its estimate that at least 250,000 British girls have been abused by "predominantly Muslim Pakistani gangs" quickly went viral and has since been repeated by influencers such as Tommy Robinson, a far-right agitator, and Ben Shapiro, a conservative commentator.

Dig into the report, however, and it becomes apparent that its central claim is ill-founded. The 250,000 figure was taken directly from an estimate by Malcolm Pearson, a former Tory and now independent peer who in 2018 told the House of Lords that "upwards of 250,000 young white girls" had been raped in Britain since the turn of the century—"very largely by Muslim men".

Lord Pearson's office later explained to The Journal, an Irish newspaper, that his estimate was based on extrapolating from the documented abuses that happened in Rotherham (the official review estimated 1,400 victims over 16 years; Lord Pearson used a slightly higher estimate of 1,700), Telford (1,000 victims over 40 years) and Oxfordshire (373 victims over 16 years). Using rough population numbers to estimate rates of victimisation, he then applied these rates nationally. Based on this he concludes that the number of victims across Britain since 2000 is between 162,000 and 440,000. The "250,000 victims of radical Muslim grooming gangs" estimate is offered simply as an almost-midway point.

This methodology is obviously flawed. First, it assumes that rates of victimisation in areas with notoriously high levels of abuse are typical nationally. The 440,000 estimate assumes that all of Britain has the same rates as were found in Rotherham (the lower estimate of 162,000 comes from assuming that all of Britain is like Oxfordshire). Second, Lord Pearson erroneously uses the population of the city of Oxford when looking at victim figures for the wider county of Oxfordshire. Correcting that mistake produces a national estimate of fewer than 60,000 victims. Third, even if extrapolation were a fair method, the Rotherham, Telford and Oxfordshire estimates are based on a far broader definition of child sexual exploitation (counting all cases in which children were co-opted into performing sexual activities by a person with more power) than Mr Lowe's much narrower definition of sexual exploitation by gangs of predominantly Asian men.

Frustratingly, Britain lacks a reliable national estimate for the number of children abused by grooming gangs of men of predominantly Pakistani heritage. The nearest there is comes from a government estimate of 6,850 victims in Britain in 2015. That figure does refer specifically to victims of organised abuse (ie grooming gangs), but it includes perpetrators and victims of all ethnicities. Producing a more rigorous and specific national estimate is part of the task of a national inquiry launched by the Starmer government in December 2025. It will specifically examine the role of ethnicity, religion and culture as they relate to both the offenders and the institutions that failed to intervene. But it has yet to begin work in earnest and will take several years to report.

When it does, the true scale of the scandal will no doubt still appal and shock the country. Meanwhile, the row between bad-faith commentators is set to continue. Instead of a careful and constructive debate, discussion is dominated by hysteria on the right and awkward silences on the left that only fuel perceptions of cover-up. Both are failing Britain. ■

Britain | Horse wearables

Health tech and AI come to equestrianism

A heritage sport is enjoying a data revolution, with animal welfare as the justification

Jul 30th 2026

"He's a proper diva," a winning rider told Horse & Hound, an equine magazine, of his horse, Dowdstown Purple, at the Royal International Horse Show (rihs) in Hickstead, on England's south coast. Horses have always been pampered, but they are increasingly treated on par with the most elite human athletes. On digital marketplaces owners advertise horses with elaborate video profiles and CVs of "notable achievements". "Very genuine mare who loves to please," reads one for a grey piebald. "No vices whatsoever."

Monitoring is the latest advancement. At the RIHS, Britain's oldest horse show, which took place between July 21st and 26th, show jumpers swap tips on tracking their steeds' heart rates and sleep. Many favour Sleip, a Swedish app which uses AI to analyse a horse's gait. The United Arab Emirates and Sweden may lead on developing such equine technology (the UAE has large stables and lots of money; Sweden has more horses than dairy cows), but Britons are its keenest consumers. Its equine health-care market is Europe's largest by revenue, with software and related services, including wearable monitoring, the fastest-growing sub-sector.

One reason for this British enthusiasm is welfare. A recent survey by YouGov, a pollster, for World Horse Welfare, a charity, found that 70% of Britons think a horse's welfare should always take priority in sport, regardless of the impact on performance. In response to such concerns, the British Horseracing Authority, a regulator, has said it will trial Sleip's technology at race meetings to ensure thoroughbreds stride safely.

Another is that the tech is just as appealing to regular, ordinary riders, of which Britain has an estimated 1.8m. Equiyd, a British startup with a stall at Hickshead, promises "F1 thinking" for "equestrian performance". Its app lets owners use their smartphone camera and wearable sensors to collect thousands of data points on gait, biomechanics and rider posture. Some 35,000 horses in 62 countries use it. Around 80% of its British users are amateur show jumpers, reckons David Lea, Equiyd's co-founder, many with ordinary day jobs such as nurses and teachers, who use the app to save on coaching and vet bills.

Some worry that too much tech will interfere with a rider's natural "feel" for a horse. But its adoption in equestrianism shows no sign of slowing. Unlike a sprinter, a stallion is unlikely to object to being surveilled 24/7. And whereas regulation often hamstrings human-health tech, there are fewer barriers to "health-span maxxing" for horses. Soon, predicts Elin Hernlund, Sleip's co-founder, horses could be "the most monitored athletes on the planet".■

Britain | This rackless isle

Britain is struggling to build data centres

It risks missing a big opportunity

Jul 30th 2026

East London’s neglected docklands have found a new life. In squat windowless buildings racks of computer servers purr in air-conditioning that sweaty local residents would kill for. These data centres were built a stone’s throw from Canary Wharf, a financial hub. Such proximity means superfast internet speeds, a crucial advantage in trading where a millisecond’s head-start can mint fortunes. The firms using these are often secretive; to enter Telehouse South, a new data centre, your correspondent passed through five layers of security. Some customers demand 12 separate checks, iris scans included.

Server farms are not just niche tech for financiers. They have become vital for all: to stream television, run video games, and power chatbots and artificial-intelligence tools. Demand is booming. “If we built six more facilities tomorrow,” says Julian Hennessy of Telehouse, “we would have customers to fill them.” Yet Britain has only a third as much data-centre capacity per person as America. By 2030 Britain hopes to have at least six gigawatts (GW) of capacity, up from 2GW now. America could reach over 90GW by then, up from 29GW today.

Britain’s data-centre woes are depressingly familiar for British economists. Crippling industrial electricity prices (almost four times higher than in America) make the facilities expensive to run. Sclerotic planning rules and a long queue for connecting the centres to the electricity grid make them hard to build in the first place. Hugh Milward of Microsoft, a software giant, complains: “It can take 18 months to build a data centre but eight years to get a grid connection.” These delays are a serious liability in a world where the speed of building, as opposed to cost or location, is the decisive factor for impatient investors.

The question for Britain and Europe generally is how much being a laggard behind America matters. As James Wise, chair of the government’s Sovereign AI unit, points out, “It’s not true that the only way to have more AI companies is to have more data centres.” The most compelling way for countries to achieve AI sovereignty is to have leverage that stops them from being prisoners in the race for AI supremacy. For Britain, this will never come from having an abundance of data centres, as it might for the Gulf states. But it can come from doubling down on the country’s strengths in research and a services sector well-placed to find lucrative uses for AI.

If so, Britain could outsource most of its data-centre needs to places like Finland, which have cheaper electricity and more available land. Some geographic diversification would be wise—no single country should be able to hold Britain to ransom—but there would be no need for racks of servers to sully Albion’s shores.

Although Britain’s data-centre struggles are not a death sentence, they are a worry. Uses where time is of the essence, like financial trading or self-driving cars, need servers nearby. Telehouse South can communicate with traders in Canary Wharf in less than a millisecond; using a New York server can take over 70 times as long. There are other uses, such as for national security or confidential health information, where authorities could insist in the future on storing data on sovereign soil.

And then there is the economic value that these businesses will continue to generate. The scale is hard to predict because nobody knows where in the AI supply chain the most money will be made. Data centres could become so abundant that they turn into low-margin businesses. But many think that there will be a shortage for years to come. Mr Wise can imagine software companies routinely giving 30% to 40% of revenues to inference providers, the businesses generating AI's responses to queries. He worries that if these services use data centres abroad, the taxman would forgo a lot of revenue.

The good news is that, for now, data centres are obscenely lucrative once they are running, so subsidies are not needed. The main thing the government needs to do is sort out grid connections. The Carnegie Endowment for International Peace, a think-tank, reckons that the lifetime value of a 100MW data centre is 19% lower in Britain than in America. The biggest reason is the time taken to connect to power, which is bad enough in America but on average ten months longer in Britain (see chart).

Britons' first-come, first-served approach to queuing has proved disastrous for the grid. Data-centre developers swamped the system with speculative applications long before projects were ready. The queue's length tripled from 41GW to 125GW between November 2024 and June 2025 (peak British electricity demand is only 45GW). The government has clocked the problem. It is weeding out unserious entries from the queue and has set up AI "growth zones" across Britain where data centres will get priority grid access. But progress is slow, with many of these reforms stuck in consultation. Mr Milward of Microsoft says a "much faster pace" is needed. One option, reformers suggest, is letting data centres pay to queue-jump.

Although Britain is flailing against American competition, it does have one crucial advantage: Americans hate data centres. A recent poll by Gallup found that 71% oppose them being built locally, seeing them as wasting scarce water and energy resources. Britons, meanwhile, are still scratching their heads about what the things are. Around seven in ten know little or nothing about them, according to a survey by Public First, a consultancy.

That ignorance offers a window to argue for more data centres. The downsides are limited. Water-usage scare stories are overblown. The businesses might actually ease electricity costs as more users allow the expenses of new grid infrastructure to be spread more widely. And, although data centres might not be essential to British AI success or achieving meaningful sovereignty, they could still mint money for the exchequer, just as they currently do for Canary Wharf's traders. ■

Britain | Bagehot

The indie establishment

What happens when the alternative becomes the mainstream?

Jul 30th 2026

"Oh look at that, a gold disc of 'The Queen is Dead'," said Andy Burnham, offering a tour of his new Number 10 North office, pointing to a framed copy of the album by the Smiths, a Mancunian band. "I need to return that to Johnny Marr actually," he said, namechecking the record's guitarist.

Mr Burnham's ascent to power has been accompanied by cheers from the music scene which the new prime minister so loves. Guy Garvey, the singer of Elbow and a dj on 6 Music, the BBC's indie music station, welcomed Mr Burnham's rise: "Andy isn't an ordinary man." The Courteeners, another Manchester band, cheered him. Oasis, Manchester's most famous export beyond its football clubs, allowed him to play "Some Might Say" in his campaign videos.

What feels like a shift is nothing of the sort. An indie establishment has long held sway among British politicians who came of age in the 1980s, when the Smiths and co were in their pomp. Sir Keir Starmer loved the band, along with Orange Juice, another jangly indie group. When David Cameron appeared on “Desert Island Discs”, where the British establishment pick their favourite songs, he chose tunes by the Smiths and Radiohead. Samantha Cameron, Lord Cameron’s wife, was such a fan of 6 Music that Downing Street press officers monitored the station’s news snippets to hear what she might mention to her husband over dinner.

Pop into a pub in north London and you might hear Centrist Dad, an indie tribute act featuring Robert Peston, a prominent television journalist, on vocals and Ed Balls, a former Labour cabinet minister, on the drums. In the audience expect to see George Osborne, a former chancellor, jumping about with Yvette Cooper, the health secretary and Mr Balls’s wife, while the face of the financial crisis wails “Mr Brightside”. To understand power in Britain put down the Times and switch on 6 Music.

Mr Burnham has the same tastes—whether it comes to music, football or fashion—as his predecessors. Yet he uses them to show how different he is. Pledging the alternative while actually providing the mainstream has long been Mr Burnham’s strategy. Below the gold record from the Smiths is a leaving gift from his time as mayor of Greater Manchester, which is an armchair emblazoned “We do things differently here.” It is an apocryphal quote from Tony Wilson, the founder of Factory Records, which looked after bands such as New Order. Manchester’s economic outcome is different: in a country with sluggish productivity growth, the city is a rare bright spot.

Except Manchester built its renaissance on a very British model: sell services—law, media, advertising—from warehouses where they used to make things. Cottonopolis has become pdfopolis. It has the same economic strategy as every other post-industrial city. It simply succeeded. Remember another manchesterism about “Manchesterism”, wrongly attributed to Wilson: “When you have to choose between the truth and the legend, print the legend.”

So it is in music, so it is in economics, so it is in fashion. Mr Burnham’s casual fashion choices are picked over, even though carefully underdressed men have long run Britain. He prefers a £700 ($930) bomber jacket by an independent Manchester label to a suit wherever possible. After all, suits are verboten in Britain's most successful industries, whether AI labs or creative studios. In politics, too, they are dying out. Sir Keir wore a £500 hooded Sandro jacket, yet this choice became big news only when it emerged his wardrobe had been paid for by a Labour donor.

Liking football has long been almost mandatory within this elite. Sir Keir is a season-ticket holder for Arsenal; Lord Cameron a less-than-avid Villa fan. Yet Mr Burnham is not like the other boys. In 1997 he wrote for When Saturday Comes, a modish football magazine aimed at fans with English Literature degrees. Football endured intellectualisation in this period, with academics writing essays about the meaning of Paul Gascoigne ("Wazza mazza wiv Gazza?"), dragging the sport from low-status hobby into an elite pursuit, where it remains today.

Appearing anti-establishment while being steeped in its ways is the quickest path to power. In this way, Mr Burnham is aping a strategy used most effectively by Nigel Farage. Like most underground acts, his rebellion against Europe began by playing to tiny crowds in pub back rooms. What started as niche became mainstream, establishment opinion. This was no trouble for Reform UK's leader, who has always fitted into the establishment, no matter how much he protests, bouncing from a private school into the City. Mr Farage, like Mr Burnham, is both in and against the establishment, criticising it while still a creature of it.

Indie musicians once fought the establishment, steering clear of major record labels. Their popularity defeated them. When the alternative became the mainstream, small labels were bought out; indie music became little more than the soundtrack of an establishment reliving its youth. The Smiths issued a fatwa against Lord Cameron liking them. Now, in Mr Burnham's Britain, they welcome the prime minister's attention, their record on the wall of the country's new centre of power.

In power, Britain's latest prime minister promises the biggest political shift in 40 years (or since "The Queen is Dead" came out). Being the clearest product of the culture of that era is a problem if that is the goal. Mark Fisher, a leftie writer, long complained that culture was stuck, leaving 21st-century

Britain with “20th-century culture on high-definition screens”. In Mr Burnham’s telling, politics has been stuck, too. If politics is downstream of culture then when culture freezes, politics is also frozen. But when a politician is so shaped by that same culture, what can truly change?■

International

- The restaurant business is changing beyond recognition
- Can French nukes protect Europe if Donald Trump walks away?

International | A tall order

The restaurant business is changing beyond recognition

Blame technology, inflation and customers' shifting habits

Jul 30th 2026

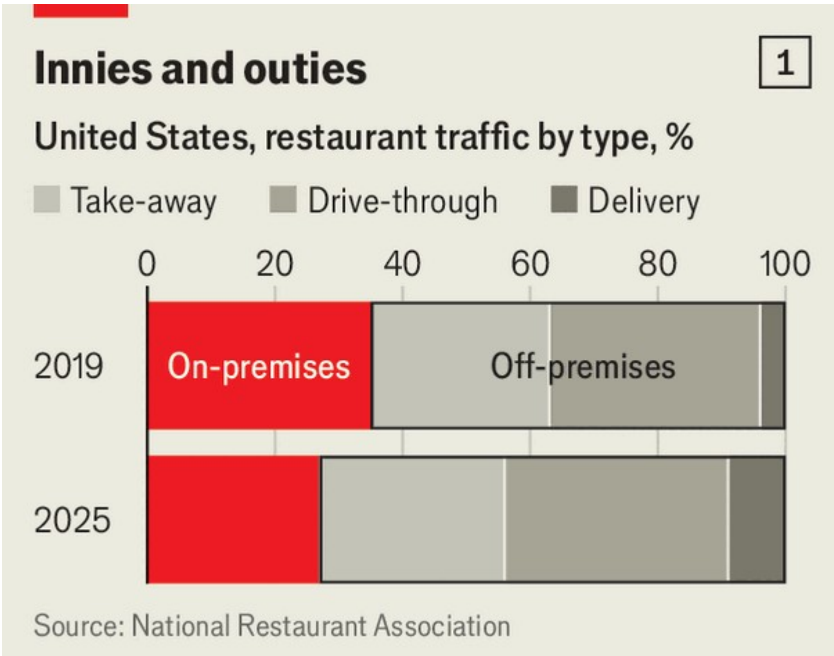
CALL IT A brunch bonanza. On days in 2024 when Taylor Swift was performing in Miami, eateries within 20 miles of the venue that use software made by Toast, which helps 164,000 restaurants manage inventories and payments, registered a 27% surge in omelette sales. Fans appeared to be packing in protein to prepare for the pop marathon ahead. By the same token, when Beyoncé played Atlanta a year later, Toast recorded a spike in sales of hard seltzer and late-night meals, peaking at 4am as concert-goers streamed home.

Such data are handy for restaurants trying to optimise inventories and staffing levels to capitalise on big events. Toast's chief marketing officer, Kelly Esten, says the firm wants to take its number-crunching further, and use artificial intelligence not just in the storerooms and kitchen, but in the dining area, too. Toast is toying with adding transcription software to the hand-held gadgets that waiters use to record orders and take payments, so that they can keep buttering up customers with fewer distractions. She thinks cameras around the dining room could help alert workers to customers' needs. Automated records and face recognition might allow front-of-house staff to offer regulars their favourite table or drink as soon as they enter.

The way restaurants are run is changing at breakneck pace. The reasons are not just whizzy technology like Toast's, which is used only by a small slice of businesses, but also shifting consumer habits and stubborn inflation, which heightens competitive pressures. It has always been a famously unforgiving business. That remains true—but almost every other aspect of the industry is evolving rapidly.

Customers' habits are the most obvious change. The covid-19 pandemic and the accompanying lockdowns put roughly a tenth of restaurants in America and Britain out of business in 2020 alone. In China, the world's largest market for eateries, the risk a restaurant would close rose by 12.7% for every 12 days a lockdown was imposed nearby, according to a study published last year. In countries where governments offered little support, the industry took an especially big hit. In India roughly a quarter of formal food-service businesses closed for good after 2020, according to its National Restaurant Association, and a third of restaurant workers lost their jobs.

Even as restrictions were dropped, people continued to work from home more and commute to city centres on fewer days. Pret A Manger, a British sandwich chain, says its stores near suburban high streets are now busier than those in financial districts. OpenTable, a reservations site, reported last year that Thursday had overtaken Friday as the peak dining night in both London and New York. Diners have also taken to eating earlier, concentrating demand in fewer seatings.



Ordering in rather than eating out is a pandemic habit that has stuck: almost three of every four restaurant meals in America were consumed off-site in 2025, and deliveries' share has more than doubled since the onset of the pandemic, according to America's National Restaurant Association (see chart 1). The global online food-delivery market is projected to reach $473bn this year, roughly double its pre-pandemic size, according to Upmetrics, a business-software firm. Conversely, says Kate Nicholls, head of UKHospitality, a trade body, visits to restaurants remain 15% below pre-covid levels.

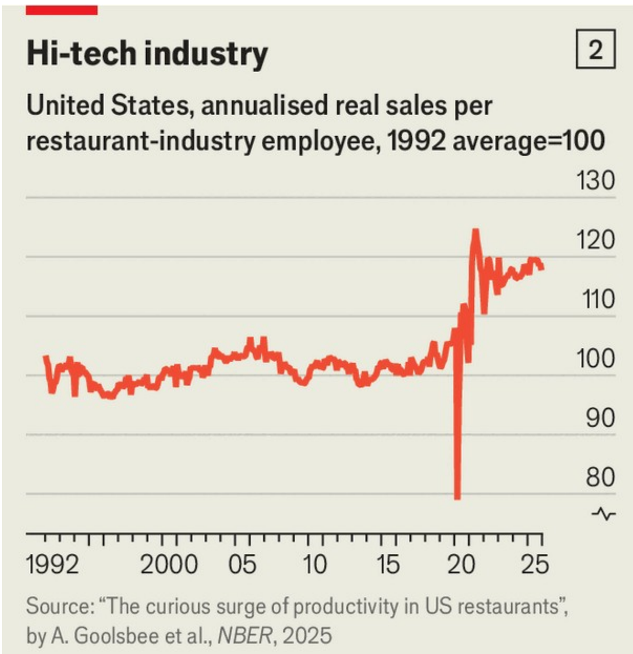
Perhaps most consequentially of all, the pandemic prompted lots of people who had lost their previous jobs to open a restaurant. That is because of hospitality's low barriers to entry. A study published last year in South Korea found that most newly self-employed workers were over 50, and that most of those had started businesses in food or similar service industries, to little or no profit. In Mexico, where informal employment accounts for some 55% of the workforce, according to the OECD, many people have opened restaurants because they could not find employment elsewhere, says Hugo Vela, until recently chairman of CANIRAC, Mexico's largest trade body for restaurants. The number of restaurants there grew by 6% in 2024 and 3% in 2025—though the industry's total sales remain below 2019 levels.

The result is even stiffer competition than usual, in an era when many countries are suffering from high inflation or anaemic economic growth, which encourage penny-pinching. There have never been more food outlets in America, but fully 42% of them were unprofitable last year, according to the National Restaurant Association there. China's economic doldrums have spurred an especially brutal crunch. Fitch, a ratings firm, reported that average spending per customer at some big Chinese chains declined by 20% in the first half of 2024, compared with 2023. The average spend per meal fell 8.3% in the first half of 2025, according to Meituan, China's biggest delivery platform.

Many restaurants are resorting to radical strategies to keep costs down. Saizeriya, an Italian-fusion chain with 1,000 branches across Japan, prides itself on having scarcely raised its prices in decades. To keep them low, it has cut out middlemen by building its own factories to mill rice and prepare other ingredients. It even has a plant in Australia to make béchamel, which is cheaper than shipping lots of milk to Japan and processing it there. The kitchens in the branches need few cooks—and no knives—since all the ingredients are delivered pre-sliced. Technology has supplanted front-of-house staff: customers scan QR codes to read the menu; robots deliver their orders and an automated cashier takes payments.

Such trends are not limited to Japan. Some big British chains, including Wagamama and Wasabi, are moving some of their food preparation from branches in city centres to more remote locations, where rent and other overheads are cheaper. Karma Kitchen runs six sites in the suburbs of London, where it rents out dozens of commercial kitchen units. At its 20,000-square-foot warehouse in Crystal Palace, a vegan chocolate producer works wall-to-wall with a team of Asian chefs boiling pots of chicken soup for Din Tai Fung, an upmarket dumpling chain. Gini Newton, Karma's co-founder, says that the sites are built to accommodate restaurateurs, with cold and dry storage, an industrial ventilation system, parking and wide corridors for large deliveries, and to handle all operations for companies, arranging repairs and cleaners. They can also negotiate cheaper electricity. "That gives huge savings if you're cooking broth 24 hours per day," she says.

A study published last year by Austan Goolsbee, Chad Syverson, Rebecca Goldgof and Joe Tatarka found that the rise in takeaway orders during the pandemic forced American restaurants to automate. Many introduced smartphone apps, drive-through lanes and delivery shelves. That presumably contributed to a jump of 15% in real labour productivity in the industry, after almost 30 years of stagnation (see chart 2). Many continue to innovate: Sweetgreen, an American lunch chain, says its automated assembly line produces 500 personalised salad bowls in an hour.



Deliveries also allow eateries to expand their customer base. In China younger diners who cannot afford lavish meals are turning to meal kits sold by restaurants. That was visible during the Lunar New Year in February—a holiday during which families traditionally dine out on elaborate dishes—as many households bought pre-cooked meals instead. The value of ready-made dishes for the occasion jumped eightfold from right before the pandemic to 262.6bn yuan ($38.5bn), according to iiMedia Research, a consultancy.

But at the same time, takeaways make it more difficult to connect with diners, many of whom may never even come through their doors. That has made upscale restaurants more reluctant to offer deliveries. Dishoom, an upmarket British curry-house chain, tries to re-create the restaurant experience by including freebies with its takeaway orders. These include the same incense that is burned in restaurants, a QR code with a suggested playlist and separately packed garnishes to bring a fresh flourish of coriander and lime to the boxed-up curries. "Hopefully that entices them to come and experience the full version in the restaurant," says Brian Trollip, CEO of Dishoom.

Union Square Hospitality Group, which runs a dozen or so restaurants in New York, says they have reformulated menus and packaging to adjust to demand for takeaways. Their new restaurants are now built with a separate lane for pickups to avoid disrupting diners.

All these pressures are having the biggest impact on middle-market restaurants, or casual dining in the jargon. "The casual dining element of the sector has disappeared," says Mr Trollip, "because it's no longer casual to decide to go out to eat any more." At the top end, diners have become "less forgiving", he says. Inflation has squeezed budgets, and home entertainment has improved. "If you're asking people to leave their homes, pay for the taxi, pay for the babysitter and spend more on the meal as well—it needs to really feel special," he says.

Osteria 166 in downtown Buffalo was turning over $60,000 a week in meatball spaghetti and generous martinis. But since the pandemic, says its owner, Nick Pitillio, his regulars no longer commute to the city every day and rarely linger for happy hour. His weekly earnings had shrunk to $15,000 by the time he decided to close his à la carte dining room and instead offer lunchtime counter meals of slices of pizza and salads, lowering the average bill by 25%. "The $80 tomahawk steak has no place any more," says Mr Pitillo.

But change need not spell despair. Many in the industry remain optimistic. "The dull roar of conversation in a dimly lit dining room, the clink of glass," says Jot Condie, head of the California Restaurant Association. "That is something people will always enjoy." ■

International | The Telegram

Can French nukes protect Europe if Donald Trump walks away?

Europeans are keen on nuclear collaboration with Emmanuel Macron. What if Marine Le Pen becomes president?

Jul 30th 2026

CAN FRENCH swagger keep Europe safe? A growing number of European governments seem anxious to find out. This is a lonely world, stalked by great-power bullies. France has something that continental neighbours lack: a small but potent nuclear arsenal. Its air- and submarine-launched missiles are distinct in one more way.

Thanks to decisions taken decades ago by President Charles de Gaulle, the embodiment of Gallic haughtiness from his cavalry boots to his aquiline nose, France's nukes are wholly independent. Though France is a member of NATO, its home-grown arsenal is firmly under national control. Europe's other nuclear power, Britain, relies on American technology for its submarine-launched nuclear missiles. Launch authority rests with Britain's prime minister, but the missiles are assigned to NATO. Alliance planners can count on British missiles as a complement to America's vast arsenal, like an extra rib to America's nuclear umbrella.

De Gaulle sniffed privately that Britain had sold its birthright and become a vassal to the Yanks. As for America's offer to protect Europe from Soviet attack, he asked John F. Kennedy: why should the world believe that America would sacrifice New York for Paris? De Gaulle was no starry-eyed European. While paying lip-service to European unity, he wanted France firmly in charge, like a cockerel crowing on a dunghill, as one of his ministers put it.

European interest in France's nuclear forces marks a change. Since as far back as François Mitterrand in the 1980s, French presidents have invited neighbours to collaborate on nuclear deterrence, only to be spurned by allies fearing a scheme to undermine America. Yet nine or so countries, led by Germany, are now talking to France about joining its nuclear exercises and hosting temporary forward deployments of its nuclear weapons. This follows a speech by President Emmanuel Macron in March in the Gaullist setting of a French submarine base, offering to make all Europe safer with France's nukes. French officials spent months ahead of Mr Macron's speech sounding out allies. France was stung when he made a similar offer in 2020, briefed in advance to the German chancellor, Angela Merkel. But Berlin was silent.

Mr Macron's speech this year trod a path between two perils. To reassure NATO-sceptics on his country's radical left and populist right, he emphasised that French nukes would remain under sovereign control. At the request of allies he included praise for NATO and for America's role keeping Europe safe. His reward was a joint statement issued with Germany's chancellor, Friedrich Merz. That pledged close collaboration with France, while making clear that this "will add to, not substitute for, NATO's nuclear deterrence". In 2025 Mr Macron secured a joint statement with Britain declaring that "France and the United Kingdom agree that there is no extreme threat to Europe that would not prompt a response by our two nations". Alas, the then-prime minister, Sir Keir Starmer, did not sell the policy to his public.

If Europe is now keener on nuclear co-operation, two presidents, America's Donald Trump and Russia's Vladimir Putin, can take credit. A nightmare scenario haunts Europe: a crisis in which Russia uses nuclear weapons to blackmail a NATO member, and an unreliable America looks the other way. It says much about the bleakness of the age that Europeans are so interested in France's nuclear umbrella. For nuclear wonks hotly debate whether France's offer makes sense. France has enough weapons to defend its own territory. With 300-odd warheads, some launchable from stealthy submarines, it can credibly threaten massive retaliation against an enemy even after France has endured a surprise assault. French nuclear doctrine is designed to prevent war. If an adversary imperils France's vital interests, war plans envisage a one-off nuclear warning shot being lobbed into enemy territory, to signal that the fight is about to turn nuclear. But should a nuclear war begin, powers the size of France (or Britain), know that there is a good chance they will not survive.

Put another way, France is not America, a distant superpower protected by two oceans and nuclear-tipped missiles that could destroy an enemy's nuclear forces, allowing it to plausibly intervene in a European nuclear war without facing its own destruction. In the cold war, America's answer to de Gaulle's question was: we would hope to save Paris, without sacrificing New York. It is harder for France to answer a variant on the question: why should anyone believe that a French president would lose Paris to save Berlin, Helsinki or Tallinn? In response, French strategists note Europe's small scale and deep political ties, making a Russian attack on any close partner a life-and-death threat to Paris.

That is not a bad answer, should Russia attack a close partner. But what about far-flung corners of the continent? Even if forward deployments of French nukes keep Russia guessing, France's umbrella is too small to shield all of Europe. To date, France's solution is to talk of "a European dimension" to its vital interests, and to refuse to say exactly whom it regards as close partners.

Talk of France's European interests generates one last problem. What happens if the presidency is won in 2027 by Marine Le Pen of the National Rally, a Europe-bashing right-wing party? Mr Macron's nuclear speech in March was written to be "National Rally-proof", sources say, and Ms Le Pen welcomed its emphasis on sovereignty. Still, she is quite capable of insulting European allies, which would tend to undermine French protection of its neighbours. She has a history of pro-Russian sympathies, too, though she has muted those of late. French swagger comes in more than one variety, as Ms Le Pen shows. Europe will rely on it at its peril. ■

Business

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Business | Small but mighty

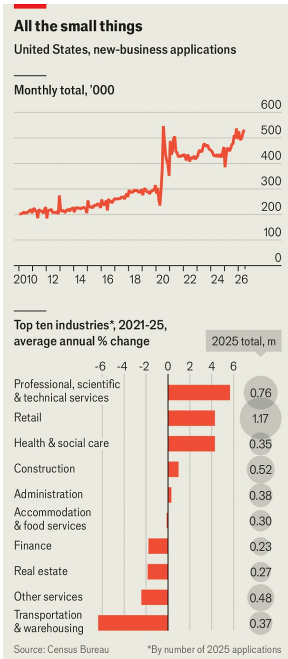
America has become an entrepreneur’s paradise

Etsy-sellers and small-town accountants are enjoying the fruits of AI

Jul 30th 2026

Several years ago, Zachary Dunn was selling cars in a small Georgia town when he realised that he “was sick of making other people rich”. Soon he quit and began hawking hats emblazoned with slogans online with a college roommate. (Recent hits include “DADDY” and “Put it on my husband’s tab”.) Their business, The Mad Hatter Company, is set to make eight figures in sales this year. Mr Dunn says he will never work for someone else again.

He is not alone. Since the beginning of 2024 an average of 466,000 new-business applications have been filed each month in America, according to data from the Census Bureau. This June saw 531,000 applications, nearly double the average monthly figure in 2019 (see chart).



Americans have long loved the idea of being their own boss. (The term itself originates from colonial New Yorkers' twisting of the Dutch word baas.) For at least two decades around 60% of them have said they would prefer to start their own business than to toil for someone else, according to Gallup, a pollster. Yet until recently fewer and fewer were living out that dream. As large firms lured workers with the promise of stability, the share of self-employed Americans fell from 36% in 1910 to less than 10% in 2020, noted a report from the American Enterprise Institute, a think-tank.

That is now changing. Full-time self-employment rose to its highest level this century in 2025, reaching 16.8m, according to the Small Business & Entrepreneurship Council, a trade group. Business formation first surged during covid-19, as laid-off Americans turned to self-employment. In July 2020 new-business applications hit 547,000, the highest on record. Federal incentives helped: millions of people were able to take advantage of pandemic-era subsidies for small businesses. So too did an explosion in e-commerce and other ways to make money remotely.

As the pandemic faded, existing businesses clamoured for workers and government incentives were wound down. Even so, the number of applications remained elevated, and since around the start of last year has been rising rapidly once again. Buzzy artificial-intelligence startups in

Silicon Valley backed by venture capital account for only a small part of the increase. The industries witnessing the biggest flurry of applications are professional services (up by 25% between 2021 and 2025), retail (18%) and health care and social assistance (18%). What is behind America's latest entrepreneurship boom?

The first explanation is the macroeconomic environment. In recent years American firms have hired and fired relatively few workers. The difficulty of getting a payrolled position may have encouraged jobseekers to start their own businesses, reckons John O'Trakoun, an economist at the Federal Reserve Bank of Richmond. Young people in particular, who are facing a challenging market for entry-level jobs, may find entrepreneurship an attractive alternative. The share of Americans aged 15-34 who say it is a good time to find a job fell from 75% in 2022 to 43% last year, according to Gallup.

The same may be true for workers who relocated during the pandemic and did not want to return to the office. A paper from 2024 by Ryan Decker, an economist for the Federal Reserve Board, and John Haltiwanger of the University of Maryland found a close correlation between the share of people in a location who were quitting their jobs and the number of new-business applications, with a particularly high rate of both in suburbs to which many city-dwelling office workers fled earlier this decade.

Shifting consumption patterns offer a second explanation for the new-business boom. America's ageing population has made catering to the elderly a roaring trade, with demand for everything from nursing homes to downsizing consultants. Small retailers are also finding it easier to make a living thanks to the uptick in e-commerce from the pandemic and algorithms that have become better at serving relevant products to hobbyists. More than half of sales supported by Shopify, a provider of e-commerce tools, now come from "niche" categories outside the 100 most common; entrepreneurs can mint money selling trading cards and custom pill cases, avoiding crowded categories.

What is more, good ideas are easier than ever to find online, notes Justus Shaw, who started a mobile coffee cart in Tennessee last year. After seeing a coffee shop in Florida post a video of a machine for canning cold brew, he bought one. It is partly why his cart now brings in between $10,000 and $15,000 each month.

The third and perhaps most important explanation relates to AI. Chatbots have made it easier to get a business going by allowing even the tech-shy to build a website and navigate local regulations. The share of founders who used AI to help launch their business doubled to 60% between 2023 and 2025, according to a survey by Gusto, a payroll platform. New cohorts of small businesses are adopting AI earlier and at higher rates, found JPMorgan Chase, a bank. The technology has allowed people who already wanted to strike out on their own to do so much more easily. “It’s like chemical reactions that have an activation potential,” says Miquel Llobet, who launched an AI-powered commercial-insurance broker last year. AI lowers the bar for those reactions to occur.

Politicians on the campaign trail love to speak of small businesses as “job creators”. Yet the share of new-business applications that the Census Bureau deems “high-propensity” (meaning they are likely to employ at least one person other than the founder in the near future) was only 30% last year, down from 38% in 2019. “AI is filling the capability gaps that once made hiring necessary”, ushering in “the age of the solopreneur”, argued a team of economists at Stripe, a payments platform, in a recent blog post.

Kelly Loeffler, head of the Small Business Administration, a government agency, disagrees. She expects that small businesses powered by AI will eventually hire at similar or higher rates to their predecessors. Mr Shaw, the Tennessean coffee entrepreneur, has automated much of his back-office work but has hired five baristas as his business expands into weddings and corporate events. It has been a similar story for Jake Levine, who last year founded a business that helps pharmaceutical companies manage clinical trials. “We always had the intention of scaling,” he says.

Economic and technological shifts have created fertile ground for a nation already enamoured with entrepreneurship, reducing the capital and brain-power it takes to grow a business. Aaron Terrazas, an economist at Gusto, reckons that much of the value generated by AI could end up accruing not to corporate giants, but to Etsy-sellers and small-town accountants. That would reverse a century-long shift toward working for The Man. ■

Business | Crime without punishment

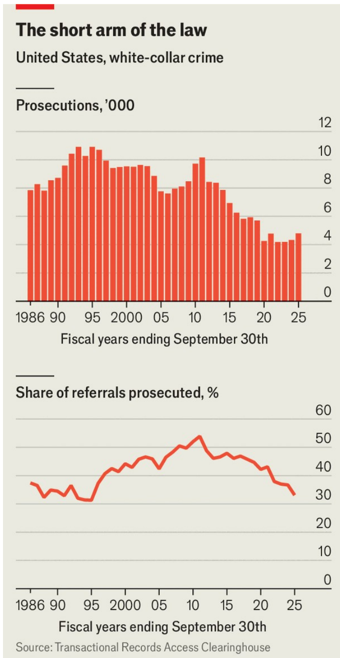
There’s never been a better time to commit financial fraud

American enforcement has collapsed and conditions are ripe for skulduggery

Jul 30th 2026

In 1955 the economist John Kenneth Galbraith wrote of the “inventory of undiscovered embezzlement” that tends to grow during periods of market euphoria. The “bezzle”, as Galbraith called it, is exposed when the good times end and “commercial morality is enormously improved”.

Past bubbles and crashes have indeed led to a bumper crop of white-collar prosecutions (think Enron and WorldCom after the dotcom boom). If Galbraith was right, today’s frothy valuations suggest bezzlers may be lurking in the shadows. But what if their mischief is never discovered? That is the grand experiment on which America has lately embarked.



In the six months to the end of March federal prosecutors brought 2,008 white-collar crime cases, putting them on course for a little over 4,000 by the end of the government's fiscal year in September, according to figures from the Transactional Records Access Clearinghouse (TRAC), a data repository. That would be a drop of a sixth from five years ago and half from 20 years ago (see chart). It is tempting to lay such figures at the feet of Donald Trump, whose dismantling of the Department of Justice has not helped. But the decline precedes him—and may continue well after.

Aside from a brief spike after the financial crisis of 2007-09, white-collar prosecutions in America have trended down for nearly three decades. There is little reason to believe the country's financiers and executives have become more virtuous during that time. Instead, the answer lies in a shift in focus towards prosecuting other criminal activity. After the September 11th attacks bevies of federal investigators and lawyers moved into counter-terrorism work, notes a 2021 paper by economist Trung Nguyen, then of Harvard Business School. More recently immigration and drug enforcement have taken priority in voters' and politicians' minds.

Even a small budget cut can have a big impact on white-collar-crime prosecutions. Financial frauds often require dozens of lawyers to work for years on a single investigation, notes Sam Buell, a former federal prosector now at Duke University. A study by TRAC found that white-collar referrals in the 12 months to September 2022 that resulted in charges took federal prosecutors 452 days on average to review, more than three-and-a-half times the average for all case types.

Even amid the long-term decline, the drop in enforcement during the Trump administrations has been eyebrow-raising. Ten years ago nearly half of white-collar-crime referrals to federal prosecutors resulted in a case; that figure fell to a third in 2025. Contrast that with immigration prosecutions, for which nearly all referrals still lead to charges.

The number of lawyers in the Department of Justice has shrunk by a fifth under Mr Trump, with many of the remaining bunch reassigned away from crypto or tax inquiries to immigration. The government has also slashed headcount at the investigative and regulatory agencies on which prosecutors rely for tips. Experienced investigators at the FBI or the US Postal Service—a surprisingly significant source of referrals—used to stay for much of their career. No longer.

Civil enforcement has also waned. Take audit checks, an unsexy-yet-vital corner of the regulatory world built up after the collapse of Enron, a fraudulent energy company, in 2001. The Securities and Exchange Commission in 2025 brought a mere ten enforcement actions against accountants and auditors, one fifth of the annual average in the preceding eight years, according to Cornerstone Research, a consultancy. At the same time, the commission has slashed staff pay at the main audit oversight board, which for years offered high salaries to lure expert accountants. It has also suggested it might shift from sniffing out errors in individual audits towards examining the processes followed by the auditors. Officials say the new approach is more efficient. But it may make balance-sheet shenanigans easier to hide.

All this will come at a cost. A paper from 2023 by Alexander Dyck of the University of Toronto and his co-authors suggests only about a third of corporate frauds are ever detected, let alone prosecuted. Extrapolating from the cost of detected frauds, they estimate that actual hijinks destroy some 1.6% of shareholder value in America each year, a figure that would have amounted to $1.1trn in 2025. “Losses to America from white-collar crime dwarf every other crime category," notes Julie O'Sullivan of Georgetown University, another former prosecutor.

Even if a future administration reprioritises rooting out white-collar crime, it will be hard to pin down today's fraudsters. Many white-collar crimes carry a five-year statute of limitations, points out Daniel Richman of Columbia University, a criminal-law expert. America's bezzlers are rejoicing. Everyone else should worry. ■

Business | Red card

Selling stakes in the beautiful game. What could go wrong?

FIFA's plan to tap private investors is causing outrage

Jul 30th 2026

Football stirs heated passions. But Gianni Infantino, president of FIFA, pushes them to boiling point. On July 28th football's governing body unveiled plans to raise $4.2bn by selling stakes in the running of future tournaments to private investors. UEFA, which oversees European football, protested that the game "is not FIFA's to sell". A source close to UEFA says that if the plan goes ahead, it may boycott future World Cups.

Hot on the heels of a tournament that generated up to $15bn in revenue (and one especially contentious red card), FIFA said it intends to set up a subsidiary that would consolidate its commercial operations. Those include broadcasting, sponsorship, ticketing and licensing, as well as the staging of men’s and women’s World Cups. Called FIFA Forward Enterprise (FFE), it would be valued at $20bn. The sale of a roughly 20% stake would boost funding for FIFA’s 211 national member associations, a majority of which must approve the plan.

Joshua Kushner, founder of Thrive Capital, an investment firm, is in talks to lead the funding round. He is the brother of Jared Kushner, President Donald Trump’s son-in-law. Jared reportedly would have no investment in FFE, but the family connection has given fresh ammunition to Mr Infantino’s critics, who bristle at his close relationship with Mr Trump. On X, a social-media platform, a group of Democrats described FIFA as Mr Trump’s “favourite corrupt racketeering enterprise in world sports”, and accused it of going “directly into business with the Trump family”.

UEFA is understood to be holding talks with other football bodies, as well as concerned governments, to plot its counter-attack. Andy Burnham, Britain’s new prime minister, weighed in, declaring that “Football does not belong to investors” (though his favourite team, Everton FC, is owned by an American billionaire).

The introduction of private investment into the governing bodies of sports is not new. One of the architects of the deal is Greg Maffei, former chief executive of Liberty Media, who led its $4.4bn acquisition of Formula One in 2017 and helped turn a fading motorsports franchise into an entertainment juggernaut. Another example is PGA Tour, golf’s most important event organiser, which set up a commercial arm in 2024 backed by private investors.

FIFA says it will retain full authority over competitions, match calendars and other decisions. But the experience of PGA Tour suggests that private investors may end up putting their thumbs on the scale, reckons Sam Nursall of Ampere Analysis, a media-research firm. He notes that outside money may help FIFA spend more in poorer places, but that the quest for profit may also push it towards locating future World Cups in the most lucrative countries, having more frequent tournaments and possibly raising ticket prices.

Thrive Capital's investment in FIFA is being channelled through Thrive Eternal, a vehicle that can hold assets indefinitely, unlike conventional venture-capital or private-equity funds. That may make it less inclined to seek changes that generate a quick profit but alienate fans over the long term. Even so, it will have an interest in FIFA milking the sport for more money. A person close to the firm says it is counting on the value of its stake rising as FFE takes an increasingly commercial approach to selling broadcast and other rights.

Thrive Capital is perhaps best known as one of the biggest backers of OpenAI. Its sizeable stake in the artificial-intelligence lab, and its belief in the disruptive power of the technology, may help explain its interest in live sports. A source close to the investment firm says it has been hunting for businesses that are likely to retain their value in a world of widespread AI. "If you consider it from the perspective of things that will remain human as Ai becomes more abundant, global football is a pretty good bet," argues the source. Still, Mr Infantino and his money-men will have to keep the crowd on their side. ■

Business | Barbarians at the crease

Private equity is coming for the Indian Premier League

The cricket tournament has proved hugely profitable

Jul 30th 2026

WHEN THE Indian Premier League (ipl) launched in 2008, the owners of the new cricket tournament's city-based franchises were chiefly India's glitterati. Bollywood stars and tycoons spent fortunes on these trophy assets. The involvement of such celebrities helped make the league a smashing success. Estimating viewership is tricky, but anywhere from 400m to 900m people regularly watch the matches.

Increasingly, however, Indian A-listers are vying with institutional capital from abroad. In March a consortium including Blackstone, an American private-equity (PE) giant, and Bolt Ventures, an investment vehicle run by David Blitzer, who owns stakes in various sports teams in America and elsewhere, acquired the Royal Challengers Bengaluru for $1.8bn. Now Temasek, a Singaporean sovereign wealth fund, is on the hunt for a team, according to Reuters. KKR, another American PE titan (not to be confused with the Kolkata Knight Riders), is also eager. In 2021 CVC, a European PE firm, bankrolled the launch of the Gujarat Titans. Last year it sold a two-thirds stake in the team to an Indian conglomerate for a hefty profit.

Foreign interest in the IPL is understandable. The Board of Control for Cricket in India (BCCI), which runs the league, made just $724m from the original auction. Houlihan Lokey, an investment bank, estimates that the IPL is now worth more than $20bn, reflecting the rapid rise of the Indian consumer.

Revenue chiefly comes from media rights. Broadcasters and streamers will pay top rupee for the matches, which last for three-and-a-half hours—speedy by cricket standards. They are one of the few spectacles that can guarantee a live audience, and ad slots command a big premium. And unusually for a big sports league, nearly half of viewers are women, making match days a family affair.

Scarcity is assured. The league has only ten teams, which negotiate media rights as a collective, and any expansion will be modest. There is no possibility of relegation. Costs are also contained. Unlike the English Premier League, where footballers' wages can soak up a big chunk of revenues, player salaries are capped. Stadiums are provided by state governments and the BCCI.

India has few other trophy assets for its wealthiest to buy. There are far more billionaires per sports club in the country than in America, notes Siddharth Patel of CVC. But for India's elite, the competition for teams is stiffening.■

Business | In the ascent

Forget Airbus and Boeing. Embraer is soaring

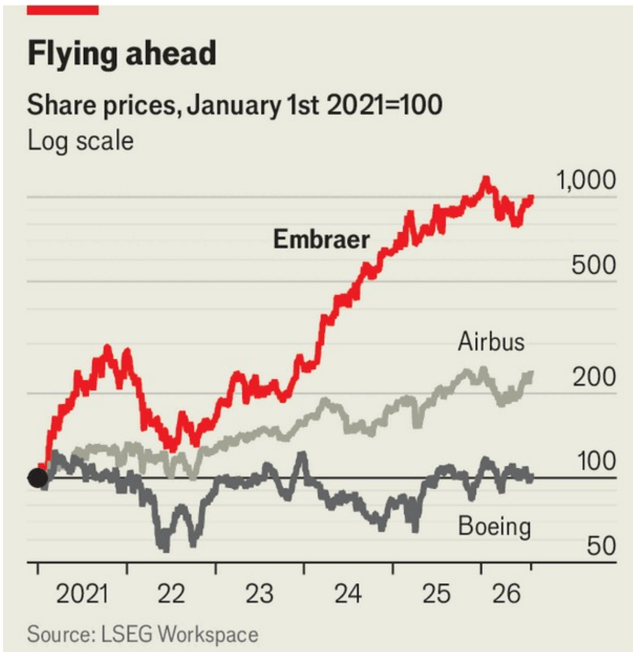
Its boss has ambitious plans for the future

Jul 30th 2026

Some passenger planes are named with purely utilitarian alphanumerics: think Airbus's A380. Occasionally the aerospace giants aim to convey something loftier. Boeing's 787 Dreamliner presents an image of modern comfort; Airbus's A320neo highlights its use of the latest in aviation technology. Embraer, the world's third-largest maker of passenger jets, takes a blunter approach. Since 2017 it has marketed its fuel-efficient E2 regional jet as the "Profit Hunter".

The Brazilian company is a fraction of the size of Airbus and Boeing. But it has had a remarkable few years. Demand is soaring not only for its smaller passenger planes, but also for the private and military jets it offers. In 2021 the company delivered a total of 141 planes. This year it might reach 255.

On July 24th the company reported that its order backlog had reached a record $34.5bn. Francisco Gomes Neto, Embraer's boss, sees an opportunity for "substantial growth" ahead. Investors agree. Since the start of 2021 its share price has risen roughly ten-fold, far outpacing those of Airbus or Boeing (see chart). Some now speculate that Embraer may take a tilt at the market for larger jets, going nose-to-nose with the aerospace industry's twin giants.



Embraer is benefiting from a number of tailwinds. Airlines these days must wait eight to ten years for a large narrow-body plane from Airbus or Boeing, which have a combined order backlog of 16,000 passenger jets thanks to rising demand for air travel and long-running supply-chain snags dating back to the covid-19 pandemic. That has led to a surge in demand for the smaller E2, which can be delivered in less than two years.

A growing preference for direct travel between smaller airports rather than through giant hubs will further boost demand for smaller planes to fly new routes, says Ron Baur of Azorra, a leasing firm that has over 50 e2s on order. The aircraft's only direct competitor by size is the a220 from Airbus, in a market that Embraer forecasts at 8,500 such planes over the next two decades. As Mr Gomes Neto points out, even if it is only half that number and Embraer gets half the orders, the demand will still occupy its production capacity for 20 years. Moreover, Embraer's even smaller E175 jet is the only aircraft in production that is available to regional feeder airlines in America, owing to collective bargaining agreements with pilots' unions that restrict the maximum size of plane they can use.

Then there is the surge in private-jet sales that has been under way since the pandemic. Embraer is dominant in the market for small and medium-sized models. Its Phenom 300, which seats up to ten passengers, has been the best seller in its class for 14 years. Booming defence spending around the world has also lifted orders for the kc390, a military-transport plane. And a controlling stake in EVE, a flying-taxi firm, looks a better bet now that the vast number of startups in the field has been whittled down to a handful of plausible survivors.

Yet Mr Gomes Neto thinks he must "prepare the company for a new cycle of products that will support more ambitious growth". One possibility is to make a large private jet. A bolder and riskier step would be to develop a bigger commercial jet to take on Airbus and Boeing, which are expected to roll out replacements for their core narrow-body planes towards the end of the 2030s. Neither has much incentive to make big investments while the current ones are selling well, which could create an opening for Embraer.

Breaking the duopoly's grip would be a huge undertaking. Bombardier's attempt nearly bankrupted it and ended in a forced sale of the programme for a nominal sum to Airbus in 2018 (where it became the A220). Guillaume Faury, Airbus's boss, has warned Embraer to "think twice". Yet the rewards of taking even a small share of a market that Boeing puts at 36,000 jets over the next two decades would also be far greater than for a new private jet. Ron Epstein of Bank of America says it would take Embraer to the "next level".

Embraer may never again have such an opportunity to put its experience in manufacturing and marketing commercial jets to work. Mr Gomes Neto points out that over 20 years or so it has certified almost 20 new aircraft—an impressive performance. The firm's reputation means that prospective customers would take it seriously. But it would need to find partners to stump up some of the $10bn or so that the new plane would cost to develop, says Alberto Valerio of UBS, a bank, including perhaps an engine-maker and other suppliers, as well as customers and outside investors.

The question of whether to go after the duopoly is rumoured to divide opinion at Embraer. Luckily it has plenty of time to make a decision. As Mr Gomes Neto insists: “We are very comfortable with the situation we have”. ■

Business | Boss move

The battle for Hugo Boss

A British retail magnate tries to go upmarket

Jul 30th 2026

Hugo Boss once made brown shirts for the Nazi Party and uniforms for the Wehrmacht. Before long the German fashion label may be controlled by a Tommy. Last month Mike Ashley, a British retail tycoon, unveiled a €2bn ($2.3bn) cash offer for the 74% of shares in Hugo Boss that he did not already own, subject to regulatory approval. On July 27th the European Commission gave its clearance for a deal. Shareholders of Hugo Boss now have until August 13th to decide whether to accept Mr Ashley's offer.

The management and supervisory boards of Hugo Boss oppose the deal, arguing that it "does not adequately reflect the company's value and its future potential". Many investors seem to agree. Uwe Rathausky, chief executive of GANÉ Investment, a fund manager with a stake in the fashion label, says that Mr Ashley's proposal of €38 a share "significantly undervalues" Hugo Boss. Its shares have been trading at €36-37 for most of this year, meaning the premium offered is modest.

Mr Ashley, however, may be biding his time. Under German law, he was required to initiate a takeover offer once his stake in Hugo Boss passed 30%, as it now has. If the company continues to flounder, he will be in a strong position to take it over.

Mr Ashley joined the shareholder register in 2020 with a stake of 5%. The following year Daniel Grieder, formerly the boss of Tommy Hilfiger, an American fashion label, was brought in as chief executive. He relaunched the dowdy brand by splitting it into two labels: Hugo for Gen-Z shoppers and BOSS aimed at millennials (and older clientele wishing to dress like them). The refresh, coupled with a push into e-commerce, led sales to soar and pushed the company's share price to a peak of over €75 in July 2023, up from €46 when Mr Grieder took over.

Since then, however, the business has struggled. Sales in China and Britain, two of its most important markets, have slumped amid weak consumer spending. In December last year the company issued a profit warning and unveiled a fresh strategy focused on boosting the image of its labels, improving distribution and trimming costs, with up to 50 shops to be closed by 2028. But Mr Grieder's new plan has yet to bear fruit: operating profit was down by 42%, year on year, in the first quarter of 2026.

Mr Ashley made his fortune from Sports Direct, a British sportswear retailer he founded in 1982. Over the years he bought struggling but popular sports brands such as Lonsdale, Dunlop and Slazenger. Then in 2018 he acquired House of Fraser, a 170-year-old chain of British department stores, hours after it declared bankruptcy. The following year he renamed his conglomerate Frasers Group, and in 2022 handed over day-to-day operations to his son-in-law, Michael Murray.

Lately Frasers has been on a buying spree. In March it purchased just under 6% of Puma, a German sportswear brand. In June it launched a takeover bid for Accent Group, an Australian group of footwear retailers. And on July 28th it disclosed a 4% stake in Burberry, a British luxury brand. It has reportedly also joined the bidding for Harvey Nichols, a posh department store. The string of deals form part of the group’s “Elevation” strategy, under which it plans to shift away from budget offerings towards pricier wares.

As for Hugo Boss, rumours suggest Frasers is exploring ways to install Mr Murray as its chief executive in place of Mr Grieder, whose contract runs until 2028. Mr Murray already sits on the 12-person supervisory board. If he is appointed to the top job, he would be the first British boss of the German brand, which has its headquarters in the small town of Metzingen, in the state of Baden-Württemberg. It could be in for a culture shock. ■

Business | Bartleby

The delights of deadlines

A friend to procrastinators, an enemy to prattlers, a necessity for managers

Jul 30th 2026

The connection between deadlines and journalism is obvious: this column would never have been written without one. But deadlines are critical to every organisation. They are an antidote to procrastination. They deal with the problem of diminishing returns. And they set the rhythm of a workplace, co-ordinating the activities of many teams and individuals.

First, procrastination. The tendency to put things off for no good reason is a fundamental part of the human condition. Hesiod, an ancient Greek poet, warned that idlers were liable never to fill their barns. A paper written about 2,700 years later, by Brenda Nguyen of the University of Lethbridge and her co-authors, finds that things have not changed much since (besides the barns). In a survey of some 22,000 individuals, they find that a disposition to procrastination is associated with lower incomes and reduced employment.

In another paper, Piers Steel of the University of Calgary and his co-authors examined the behaviour of arbitrators in workplace-grievance procedures in Canada. Arbitrators have a lot of control when it comes to writing their decisions: they can, in effect, set their own timetables. They are also expected to act swiftly to settle cases. Arbitrators who scored one standard deviation above the mean for self-reported procrastination took 83 days to write decisions, compared with 26 days for those one standard deviation below the mean.

People have various techniques for rousing themselves to action. A study by Hengchen Dai of the University of California, Los Angeles, and her colleagues analysed a website on which people undertake to achieve certain goals. They found that commitments are more likely to be made at the start of a year, month or week, after birthdays, and even after national holidays. Landmarks in the calendar seem to give people a chance to shed their old selves and start afresh.

Companies don't have to wait for the new year to roll around; they can impose their own deadlines. A paper published in 2022 by Steffen Altmann of the University of Würzburg and his co-authors investigated what happened when dental clinics varied the check-up reminders they sent to their patients, promising goodies like a free dental kit for those who arranged appointments within a certain timeframe. People who were not set a deadline were less responsive than those who were given a target date. Even without the lure of a reward, the mere act of specifying a deadline seemed to motivate people to book their next check-up.

The second role that deadlines play is drawing work to a close when there is nothing more to be gained from extending it. When Eric Schmidt, a one-time CEO of Google, was asked about his recipe for making good decisions, his response was "discord plus deadline". Discord ensures that people discuss the issues properly; the deadline stops them gabbling on for ever. Mr Altmann's study of dental clinics includes a survey in which a majority of respondents said they preferred tighter timeframes to generous ones, apparently aware that they were more liable to forget about a lengthy deadline. Sure enough, shorter deadlines to book check-up appointments prompted timelier responses from patients.

The third job that deadlines do is create shared expectations within and across organisations of when work has to be done. A paper by Natarajan Balasubramanian of Syracuse University and his co-authors looked at the effect of deadlines on patent-filing. They found that patent applications by individual inventors displayed no particular year-round patterns, but that there were bursts of corporate patent-filing activity at the ends of months, quarters and fiscal years. These clusters of applications were tied to deadlines within firms: when companies changed their fiscal years, for example, filing patterns changed, too. Corporate planning and reporting deadlines, as well as the billing cycles at outside law firms, set a rhythm. Patent departments danced to it.

Deadlines can have harmful side-effects. They can erode people's sense of autonomy. They can distract from longer-term goals. Most obviously, they risk work being rushed. Mr Balasubramanian's study on patents, for example, found that applications filed closer to month-ends were more likely to be considered incomplete by the US Patent and Trademark Office because of missing documentation. But any deadline is better than none. (Unless you really hated this column.)■

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Business | Schumpeter

South Korea's stock-market boom is collapsing spectacularly

It may be a harbinger

Jul 30th 2026

America's giant technology companies have gone from printing money to incinerating it. The market reckons Alphabet, Amazon, Meta and Microsoft will collectively report negative free cashflows next year, owing to their extravagant spending on data centres. Yet real fortunes are being made today from Silicon Valley's gamble on the future.

Three companies are expected to surpass an astonishing $200bn of free cashflow apiece next year. One is Nvidia, an American darling that designs the advanced processors needed to run artificial-intelligence models. The other two are Samsung and SK Hynix, a pair of South Korean outfits that dominate the market for the more mundane memory chips in phones, laptops and, increasingly, data centres. Their windfall represents one of the greatest cross-border transfers of cash in corporate history.

Now a nation newly enamoured of stock markets is discovering that shares can go down as well as up. Since peaking in June the stock prices of Samsung and SK Hynix have crashed by 41% and 52% respectively, wiping $1.2trn from South Korea's highly concentrated stock market. Those of SK Hynix fell by more than a fifth this week as investors digested a mere six-fold increase in its quarterly operating profit, compared with the year before. Samsung's shares have not been this volatile since the dotcom era.

South Korea is a great experiment in mixing the extremes of state capitalism and market speculation. Last year, after a failed coup, the country's president attempted to cheer his country by talking up the stock market (sound familiar?). The KOSpI, its main index, speedily hit a level the government had set as a target.

Ordinary South Koreans withdrew capital from insurers and banks to invest in stocks. Workers threatened industrial action to secure Wall Street-sized bonuses. Those at SK Hynix and Samsung's chip division settled for an extraordinary 10% of operating profits. At SK Hynix that could amount to $500,000 a person this year, and $800,000 next year. (Goldman Sachs paid a meagre average of $400,000 in total compensation to its employees last year.)

Now a government that just weeks ago was embracing markets is being forced to apologise for them. It was only in April that regulators approved leveraged exchange-traded funds (ETFs) tied to individual South Korean stocks. These funds use derivatives to give investors a multiple of the daily return of a share. For example, if SK Hynix is up by 1%, an investor might receive 2%; or if it is down by 10%, an investor might jump out of a window.

When the selling began in June broker accounts faced margin calls and were shut down by the thousand, causing regulators to suspend new ETF launches. At an emergency meeting on July 29th politicians promised to severely limit the use of these funds. One compared the market to a casino. Shares in the country's department stores are crashing as fast as those of its chipmakers, in anticipation of the handbags that will now remain on the shelves.

The trillion-dollar question for investors in South Korea is when the price of memory will peak. Bulls argue that data-centre construction and robotics mean demand for memory will outstrip supply into the 2030s. But the increasingly common view is that the same thing will happen to memory chips as has happened to every commodity in every commodity cycle in history—that new supply will, within a year or two, cause prices and profits to fall. Despite their vertiginous rise, Samsung and SK Hynix have on average traded only at single-digit multiples of forward earnings during the past year, suggesting that investors think their profits are at or near their highest point.

Perhaps it is inevitable that the first country to taste the riches promised by AI should be the first to have them taken away. No industry can survive if all the rewards are concentrated in one corner of the supply chain. Yet the dangers facing South Korea's memory giants are also lurking elsewhere in the AI landscape.

First is the dreaded "commoditisation". The sales of less advanced memory chips by SK Hynix and Samsung are threatened by the rising market share of Chinese competitors (one of which went public this week to great fanfare). So too are America's model-makers, which face a potentially existential threat from Chinese open-source models.

Second is the risk that supposedly ironclad spending commitments from customers turn out to be no such thing. Both South Korean firms have made much of their "long-term agreements" with buyers, arguing that pre-payment and price certainty gives them visibility on profits for years to come. Yet judicious investors have begun to fear that customers will find ways of wriggling out of deals when it is advantageous for them to do so. Investors also worry how airtight lease agreements for data centres would prove if model-makers tried to get out of them in a bust. The piles of debt tied to Meta's giant off-balance-sheet data centre have drawn particular scrutiny.

Nvidia has played an important role in stabilising this precarious situation. Jensen Huang, its leather-jacketed chief executive, has something to say on every debate: last week he published an influential letter in defence of open-source models. But his cheque-book is more important. Mr Huang has constructed a vest web of financial ties that keep the party going. This week it was reported that his company is in talks to guarantee $250bn of commitments from OpenAI, maker of ChatGPT, to lease a data centre. More remarkable still is the vague "$500bn" partnership with SK Hynix it announced over the weekend, and how little that seemed to matter to investors this week. Like a central banker meddling in markets, the more Mr Huang intervenes the more nervous investors become. The eventual bust will be all the worse for it. ■

Finance & economics

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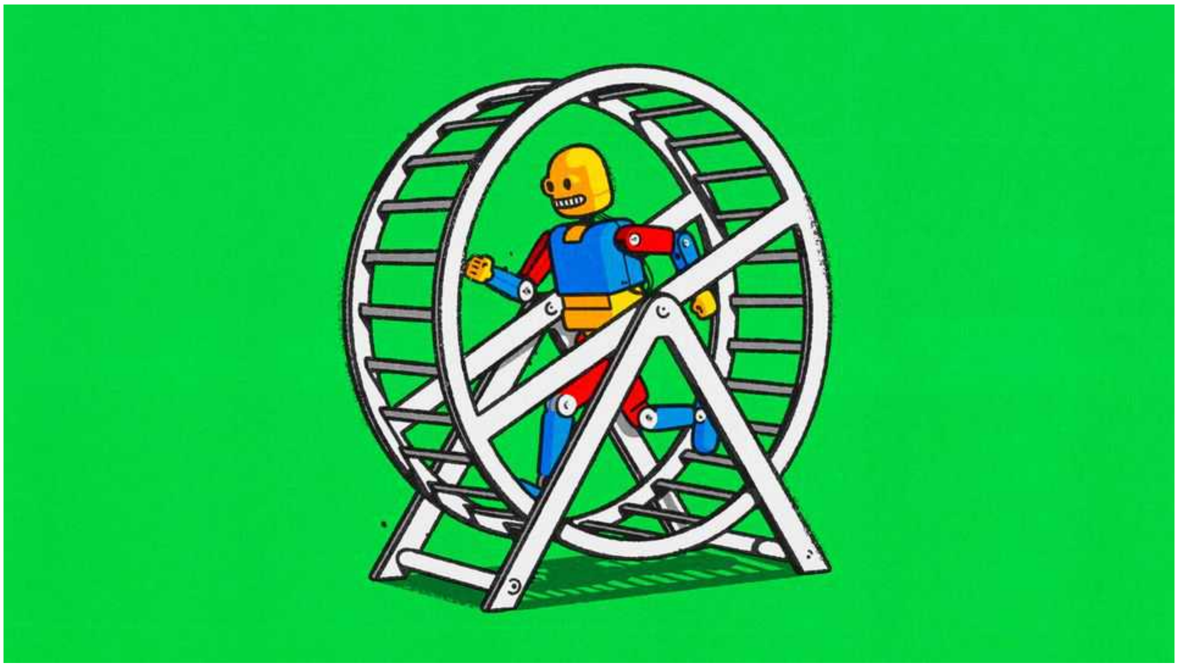
Finance & economics | When 11 zeros is child's play

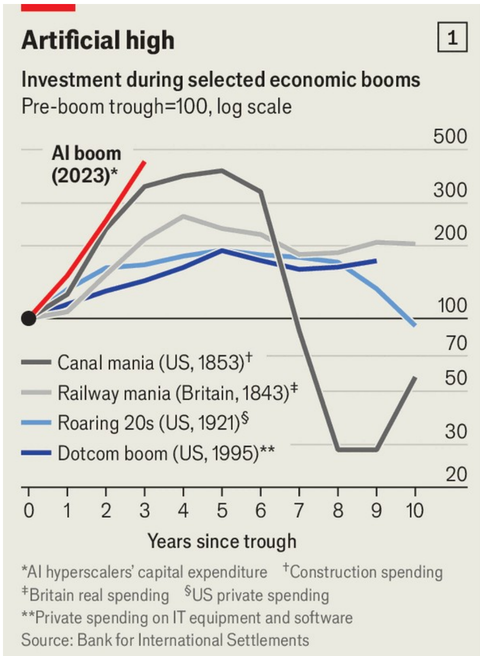
AI revenues are growing fast, but not fast enough

The returns on trillions of dollars of spending are deeply uncertain



Jul 30th 2026

YOU AIN'T seen nothing yet. Last year America's biggest technology companies, including Amazon, Google and Microsoft, spent $450bn on infrastructure, much of it to power artificial intelligence. This was just an amuse-bouche. For the main course they will this year spend $900bn on chips, data centres, power and so forth, with a $1.4trn pudding to follow in 2027. To fund this feast they have borrowed more than $400bn this year. The AI capex boom is fast becoming the largest investment surge in history (see chart 1).



If superintelligence is in reach, building football fields' worth of compute could also be history's most valuable capital-allocation exercise. And yet capital spending can still generate disappointing returns for investors. Since peaking in June, the share prices of the biggest AI firms have fallen by 20%, as worries have mounted that flows of capital from one tech firm to another, rather than genuine demand from end-users, have been propping up the industry, while South Korea's benchmark index, dominated by Samsung Electronics and SK Hynix, two big chipmakers, has dropped by almost 40%. After Meta reported second-quarter earnings on July 29th, its shares shed more than 7%, even as Mark Zuckerberg, its boss, defended its spending on AI, which has eaten deeply into free cashflow.

A rough calculation finds that covering AI capex through identifiable AI income requires revenue on the order of $2.5trn per year, more than tech's entire combined revenue today (and far higher than what would have been needed a year or so ago, when capex plans were more modest). Only a small minority of consumers seem willing to pay for personal AI subscriptions, so the real money will have to be made from selling to enterprises. Traders might use Microsoft's Copilot to create better financial models, for instance, while schools could teach children with models from Google. For now, though, sales in the trillions are a long way off.

For AI revenues to soar, more firms will have to use AI (what economists call an increase at the "extensive margin") and use it more deeply (the "intensive margin"). At the extensive margin, roughly 20% of American firms used AI "in any…business functions" in the previous fortnight, according to the Census Bureau's latest two-weekly survey. In Britain, official figures say about a third of firms claim to use AI, though the question is put differently. That indicates rapid technological diffusion by any standard. After all, four years ago no one used large language models.

Yet those numbers may have recently levelled off. In May economists at the Census Bureau reported that "AI use remained relatively steady in many sectors over the last six months." A survey by Jon Hartley of the University of Texas at Austin and others has found that about 33% of people now use AI at work, down from a peak of 46% in mid-2025. If, say, a third of firms across the OECD club of mostly rich countries adopt AI, then to generate $2.5trn of AI revenues the firms would have to spend about $100,000 a year on average. Is that plausible?

Perhaps, though for now few firms treat AI as a core technology, which limits how much they are willing to spend on it. According to a survey by the European Central Bank, in late 2025 only a tenth of euro-area companies using AI reported doing so "intensively". Researchers at the Bundesbank find that about half of German firms using AI do so for 5% of working hours or less. Ivan Yotzov of the Bank of England and his colleagues estimate that the average American executive uses AI for 1.7 hours a week—enough time to create a decent PowerPoint presentation, but not much more.

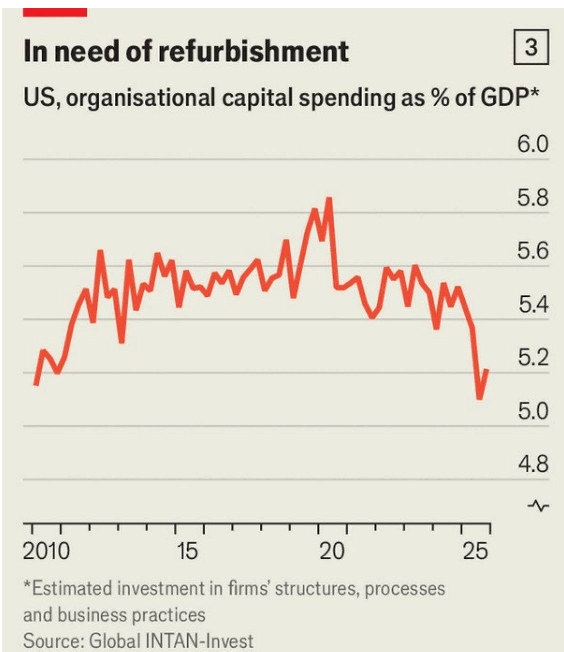
For these dilettantes, free or ultra-cheap AI models are often good enough. Official data from Britain suggest that close to half of businesses using AI do not pay for it, presumably making do with the free tier of an American model or an open-source Chinese one. Ramp, a fintech firm, finds that a fraction of firms spend thousands of dollars a month per employee on AI. The median firm's monthly spending per worker in June, however, was $10.66. Intuit, a software firm which tracks small and medium-sized businesses in America, Britain and Canada, reports that about one in ten has paid for a dedicated AI tool.

Total AI spending can only be guessed at, because data sources are murky and the picture is changing fast (see chart 2). Exponential View, a consultancy, counts $175bn of generative-AI revenue, on an annualised basis, in June. In a recent paper Anton Korinek of Anthropic and Patrick McKelvey of the Bank of Canada estimate total "AI services" revenue. Adapting their methodology, we reckon this is currently around $220bn (again annualised). Ramp's data imply that 2-3% of business spending now goes on AI, pointing to $170bn a year.

All these complex calculations roughly tally with a much simpler one: adding up the AI revenue of the firms selling most of the AI. Anthropic pulls in perhaps $75bn, annualised; OpenAI makes tens of billions; Google, via its AI model Gemini, and Microsoft probably get a bit less. SpaceX may have a few billion dollars' worth of revenue from enterprise AI this year. Meta also makes a few bucks from AI. Add this up and you land at roughly $150bn a year.

Revenue is rising extraordinarily fast. But perhaps not fast enough for investors, as calculations by Phurichai Rungcharoenkitkul of the Bank for International Settlements suggest. The crux is that AI usage, as proxied by the consumption of tokens, is probably growing even more quickly than revenue. This may be because more people are flitting from one free model to the next, rather than paying. In Mr Rungcharoenkitkul's analysis, this has an important implication: at least part of the AI capex splurge represents zero-sum competition. Firms are using some of the extra compute they are building not to expand the paying market, but to poach customers from rivals. The paper implies that perhaps one-third of the investment, or even more, is unlikely to make a satisfactory return.

That said, revenues may soon grow even more quickly, if two conditions are met. The first is that AI boosts productivity markedly. For now, there is little evidence that AI is transforming businesses. Few firms are saving money by replacing workers with bots. According to Mr Yotzov's study, nine in ten executives report no impact of AI on their firm's productivity over the past three years. If that were to change, though, more firms would see reason to devote greater resources to the technology. They would also be happier to absorb price rises, juicing revenue further.



The second is that AI adds to "intangible capital". For firms to make the most of AI they cannot simply pay for a chatbot, but must instead rework their processes, including their staff and their use of data, from top to bottom. The historical evidence suggests that for every $1 of investment in computer hardware, companies have made $5-10 of these intangible investments—which implies they would need to spend trillions of dollars a year if AI is to reach its potential.

So far, however, there is little evidence of an intangible-investment boom. Data-organisation firms like Palantir have revenues in the billions, not hundreds of billions. The share of American workers leaving their jobs is close to an all-time low, suggesting little reorganisation of labour. New data indicate that American companies' investment in "organisational capital"—essentially efforts to improve their routines, processes, culture, supplier relationships and data flows—has been declining as a share of GDP (see chart 3). When AI takes over the economy, you will be able to feel it. ■

Finance & economics | Smoke signals

Oil prices remain highly flammable

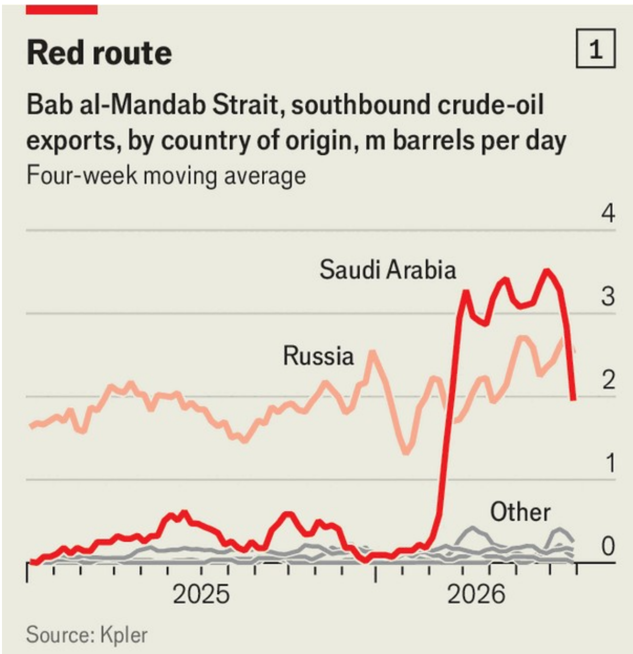
As tensions flare in the Gulf, triple digits could return in a flash

Jul 30th 2026

A CYNIC MIGHT say that ceasefires between Iran and America hold well between attacks. In the past fortnight a pattern has become familiar. A pause in fighting is declared; one party breaches it; tit-for-tat strikes and superlative threats ensue; détente is announced once again.

This cycle changes little of the reality on the ground: traffic through the Strait of Hormuz remains anaemic and the global energy system is under strain. Talks have not progressed and Iran insists it wants sole control of the strait. Yet oil markets remain optimistic that a lasting truce is around the corner. At $90-odd a barrel, Brent crude, the global benchmark, is well short of its $102 intraday peak on July 23rd.

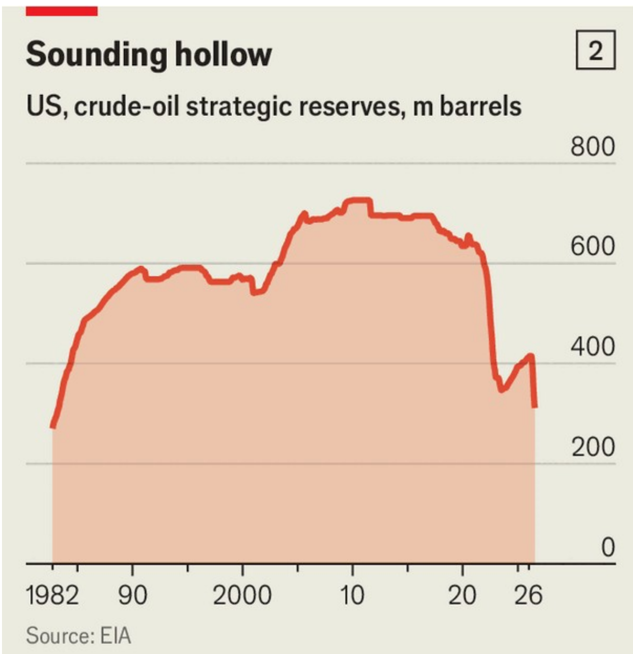
How big is the ongoing risk to the oil price? Five months of war have failed to propel Brent futures to, say, $150 a barrel. But today oil markets are more fragile than in March, for three reasons: the Hormuz problem has grown more intractable; new threats have emerged; and protective buffers have worn thin.



Hormuz is at the heart of recent escalations. A loosely worded ceasefire signed by America and Iran in June recognised Iran's right to help "define the future administration" of the strait. So each time America facilitates the passage of tankers in a channel Iran does not control, Iran takes that as a breach, and some tankers are attacked. Other shipowners take fright, as do insurers. War-risk insurance premiums can now reach 12% of a ship's value, up from roughly 0.25% before the war, says a trader.

The result is a severe slowdown in traffic, which struggles to rebound even after the fighting ebbs. Just nine ships crossed the strait on July 28th, down from a peak of 60 in late June. Flows of oil have shrunk by nine-tenths, to 800,000 barrels per day (b/d). The tankers that do cross almost always have their transponders off. Only 8m barrels offered by the Emirati national oil firm in mid-July were awarded to refiners in South Korea, Taiwan and Japan, compared with 20m per tender in June. Iran seems unlikely to release its chokehold before America makes serious concessions. Gulf countries that had begun cranking up output are cutting it again, which may delay a return to normal flows to the start of 2027.

Of the new threats, the more serious is a blockade on Saudi exports declared by Yemen's Houthi rebels on July 20th, in retaliation for Saudi Arabia's own blockade of ports they control. The Iran-backed group has since struck some Saudi oil facilities and several ships that were ferrying Saudi crude in the Red Sea, or were en route to pick up some.

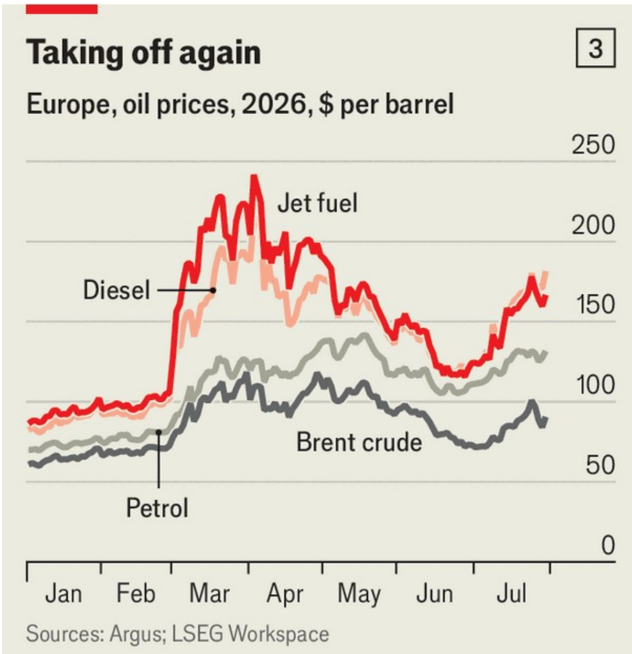


The Houthis' actions have opened a new front in the Iran war and fixed traders' anxieties on a second chokepoint. Since April Saudi Arabia, unable to export through Hormuz, has sent an extra 2.5m-3.5m b/d of crude—around half its daily exports in 2025—via a pipeline to Yanbu, a port on the Red Sea which used to handle just 700,000 b/d, and then on to Asia via the Bab al-Mandab strait. Japan and South Korea have become especially dependent on these supplies.

But Saudi exports through Bab al-Mandab have fallen by three-quarters since early July, to less than 1m b/d, according to Kpler, a data firm (see chart 1). That worries Asian refiners, which face delays on deliveries they were expecting in August. Some are cancelling shipments from Yanbu or switching them to the port of Sidi Kerir on Egypt's Mediterranean coast, to which some Saudi oil can be re-routed via pipeline, at a cost. Omani crude has grown pricier as buyers bid higher for the Gulf supplies that remain available.

In the Black Sea, Ukrainian strikes on the Caspian Pipeline Consortium terminal knocked out roughly 1.8m b/d of Kazakh and Russian exports for a week in mid-July. Loadings at Russia's Sheskharis terminal, which normally handles 650,000 b/d, were also halted. Both facilities have since restarted but could be struck again.

The market's protective buffers—reductions in demand and drawdowns from stocks—cannot absorb much more. China's crude imports have dropped by more than 5m b/d since February. Demand there, and in many poorer countries, has been cut to the bone. America's strategic reserve, from which 108m barrels have been released since March, is at its emptiest since 1983 (see chart 2), and commercial stocks are near their practical minimum.



The headline Brent number masks rising worries: the futures curve, which briefly sloped upwards at the start of July, has flipped again, a sign that traders expect shortages soon. The crunch is worse in refined products: petrol is $150 a barrel in America, jet fuel the same in Asia and diesel is over $170 a barrel in Europe (see chart 3). Other commodities are affected too. Gas prices in Europe are near their highest since January 2023 as the bloc competes for supplies with Asia. Qatar, which usually provides a fifth of the world's liquefied natural gas, is warning it may not honour some commitments before mid-October.

If it drags on, countries other than America will have to dip deeper into shrinking stocks. Analysts warn that each extra month of disruption would add $7-10 to the price of a barrel. Add a higher risk premium, and crude consistently above $110 a barrel by the end of summer looks credible. That would push American petrol prices towards $4.50 a gallon, weeks before the midterm elections. Mr Trump's efforts to manage oil markets through tweets —you might call it "truce social"—cannot defy physical reality for ever. ■

Finance & economics | Freude, schöner Banknoten

How to design paper money that represents Europe

The euro gets a makeover

Jul 30th 2026

In the eyes of many of its citizens, the European Union is more than a technocratic bloc. Besides Europe's unity, it symbolises a shared culture and way of life. In the eyes of the euro area's leaders, an upgrade of its banknotes—used by 21 of the EU's 27 member states, and more than 20 years old—is a chance to show confidence in the continent.

The original notes, issued in 2002 and given a facelift in 2013, display imaginary bridges, doorways and windows—intended to reflect Europe's openness and connectedness, but also to avoid rubbing any country up the wrong way. Each denomination shows a European architectural style, from

Romanesque to rococo. But they were a dull, soulless choice. The novelty of the euro provided most of the excitement.

The European Central Bank and its classical-music-loving president, Christine Lagarde, want the new notes to represent more. The bank has narrowed the field to two thematic options. The first is to charm users with beautiful birds and rivers on the front of the notes, while hiding buildings hardly anyone will recognise—the EU's principal edifices, including the ECB tower—on the reverse.

The other is a more confident attempt to show off European culture. On the front are great scientists and artists, such as Maria Sklodowska Curie, who won Nobel prizes in physics and chemistry, or Ludwig van Beethoven, whose final symphony concludes with "Ode to Joy", the EU's anthem. The reverse shows everyday spheres of culture, such as choirs, libraries or city squares (though these are hardly peculiar to Europe).

Bravely, the ECB has asked for public feedback on ten sets of mostly well-crafted designs. On social media Europeans are taking the opportunity to provide their own images of what is truly European: disused barriers at borders; an open plastic bottle with an attached cap; two Italian DJs on a balcony, oblivious to the world's troubles, making music while smoking and drinking Campari. Another idea is to print an out-of-office reply on notes, saying "Back in September". The Economist's favourite, though, is for a note bearing half a dozen famous faces: Britain's prime ministers since Brexit. ■

Finance & economics | Joint and separate

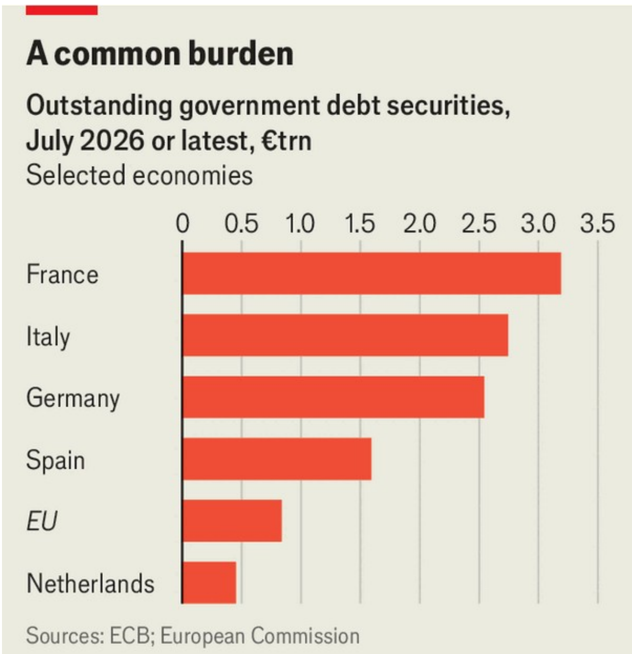
A common European safe asset is still unlikely

For that, blame high national debts

Jul 30th 2026

Germany's chancellor, Friedrich Merz, flew to Dublin on July 28th just to hand-deliver a four-letter message: Nein. The recipient, Micheál Martin, his Irish counterpart, took over the rotating presidency of the Council of the European Union at the start of the month, and a new seven-year EU budget needs to be hammered out. Embattled at home, in part because of spending cuts and tax increases, Mr Merz insisted that the current proposal, around €1.7trn ($2trn), was unacceptable. "We need a budget draft that cuts across the board—to the tune of several hundred billion euros."

The cuts have to be even larger if the EU also has to start repaying its debt. The bloc has issued €840bn (worth about 4.5% of GDP) in the past, mostly to back its post-pandemic recovery fund (see chart). Servicing and repaying that will take about €168bn out of the budget. The European Commission would like to add more debt, above what is already planned for a defence-loan programme and €90bn in help for Ukraine; it wants a debt-funded tool, worth over €300bn, to respond to unforeseen crises. Perhaps Mr Merz should consider the upside. A more debt-funded EU could help create a thriving market in European rather than national bonds.



So far, EU debt is trading at a discount to equivalent German paper, the continental benchmark: yields are about 0.3 percentage points higher. This is largely because the EU has no tax-raising powers and in a crisis Germany would surely honour its own debts first. Nor is EU debt permanent; it is supposed to be repaid and not rolled over. That is one reason why it is omitted from sovereign-bond indices—which is unlikely to change, says an executive at an index provider. “You also need compensation for the lower liquidity,” adds Konstantin Veit of Pimco, a fixed-income asset manager. A liquid futures market for EU debt, say, would make hedging risk cheaper. Today’s derivatives market is too thin.

Even new, debt-funded EU programmes are likely to be too small to make the market for EU debt sufficiently large and permanent. A potential solution is to convert existing national debt into European debt. Olivier Blanchard, a former chief economist of the IMF, and Ángel Ubide of

Citadel, a hedge fund, have argued that countries should issue debt worth 25% of GDP via the EU, as senior “blue” bonds. Spain has recently put a variant of that idea to the rest of the EU.

Another idea is to issue all bills—short-term government bonds with a maturity of up to one year—jointly through the EU. Since bills are rarely included in debt restructurings, they are in effect senior debt. But the problem with both proposals is that they create some joint liabilities: who pays if things go wrong? “If you mutualise debt without a fiscal and political union, it is just a leap of faith,” says a senior commission official.

Countries with low debts would have to trust those with lots. By international standards, the euro area’s combined debt-to-GDP ratio, of 90%, looks manageable. America’s exceeds 120%; China’s has risen fast to 100%. But some EU countries, such as France, Italy and Spain, have ratios above 100%. And Europe’s expected nominal growth rate of around 3.5%—at best 1.4% real, plus 2% inflation, says the IMF—is on par with its current long-term interest rate. That means debt-to-gdp ratios will not shrink without primary budget surpluses (ie, before interest payments).

Morgan Stanley, a bank, reckons that interest costs, ageing and defence needs will add 3-5% of GDP to public spending by 2040. To put the debt ratio on a downward path by 2035 deficits must fall by 4-9% of GDP in the next decade, estimates the European Stability Mechanism, the euro zone’s main bail-out fund. Even Germany, normally a model of rectitude, is unsure how to fill budget gaps beyond 2028.

That puts bold proposals for common EU debt out of reach for now. EU debt will remain limited and tied to common spending programmes such as that for Ukraine. Deeper financial-market integration, and raising the euro’s international standing, will have to happen without a shared European benchmark bond. And do not bank on German debt being the substitute for ever. “There is a plausible scenario”, says one investor, “in which Spain ends up being more solid than Germany a decade from now.” ■

Finance & economics | Sanaenomics, not Abenomics

Japan pursues an ill-timed fiscal stimulus

Takaichi Sanae's economic agenda bears little resemblance to her mentor's

Jul 30th 2026

Takaichi Sanae, Japan's prime minister since October, positions herself as heir to the late Abe Shinzo, the country's longest-serving leader. Many expected her to revive his "Abenomics" agenda, with its "three arrows" of loose money, expansionary fiscal policy and structural reform. Two plans published this month instead signal a departure.

Whereas Abenomics sought to relegate Japan's deflationary decades to history, Sanaenomics aims to steel Japan for geopolitical conflict. The honebuto, an annual economic blueprint, declares that Japan must keep pace with a global "Copernican revolution" in industrial policy. A new growth-strategy paper calls for ¥120trn ($733bn, or 18% of last year's GDP) in new public investment by 2040, to catalyse ¥250trn in private capital. Cash is to be spread across 17 sectors and 62 products, from ships to chips. For good measure Ms Takaichi wants a cut in sales tax on food, too.

Of Abenomics' three arrows, Sanaenomics keeps only one, fiscal stimulus. Though Ms Takaichi has pressed the Bank of Japan (BoJ) to keep interest rates low, it has raised them, from 0.5% when she took office to 1%. Political appetite for structural reform, such as boosting immigration and improving corporate governance, has waned. Yet it is an odd time for big-bang spending. Japan no longer faces a demand shortfall, as it did during the Abe years. Inflation has largely stayed above 2% since 2022, though it has dipped recently. The BoJ estimates that Japan has a positive "output gap" of 0.5%, implying that the economy is running slightly hot.

Sanaenomics justifies stimulus another way. Ms Takaichi fears losing economic sovereignty, especially to a bullying China. She believes that Japan has suffered from chronic underinvestment and "excessive austerity". Real public investment remains around 8% below 2019 levels, notes Stefan Angrick of Moodys Analytics, a consultancy. That, say Sanaenomics' advocates, has perpetuated Japan's deepest economic rot: cash hoarding by its firms. Much of that flows into investment abroad. To bring it back home, Japan should use public investment to heat up its economy, argues Aida Takuji, a prominent Sanaeconomist. He advocates an output gap of 2%.

According to Ms Takaichi's growth strategy, public investment will not only beget private investment but also raise employment, consumer confidence and profits, starting a "virtuous cycle" of growth; taxes will rise without a rise in tax rates. This focus on growth, in turn, underpins an ambivalence towards Japan's fiscal limits. In the honebuto, the old budget target of achieving a primary surplus (excluding interest) has been replaced by one emphasising a falling debt-to-GDP ratio, from which new "bridging bonds" will be exempted. New multi-year budgeting will fund favoured projects while sidelining the cautious finance ministry, notes Tobias Harris of Japan Foresight, a consultancy.

Watering down the fiscal target could unshackle spending. Thanks to inflation, the net debt-to-GDP ratio, of around 130%, has been falling since the pandemic. That will continue for years so long as the nominal growth rate, now above 3%, exceeds the effective interest rate on Japan's liabilities, which because of locked-in low rates is below 1%, estimates Goldman Sachs, a bank. The temptation is clear. As Mr Aida puts it: "The only fiscal burden is the interest cost. Strategic investments whose future benefits exceed their interest costs should therefore be financed through government bond issuance without hesitation."

In practice, Sanaenomics will face tighter constraints than its architects imagine. One is the bond market. Ten-year yields have risen sharply this year, to 2.8% from 2% in January. A further sell-off would gradually raise financing costs. If the budget deficit swelled to around 2% of GDP but ten-year yields stayed near current levels, the debt ratio would fall for the next decade, estimates Goldman. Yet were yields to rise to 3.5%, it would stop falling after five. This creates a timing problem. Any growth from Ms Takaichi's investments could take decades to materialise, but the borrowing to finance them will hit markets right away. And the bond market is more sensitive that it used to be, as once-reliable domestic investors have been replaced by pickier foreigners.

A second constraint is the BoJ, which looks likely to keep tightening. Every percentage point on interest rates costs the government an additional ¥5trn

(0.7% of GDP) in interest, reckons Deutsche Bank. Ms Takaichi, who before taking office called rate hikes “stupid”, may be tempted to bring the central bank to heel, as Abe did. But bond markets may rebel if she does. Gruff language about the BoJ in a preliminary release of the honebuto last month coincided with a three-decade high in ten-year yields (the final version nodded to its independence).

Then there is inflation, where Ms Takaichi faces a dual bind. A spending-driven price surge would inflict pain on households, to which the cut in the sales tax on food is a response. But too little inflation, by dragging down nominal growth, could damage the fiscal outlook. The growth strategy simply envisions Japan threading the needle: 1% real growth with 2% inflation. But even 1% real growth requires a permanent boost to productivity. In an ageing, sluggish economy, that would be tricky even for an ambitious structural reformer, which Ms Takaichi is not. In effect, Sanaenomics is a bet that Japan’s capable bureaucrats can pick winners in 17 sectors so wisely that little else matters. Even for them, that is a tall order. ■

Finance & economics | Buttonwood

Retail investors should beware perpetual futures

These peculiar products, popular in the crypto world, are hitting the mainstream

Jul 30th 2026

Anyone who says they have reinvented an old idea is inviting suspicion. But if the idea concerns money, it is wiser to skip the suspicion and back away immediately. This is because "I have reinvented an old financial idea" means "I am about to take your money if you give me half a chance."

Perpetual futures were first traded in 2016 by Arthur Hayes, who co-founded the BitMEX exchange for cryptocurrency derivatives. Derivatives are financial contracts. Some have finer points that make even most traders' eyes glaze over; traditional futures, though, are pretty simple and have been around for centuries. A future is an agreement to buy or sell something for an agreed price, on a set expiry date in the future. At the Dojima Exchange, in 18th-century Japan, they were used to trade rice. Since then, they have been applied to everything from corn to electricity. Ten years ago, Mr Hayes reimagined them as a means for betting on bitcoin. Attentive readers can perhaps guess where this is going.

Mr Hayes' innovation was to ditch the expiry date. To make sense of this, think of an old-school future not as a contract to trade the underlying asset, but as a bet on its price. If this rises after the future is agreed, the "long" side is in profit, since it is due to buy the underlying asset for less than market value. Its mirror image, the "short" side, is in the red by the same amount. Conversely, if the price falls, the long loses and the short wins. Parties to a perpetual future (or "perp") sign up to roughly this profit-and-loss structure, without agreeing to actually trade the underlying asset.

Why bother? One reason is that lots of people love gambling, lots of gamblers frequent crypto exchanges and futures are great gambling tools. A bitcoin costs $64,000 or so, meaning that $100 gets you only a tiny fraction of one. If bitcoin's price rises by 1%, you profit by a measly $1. Bet on bitcoin with a future, meanwhile, and some exchanges will let you multiply your exposure as much as 200 times over. Do this, and the same 1% price rise nets you a profit of $200—while a 1% drop loses you $200.

The trouble, says Mr Hayes, was that his clients' financial knowledge was "very limited", so traditional futures presented them with "a big, steep learning curve". In particular, they kept asking him why their contracts expired: "They thought we were doing something dodgy." His solution was to invent perps, which do not run out.

This took some clever financial engineering. Because a perp never settles, it needs a mechanism to keep its price close to that of its underlying asset. This job is done by the "funding rate", an automatic payment made every few hours. If the perp's price is far above the underlying's, the long side pays the short in proportion to the difference—prompting more people to short perps and pull their prices down. If the perp's price is far below the underlying's, the reverse happens.

To a cynic, though, the funding rate conceals a bigger reason for manufacturing perps. It also includes a straightforward interest payment of

0.01% of the perp's notional value, made every eight hours, from the long side to the short. Over a year the magic of compounding ensures that this measly-sounding fee costs longs more than 10% of their position's value. Needless to say, it is mostly retail traders using perps to go long and professional shorts collecting the fees. Mr Hayes is disarmingly open about this. "Basically I set it there," he says. "I said I want to make 10% on my money…and no one's changed it since."

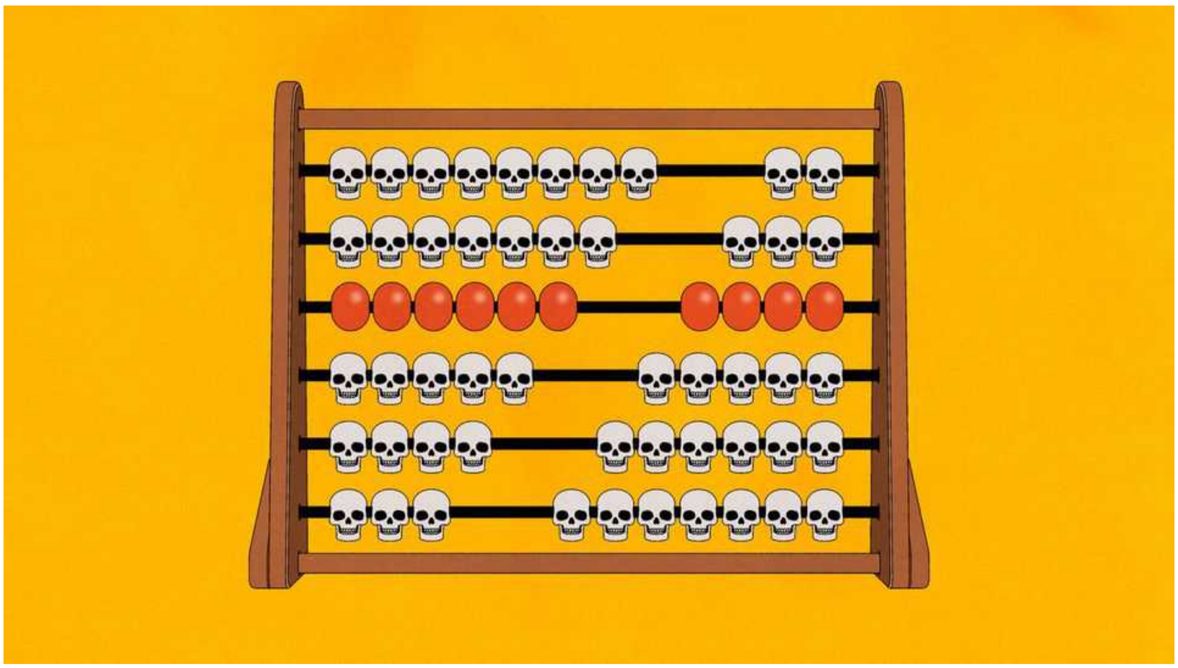
Why would they, when punters can't get enough? Hyperliquid, another exchange, trades $10bn-worth of perps a day; globally, the annual volume is probably over $90trn. Americans used to have to trade perps offshore but, since May, have been able to do so onshore via Kalshi, a betting platform (which charges no interest-rate component). The Commodity Futures Trading Commission, a regulator, is being sued for having approved this by CME Group, yet another exchange. And perps have spread far beyond crypto. These days there is a smorgasbord of them, helping punters bet on share indices, single stocks, gold, oil and more.

BitMEX, alas, has had a rough time of things and must let others reap the harvest. Last year a federal judge fined it $100m for, among other things, violating anti-money-laundering rules. On July 23rd the exchange announced it would shut down permanently in September. Still, if you are looking for a perp-mediated flutter, there are plenty of others who will happily take your money. ■

Finance & economics | Free Exchange

How many people are dying as a result of USAID's demise?

Fewer than academics imagine, but more than Elon Musk will admit



Jul 30th 2026

Elon Musk is unrepentant. Starting in January 2025, in his brief stint as Donald Trump's cost-slasher-in-chief, SpaceX's boss helped the president dismantle the world's biggest foreign-aid agency. Eighteen months on, he insists the end of USAID has not cost any human lives: "Zero point zero," he says. Aid bureaucrats disagree. Bill Gates has accused Mr Musk of killing the world's poorest children. Researchers started back-of-the-envelope calculations of the human cost of cuts soon after they began. The most influential, published in the Lancet in July 2025, estimates that by 2030 14m people will die as a result of USAID's demise.

Neither a claim of zero nor one of so many millions survives a thorough interrogation. USAID once doled out $60bn, or roughly a quarter of foreign aid globally, paying for everything from HIV drugs and disaster relief to radio stations and justice think-tanks. The abruptness of its closure disrupted life-saving assistance. That has cost lives, and permanent cuts will cost more. But the biggest estimates of lives lost assume that Mr Trump planned to eliminate everything USAID once funded. In fact much was preserved, and is now distributed by different government bodies.

The stories are not always simple. A week after Mr Trump cut off all funding, he temporarily provided a waiver for “life-saving” services. But confusion over who qualified meant some services never restarted, while others were permanently cut loose in the following months.

Tread in one of the world’s poorest countries, and tragic consequences from the end of USAID will soon emerge. In Malawi, most maternity clinics stayed open, but the firm providing ambulances from remote villages did not. In March 2025 your columnist met the family of Prudence, who had died in her village two weeks before, aged 25, from complications in labour. Health workers said she was one of ten mothers who had died since January but would have got to a clinic had transport been available. In Somalia, where food shortages are spreading, a quarter of UNICEF clinics closed, owing in part to American cuts. They had mostly treated severely malnourished children. The number hospitalised doubled in 2025 to 768; some died. In all these cases, some would have perished even with treatment. But some would not have done.

How many? Policymakers cannot tot up all the cases like Prudence’s. And aid cuts also reduced funding for health surveys, complicating efforts to quantify the consequences of USAID’s closure. Estimates of deaths are the product of higher-level and less reliable methods. The paper in the Lancet, by Daniella Medeiros Cavalcanti and Lucas de Oliveira Ferreira de Sales, of the Federal University of Bahia in Brazil, and others, compared the decline in mortality rates of countries with different levels of USAID funding per person between 2001 and 2021. They found that the more money a country received, on average, the more its mortality declined.

But it is also well known that the poorest countries, which got the most aid, saw the biggest decline in mortality. The authors controlled for GDP per person. Yet that alone does not isolate the effect of aid. There are alternative explanations for different rates of mortality decline—eg, aid bureaucrats tend to favour countries with the best health-care systems, which also reduce deaths. Nevertheless, the authors projected the relationship they found onto the next five years. Assuming, wrongly, that American aid would fall by 83% yielded their figure of 14m, including 4.5m children, compared with a scenario in which funding stayed at 2024 levels.

Other studies are also questionable. Researchers at Boston University estimated extra child deaths from malnutrition by dividing the $160m cost of USAID's nutrition programme by the $150 cost of the food package a child is given when near death. That implies 1.1m lost packages. Without them 10-20% of children die, implying at least 168,000 lost lives. But little of the $160m would have gone on such aid. Most went to women and children in poor countries to prevent starvation rather than treat it. And in the end the programme was moved to another department and not cut.

Fundamentally, such estimates suffer from two problems. The first is that the drop in health funding has been less cataclysmic than many predicted. Since Mr Trump's return, American aid has been cut by about a third, but the cuts have been heaviest in areas such as education and promoting democracy. Health and humanitarian funding, which save the most lives, have been less hard hit. In 2026 Mr Trump's global health budget will be $10bn, only $2.4bn less than Joe Biden's for 2025.

The second is that researchers assume that aid's impact in future would be the same as in the past. Many economists, though, regard the early 21st century as an anomalous period of extraordinary gains that were slowing before aid cuts began. Most of the easy fixes, such as vaccines and malaria nets, are already in place. Childhood mortality in developing countries plummeted from 79 deaths per 1,000 births in 2000 to 42 by 2016. Yet by 2022 the figure had dropped only a little more, to 37. To assume that extra dollars today would have the same effect as 20 years ago is fanciful.

If many fewer people are dying than supposed, that does not vindicate Mr Musk. His notion of zero deaths is plainly wrong. Prudence's story alone shows that. The human cost has been limited because the cuts were more modest than he planned. Mr Musk also claims that he was encouraging other organisations to step in. Poor countries’ governments may have, and all to the good if so. Rich countries’ governments have not. They have instead taken America’s withdrawal as their cue to do the same.

It is a grim fact that politics involves choices that cost lives. Fewer of them have been lost than feared. But it cannot be denied that lives have been lost all the same. ■

Science & technology

- Quantum computers promise mathematical superpowers
- AI and quantum computers will be frenemies

Science & technology | Faster than a speeding bullet

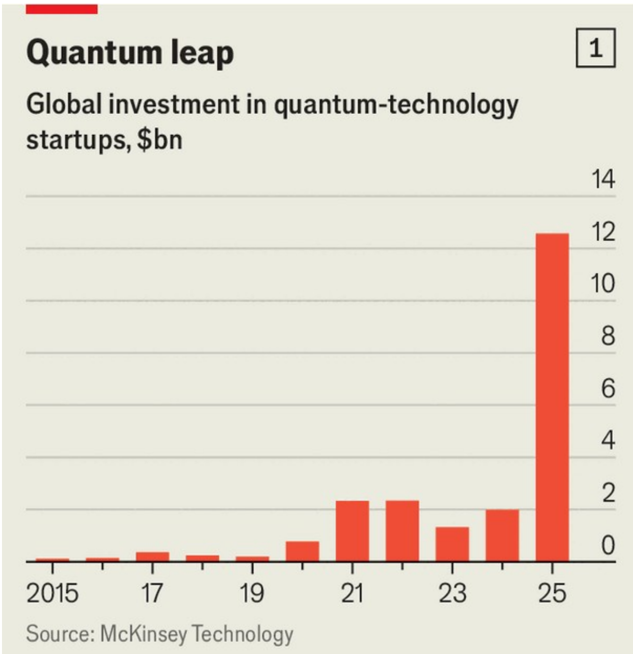
Quantum computers promise mathematical superpowers

But like all superpowers, they will have their limits

Jul 30th 2026

AS THEY ZIP across the internet, passwords, bank transfers, emails and the like are protected from prying eyes by encryption. But no one is quite sure how reliable the technology is. Despite decades of trying, no-one has found a feasible way to break it. But at the same time, no-one has been able to prove such a method does not exist. In principle, a mathematician could have a brainwave tomorrow and bring the entire edifice of e-commerce—not to mention personal privacy—crashing down.

In fact, something like that has already happened. In 1994 Peter Shor, an American mathematician, worked out how to reduce the time taken to break many types of encryption from billions of years to hours or less. The only snag was that "Shor's algorithm", as it is now known, required something that at the time only existed on university blackboards: a quantum computer.



These days, quantum computers—which exploit quantum mechanics to perform some calculations far faster than ordinary computers—not only exist, but are attracting serious attention from investors. The market values of IonQ and Rigetti, two firms which have been listed since 2021 and 2022 respectively, are up seven- and four-fold since their debuts. In April McKinsey, a consultancy, reported that the amount of money invested in quantum startups had reached $12.6bn in 2025—a six-fold increase on the year before (see chart 1). The following month America's government said it would take $2bn-worth of equity stakes in nine quantum-computing companies, including Rigetti, GlobalFoundries, a chipmaker, and Quantinuum, a firm based in Colorado that raised around $1.7bn when it went public in June.

Tech titans are keen too. In 2025 Google announced that it had used its new "Willow" quantum processor to complete a task in hours that would have taken a conventional supercomputer thousands of times longer. IBM has its own quantum chip, named Nighthawk; the firm is following a public roadmap according to which it plans to build a "fault-tolerant" quantum computer—a vital milestone—by 2029.

Besides breaking the encryption that makes the internet work, the mathematical superpowers offered by quantum computers could revolutionise chemistry, biology and materials science. They will allow precise simulations of how atoms and molecules interact, a trick beyond the power of “classical” machines. They may (though this is less certain) also boost some of the mathematics used in finance and logistics. And they may both boost, and be boosted by, artificial intelligence.

But while quantum computers are powerful, they are also limited. Scott Aaronson, a computer scientist at the University of Texas at Austin, draws an analogy with cars and the Space Shuttle. A quantum computer is like the Space Shuttle in that no car, however advanced, can get to orbit. But if all you want to do is drive the kids to school, then even though the Space Shuttle might technically be up to the job, it would be far more expensive, no faster and much less convenient. For 90% of tasks, says Dr Aaronson, a quantum computer offers no advantage over the conventional sort.

The reason lies in the peculiar physics of quantum mechanics, which quantum computers exploit to do their work. One of those peculiarities is superposition. Bits, the fundamental units of classical computing, can exist in one of two states: 1 or 0. Qubits, their quantum cousins, can likewise represent 1 or 0. But they can also exist in a sort of probabilistically blurred state of both that has no equivalent in classical physics. It is not that the measurer is simply ignorant of which state the qubit is “really” in. In a precisely defined but non-classical sense, it is, until it is measured, a blend of both at once.

Quantum computers combine superposition with another quantum-mechanical property called entanglement, which ties superposed particles together in such a way that their properties can only be defined collectively. The upshot is that, whereas a string of three classical bits can take one of eight different values, a string of three qubits can exist as a blend of all eight possibilities at once. As the number of bits in a string rises, the number of possible states rises exponentially. A thousand bits can form so many combinations that it would be physically impossible to write them all down, even if you used every atom in the universe to do so.

A classical computer that wanted to search through such a vast space—to find the string of numbers necessary to decrypt a coded message, say—would have to try all the potential solutions one at a time. A quantum computer could represent and manipulate them all at once. But there is a catch. Reading a quantum computer's output requires undoing the superposition of its qubits. Do that naively, and the result will be a single string of numbers chosen blindly from the astronomical number of possible strings.

Properly harnessing the power of a quantum computer means finding a way to load the dice, so that when you collapse the superposition, the chances are high that what comes out is the right answer. The trick is to exploit the mathematical structure of a problem in a way that amplifies the chance of getting the right answer while suppressing the zillions of wrong ones. Only some sorts of mathematics possess the necessary structure—which is why quantum computers do not offer a universal speed boost for every sort of problem.

That is the theory. The question is how best to put it into practice. Classical computers were built in all sorts of ways over the decades, from mechanical gears to punch-cards and electronic valves, before settling on integrated circuits built from silicon. Quantum computing is still in its experimental phase, with several technologies jostling for primacy.

Google and IBM, for instance, are working with qubits made from superconducting circuits, through which currents whizz with no electrical resistance. Quantinuum and IonQ, which is based in Maryland, are betting on trapped ions—charged atoms that can be manipulated with tiny flashes of laser light. Pasqal, a French firm, is pursuing a similar technology that uses uncharged atoms instead. Xanadu, a Toronto company, hopes that photons, the fundamental particles of light, can do the trick. Intel, an established American chipmaker, hopes to use a quantum property of electrons called spin.

Each approach has pros and cons, says Toby Cubitt, one of the founders of PhaseCraft, a British startup that develops algorithms for quantum computers. Superconducting qubits need cooling almost to absolute zero, for instance, which adds cost and complexity. Superconducting qubits are fast, but their delicate quantum states can collapse quickly, leaving less time for computations. Trapped ions are more stable, but slower. Photonic systems do not need fancy cooling, but it is harder to get the photons entangled with each other.

One important question is how error-prone a given technology is. Superpositions are delicate, and can be upset by the tiniest interference from the outside world—a stray breath of heat, say, or errors in the machine's control hardware. If those errors happen too often, they will swamp any calculations. If a machine's qubits can achieve a minimum level of robustness, though, things can be improved by linking many physical qubits and running error-correcting codes to produce a single "virtual" or "logical" qubit that is reliable enough to make useful work possible.

Building a "fault tolerant" quantum computer with a useful number of those logical qubits is the field's biggest target. In 2024 Google published a proof of principle, announcing that it had used 101 physical qubits on one of its Willow chips to produce a single logical qubit. Under some circumstances, Google's researchers were able to keep the system stable for about an hour. IBM has set itself a goal of producing a fault-tolerant quantum chip with 200 logical qubits by 2029.

For now, says Dr Cubitt, no technology stands out as a clear front-runner. Advances are coming thick and fast. In March, for instance, an American startup called Oratomic announced that it had come up with better error-correction technology that it thinks could allow it to build a "utility-scale" quantum computer out of neutral atoms by 2030. Indeed, there are so many competitors that the Defence Advanced Research Projects Agency (DARPA), an appendage of the American government, is conducting a "Quantum Benchmarking Initiative" to try to work out which, if any, might produce an industrially useful machine by 2033.

But what exactly might such a "commercially useful" machine be used for? Even after decades of research, "the two most impressive quantum speedups we know of are the same ones we knew about 30 years ago," says Dr Aaronson. "Breaking some kinds of cryptography, and simulating quantum mechanics itself."

Start with codebreaking. Officials in America, Britain, France and other rich countries are chivvying firms to upgrade to new sorts of cryptography that are thought to be resistant to quantum computers. America's standards agency recommends making the switch by 2035. But there may be less time than they had thought. In March Oratomic outlined how better error correction might allow attacks on existing cryptography using only tens of thousands of physical qubits, rather than the hundreds of thousands that researchers had thought would be necessary.

Soon afterwards researchers at Google outlined a way to break in minutes the codes that protect cryptocurrencies, using just 1,200 logical qubits. Google was worried enough about its own findings to abandon the norm in computer-security research for publishing results openly. Instead, it published a "zero-knowledge proof", a mathematical construct that allows others to confirm its results without revealing its methods. The firm also announced that it would aim to complete its internal upgrade to post-quantum cryptography by 2029.

Even that might be too late to keep prying eyes completely away. Western intelligence agencies have been warning for several years about foreign adversaries using a strategy called "harvest now, decrypt later", in which juicy data can be captured and stored offline, to be unscrambled when a quantum computer that can do the job is ready. (Whether Western spies are doing something similar themselves is left to the reader's imagination.)

Switching to new sorts of cryptography will be hard but doable for giant firms like Google, Amazon and Microsoft that have strong central control of their infrastructure, says Brian LaMacchia, who used to run Microsoft's programme on security and cryptography, and is now president of the Farcaster Group, a consultancy. But there is a "long tail" of vulnerable systems that either cannot be upgraded at all, or are run by organisations that lack the know-how. "Think of every piece of connected medical equipment in a hospital," he says. "You'll never get all that upgraded and re-certified. Or banks and cash machines, or credit cards, or toll roads, or sewage-treatment works, and so on."

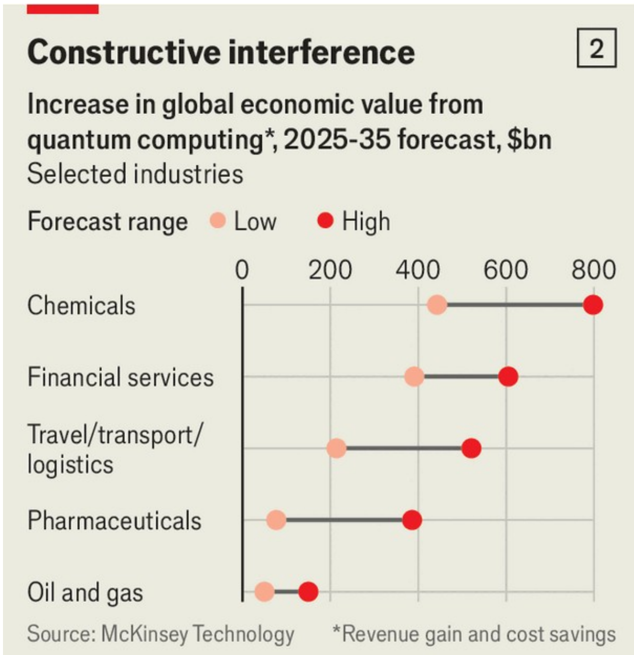
Happily, quantum computers will have constructive effects as well as destructive ones. The original rationale for developing them, as outlined by

Richard Feynman, an American physicist, in 1982, was to better simulate quantum mechanics itself.

Quantum mechanics governs the chemical reactions that take place in factories, pharmaceutical labs, or living organisms. But the complexity of the maths needed to simulate the process increases exponentially with the number of particles involved. That means that accurately modelling even relatively simple chemical interactions is beyond the reach of classical machines. “If you want to model something like hydrogen and oxygen coming together to form water—that’s very difficult to do classically,” says Dr Cubitt.

Instead, classical machines must rely on a rougher approximation called “Density-Functional Theory” which won one of its pioneers a Nobel prize in 1998. “DFT solves many problems perfectly well,” says Dr Cubitt. “Sometimes, though, it falls flat on its face. It predicts that silicon will be a semiconductor, but it gets the band-gap [a semiconductor’s defining property] completely wrong.” Dr Cubitt cites superconductivity, the behaviour of electrons in new solar-panel materials, or the properties of cathodes in batteries as examples of areas in which existing methods fall short.

Quantum computers can efficiently simulate such interactions because they are quantum-mechanical systems themselves. Once the behaviour and interactions of all the particles in a reaction (primarily the electrons around the various atoms) have been encoded into a machine’s qubits, the computer can be made to evolve according to the same quantum-mechanical rules that govern the real molecule. That avoids the need to carry out the enormous numbers of equations that would choke a classical machine that tried to simulate what was happening mathematically. The hope is that quantum computers could replace today’s rough-and-ready simulations with something closer to how an engineer can model a bridge, says Dr Cubitt —“where the object will behave exactly as the computer predicts it will”.



That promise is why McKinsey forecasts that the chemical and pharmaceutical industries will offer some of the biggest opportunities for quantum computers (see chart 2). Several firms are already experimenting. In April, for instance, Wellcome, a big medical-research charity, announced that a team of researchers at Algorithmiq, a startup based in Milan, the Cleveland Clinic, an American hospital, and IBM had won a $2m prize for developing a mixed, quantum-plus-classical simulation of the behaviour of an anti-cancer drug that is activated when light is shone on it. The team's hybrid system was, according to Algorithmiq, better able to model the interactions between electrons in the drug's atoms after the drug absorbed a photon than any classical machine would have been.

What makes both cryptography and simulating quantum mechanics stand out is that the speedups on offer from quantum computers are both enormous and a sure thing. But there exists an entire "third continent" of problems, says Dr Aaronson, where speedups are either more modest, less certain, or both.

Financiers, for instance, use "Monte Carlo" simulations to model the likely performance of a portfolio of assets by generating thousands of plausible future scenarios and seeing how the portfolio performs under each of them.

In 2018 a trio of researchers at Xanadu published a paper demonstrating the use of a quantum algorithm for pricing financial instruments.

On paper, the idea looks attractive: the algorithm involved is a derivative of an existing one that has already been shown to offer a significant speedup over classical methods. But actually readying the computer to perform its calculations takes time, and one roundup of quantum finance, published in Nature Reviews Physics in 2023, acknowledged that it was still unclear whether a quantum approach would actually beat a classical one in practice.

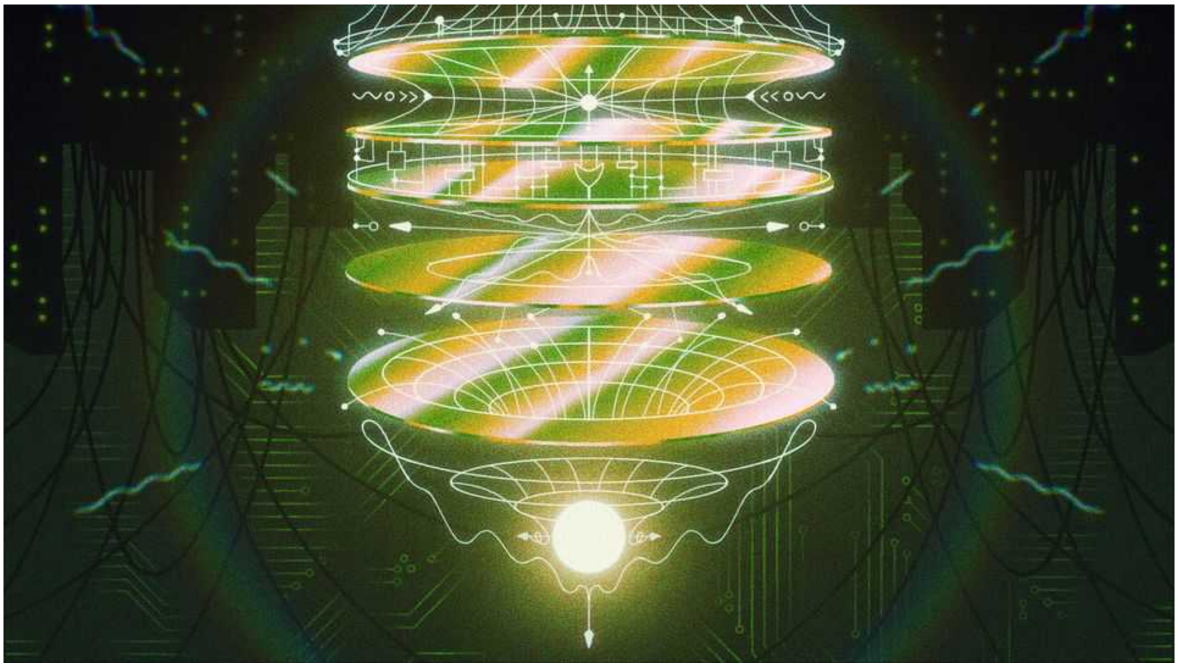
Another candidate for quantum-minded financiers is the Quantum Approximate Optimisation Algorithm (QAOA). It can be applied to constrained-optimisation problems, such as building a portfolio of financial instruments in which the likelihood of gain must be maximised while the probability of big losses minimised. Ashley Montanaro, one of Dr Cubitt's fellow founders at Phasecraft, says the firm's work suggests QAOA can indeed offer a substantial speedup, but only in some cases. And, he says, the extra steps required to prepare the quantum computer may be enough to overwhelm the faster calculations in practice. A paper published in 2025 by Eric Stopfer and Friedrich Wagner, of the Fraunhofer Institute for Integrated Circuits, in Germany, assessed QAOA with real-world data and found that classical approaches usually outperformed it—although they noted that the modest powers of today's quantum hardware limited the size of the problems they could test.

These sorts of uncertainties should be chipped away with time. As quantum hardware becomes more advanced, more and more firms will start experimenting with it. "The original idea for quantum computers was simulating quantum mechanics," notes Dr Aaronson. "It was an unexpected miracle that they turned out to be good for anything else." If there are more unexpected miracles lurking out there, then the more people that look for them, the more likely they are to be found. ■

Science & technology | Super positioning

AI and quantum computers will be frenemies

The two technologies look more complementary than rivalrous



Jul 30th 2026

IN 2013 GOOGLE and NASA, America’s space agency, launched a quantum computing lab. The idea was to use a specialised quantum computer built by D-Wave, a Canadian firm, to improve the onerous task of training of machine-learning algorithms. Alas, the lab was ahead of its time not just once, but twice over. Neither machine learning—soon to be rechristened “artificial intelligence”—nor quantum computing were then mature technologies, as D-Wave’s boss, Alan Baratz, now concedes. A paper published in Nature Physics the year after the lab was founded showed that D-Wave’s machine was no better at AI work than a normal graphics-processing unit (GPU).

Yet the fates of AI and quantum computing remain entwined. Some see them as complementary: advances in AI have boosted attempts to build quantum computers, even as progress in quantum algorithms have suggested novel ways of improving AI. Others see the technologies as competitors. To listen to modern AI labs, by the time they are up and running there may not be many useful problems left for quantum computers to tackle.

The truth is less dramatic. There are three ways that AI and quantum computers overlap: first, in the problems they try to solve; second, in the way each can be used to build the other; and third, in the resources for which they are competing. And in each of those, co-operation seems to be the winning strategy.

The most promising use-case for quantum computers is simulating quantum mechanics itself—which in practice means things like materials science, chemistry and biology. The calculations necessary to simulate even fairly simple chemical reactions are so demanding that even supercomputers are limited to error-prone rough approximations. A sufficiently powerful quantum computer could allow true, high-fidelity simulations of reality at its most fundamental level.

But AI firms such as Isomorphic Labs or CuspAI are already working on systems that aim to solve the same challenges, relying on pattern recognition for predictions rather than super-accurate simulations. CuspAI's cofounder Chad Edwards was previously a senior leader at Quantinuum, a quantum computing startup based in Cambridge, until the pace of progress in AI convinced him to switch sides.

Sometimes the conflict runs the other way. In March, Chinese researchers demonstrated a small-scale quantum system that could outperform classical approaches to weather forecasting. The paper was covered by the press in Hong Kong as a blow against the AI industry that risked making expensive data-centres obsolete.

Such zero-sum thinking is a mistake, says David Cox, IBM's vice-president for AI models. Quantum computers will always have a place, he says, because "no other kind of computer…can do the things that a quantum computer can do." An AI model trying to predict chemical reactions has first to be trained on millions of examples so it can infer the rules of the game. Since quantum computers will enable more accurate simulations, that should enable better predictions from models trained on those simulations. Those models, in turn, could help identify other promising bits of chemistry at which to point the quantum computers. "This is the first time that optimisation loop can be closed," says Ruchir Puri, chief scientist at IBM Research.

A second way that quantum computing and AI can work together is to speed each other's progress. AI systems can help with one of the biggest hurdles to building a powerful quantum computer: dealing with errors. The "quantum bits", or qubits, from which quantum computers are built are notoriously unreliable. Engineers try to fix that by grouping several physical qubits into a single "logical" one, in which multiple physical qubits check each other's work. Firms such as Infleqtion, a startup, think they can improve that process with an AI-powered "decoder" that sits alongside the quantum computer and helps handle the error-correction process. Writing software for quantum computers is notoriously hard, and AI could help with that too.

Quantum computers can, in turn, enhance AI. One example is a quantum twist on a so-called "reservoir", which AI researchers use to model complicated systems such as financial markets. "Reservoir computing" lets an AI cheaply model a noisy, complex and fast-moving system by observing its impact on an intermediary. Each time new data is fed in to the reservoir, its state is altered slightly. The outputs of that system reflect the complexity of the inputs it has received, but can be much simpler to model—in the same way the ripples on the surface of a pool reflect the size, shape and speed of stones that have been thrown into it. The approach has analogues in classical computing, but quantum computers can exploit their unique properties to improve this process.

SQC, an Australian firm, sells exactly those sorts of quantum reservoir chips. Telstra, a telecoms firm that is both an investor and an early customer, cut training times for its AI models by 90%. But the perception that quantum computing is hard to work with lingers, says Michelle Simmons, SQC's founder. "We don't even mention quantum. We just talk about it as an 'AI accelerator'." Dr Cox, at IBM, agrees that quantum computers can help with the training AI models, a task presently performed by millions of GPUs in power-hungry data-centres. “There are some real opportunities right at the heart of how we do AI today to be leveraging quantum computers,” he says.

If he is right, the gains will not necessarily come from speed alone. Quantum computers are expensive and finicky things. The delicate quantum states that make them work need to be carefully protected from the outside world. At IBM’s research centre in Yorktown Heights, New York, one of the company’s System Two quantum computers hums in the middle of a room. The quantum computer itself sits in a vat of liquid helium, bringing its temperature down to a whisker above absolute zero. The specialised circuitry used to control it flanks the vat, and a much larger and louder bank of machines sits off to the side to power the cooling system.

But unwieldy as the machine is, it is still much smaller and cheaper than the vast data-centres full of GPUs required by top-end AI models. “Instead of gigawatts, we are in the megawatt type of level,” says Jerry Chow, who leads IBM’s quantum programme. For many fields, including AI, the appeal of quantum computing has started to switch: a technology that was once awaited for being faster now also looks attractive because it might be much more efficient. SQC’s own hardware is built to fit in a standard server rack, despite needing to be cooled to -269°C, and uses less than a tenth of the power of a rack full of GPUs.

IBM and D-Wave were among several quantum labs in which America’s government invested $2bn in May. Arvind Krishna, IBM’s boss, called it a statement of confidence that the quantum-computing industry was “right around the corner”. The AI sector will be waiting to greet it. ■

Culture

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Culture | Paper trails

How to spot AI writing

Large language models like long words and em-dashes—or do they?

Jul 30th 2026

A GHOST WRITER is haunting the English language. The linguistic spectre can turn its hand to prose, poetry, journalese and corporate jargon. It is frightfully versatile: you can get it to mimic Shakespeare's sonnets or a schlocky beach read; Ernest Hemingway's taut prose or the office-printer manual. It is frightfully fast, churning out thousands of words a minute. (Hemingway rarely produced as many in a day, and required much more booze.) Wordsmiths are spooked.

AI writing is everywhere. It is in your inbox and on your LinkedIn feed. It is all over the internet, drafting more than a third of new websites by one count. Large language models (LLMs) are helping students write essays and probably helping scientists write papers. Some allege AI-generated prose won the Commonwealth Short Story prize this year, with judges praising its “quiet authority”. (The Commonwealth Foundation denied the claim.)

LLMs have stylistic quirks. They are thought to maximise the use of long em-dashes—and the use of words like “maximise”. They like to “deep dive” (and, better yet, “delve”) into the “rich tapestry” of the world. AI writing is not about a single word or phrase, but a rich tapestry of things.

Spotting AI texts can be tricky. This is in part because you need evidence beyond a few words or dashes: claiming that a text is by an LLM because it uses the word “delve” is like claiming one is by Jane Austen because it uses “imprudence”. Bots also write in slightly different ways. There is no single style of AI writing, explains Karolina Rudnicka, a linguist at the University of Gdansk in Poland, just as there is no single style of human writing. Writers have idiosyncrasies—Emily Dickinson, for instance, loved em-dashes—and bots may do, too.

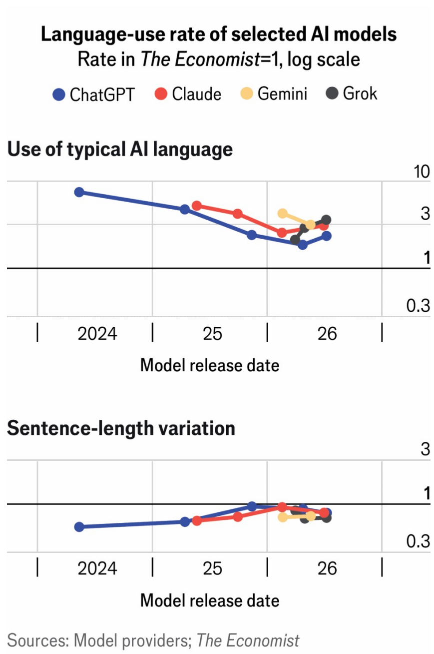
But there are a few ways to identify LLM-generated text. One is to use detection algorithms that are trained to spot the texture of human or AI prose. Pangram, a leading firm, claims to have 99.98% accuracy. (It has partnered with Substack, a blogging platform, on such a tool.) Detectors, however, are black-box algorithms that can give false positives. They do not give reasons for why they reach their conclusions.

Researchers have also tried scouring texts for suspicious words or comparing papers from before and after LLMs were made available to the public. But these approaches have drawbacks too, not least because it is hard to disentangle AI quirks from other language trends.

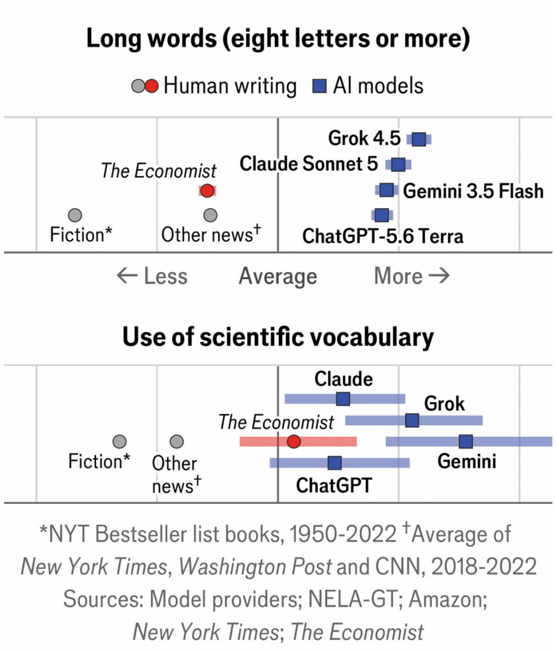
You can discover AI’s hallmarks by comparing the writing of man and machine. To do this you need a baseline that is distinctive and familiar. The Economist turned to prose that we’re sure is human and that readers will recognise: our own. We designed a study to ask top LLMs—OpenAI’s ChatGPT, Anthropic’s Claude, Google’s Gemini and xAI’s Grok—to write versions of our articles without consulting the web. (As a prompt, we gave them the AI-generated summaries that we have experimentally added to some of our articles.)

This gave us a corpus of human and AI creations and we compared them across 55,940 sentences and 1.2m words. To make sure we were detecting AI quirks rather than our own, we also checked the AI texts against journalism from CNN, the New York Times and the Washington Post. Excerpts from hit novels published between 1950 and 2022 offered another test.

Our findings are surprising. AI prose is distinguishable by word and punctuation choice as well as sentence and paragraph structure. But its hallmarks are not what you might expect, partly because its writing style has changed with software updates. That does not mean that LLMs are great writers: their prose lacks lucidity and elegance and is often formulaic. So those aspiring to be impressive (human) storytellers should avoid the following peculiarities in their own prose.



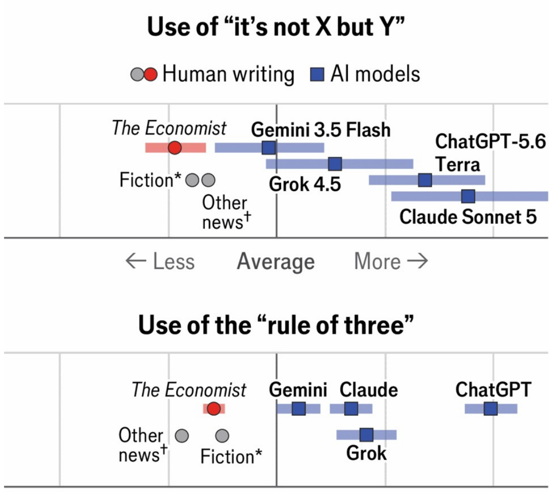
First, consider words. The vocabulary that bots overuse has changed: they no longer "delve" and there are not as many "tapestries". Instead they offer a significant number of polysyllables like "significant", "increasingly" and "consequences". They use more rare words ("interdependence", "reindustrialisation") and scientific lingo ("parameter", "methodology") than humans, and are fond of nominalisations (making nouns from verbs, such as "expansion" from "expand"). All the LLMs in our study use such words, but particularly Gemini and Claude.



Much of this language could be described as what George Orwell called "pretentious diction". He railed against writers who "dress up simple statements" with complicated words and jargon to sound clever. Such pontificating penmen, Orwell observed, also believe that "Latin or Greek words are grander than Saxon ones". (Bots agree: more Latinate suffixes crop up in their writing than in human texts.)

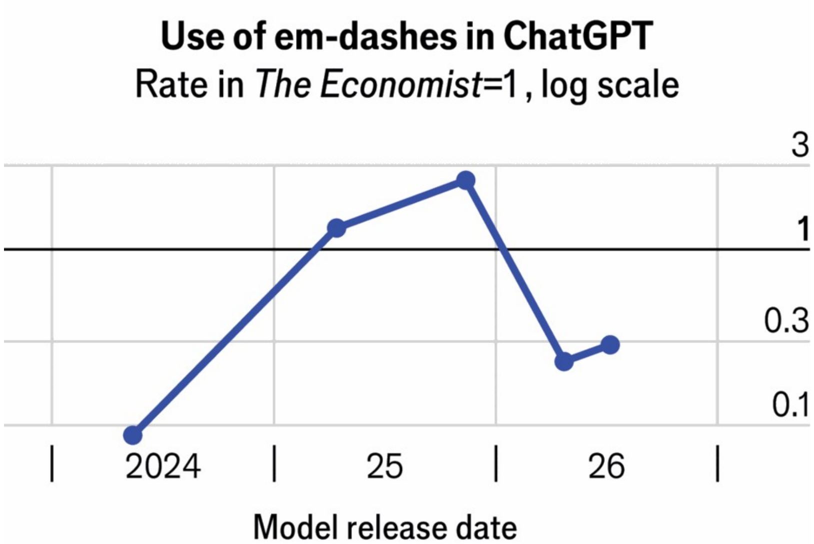
Then look at punctuation. Many believe LLMs stuff their prose with em-dashes, but that is not true after the most recent updates. Today only Claude uses more em-dashes than human writers, with ChatGPT using markedly fewer than any other writer in our study. Humans rejoice—and start using dashes again.

A better way to spot AI-generated writing would be to look for texts without much punctuation at all. LLMs are very Joycean about it: they use fewer commas and semicolons than humans (and hardly any parentheses). They use less punctuation in part because they write longer sentences—"and" is their most overused word—and in part because they do not quote experts.



*NYT Bestseller list books, 1950-2022 †Average of *New York Times*, *Washington Post* and CNN, 2018-2022
Sources: Model providers; NELA-GT; Amazon; *New York Times*; *The Economist*

Finally, study the sentence. Bots' sentences tend to be long; paragraphs are rarely interrupted with short, punchy statements. How dull. When LLMs want to make their sentences more lively, they often reach for a rhetorical device. Their favourites include: "not X but Y", "not only but also" and the "rule of three". (Grouping ideas in threes makes them more engaging, as we did just then.) ChatGPT and Claude use more of these constructions per 1,000 sentences than other LLMs and humans.



Sources: OpenAI; *The Economist*

So if you want to spot AI writing, look for bland, pretentious prose lavished with Latinate words—at least for now. With every update, our study shows, AI writing is becoming more similar to human prose. Pangram successfully detected AI-generated copy, but may struggle in future. LLMs are trained on human writing and learn from human feedback, notes Tommie Juzek of Florida State University, picking up things people find impressive and dropping things they do not.

Bots learn fast, too. Take ChatGPT: until very recently it used an em-dash in almost every sentence. When your correspondent asked an older model whether it thought AI overused the dash, it said: “Ha—great question!” Ask the bot the same thing today and it soberly says “they’re best used sparingly.” Only a ghost could shapeshift so quickly. ■

Culture | Of all the young dudes

How Tom Holland became the world’s highest-grossing young actor

Lessons from his prodigious early success

Jul 30th 2026

MOST ACTORS are lucky if they ever get to star in a summer blockbuster. This year Tom Holland is in two: “The Odyssey”, in which he plays Telemachus, the hero’s son; and “Spider-Man: Brand New Day”, the seventh feature film in which he plays the Web-Slinger.

It is rare to find a Hollywood actor that bankable. It is rarer still to find one as young as Mr Holland, whose films have grossed almost $12bn: more than those of any other actor aged 30 or under. What lessons can aspiring actors learn from his early success? There are four.

First, start young—ideally really young. Mr Holland, who is British, made his debut in the West End when he was 12 and soon had a leading role. His first live-action film, “The Impossible”, came out when he was 16. Since then, he has appeared in at least one film a year, on average.

Second, get out of worthy little indie films and into a blockbuster franchise as soon as possible. Mr Holland was just 19 when he made his first appearance as Spider-Man in “Captain America: Civil War”. (He looked much younger: Tony Stark, another character, refers to him as “Spider-Boy” and his costume as “a onesie”.)

Tobey Maguire and Andrew Garfield, Mr Holland’s predecessors as Spider-Man, were 26 and 29 when they first donned the red-and-blue suit. They managed only a handful of films, whereas Mr Holland’s youthfulness has prolonged his tenure and put him in the phenomenally high-grossing Avengers films in addition to the main Spider-Man ones.

Third, if your goal is money rather than awards, it is better to be boring and reliable than interesting and potentially great. Mr Holland’s second-closest rival is Timothée Chalamet. His films, including the “Dune” franchise, may have grossed less—$3.2bn—but his reputation as a thespian is far greater. Mr Chalamet, who is known for his slouchy intensity, has received three acting Oscar nominations to Mr Holland's zero. The reliable, steady Mr Holland, by contrast, is at no risk of scene-stealing. He is an Everyman. His blandness is easier clay for directors to mould.

Mr Holland's closest rival is Zendaya, whose films have grossed $6bn to date. She is his co-star in "The Odyssey" and the Spider-Man series; she is also his wife. Therein lies the last lesson, and one relevant to non-actors, too: marry well. ■

Culture | O’ all your houses

The terrifying threat of a genetically engineered plague

Annie Jacobsen imagines the repercussions of a leak from a Russian laboratory

Jul 30th 2026

YOU HAVE been infected with a “demon germ”, but you do not feel monstrously bad just yet. In fact, you feel euphoric. The bacterium multiplying inside your lungs has been modified with an endorphin gene to trigger a neurochemical high—which encourages you to socialise, and thereby spread the pathogen about.

Soon the ecstasy gives way to a fever and splitting headache. You start coughing up bloody sputum: evidence of rotting lungs and the onset of sepsis. Antibiotics help at first, but then activate virus genes engineered into the bacterium. That virus attacks your nervous system. You suffer tremors and seizures and soon you die.

In "Biological War: A Scenario" Annie Jacobsen, a journalist and the author of several books on war and military affairs, lays out what would happen if a genetically modified bioweapon were unleashed. She reprises the format of her previous book, which offered a minute-by-minute account of a hypothetical nuclear attack on America. The result is a tale just as energetic, detailed and disturbing.

In this imagined scenario, there is an explosion at an infectious-disease research facility in Siberia, where scientists genetically alter bacteria and viruses in ways that can make them more virulent, transmissible and resistant to antibiotics. In the blast, a scientist is infected with a modified pneumonic plague. Within minutes, American analysts are poring over intelligence indicating a potential lab leak. The American president is briefed but has few options. "By the time a pathogen escapes from a lab and gets seeded in the population", Ms Jacobsen writes, "it is almost certainly already too late."

Russian officials obfuscate and blame contaminated marmot meat from a wet market for an outbreak of "atypical pneumonia-like illness" (one of many passages that will remind readers of covid-19). As the disease spreads, the faults in America's biodefences are exposed. Detection technologies fail. Just 100 isolation beds exist in a country of more than 340m people.

Crucial data are not shared across agencies. An outbreak of plague among California's homeless population, for instance, is incorrectly treated as an overdose event, and not reported to the Centres for Disease Control and Prevention. The effects of the plague on its victims are described in stomach-churning detail.

Soon emergency services are overrun. Social media stoke panic; the internet is shut off. Martial law is imposed. There is violent unrest. Cabinet officials are taken to remote locations to ensure continuity of government—or what is left of it. "What makes biological warfare so sinister isn't just its ability to deliver mass casualties and deaths," Ms Jacobsen writes, "but its capacity to create unbridled chaos."

It is an engrossing, plausible book—though it is surprising, given the subject's timeliness, that ai barely features in it. The pathogen in Ms Jacobsen's scenario is a cold-war relic built by Soviet scientists. But AI models, trained on virological and bacteriological information, can turn novices into bioweapons manufacturers. Frontier labs have admitted that AI tools are getting better and better at designing pathogens. Instances of rogue states and terrorist groups using bioweapons are mercifully rare. But with barriers to development falling, new and troubling scenarios are certain to emerge.

The tools to engineer such organisms are advancing quickly and governments are struggling to keep up. In America thousands of "high-containment labs"—which study the most dangerous pathogens—are governed by shoddy federal oversight. Federal budget requests for biodefence shrunk by nearly 50% in 2025.

Policymakers ought to heed the warnings in this book. Ms Jacobsen quotes Igor Domaradskij, an architect of the Soviet Union's bioweapons programme. "With the advent of genetic engineering," he said, "the horrible unpredictability of biological weapons became a reality straight from the pages of a science-fiction novel." It makes for grim reading. ■

Culture | Portnoy, without complaints

Bold, brash and divisive: inside the Barstool Sports empire

Dave Portnoy has created a loyal audience by refusing to please everyone

Jul 30th 2026

IT IS A well-trodden path: a young man, frustrated with life as an office drone, decides he wants to be his own boss. When he was in his mid-20s, Dave Portnoy came up with three business ideas: selling used furniture, connecting ambitious high-school athletes with college coaches and setting up a newspaper focused on gambling and sport. He settled on the third option and the first issue of Barstool Sports hit the streets of Boston, where Mr Portnoy lived, in August 2003. Its motto was: “By the common man, for the common man”.

It has made its founder uncommonly wealthy. In 2020 Mr Portnoy made $178m when his investors sold Barstool Sports at a valuation of $650m. (By then it was no longer a newspaper but a digital media brand with podcasts and merchandise.) He has bought the most expensive home ever sold in his home state of Massachusetts: a compound on Nantucket, for $42m. The cover of his boastfully titled book shows him in sunglasses, smoking a cigar in his swimming pool. How did he achieve the American frat boy's dream?

It was not by being generally likeable. Mr Portnoy has paid "an army of homeless drunks" to distribute his newspaper, mocked a "legit cripple" whom he defeated at beer pong and urged a journalist for ESPN, an American sports-television network, to "sex it up and be slutty". In a blog post, he wrote: "I never condone rape. But if you're a size six and you're wearing skinny jeans, you kind of deserve to be raped."

Mr Portnoy has since disavowed that blog post ("I wish I never wrote it"). He says the disabled person whom he beat at beer pong "loved it". And he claims to have "squashed" the feud with the ESPN journalist. Yet it all points to Barstool's crude, jockish sense of humour, which many find offensive. Mr Portnoy has a ready, if logically wonky, retort: "If you didn't like what we said, don't read it."

Even if Mr Portnoy's book is not your idea of a pleasurable evening's reading, he and his brand are worth understanding for the simple fact that they are popular and influential. (Consider that his memoir has been on the New York Times bestseller list since it was published.) Barstool says it attracts 66m monthly unique users; almost half of them are aged between 18 and 34.

Much like the digital version of a fraternity's living room, Barstool blends stories about pizza (a frequent subject for Mr Portnoy), sport, pop culture and pretty girls with in-jokes and profanity. At a time when politicians and podcast hosts alike espouse an unabashed laddishness, Barstool has flourished. It has earned the moniker of "the Bible of bro culture".

Barstool's multiple revenue streams, popular shows and mix of stalwarts and up-and-comers means it functions more like an old-school tv network or Hollywood studio than the newspaper Mr Portnoy started 23 years ago. Like a network, it attracts talent. Pat McAfee, who hosts a popular sport talk show, and Alex Cooper, whose "Call Her Daddy" podcast is one of the most popular and lucrative in the world, both began on Barstool. Mr Portnoy calls this the "Saturday Night Live" model: an incubator of future superstars.

Mr Portnoy gives his customers what they want. He has no more obligation to cater to critics than a steakhouse does to vegans. When people assail him, he digs in and punches back, further deepening the bonds between him and his fans, who, he writes, "view an attack on me as an attack on a family member".

Perhaps his reluctance to apologise and eagerness to lambast his critics sounds familiar. Mr Portnoy supports Donald Trump and has interviewed the president in the White House. But whereas politicians need majority support to win elections, businesses just need a steady, committed stream of customers to be profitable.

And Barstool has that. To its fans it offers authenticity and a respite from the world of finger-wagging and politically correct jokes. Not everyone likes what Mr Portnoy does. But not everyone has to. ■

Culture | Race in America

A racist massacre. A white-supremacist coup. A century of lies

A new book tells the story of an atrocity in North Carolina in 1898 and its long aftermath

Jul 30th 2026

They were confident they wouldn't be punished—and they were right to be. The paramilitaries who torched the offices of an African-American newspaper in Wilmington, North Carolina, in 1898 posed smilingly for a photograph at the scene, as Southern lynch mobs often did (see picture). After the arson they murdered dozens, perhaps hundreds of the town's black residents. "We have taken a city", a white churchman crowed, "as thoroughly, as completely, as if captured in battle."

Lauren Collins, a journalist at the New Yorker, grew up in Wilmington. "They Stole a City" is her account of the massacre and the municipal coup d'état that accompanied it. This story has been told before, notably in David Zucchino's Pulitzer-prizewinning "Wilmington's Lie". The new book is distinguished by its deep interest in the origins of the horror and, especially, in its rippling reverberations: the culture of impunity, trauma, exile and resilience.

The Daily Record, the mob's target, had published what, for its time, was an incendiary editorial. In response to scaremongering about African-American rapists, it called out the grisly history of white-on-black sexual violence. But the real grievance of Wilmington's white supremacists was over political influence; theirs was declining as their black neighbours made overdue yet unusual gains. Three out of ten aldermen were black, as were the customs collector and coroner. White bigwigs, descendants of slaveholders, wanted their power back. White foot-soldiers resented black competition in the labour market. "On the other side of any era of the expansion of rights," observes Ms Collins, "someone is waiting to claw them back."

A gruesome sequence of events opened with rigging and intimidation at a statewide election. Then Wilmington's white citizens proclaimed, in a "White Declaration of Independence", that they would "never again be ruled by men of African origin". On November 10th 1898 came the killing, committed by militias armed to the teeth in advance. As in the Tulsa massacre of 1921, prosperous and professional black people were targeted; many of those spared were run out of town. City officials, black and white, were forcibly replaced. President William McKinley ignored appeals to Washington for help.

Like Patrick Phillips in "Blood at the Root", which recounts the expulsion of African-Americans from Forsyth County, Georgia, Ms Collins traces the long and tragic aftermath of the atrocity into the 21st century. A black lawyer who fled and became a judge did not visit Wilmington again until 1945. Black people who stayed found themselves working for the perpetrators, or being judged and policed by them. Shortly before her death in the mid-1960s, a survivor grabbed her great-granddaughter's arm and whispered, "If it ever happens—run." Ms Collins rightly measures the crime not just in violence but in loss—of livelihoods, opportunities, connections and futures.

In the memory of the white elite, this act of terrorism became a noble "revolution". For some black people, dwelling on the outrage seemed imprudent. When it dawned, the civil-rights era was harrowing in Wilmington. The sheriff's office was a nest of klansmen; school desegregation was brutally resisted; the imprisonment of local student activists became a global scandal. Only in the 1990s did the facts of 1898 begin to be publicly acknowledged. Typically for the region, those keen to commemorate them had to respect the feelings of the culprits' descendants.

As she chronicles "a centuries-long day that isn't over yet", Ms Collins sometimes loses sight of the families she purports to focus on. Some readers may reject the parallels she draws between the coup and American politics today and her call for reparations (less impractical at a local than a federal level). Yet as the White House and militant book-banners try to downplay past racial injustices, a more fundamental struggle is being waged again: for the truth to be told and heard. This is a moving contribution to that effort. ■

Culture | Back Story

Border walls are symbols of power—and monuments to delusion

A summer stroll along Hadrian's Wall is also a rendezvous with history

Jul 30th 2026

To Caledonian tribesmen, it must have looked awesome. At Winshields Crags, the highest point of Hadrian's Wall, the fortification runs toweringly atop a steep escarpment. For the legionaries who built it in the second century AD, hauling up the rocks would have been backbreaking. Today walkers carrying only water bottles can find themselves out of puff. "These Romans", one pants, "must have been mad."

For almost 300 years Hadrian's Wall was guarded by Syrian archers, Thracian cavalrymen and other forces dispatched by Rome to this northerly imperial redoubt. Tread this picturesque stretch of northern England now, and you instead encounter history-hungry Americans, well-equipped

Scandinavians and parents trying to stop their offspring eating the snacks too soon. The wall is an impressive monument—but, visitors may wonder, as they might at many ancient ruins, a monument to what?

To power, runs one answer. Let there be a wall, the emperor Hadrian decreed in 122ad, and in fairly short order—at least compared with recent border-wall projects—there was. His ran 117km across the Roman province of Britannia at its narrowest point. Today, in the ruins of its watchtowers, castles and forts, you try to imagine yourself as a Roman soldier facing barbarians, harsh military discipline, the biting westerly wind and frigid winters. The lucky ones were sent warm socks and underwear from home.

Up on the crags, you run into one of the big problems with history, especially the remote kind for which records are patchy. So much of it seems to be about violence, and most of it is about men: where they stood guard, which weapons they wielded, the safekeeping of their regimental standards and wages, and maybe where, after they were paid, they went boozing, bathing and whoring. You go in search of a human past and stub your toe on the lifeless rubble of a turret.

Perhaps this is why one of the popular stops on the wall is for something that isn't Roman—something, in fact, which is no longer there at all. In 2023 two numskulls sawed down a tree in a dip between hillocks, in a spot called Sycamore Gap. The culprits became more infamous than most murderers; the tree became better known than ever. "It's so sad," laments a walker approaching the treeless gap. The martyred sycamore is somehow more vivid and poignant than the traceless soldiers.

That is, until you head south from the gap, across moorland studded with wildflowers and sheep dung. In the museum at Vindolanda, site of a Roman fort and adjacent civilian village, are toddler's shoes and a toy sword. A man etched his name on an amphora to stop comrades swiping his olives, like a flat-sharer labelling his milk. Broken pieces of an ornate glass vessel were unearthed far apart; a guide speculates that a slave girl smashed it accidentally and scattered the proof. On a writing tablet, like a Roman postcard, a commander's wife invited a friend to her birthday party.

So it wasn't all sentry duty and repelling enemy hordes. Indeed there may not have been all that much repelling to do. Compared with other Roman regions, says Greg Woolf of New York University, this "wasn't a very dangerous place". The tribes beyond the battlements were too sparse to pose a consistent threat. And the wall was not an immutable border. Roman forces pushed deeper into modern Scotland before and after its construction; Hadrian's successor built another, less famous wall farther north.

What seemed a statement of imperial might could instead be seen, says Professor Woolf, as "a monument to Hadrian's ego". Eventually, as the empire crumpled in the early fifth century, the orders and wages dried up. So must have the care packages of socks. The last detachments wound up defending only themselves.

Such disintegration is the long-run fate of empires, and of grandiose walls. You build one to demonstrate your tyrannical clout—over rugged terrain, your enemies or your own people—and with time it becomes a symbol of delusion. Rather than keeping invaders or immigrants out (or dissidents in), the barrier is scavenged for materials, as were bits of the Great Wall of China, or becomes a tourist attraction, like the Berlin Wall.

Or Hadrian's, which developed into a cherished landmark and route of a bracing trail. A Belgian hiker cites two strategic advantages of the old empire's northern periphery: it is cooler than the broiling continent and you get fish and chips for dinner. Once patrolled by men sent far from their relatives, today the wall is a beautiful place to commune with yours.■

Economic & financial indicators

- Economic, data, commodities and markets

Economic, data, commodities and markets

Jul 30th 2026

Economic data

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	Gross domestic product % change on year ago: latest		quarter*	2026†	Consumer prices % change on year ago: latest		2026†	Unemployment rate %	
United States	2.7	Q1	2.1	2.0	3.5	Jun	3.7	4.2	Jun
China	4.3	Q2	3.6	4.7	1.0	Jun	1.2	5.0	Jun‡§
Japan	0.4	Q1	1.8	0.7	1.7	Jun	1.8	2.5	May
Britain	0.9	Q1	2.5	1.1	2.6	Jun	3.2	4.9	Apr††
Canada	-0.1	Q1	-0.1	0.8	2.8	Jun	2.6	6.5	Jun
Euro area	0.5	Q1	nil	0.8	2.8	Jun	2.8	6.2	May
Austria	0.9	Q1	0.8‡	0.8	3.2	Jun	3.0	5.8	May
Belgium	0.5	Q2	nil	0.7	3.3	Jun	3.6	6.3	May
France	0.7	Q2	0.7	0.8	2.0	Jun	1.9	8.2	May
Germany	0.3	Q1	1.4	0.7	2.4	Jun	2.6	3.8	May
Greece	2.0	Q1	1.0	2.0	3.9	Jun	3.8	8.1	May
Italy	0.8	Q1	1.1	0.8	3.0	Jun	2.6	5.0	May
Netherlands	1.4	Q1	0.9	1.0	2.5	Jun	3.1	3.8	Jun
Spain	2.7	Q1	2.5	2.2	3.6	Jun	3.2	10.3	May
Czech Republic	2.2	Q1	0.8	2.0	1.5	Jun	2.0	3.0	Q1‡
Denmark	6.2	Q1	6.2	3.3	1.9	Jun	2.0	3.1	Jun
Norway	1.7	Q1	1.4	1.3	2.7	Jun	3.2	4.5	May‡‡
Poland	3.5	Q1	2.4	3.4	2.5	Jun	2.6	5.8	Jun§
Russia	-0.2	Q1	-2.5	0.5	6.0	Jun	6.4	2.2	Jun§
Sweden	2.5	Q2	5.7	2.1	0.7	Jun	1.9	9.9	Jun§
Switzerland	0.5	Q1	2.6	1.0	0.5	Jun	0.5	3.1	Jun
Turkey	2.5	Q1	0.5	2.4	32.1	Jun	32.1	7.4	May§
Australia	2.5	Q1	1.1	1.6	3.8	Jun	3.9	4.4	Jun
Hong Kong	5.9	Q1	12.2	5.0	1.9	Jun	2.3	3.7	Jun‡‡
India	7.8	Q1	6.4	6.5	4.4	Jun	4.8	6.6	Jun
Indonesia	5.6	Q1	6.0	5.0	3.3	Jun	3.5	4.7	Feb§
Malaysia	5.8	Q2	8.5	5.3	1.9	Jun	2.0	3.0	May§
Pakistan	4.8	2026**	na	3.0	11.1	Jun	7.8	6.9	2025
Philippines	2.8	Q1	3.6	2.7	6.4	Jun	6.8	4.7	Q2§
Singapore	5.7	Q2	4.6	5.1	1.9	Jun	2.0	2.0	Q1
South Korea	3.7	Q2	2.5	3.3	3.2	Jun	3.0	2.8	Jun§
Taiwan	14.5	Q1	6.9	10.5	2.6	Jun	1.9	3.3	Jun
Thailand	2.8	Q1	2.7	2.3	2.4	Jun	2.3	0.9	Jun§
Argentina	2.3	Q1	3.0	3.0	33.5	Jun	32.4	7.8	Q1§
Brazil	1.8	Q1	4.5	2.0	4.6	Jun	4.8	5.6	May§‡‡
Chile	-0.5	Q1	-1.1	1.4	4.3	Jun	3.9	9.4	May§‡‡
Colombia	2.2	Q1	2.4	2.5	6.1	Jun	5.7	8.0	May§
Mexico	0.2	Q1	-2.4	0.9	3.4	Jun	3.9	2.8	Jun
Peru	3.5	Q1	3.2	2.8	4.0	Jun	4.0	5.2	Jun§
Egypt	5.0	Q1	-24.0	4.6	14.3	Jun	13.8	6.0	Q1§
Israel	1.7	Q1	-3.8	3.1	1.6	Jun	2.2	2.9	Jun
Saudi Arabia	4.6	2025	na	0.2	1.8	Jun	2.1	3.1	Q1
South Africa	1.9	Q1	2.2	1.5	4.8	Jun	4.5	32.7	Q1§

Source: Haver Analytics *% change on previous quarter, annual rate †The Economist Intelligence Unit estimate/forecast §Not seasonally adjusted ‡New series **Year ending June ††Latest 3 months ‡‡3-month moving average Note: Euro-area consumer prices are harmonised

Economic data

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	Current-account balance % of GDP, 2026†	Budget balance % of GDP, 2026†	Interest rates 10-yr gov't bonds latest, %		change on year ago, bp	Currency units per $ Jul 30th	% change on year ago
United States	-3.5	-6.5	4.7		33.0	-	
China	3.3	-5.4	1.5	§§	-9.0	6.77	6.1
Japan	3.6	-1.8	2.8		119	163	-9.1
Britain	-3.5	-5.1	5.0		37.0	0.75	nil
Canada	-0.4	-2.1	3.6		13.0	1.40	-2.1
Euro area	2.3	-3.4	3.2		48.0	0.87	-1.1
Austria	1.1	-4.1	3.4		38.0	0.87	-1.1
Belgium	-2.8	-5.4	3.7		46.0	0.87	-1.1
France	-0.4	-5.3	4.0		62.0	0.87	-1.1
Germany	4.5	-3.7	3.2		48.0	0.87	-1.1
Greece	-5.5	0.8	3.9		52.0	0.87	-1.1
Italy	0.8	-3.0	4.0		45.0	0.87	-1.1
Netherlands	9.3	-2.6	3.3		40.0	0.87	-1.1
Spain	2.3	-2.4	3.6		30.0	0.87	-1.1
Czech Republic	0.3	-2.6	5.0		59.0	21.1	1.1
Denmark	12.1	1.3	3.0		40.0	6.52	-0.8
Norway	14.8	9.0	4.4		41.0	9.59	6.5
Poland	-1.4	-7.0	5.8		37.0	3.77	-1.9
Russia	2.2	-3.2	15.7		163	79.4	3.6
Sweden	4.8	-2.0	2.9		52.0	9.65	nil
Switzerland	6.9	0.2	0.5		6.0	0.81	-1.2
Turkey	-3.0	-3.6	32.4		260	47.4	-14.4
Australia	-3.0	-1.5	5.0		68.0	1.44	7.0
Hong Kong	4.6	-2.5	3.5		39.0	7.84	0.1
India	-1.6	-4.5	6.8		43.0	95.7	-9.1
Indonesia	-1.6	-3.5	7.3		73.0	18,068	-9.4
Malaysia	3.4	-3.5	3.7		34.0	4.09	3.4
Pakistan	-1.1	-4.7	11.9	†††	-1.0	278	1.9
Philippines	-4.0	-6.3	7.5		129	61.5	-6.6
Singapore	16.0	1.3	2.4		28.0	1.29	nil
South Korea	9.9	-1.9	4.3		144	1,443	-3.8
Taiwan	27.4	1.8	1.9		48.0	32.4	-8.3
Thailand	nil	-5.5	2.1		57.0	33.5	-3.3
Argentina	-0.4	0.1	na		na	1,496	-13.6
Brazil	-2.6	-7.3	14.8		77.0	5.13	8.8
Chile	-1.2	-2.3	5.7		10.0	935	2.7
Colombia	-2.4	-6.6	12.2		42.0	3,206	29.6
Mexico	-0.4	-3.8	9.3		-20.0	17.4	7.6
Peru	2.2	-2.4	6.0		-20.0	3.40	4.7
Egypt	-4.7	-6.0	25.6		50.0	50.7	-4.0
Israel	1.8	-4.5	3.9		-41.0	3.08	9.4
Saudi Arabia	-3.6	-6.9	na		na	3.76	-0.3
South Africa	-0.7	-4.4	8.8		-101	16.7	7.3

Source: Haver Analytics §§5-year yield †††Dollar-denominated bonds

Markets

In local currency	Index Jul 29th	% change on: one week	Dec 31st 2025
United States S&P 500	7,316.2	-2.4	6.9
United States NAS Comp	24,442.9	-4.9	5.2
China Shanghai Comp	3,828.5	-1.0	-3.5
China Shenzhen Comp	2,432.7	-1.1	-3.9
Japan Nikkei 225	61,434.2	-7.1	22.0
Japan Topix	3,974.0	-1.5	16.6
Britain FTSE 100	10,908.4	1.8	9.8
Canada S&P TSX	35,333.8	-0.4	11.4
Euro area EURO STOXX 50	6,248.8	-1.1	7.9
France CAC 40	8,408.3	-0.4	3.2
Germany DAX*	25,460.5	1.2	4.0
Italy FTSE/MIB	51,443.1	-2.6	14.5
Netherlands AEX	1,093.1	-0.7	14.9
Spain IBEX 35	19,412.7	-0.8	12.2
Poland WIG	144,846.9	-0.2	23.5
Russia RTS, $ terms	888.1	3.6	-21.9
Switzerland SMI	14,486.1	1.2	9.2
Turkey BIST	13,501.6	-4.5	19.9
Australia All Ord.	9,199.7	2.2	2.0
Hong Kong Hang Seng	25,807.9	3.7	0.7
India BSE	77,654.6	1.2	-8.9
Indonesia IDX	6,091.4	-3.8	-29.6
Malaysia KLSE	1,715.6	0.2	2.1
Pakistan KSE	176,043.0	0.9	1.1
Singapore STI	5,713.2	2.1	23.0
South Korea KOSPI	5,663.2	-16.7	34.4
Taiwan TWI	40,039.2	-10.7	38.2
Thailand SET	1,624.5	-0.9	29.0
Argentina MERV	3,233,105.0	-4.3	5.9
Brazil BVSP*	173,885.3	-2.1	7.9
Mexico IPC	66,479.9	-1.2	3.4
Egypt EGX 30	53,627.3	-0.6	28.2
Israel TA-125	4,095.6	-1.5	11.8
Saudi Arabia Tadawul	10,544.1	-2.1	0.5
South Africa JSE AS	110,440.3	0.7	-4.7
World, dev'd MSCI	4,744.2	-1.9	7.1
Emerging markets MSCI	1,559.6	-5.7	11.1

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2025
Investment grade	96	93
High-yield	331	354

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research *Total return index

Commodities

The Economist **commodity-price index**

2020=100	Jul 21st	Jul 28th*	% change on month	year
Dollar Index				
All items	153.0	151.3	2.1	13.8
Food	155.4	153.7	4.5	6.9
Industrials				
All	150.9	149.3	0.1	20.3
Non-food agriculturals	151.9	151.4	-0.2	20.2
Metals	150.6	148.8	0.2	20.3
Sterling Index				
All items	147.0	146.3	2.0	14.1
Euro Index				
All items	153.2	151.9	2.5	15.1
Gold				
$ per oz	4,073.6	4,034.0	-0.1	21.1
Brent				
$ per barrel	91.1	84.2	15.4	16.0

Sources: CME Group; LME; LSEG Workspace; NOREXECO; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA *Provisional

Obituary

- Lam Wing-kee, the bookseller who would not admit defeat

Obituary | The missing bookseller

Lam Wing-kee, the bookseller who would not admit defeat

The Hong Kong bookseller died on July 2nd, aged 70

Jul 30th 2026

It was the softness that frightened him. As he looked around his cell, he suddenly realised that the whole room looked as though it had been babyproofed: everything was wrapped in padding. The chairs and desks had been covered; the walls were softly padded; even the tap was swathed in plastic. If he had tried to dash his head against any of it, he would not have been able to break any bones. But why would you try to smash your head against a wall unless you were mad? That was when he felt afraid. People, he suddenly realised, had lost their minds in this cell.

Almost everything that happened to Lam Wing-kee in those days felt unreal. Once, long before his arrest, before Hong Kong had been handed back to

China in 1997, his life had been normal, quiet even. Every day he had set out in his blue shirt and glasses, with his sweep of unruly grey hair, to his shop, Causeway Bay Books. It was such a simple little store; it sat, narrow and neat as a shelved book, between the Wing Lee Dispensary and a fancier lingerie shop. Its aim was simple too: he just liked reading. When they arrested him, they had said he had committed a crime. But he had committed no crime; he was just selling books.

And he wanted to sell them in Hong Kong. Later, much later, after his arrest, after the people of Hong Kong had streamed onto the streets to protest against it, people would ask him why he had stayed in Hong Kong. He had replied: why would he go? He loved Hong Kong. He was Hong Kong born and raised. He remembered it from way back, when people had had nothing, no telephones or televisions—and fewer rules about what they could read. He had read everything: poetry and history and Hemingway. He read "The Old Man and the Sea". "Man", Hemingway had written, "is not made for defeat." He loved that.

He loved to watch the Hong Kongers, too; their hustle, their attitude. He used to stand and watch them all: the peddlers and the stall-keepers and the streetwalkers—he even loved the jaywalkers, how free they were. And he loved that they were free to buy what books they wanted. He preferred books on politics, but the really popular volumes were the racier ones. Hong Kong specialised in books offering a bestselling blend of statesmen—and smut. Books like "Xi Jinping and His Lovers" and "The Sexual Affairs of the Chinese Communist Officials" and that semi-erotic, semi-bureaucratic hit, "The List of Overseas Mistresses of the CCP".

You shouldn't take those books too seriously, he thought. But you should, in Hong Kong, be allowed to sell them (even if they were prohibited in China). "One country, two systems". That was the promise, after the 1997 handover. Though Mr Lam didn't absolutely trust that so he set up his own systems, too. He sent his orders to the mainland via busy ports, where checks were lower; he hid books in fake dust jackets. He even had a system for when police officers stopped him: he would offer them a cigarette, crack a joke; they would all laugh, then go away. It was foolproof. And they were fools. China, he thought, was an absurd country.

Then, one day in 2015, the police officers didn't laugh. That was when he knew he was in trouble. He was crossing the Hong Kong-China border when officers from the mainland took him aside, then more officers came over. None was smiling. They threw him in a van, took him to a police station and tied him to a chair. Panicked, he asked them what was happening. They said, "Don't worry. If the case were serious, we would've beaten you on the way here." Then they blindfolded him, cuffed him and took him somewhere—he was not told where—on a train.

Over the next eight months, he was moved from place to place and interrogated perhaps 20 or 30 times. They made him write a statement of remorse, which was hard, as he had committed no crime. He gave them an A4 page of plausible hogwash. Some lost their temper. They told him he was a "diabolic, damnable, fiendish sinner". They said, "No one will know about this in Hong Kong, even if we crush you flat like a useless gnat!" A man is not made for defeat. But, in his padded cell, away from the news, away from Hong Kong and away from his family, he felt defeated and alone. He just ran a small bookstore in Hong Kong. Why was the mainland trying to destroy it?

Then, suddenly, in June, they let him go. He was allowed to return to Hong Kong, but he had to bring them his computer hard drive, which contained the names of all of his customers. He had no choice; he agreed. Finally, he was free. As soon as he was out he started to read the news again—and he could not believe what he saw. They had lied: Hong Kong had known about him. Moreover, Hong Kongers had taken to the streets to protest about him. He was on posters, in newspapers, on televisions. He had not been flattened like a gnat: his face had been broadcast across the world.

He stood on the street in Hong Kong, watching his beloved Hong Kongers go by: the jaywalkers, the hawkers, the hustlers—the free. Suddenly he felt so angry. What right did China have to take his freedom away? To make him do something he did not want to do? He smoked a cigarette and he remembered a poem that he had read as a child: "I have never seen/a knelt reading desk," it ran, "though I've seen/men of knowledge on their knees." If he went back to them, wouldn't he have read all those books for nothing? He threw down his cigarette and made a phone call.

The press conference that followed would become famous. In his neat blue shirt, with his unruly hair, he spoke out after eight months of silence. He was clear, scholarly—and devastating. He said: one country, two systems exists only in name. He said, I want to tell the whole world: Hong Kongers will not bow down to brute force. The whole world watched—and the world did nothing. A few years later, he went into exile in Taiwan. He had lost his job, his home, his beloved Hong Kong. When he arrived, he simply reopened his bookstore there. For man is not made for defeat. ■


The Economist
AUGUST 1ST–7TH 2026
THE GLOBAL CURRENCY BEEF
Lessons from 40 years of the Big Mac index

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