

The Economist

ANTHROPIC AND
THE REAL RISK OF AI



MARCH 7TH-13TH 2026

A WAR WITHOUT A STRATEGY





March 7th 2026

- **The world this week**
- **Leaders**
- **Letters**
- **By Invitation**
- **Briefing**
- **United States**
- **Essay**
- **The Americas**
- **Asia**
- **China**
- **Middle East & Africa**
- **Europe**
- **Britain**
- **Business**
- **Finance & economics**
- **Science & technology**
- **Culture**

- **Economic & financial indicators**
- **Obituary**

优质App推荐



英阅阅读器 - 让您轻松阅读
英语书, 高效查词、句子翻译、背单词、AI学英语、第三方图书源等一
应俱全! [点击下载](#)



语, 带你玩转听说读写! [点击下载](#)

Duolingo - 快乐、高效学外



PDF笔记App, 随时记录你的想法! [点击下载](#)

Notability - 高效、便捷的

The world this week

- [Politics](#)
- [Business](#)
- [The weekly cartoon](#)

The world this week

Politics

March 5th 2026



America and Israel launched an extensive attack on Iran, as Donald Trump promised, among many other claims, to end the country's nuclear programme once and for all. [Ayatollah Ali Khamenei](#), Iran's supreme leader since 1989, was killed when his compound in Tehran was bombarded by missiles. America said its offensive was on a much larger scale than the "shock and awe" tactics used against Iraq in 2003. An American submarine sank an Iranian warship near the coast of Sri Lanka, the first known firing of a torpedo by America in combat since the second world war. The Sri Lankan navy rescued dozens of sailors from the waters. Over 80 bodies were recovered, and others unaccounted for.

Iran retaliated by [firing drones and missiles at Israel and across the region](#), including at Arab countries. Most were intercepted, but some of the targets hit were America's embassy in Riyadh, which suffered minor damage, a port

in Oman, luxury hotels in Dubai, which were clipped by falling missile debris, and a base housing American troops in Qatar. Iran has crossed a red line, said Qatar's foreign ministry. Turkey said that NATO defence systems had shot down an Iranian missile heading into its airspace. Iran later denied this and said it respected Turkish sovereignty.

[Hizbullah](#), an Iranian-backed militia in Lebanon, fired rockets at Israel, prompting the Israelis to strike back, including at targets in Beirut. Israel also sent troops across the border. The Lebanese government, finally exasperated by Hizbullah, declared that the group's military and security activities were illegal.

Airlines cancelled flights to the Gulf region. Some planes were laid on to evacuate thousands of expat workers and their families from Dubai; some companies even sent private jets to rescue their staff.

The costs to shipping rose sharply as marine insurers cancelled some contracts related to war risks in the region. With oil tankers unable to traverse the Strait of Hormuz, [energy prices](#) soared. Brent crude traded near \$84 a barrel, up from \$70 recently. Qatar shut its liquefied-natural-gas terminal, which handles a fifth of the world's LNG supplies. Gas futures jumped by more than 50% in Europe.

American stockmarkets took a small knock at the prospect of an extended conflict, but started to bounce back in the middle of the week. Markets fell particularly hard in Asia, which is heavily dependent on energy shipments from the Gulf. South Korea's main share index, which had been on a spectacular run, plunged by 12%, the most-ever in a single day, before rebounding.

Dozens of people were killed in Pakistan during widespread protests against the attack on Iran. At least ten protesters were killed when they tried to storm the American consulate in Karachi. American marines stationed there opened fire, according to a report citing American officials, but it was unclear if their shots were aimed at or actually struck any of the protesters. Local police and security were also present during the disturbance.

Fighting between Afghanistan and Pakistan is turning into their worst conflict for years. [Pakistan recently struck sites](#) in Afghanistan that it said were being used by terrorists who are supported by the Taliban government in Kabul. It has now broadened its offensive to include the Taliban's military facilities, including the Bagram air base north of Kabul. Afghan and Pakistani troops have also clashed along their border.

Britain's prime minister, [Sir Keir Starmer](#), said America could use British bases to launch limited operations against Iran, but only if they were defensive. Britain will not join offensive action, said Sir Keir. A British base in Cyprus was hit by an Iranian drone. "He has not been helpful," said Mr Trump. "This is not Winston Churchill that we're dealing with." The American president threatened to halt all trade with Spain over its refusal to let the US use bases there.

Sir Keir's critics accused him of trying to placate the anti-war left, following his Labour Party's loss of a former stronghold at a by-election for Parliament. The seat, in Greater Manchester, was won by the populist-left Greens, who campaigned to win over a substantial Muslim electorate in the area. The populist-right Reform UK came second, pushing Labour into an embarrassing third place.



Emmanuel Macron announced that France would increase its [nuclear-weapons capability](#), and launch a new nuclear-armed submarine in 2036. “The next 50 years will be an era of nuclear weapons,” the French president said, as Europe contends with nuclear threats from Russia. France will also work with Britain, Belgium, Denmark, Germany, Greece, the Netherlands, Poland and Sweden on a new “forward deterrence” strategy that will involve joint exercises. The French president will have the ultimate say over firing the missiles.

American special forces are supporting troops in Ecuador in a military operation against drug-trafficking sites, according to the Pentagon. The Americans are there in an advisory role, it said, and not participating in the raids against “designated terrorist organisations”.

María Corina Machado, Venezuela’s main opposition figure, pledged to return to the country in a few weeks to assist with an “orderly, sustainable and unstoppable transition to democracy”. Delcy Rodríguez, the leftist regime’s interim president, warned that if Ms Machado returns she will have “to answer to Venezuela” for her support of America’s military intervention in January, which removed Nicolás Maduro from power.

Voters in Nepal headed to the polls in a general election. The election was called following student-led riots last September in which scores of people were killed, causing the prime minister to resign.

America imposed sanctions on Rwanda’s army and four of its senior officers for violating an American-brokered ceasefire in eastern Democratic Republic of Congo. Fighting in the region has continued since the deal was struck in December, with M23, a rebel group backed by Rwanda, pushing deeper into the countryside.

The European Medicines Agency recommended for approval the first one-day, single-dose oral cure for one of the most common forms of sleeping sickness, a fatal parasitic disease prevalent in Africa. The cure is one of several being developed and tested in Africa to help eliminate neglected tropical diseases.

The world this week

Business

March 5th 2026



Donald Trump ordered American government agencies to [stop using Anthropic's AI technology](#) within six months amid a row over its use in defence. The Pentagon wanted to use Anthropic's AI for all legal purposes, but the startup wanted safeguards in place when it came to its use for mass surveillance as well as for autonomous weapons. Anthropic is an “out-of-control radical left AI company”, fumed the president. It was pronounced a supply-chain risk to national security, an unprecedented designation for an American firm, although the tech is still reportedly being used in the Iran attacks. Anthropic and the Pentagon are said to be in talks to resolve their differences.

OpenAI stepped into the breach and signed a contract allowing the Pentagon to use its AI models, which it said dealt with Anthropic's objections. A few days later Sam Altman, the startup's boss, said he would amend the contract.

The rush to sign the deal “looked opportunistic and sloppy”, he said. “The issues are super-complex and demand clear communication.”

Block, which owns Cash App, the Square payments app and bitcoin assets, announced that it would cut more than 40% of its workforce, or 4,000 jobs. Jack Dorsey, Block’s chief executive, said AI tools have “changed what it means to build and run a company,” and that most firms would soon make “similar structural changes”. Sceptics weren’t so sure, and said Mr Dorsey was using AI as a cover to slash staffing costs. The number of people Block employs has ballooned since the pandemic.

Brendan Carr, chairman of the Federal Communications Commission, suggested that Paramount’s proposal to buy Warner Bros Discovery could be approved, as it didn’t represent the same threat to competition as Netflix’s offer. The Department of Justice will carry out the work on an antitrust investigation into the combination of the two firms, which brings together big Hollywood studios as well as the CNN and CBS News networks. Netflix dropped its bid after [Warner described Paramount’s proposal as superior](#).



Rachel Reeves, Britain’s chancellor of the exchequer, presented her [spring statement](#) on the country’s economic outlook to Parliament. The accompanying forecast from the Office for Budget Responsibility lowered

its estimate of GDP growth for 2026 from 1.4% to 1.1%, and projected that unemployment would rise to 5.3%. Annual inflation is expected to fall to 2.3% (it was 3% in January). Welfare spending is set to rise to 10.9% of GDP. Observers described it as a snoozefest. That probably pleased the Labour government, which is trying to project economic stability. Events in Iran, however, might mean that some of the forecasts quickly become outdated.

The euro area's annual inflation rate rose to 1.9% in February, from 1.7% in January. Surging energy prices caused by the Iran conflict are expected to add to inflationary pressures in Europe, and elsewhere.

The Chinese government set this year's [GDP growth target](#) at between 4.5% and 5%, the lowest range in decades, on account of the country's property slump. Last year the economy expanded by 5%, right on the official target. China also laid out a strategic plan to boost AI and its "core digital economy industries", and pledged to keep its competitive advantage in rare earths.

BYD, the world's biggest maker of electric vehicles, reported another drop in monthly sales. The Chinese company sold 190,190 new-energy vehicles in February, a drop of 41% year on year, in part because it is contending with a slowing domestic market.

The Brazilian economy grew by 2.3% in 2025, its slowest pace since the pandemic in 2020. GDP expanded by just 0.1% in the fourth quarter compared with the previous three months. The central bank is expected to cut interest rates for the first time since May 2024 when it next meets.

Greg Abel issued his first annual letter to shareholders at Berkshire Hathaway, having taken over the job of chief executive from Warren Buffett in January. Mr Abel described Berkshire's massive cash pile of \$373bn as a "strategic asset" that would enable it to make acquisitions "at the right time".

BrewDog, a British craft-beer company which has seen its fortunes fall in recent years, agreed to sell its global brand, British brewing operations and 11 brewpubs to Tilray Brands, a "global cannabis and wellness leader". Thirty-eight pubs will close immediately. BrewDog was founded in 2007

and became immediately popular with hipsters for its beers, such as Punk IPA. Its success spurred many imitators and now a lot of pubs sell selections of what they describe as craft beer.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/the-world-this-week/2026/03/05/business>

The world this week

The weekly cartoon

March 5th 2026



Dig deeper into the subjects of this week's cartoon:

[How the latest regional conflict is reshaping the Middle East](#)

[Donald Trump must stop soon](#)

[Binyamin Netanyahu is the big winner from the Iran war, for now](#)

The editorial cartoon appears weekly in The Economist. You can see last week's [here](#).

This article was downloaded by [zlibrary](#) from <https://www.economist.com/the-world-this-week/2026/03/05/the-weekly-cartoon>

Leaders

- [Donald Trump must stop soon](#)
- [AI danger gets real](#)
- [China needs a more ambitious growth target](#)
- [It's time to unleash Europe's pensions](#)
- [Nigel Farage and Zack Polanski: best of frenemies](#)

Donald Trump must stop soon

His ill-considered conflict risks descending into chaos

March 5th 2026



IT IS RARE for one head of government to order the death of another. Yet on February 28th America's president and Israel's prime minister did just that, killing Iran's 86-year-old supreme leader, Ayatollah Ali Khamenei. The decapitation of the Iranian regime reflects the devastating operational success of "Operation Epic Fury". But Mr Khamenei's place was immediately taken by a triumvirate. The next supreme leader could be named soon—perhaps his own son unless he, too, is killed. That augurs something more subtle and worrying: that the operation is failing to achieve its political goals.

It is naive to say, as some of Mr Trump's cheerleaders do, that because Mr Khamenei was wicked (and he surely was), any sort of war makes sense. When you command a machine as lethal and overwhelming as America's

armed forces, united in this operation with the battle-hardened Israel Defence Forces, you have a special responsibility to define what you want to achieve. That is not only an ethical requirement; it is a practical one, too. War aims direct the campaign; they define the sacrifices the state imposes on its own people and the enemy; and they determine when the fighting should end.

In this war, Israel's aim is clear: to demolish the threat posed by Iran's regime. By contrast, Mr Trump and his cabinet have offered a mess of shifting assertions—about Iran's missiles, nuclear weapons, regime change, following Israel's lead, a “feeling” Iran was about to attack and settling scores after decades of enmity. Politically, vagueness gives Mr Trump room for manoeuvre. Strategically, his failure to say [what Epic Fury is for](#) is its biggest vulnerability.

The result is a split-personality war. One face is operational. America and Israel have destroyed Iran's navy and grounded its air force. They are wrecking its missile capability and its arms industry and targeting the regime and its brutal enforcers. Dominance of the skies means that America and Israel can fight on at will. Interceptor missiles are meanwhile defending bases and cities in Israel and the Gulf countries, even as Iran strikes at more targets than it did during the conflict last June. So far, at least, there are enough interceptors to keep going.

The other face of this war is political, and it emerges from Iran's strategy, which is about sowing doubt and confusion. To survive would count as victory for Iran's regime. So far, it is succeeding. Far from falling apart, it is rushing to escalate horizontally—a fancy way of saying it is lashing out in all directions. This has a number of consequences.

One is that other countries are being sucked in. Iran has attacked the Gulf states, which have bet their future on being havens from the chaos gripping the rest of the Middle East. Fighting has also erupted in Lebanon as Israel smashes Hizbullah, Iran's main proxy. France and Britain will defend their bases from attack. On March 4th NATO air defences shot down an Iranian missile bound for Turkey.

Another consequence is economic. Iran has tried to shut the Strait of Hormuz, cutting off perhaps 20% of global oil supplies. It has also struck energy infrastructure, including the world's biggest gas-liquefaction complex and Saudi Arabia's largest refinery. The price of Brent crude is up by 14% since February 27th, to \$83 a barrel. A megawatt-hour of natural gas in Europe costs €54 (\$63), over 70% more than last week. As Asian buyers scramble for supplies, prices could go higher. The global economy could yet suffer a hit. If oil reaches \$100 a barrel, GDP growth could be lowered by 0.4 percentage points and inflation raised by 1.2 points.

The third potential consequence is chaos inside Iran. Roughly 40% of its 90m people belong to ethnic minorities, including Arabs, Azeris, Baluchis, Kurds and Lurs. The Arab spring showed how countries can fall apart. America and Israel are putting pressure on the regime by backing Kurdish insurgents—a reckless idea that could end up stoking Persian nationalism or civil war. Mr Trump may not care about this, but he could not ignore the effects spilling over Iran's borders into the Gulf states, Iraq, Syria and Turkey.

The risk is that Mr Trump cannot bear to quit so long as the markets and polls deny him the acclamation he craves—and that may last for as long as Iran can release even sporadic missiles and drones. Today barely a third of Americans favour the battle in Iran (90% backed invading Afghanistan in 2001). America may be an energy exporter, but its voters detest costly petrol. He may be tempted to seek an undeniable win by bombing the regime out of existence. But even with America's military clout, he might not succeed. Meanwhile all those risks would continue to harm the region and the world economy.

Mr Trump would do better to narrow his war aims. His goal should be to degrade Iran's military capabilities and then stop. He is almost there.

Some will argue that the job would be only half-done. Obviously, leaving the regime as a wounded beast would be heartbreak for the oppressed Iranian people. Even if Mr Trump wants peace, Iran could continue to lash out for a while, at least, revelling in its status as a symbol of anti-American resistance. The surviving regime may reject a nuclear deal—indeed, like North Korea, it may think a bomb is its only protection. If it rebuilds its

nuclear programme, Mr Trump may have to strike again in months' or years' time. It is a bleak prospect. But it would be better for America to declare victory early than limp out of an unpopular war because of exhaustion.

These are the fruits of Mr Trump's impulsive approach. Before this war, Iran's regime was weaker than at any time in its 47-year history: it could have fallen without a single American bomb. Mr Trump may get lucky, but he is more likely to end up having to deal with regional chaos or a new hardliner. Surrounded by sycophantic courtiers, Mr Trump has become rash in his second term. His opportunistic grabs for power whenever he sees weakness are dangerous. America needs a strategy in Iran, just as it needs one in the world. ■

For subscribers only: to see how we design each week's cover, sign up to our weekly [Cover Story newsletter](#).

Leaders | Breaking out

AI danger gets real

The squabble between America's government and Anthropic makes an AI disaster more likely

March 5th 2026



In the past week an extraordinary fight over artificial intelligence has broken out. The Trump administration's row with Anthropic, one of America's leading AI labs, over the Pentagon's access to its models will be a test of who controls the world's most potent technology. Its outcome will shape everything from America's national security to the development of ai. It could also make an AI-enabled disaster more likely.

On each of these counts, you should be alarmed. In the first big clash between the concern for AI safety and the imperative to race ahead in an attempt to dominate the technology, America's government has clearly shown it is on the side of speed. Because long-feared safety risks involving AI are already becoming realities, more such tests are at hand. Experts warn

that the world is hurtling towards AI-mageddon. America's rash embrace of risk makes that more likely.

The Pentagon fell out with Anthropic over the government's demand that it should be allowed to use the company's models for all legal purposes. Anthropic (a sponsor of The Economist's "Insider" shows) refused on two grounds.

First, Dario Amodei, the chief executive of Anthropic, fears that ai could one day be used to analyse the digital footprints of ordinary Americans, a form of surveillance that today's laws have not caught up with. Under Mr Trump, Immigration and Customs Enforcement is already using ai to analyse vast amounts of data to speed up deportations. Extending that to Americans does not seem far-fetched.

Second, Mr Amodei is worried about the use of autonomous weapons. AI remains unpredictable and immature as well as extraordinarily powerful. Because the technology could go rogue, he argues, it is too soon to take humans out of the loop.

The administration has responded to Anthropic with fury and retribution. President Donald Trump branded the company "leftwing nut jobs" who were trying to "dictate" how America's "great military fights and wins wars". He has given the federal government six months to rip up its contracts with Anthropic. Pete Hegseth, the secretary of war, says he will designate the firm a "supply-chain risk".

This could be bluster—Anthropic's models are being used in the attacks on Iran. But if the threat is enacted, then for the first time an American company will be classed as a security risk and prevented from doing business with defence contractors. On March 4th Anthropic was in damage control after a leaked memo from Mr Amodei said it was under fire for not giving "dictator-style praise to Trump".

With a normal government and a normal technology, the dispute would surely have been quickly sorted out. But this is not a normal government, and AI is not a normal technology. Our briefing this week explains how both [Mr Amodei's fears reflect wider concerns about the dangers it poses](#). As

with enhanced government surveillance, one set of worries is that AI is too powerful. In December Anthropic's Claude chatbot was told by hackers to break into the Mexican government's records, supposedly as part of a security test; it found and exploited vulnerabilities and stole 150gb of taxpayer details, voter records and employee credentials. Researchers reckon that AI could be used to develop analogues of the toxin ricin that cannot be traced using conventional methods, because of novel protein structures.

The other set of worries, as with autonomous weapons, is that the models could stop heeding human instructions. Anthropic thinks that, because so much of its code is now written by AI, detecting whether it is drifting away from human instructions is hard to monitor. Many models now demonstrate a degree of what experts call "situational awareness": when asked to delete themselves they reason that the situation is a test, and refuse to do so.

Against this backdrop, the administration's treatment of Anthropic shows how much it prizes AI as a tool of national power. Instead of being prepared to set out clear rules on how the technology will be used, the government is making an example of a firm that dared to raise concerns, even if that means hurting homegrown innovation. This can only encourage a race to the bottom. Already, OpenAI, Anthropic's chief rival, has leapt into the breach, striking a deal with the Pentagon that superficially resembles the one Anthropic had sought, but which is closer to what the Pentagon was after.

Where America leads, the world will surely follow. The pattern is being repeated as companies and governments downgrade safety concerns. Modelmakers have spent hundreds of billions of dollars investing in the computing power they need to race ahead to the next upgrade. That puts them under intense pressure to go as fast as they can to turn a profit. Even Anthropic has watered down its safety protocols in response to competition. At a recent ai summit in India, most governments were keener to discuss fair access to the technology than safety.

You might have hoped that the governments of China and America, home to the world's most advanced ai labs, would unite to set global standards—and then ensure that they did not pay a penalty by imposing them on everyone else. But the two superpowers are locked in a race of their own, because they

both see the domination of AI as the key to dominating the rest of the 21st century.

No wonder that, as AI grows rapidly more powerful, experts in the field are gloomily predicting a catastrophe. Some warn of a “Chernobyl moment”: the use of AI that leads to a disaster which causes either huge economic damage or loss of life.

The parable of Anthropic leads to the bleak conclusion that this danger is becoming more likely. Perhaps the best the world can hope for is a small-scale disaster, which jolts China and America into pressing for safety precautions—not Chernobyl so much as Three Mile Island. But worse is possible, too. Alas, action is unlikely to come until it’s too late. ■

Subscribers to The Economist can sign up to our [Opinion newsletter](#), which brings together the best of our leaders, columns, guest essays and reader correspondence.

Leaders | No more half-measures

China needs a more ambitious growth target

Otherwise a fourth year of deflation awaits

March 5th 2026



Ever since turning communist, China has set top-down targets for its economy. Mao Zedong wanted to double steel output in a year, and crippled the country trying. During his rule, China often fell woefully short of its goals. After his death, it often comfortably surpassed them. Lately policymakers have tried to ensure it does neither; their growth targets serve both as a floor and a ceiling to their ambition (see chart). They should aim higher.

The latest target was unveiled on March 5th, during the National People's Congress (npc), China's rubber-stamp parliament. The government set a growth objective of 4.5-5% in 2026, lower and looser than last year. This has elicited a variety of responses. Some economists think the target is still too

high. China's workforce is shrinking, its [property market](#) is moribund, consumers are cautious and exports may not come to the rescue as they did last year. Although the dangers of the trade war have receded, actual war threatens some of its markets in the Middle East.

Others argue that the target is just right. The NPC delegates will almost all vote in favour. Even among professional forecasters, the consensus guess is that China will grow by 4.6% this year, if only because policymakers will steer it there or thereabouts. A third camp thinks the whole exercise is fanciful. China's growth figures, they argue, bear little relation to reality. It hardly matters whether a made-up number meets a made-up target.

All three camps are wrong. China's new target is too low. Judging by the country's recent record, it will set a ceiling on the government's efforts to revive demand, perpetuating the economy's [biggest problems](#).



The proof lies in China's prices. They have been falling, by some measures, for three years. This persistent [deflation](#) is a worry in itself—it increases the burden of debt, limits the room for monetary easing and mutes price signals, given the reluctance even in China to cut wages in money terms. It is also a sign of a deeper problem. It suggests that output is falling short of what the country could produce if its capital and labour were more fully employed.

To close that gap in 2026 the economy would have to grow by more than 5.3%, by a conservative estimate. Four and a half percent will not do it.

One can agree with this diagnosis but chafe at the prescription. Some economists may object to targets in principle, dismissing them as a relic of central planning. We sympathise. We would much rather China adopted something akin to the inflation targets that guide other economies. But even in those places, central banks take a view on how fast the economy can grow to keep inflation in line. They too have a growth target, if only an implicit one.

Another worry is that a higher target will encourage wasteful investment. But there are other ways to speed up growth. More generous social spending and a credible fiscal backstop for the property market would give anxious households the confidence and the means to spend more freely. And the alternative—unnecessarily slow growth—is also scandalously wasteful. In China's cities more than 16% of youngsters, the country's best-educated generation, do not have a job. Other workers languish in rural backwaters. A greying society cannot afford to be so profligate with its fresher-faced cohorts.

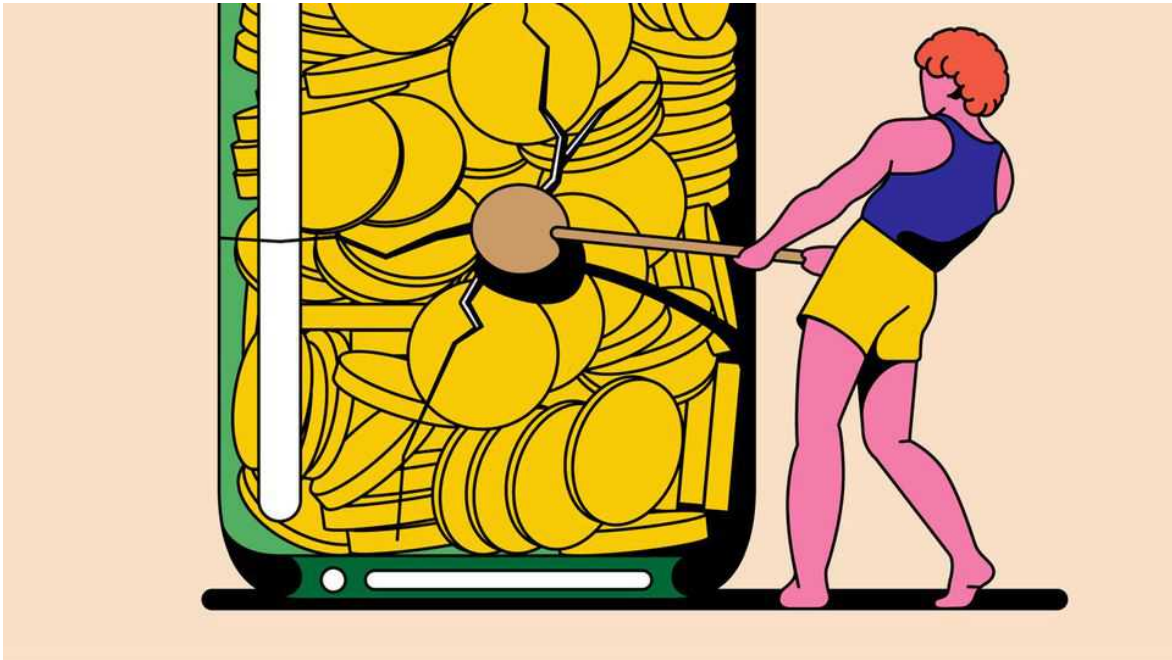
China's reluctance to do whatever it takes to stop deflation is easy to understand. A previous crop of leaders overreacted to the global financial crisis in 2007-09, releasing a "flood-like" stimulus that swept away financial discipline and carried inflation high above the government's threshold. Back then, the state did too much. Now it is doing too little. China's annual targets, five-year plans and centenary goals are supposed to keep its policymakers' eyes on the future. But their instincts are dangerously rooted in the past. ■

Subscribers to The Economist can sign up to our [Opinion newsletter](#), which brings together the best of our leaders, columns, guest essays and reader correspondence.

It's time to unleash Europe's pensions

One reform offers both security in old age and dynamism now

March 5th 2026



Europe's economic problems include a greying population, a lack of innovative firms and puny capital markets. Public pensions weigh more on government budgets with every passing year. But what if Europe could turn those weaknesses into strengths by using its pension savings to boost markets and finance entrepreneurs with long-term capital?

Europe's pensions were not designed to turn workers into capitalists. In 1889 Otto von Bismarck, Germany's "iron chancellor", invented the pay-as-you-go system, whereby current workers pay for current pensions. The idea was to "bribe [workers] to regard the state as a social institution". As it turns out, they see every increase in the retirement age as a betrayal of that promise. The system has therefore come under severe strain as populations have aged.

Workers have had to hand over more in contributions, and taxpayers have plugged the remaining shortfall. In Germany a third of the federal budget is projected to be passed on to the pension system this year.

At the same time, Europe's capital markets are sorely underdeveloped. The combined value of stockmarkets in the EU is 85% of GDP, compared with 220% of GDP in America. That matters for innovation, because market-based funding is more suitable for risky r&d than bank lending. Moreover, venture-capital investors need a deep capital market into which they can sell their holdings.

There are exceptions, however, and they are instructive. Sweden has created funds that buffer its pay-as-you-go system by investing in markets. Some contributions no longer fund today's pensioners, but go into personal-investment accounts instead. The result is pension assets worth about \$671bn, or 110% of GDP. It isn't an accident that no other EU country has created more unicorns per head. Dutch pension savers have accumulated assets of around 145% of GDP in collective funds; since 2023 these are freer to invest in riskier assets. According to Morgan Stanley, Denmark and Switzerland boosted assets by about 20% of GDP in a decade after expanding market-based occupational pensions. Were that copied across the euro zone, more than [€3trn \(\\$2.58trn\) would be available](#).

Europeans used to state-run systems will wince at the idea of exposing their future incomes to the markets. And capital-market theorists may add that there will not be much of a pay-off if savers diversify by flocking to America instead. Yet high public-debt burdens mean that relying on state pension promises is no longer as attractive as it once was. And worthy as diversification is, in practice many pension funds will prefer to keep a big chunk of their money at home.

Those European governments that do not have high debt-servicing costs should start building debt-funded buffer funds, invested professionally, for their pay-as-you-go systems. Occupational pensions should be deployed into capital markets by default. Savers should be allowed to direct some of their contributions to an individual investment account. The resulting gap in the public-pension system could be filled with wider fiscal deficits in the short

term, because the long-run benefit is a more sustainable system that relies less on the public purse.

Even with these reforms, the transition to a more market-based system will take time. All the more reason to start now. The European Commission has long sought to stitch together capital markets across the eu. But those efforts will not amount to much if each market remains tiny. Europe's tech scene is showing signs of life. The potential returns on pension reform have never been higher. ■

Subscribers to The Economist can sign up to our [Opinion newsletter](#), which brings together the best of our leaders, columns, guest essays and reader correspondence.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/leaders/2026/03/05/its-time-to-unleash-europes-pensions>

Nigel Farage and Zack Polanski: best of frenemies

Britain's twin populists have a symbiotic relationship

March 5th 2026



For 15 years British politics has been rocked by an insurgency on the populist right, led by Nigel Farage. Now it is also seeing an insurgency from the populist left. The Green Party, a fusty and largely irrelevant outfit until it was given a makeover by Zack Polanski, its self-styled “eco-populist” leader, scored a stunning victory on February 26th in a by-election in Gorton and Denton, in Manchester. Labour was pushed into third place in its heartland, behind Mr Farage’s Reform UK. Jointly these twin populists have just 13 MPs but poll higher than Labour and the Tories combined. In the by-election they won 69% of the vote. The trend will be replayed many times at local-government elections in May.

At first glance this looks like a simple story about the mutually loathing poles of radical left and right. In reality the dynamic is more complex, and a lot more dangerous. Though the Greens and Reform present themselves as opposites, they are in some ways similar. Because each fuels the other's success, their relationship is symbiotic. Both share a strategic interest in supplanting the parties of the centre. A great day for Mr Polanski in Gorton and Denton meant a very good one for Mr Farage. Not rivals, but frenemies.

To their supporters that will sound absurd. Mr Polanski calls Mr Farage "a fascist"; Mr Farage says Mr Polanski is a "lunatic" supported by "all the heroin smokers". On immigration, the Palestinians, transgender people, climate and much else they are vociferous opponents. In Gorton and Denton the Greens courted local Muslim voters; Mr Farage claimed the campaign had been "sectarian": ie, somehow un-British.

But that cultural gulf is the point. The two parties share a project in pulling apart Labour's fragile coalition of progressives and traditionalists. Nothing mobilises their supporters like the spectre of the other extreme, and declaring that they alone can keep it from power. Thus Mr Farage and Mr Polanski are eager to lock horns. The more young voters see Mr Polanski berating Mr Farage on Instagram, the better for them both.

It is the same among populists across Europe, but in Britain the incentives are amplified by the first-past-the-post electoral system. Mr Farage knows his path to office will be eased if the Greens do well, because small gains in their vote greatly reduce the notional majorities of Labour MPs in his target seats.

[Their voters have more in common than they think](#). Compared with supporters of mainstream parties, they earn less and are more likely to rent. Their politics reflect a loss of status. Many prospective Green voters have paid a lot for university degrees that turned out not to be the ticket to the middle-class jobs they imagined; many Reform supporters have lost the well-paying industrial work of their youth.

Both sets of voters are susceptible to zero-sum thinking. After two decades of stagnation, many doubt that the pie will grow much and are open to being told that someone else has taken too big a slice. Reform blames scrounging

migrants. The Greens blame the rich. Both parties vow to raise living standards by squeezing their respective bogeymen. But their policies would make Britain poorer. Both are sceptical of multinationals, trade and building anything anywhere near anyone.

For the parties of the centre, the sensible response would be to offer policies to boost growth: making it easier to build, reforming welfare to encourage work, and so on. The snag is, such policies are often unpopular. And as populists lure away voters with simple, phoney cures for every ill, neither Labour nor the Tories seem to have the courage to be sensible. ■

Subscribers to The Economist can sign up to our [Opinion newsletter](#), which brings together the best of our leaders, columns, guest essays and reader correspondence.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/leaders/2026/03/05/nigel-farage-and-zack-polanski-best-of-frenemies>

Letters

- [Are Britain's trade-union laws are returning to the 1970s?](#)

Letters | A selection of correspondence

Are Britain's trade-union laws are returning to the 1970s?

Also this week, navy ships, reducing poverty in America, Mexico's exports, a history of the potato, tenor singers

March 5th 2026



Letters are welcome via email to letters@economist.com [Find out more](#) about how we process your letter

You are right to note that [Britain's trade-union laws are returning to the 1970s](#), highlighting the scale of change and the risks of moving too far and too fast in a labour market already under strain ("Ready, steady, unionise!", February 7th). Strong employment standards and constructive workforce representation matter, and retailers want to work with the government to ensure work pays and living standards rise. But the real test of reform is whether it expands job opportunities without unintentionally reducing them.

The Bank of England has been clear that the labour market is cooling, with hiring intentions softening as employment costs rise and unemployment increases. In this context, the rapid expansion of trade-union powers and union-access rights risks adding more costs and uncertainty for labour-intensive sectors that provide millions of flexible jobs, delaying recruitment and investment. Recent analysis suggests that these provisions alone could cost businesses more than £1bn (\$1.3bn) a year.

The nature of work has also changed. Since the pandemic, flexibility has increasingly become a preference rather than a sign of insecurity. There is a real risk of regulating for a labour market that existed before covid, rather than the one workers operate in today. The Employment Rights Act can raise standards, but only if it is implemented with care and industry insight. Get the balance right and it can support inclusion and living standards. Get it wrong and it risks narrowing routes into work at precisely the moment the country needs them most.

Helen Dickinson Chief executive British Retail Consortium London

Your article on [the trajectory of aircraft-carrier construction](#) missed the opportunity to discuss the development of smaller aircraft launch platforms ("Top gun", January 31st). Particularly so for the America-class and its Chinese equivalent, the Type 076. The American navy holds an advantage in these large-deck amphibious ships.

While the USS America and Wasp can launch manned F-35B Lightning II stealth fighters via short take-off and vertical landing (STOVL), the equivalent Chinese ships are limited to helicopters and drones. This distinction matters. Until China develops a STOVL fighter, their "amphibious" carriers will lack the air-to-air combat capacity of their American counterparts, forcing them to rely on unproven unmanned platforms for air support.

Jordan Fox New York

I was surprised by the absence of historical context in the conclusions of a recent study on [the merits of America's welfare programmes](#) (Free Exchange, February 21st). The authors contend that the national poverty rate

fell more dramatically (29 percentage points) in the decades before the Great Society programmes of the 1960s than in the 60 years that followed (16 points). They suggest that free-market forces of the 1940s, 1950s and early 1960s were more effective in alleviating poverty.

This analysis is historically flawed on two counts. First, the starting-point of the initial time period (1939–63) falls in the final years of the Great Depression, when the national unemployment rate was still a staggering 17.2%. It stands to reason that as the country emerged from the Depression and experienced the post-war economic boom, the rate of poverty reduction would exceed that which came later.

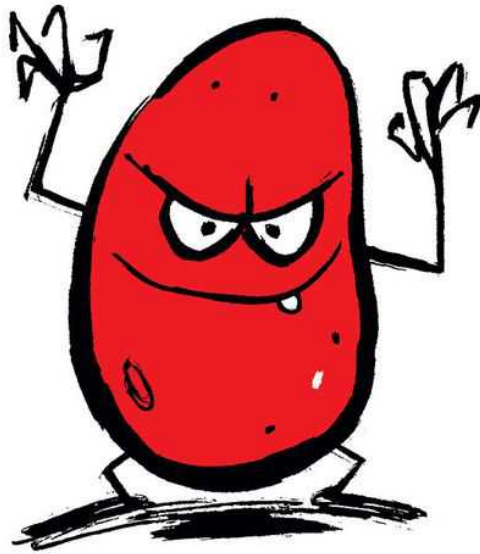
Second, it is difficult to characterise this early period as one of unfettered free-market capitalism. During the war years, federal outlays hit over 40% of GDP. Meanwhile, the top marginal tax rate peaked at an astronomical 94% in 1945 and was above 90% during the 1950s until, notably, 1963.

Failing to account for the redistributive effects of these fiscal policies strikes this history teacher as a glaring omission, one that ultimately obscures, rather than clarifies, the important question of how best to alleviate poverty.

Nate Bowen
Social-studies department co-ordinator
Mountain View High School
Mountain View, California

[Who wrangled the best trade deal from Donald Trump](#), you asked (“Comparative advantage”, February 14th)? The American government recently released its trade statistics for 2025, which show that Mexico’s total exports to the United States reached a record high for a single year. This was unforeseeable a year ago, when The Economist wrote that Mr Trump’s tariffs were “his most extreme ever” (“Bad neighbour”, March 3rd 2025). And although you noted that the United States-Mexico-Canada Agreement shielded Mexico and Canada “from trade oblivion” (“Trick or treaty”, October 4th 2025), the fact that Mexico increased its exports, despite the appreciation of the Mexican peso against the dollar, makes the case for considering Mexico to be a winner.

Rene Cabral
Professor of economics and finance
EGADE Business School
Monterrey, Mexico



As you say, [the spud's role in human history "is no small potatoes"](#) ("Playing the tuber", February 21st). John Gerard, a barber-surgeon and head gardener at the home of William Cecil, Elizabeth I's chief adviser, grew potatoes, among other rare and exotic plants. He did this in the garden of his home in Holborn, London. Gerard is best remembered for publishing in 1597, "The Herball, or Generall Historie of Plantes", a dictionary of plants covering 1,392 pages illustrated with more than 2,000 woodcuts, including the first illustration of a potato.

The text explains how the vegetable could be eaten, "rosted...boyled...or dressed any other way by the hand of some cunning in cookerie." "The Herball" was updated by Thomas Johnson, an apothecary, who reminded readers that potatoes had once been banned in Burgundy for fear they could cause leprosy.

Robin LauranceOxford

The most commonly credited figure for inventing French fries is Antoine-Augustin Parmentier (1737–1813), a French pharmacist and nutritionist who championed the potato in France. He is best remembered as a vocal promoter of the potato as a food source throughout Europe.

His many other contributions to nutrition and health included establishing the first mandatory smallpox vaccination campaign in France (under Napoleon, beginning in 1805) and pioneering the extraction of sugar from sugar beets. Parmentier also founded a school of breadmaking and studied methods of conserving food, including refrigeration.

Parmentier is interred at Père Lachaise Cemetery in Paris, and his grave is famously decorated with potato plants. Admirers to this day put potatoes on his grave.

Jacob GopasBeer Sheva, Israel

It is indeed the case that the ever-changing social and cultural landscape is leading to a dearth of opportunities for children, and boys especially, to receive the kind of training their voice needs to develop the elasticity and control required to be a tenor (“The great tenor shortage”, February 14th). In England those church choirs that do still thrive have largely accepted girl choristers for many years, righting a gender injustice but inadvertently making it even less appealing for boys to join in. The weight of responsibility for filling the void has fallen on the shoulders of schools and provision is inconsistent. Success is largely down to the passion and expertise of individual teachers, with pockets of excellence in both maintained and independent schools.

Alex OsiatynskiDirector of musicStamford SchoolStamford, Lincolnshire

It’s heartening to see stories on issues specific to our humanity. The tenor shortage isn’t likely to be solved by AI’s promises of efficiency, productivity, or financial gains, but instead by giving greater focus to those areas, like music, that make us truly human. That is, unless we decide as a society that we are OK with robot singers.

Jeremy EikenberryGaithersburg, Maryland

By Invitation

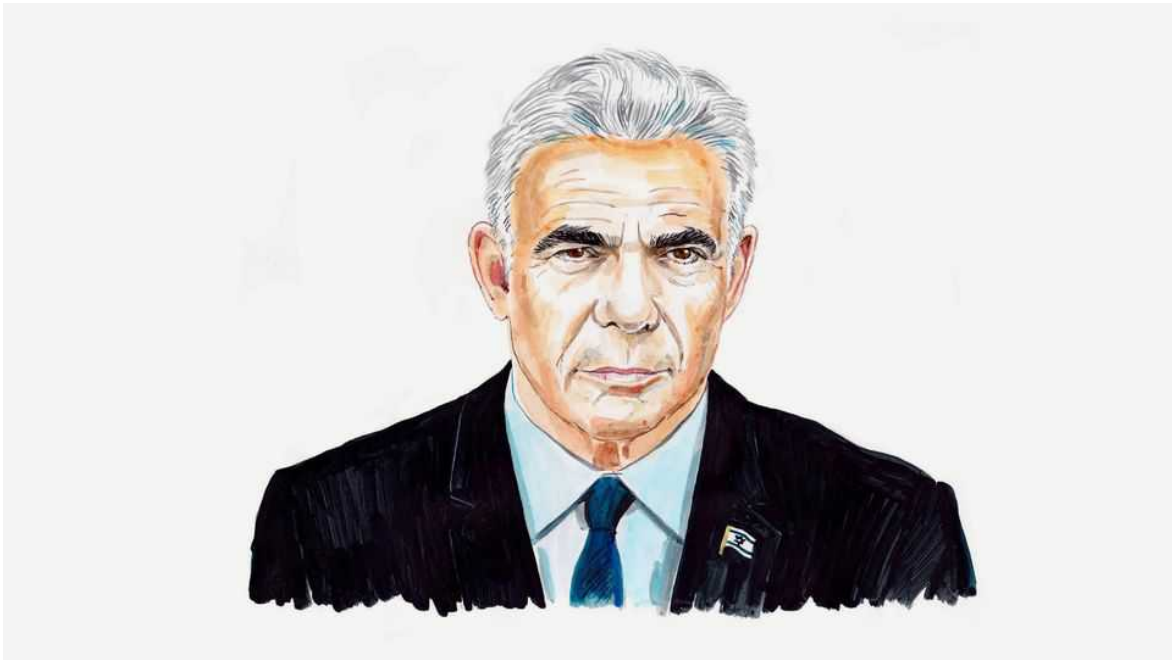
- [At last, a just war](#)
- [The Economist is wrong on the Robin Hood state](#)

By **Invitation** | Existential, not political

At last, a just war

Now Iranians must find their own Mandela or Walesa, writes Yair Lapid

March 5th 2026



As I WRITE these words, I am sitting in a bomb shelter in my home. With me are my wife, my daughter and three young security guards who are a little embarrassed by the whole situation. This is not an easy moment; no one likes having their life threatened. But like an overwhelming majority of Israeli citizens, I believe it is necessary.

What has unfolded over the past days is the rarest of things in 21st-century conflicts: a just war. One in which there is moral clarity between good and evil. America and Israel did not embark [on this operation](#) in the name of economic or geopolitical interests, but because the world is in danger.

If the Iranian regime succeeds in developing nuclear weapons, as it is trying to do, the world is in danger. If it continues to advance its ballistic-missile programme, Israel and every other country in the Middle East are in danger. If the ayatollahs remain in power in Tehran, the citizens of Iran are in danger.

The [rule of the ayatollahs](#) is not a “government” in the sense we ordinarily understand the term. It is a terrorist organisation that has hijacked a state. Anyone who has asked in the past few days why Iran’s nuclear programme justifies going to war has been asking the wrong question. The right question is this: what would have happened if al-Qaeda had possessed nuclear weapons on September 11th 2001? Would it have used them against America and Israel? The answer is simple: of course it would have.

By exactly the same logic, if the Iranian regime acquires nuclear weapons it will use them. It has already used ballistic missiles in the past, and not only against Israel. That is the nature of this regime; these are its goals.

Israel, as is well known, lives in a constant political storm. Within that storm I have fairly earned the title of “Netanyahu’s fiercest political rival”. I have been sharply critical of the way parts of the situation in Gaza have been conducted and of the way the government led by Binyamin Netanyahu has failed to get a grip on settler violence in the West Bank. Yet on this military campaign, I stand behind the government and behind the operation in Iran.

Why? Because this is not political—it is existential. All of Israel stands united in the face of the Iranian threat, united behind our soldiers and our pilots, united in gratitude to President Donald Trump for the rare leadership and courage he has shown. On this issue there is no opposition and no coalition. In all my years in politics, I do not remember such consensus on any subject.

It was clear to me, as it was to anyone engaged in the matter, that the Iranians were not negotiating in good faith in Oman and Geneva. They were simply buying time to enrich uranium and to build ballistic missiles. They dispatched their terror proxies, from Iraq to Lebanon, from Sudan to Gaza, to export chaos, terrorism and death across the Middle East.

They used that time for another purpose as well: to continue crushing and murdering [their own people](#). The cruelty with which the regime treated young Iranians who asked only for freedom and basic rights is not only heartbreaking; it is a lesson in the character of Iran's thuggish leaders. The Iranian regime does not hesitate to kill tens of thousands of its own people. Why would it hesitate to kill Americans, Israelis or moderate Muslims in places like the United Arab Emirates and Bahrain?

Regimes like this always make the same mistake. They fail to understand that democracy is not a weakness; it is a source of strength. Because they themselves understand only threats and brutality, they assume that if they continue to threaten, no one will dare confront them. Instead, they have awakened the greatest military power humanity has ever known.

That power has set itself difficult but achievable goals. America and Israel will do what must be done: ensure that Iran will not have nuclear weapons, and will not have ballistic missiles and launchers. We must also strike the Revolutionary Guards and the Basij thugs in a way that prevents them from continuing to repress the Iranian people.

Yet the question of whether this regime of terror survives does not depend only on America and Israel. The elimination of the "supreme leader", Ali Khamenei, is not only justified, as befits the murderous dictator that he was; it could also be the moment when the Iranian people find within themselves the strength to change their lives. Iranian youth showed extraordinary courage when they took to the streets in January. Now we must wait and see whether they will produce their own Nelson Mandela or Lech Walesa to lead them to freedom.

People all over the world have bitter memories of attempts to impose governments or systems from outside. That succeeds only when an authentic, unmistakable voice for freedom rises from within the people themselves.

In the first hours of the war, I sent a tweet in Persian with a message to the Iranian people that said: "To the people of Iran, you are not our enemies. We followed your protests with admiration and respect. We stand with you against this evil regime; a regime that has brought nothing but death and

destruction to your country and to the entire region. When this war ends and this regime is gone, we will pray for peace between our historic nations and for the beginning of a new era for the Middle East.”

For the sake of the Iranian people, I hope they will find the strength to change their own lives. If they do, then they will find Israeli hands stretched out for peace. ■

Yair Lapid was the 14th prime minister of Israel and is currently the leader of the opposition.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/by-invitation/2026/03/01/at-last-a-just-war>

By **Invitation** | Cough up, Prince John

The Economist is wrong on the Robin Hood state

Taxing wealth transfers more would raise a lot from the rich and be good for democracy, writes Ray Madoff

March 5th 2026



The rich, argues [The Economist](#), are already paying more than their fair share, and any attempt to tax them more would be both futile and harmful to the economy. When it comes to America, however, this argument is built on premises that don't hold up.

Whereas this publication describes current taxation of the rich as the “Robin Hood state”, in America a more apt analogy would be the Second Estate. The Second Estate was the aristocracy of pre-revolutionary France, who were exempt from paying almost all taxes. Because aristocratic status could be achieved by purchase as well as birth, one contemporary economist described the arrangement as follows: in order to become noble, it is

sufficient to become rich; and to cease paying taxes, it is sufficient to become noble; so there is only one way of escaping taxation, and that is to make a fortune.

So it is in America today. Whereas workers—especially high-paid workers—pay significant taxes on their earnings, those who have made a fortune can live a largely tax-free existence. This is the result of a fundamental failure of the American tax system to impose taxes on the most common sources of money for the very rich: investment gains and inherited wealth.

How can this be true in the face of the statistic, offered by *The Economist*, that “America’s top 1% enjoy a fifth of the economy’s income and pay nearly a third of its federal taxes”? The answer lies in that ambiguous term “top 1%”. Those with the most income and those with the most wealth are not always the same people. The top 1% of income-earners—highly paid businesspeople, lawyers, doctors and others—do indeed pay the most income tax. But this says nothing about the top 1% of wealth-holders, who can arrange their affairs to legally pay nothing.

This is not just theoretical. Although an individual’s tax liability is generally protected by strict privacy rules, a leak of Internal Revenue Service data revealed that many of America’s richest people—including Jeff Bezos, Elon Musk and Michael Bloomberg—have been able to pay little or no income taxes in certain years. They break no laws to do so. Rather, they simply use the tried-and-tested tactics of the tax-avoidance playbook: avoid salaries, avoid selling and inherit wealth.

Start with salaries. They face the most burdensome taxation in America, as they are subject to both income and payroll taxes. That is why the first step in tax avoidance for the very rich is to avoid them. Mr Bezos regularly caps his salary and bonus at around \$80,000, low enough to make him eligible for the child tax credit (which he claimed). Meanwhile, Mark Zuckerberg and others are dollar-a-year men.

They can afford to give up traditional salaries because they are richly compensated by the growing value of their shareholdings. According to *Forbes*, since 2020 alone Mr Zuckerberg’s wealth has increased by about \$170bn. Mr Musk’s has swollen by over \$800bn. Yet because little of this

growth takes the form of a salary or a realised gain, it is unlikely to appear on their tax returns.

Which brings us to the second chapter of the playbook: [selling](#). Some might think that these gains will eventually be subject to tax when the stock is sold. But there is no certainty that sales will ever occur. By using their stock as collateral for loans, the very rich can free up capital to support lavish lifestyles without triggering a taxable event or surrendering control of their businesses. In addition, because heirs can borrow as well, no income taxes need ever be paid on this growing wealth as it passes through the generations.

That leaves the third part of the playbook: inheritance. Almost a third of the Forbes 400 list of the richest Americans are there because of inherited wealth. Yet this, too, is unlikely to appear on a tax return because money received by gift, inheritance or life insurance (a popular tax-advantaged tool for passing wealth across generations) is excluded from the definition of income under American law. Thus someone who receives \$100bn by gift, inheritance or life insurance is indistinguishable on a tax return from someone who receives nothing at all.

These exclusions exist on the assumption that federal estate and gift taxes will do the necessary work. But owing to a decades-long campaign by some of the country's richest families to turn public opinion against the estate tax, lawmakers have been unwilling to do even the most basic maintenance work to keep the statutes functioning. Indeed, the last time Congress closed any loopholes was in 1990. As a result, the estate tax is a tax in name only, providing cover for the rich while raising only around half of one percent of total federal revenue.

Even if the very rich are paying little in taxes, would changing that actually make a meaningful difference to the budget? Or is it the case, as The Economist argues, that “there are simply not enough fat cats to fund welfare states by themselves”?

A look at the numbers in America suggests that The Economist is too pessimistic about the money that could be raised by taxing their wealth. In 2025 the federal government raised \$5.2trn from all sources—including

corporate, income, payroll, estate and gift taxes, as well as tariffs—and spent about \$7trn, creating a \$1.8trn shortfall that was added to the national debt. At the same time, the amount of wealth owned by the richest 1% stood at a whopping \$55trn. Although we can't know the exact figures it is likely that a significant portion of that wealth represents investment gains and inheritances that have never been subject to American taxes. Requiring gains to be recognised whenever property is transferred (whether by sale, gift or at death), like in Canada, and bringing inheritances into the income-tax system, would probably make a big difference in covering this \$1.8trn shortfall.

There is, moreover, a reason to reform these rules that goes beyond revenue. To quote The Economist itself: “Broad-based taxes do not only raise much more money. They are also politically healthier.” The same is true here. A tax system that treats its richest citizens like the Second Estate of yore is not just bad for the public purse. It is bad for democracy. ■

Ray Madoff is a professor at Boston College Law School and the author of “The Second Estate: How the Tax Code Made an American Aristocracy”.

Briefing

- [How the latest regional conflict is reshaping the Middle East](#)
- [Binyamin Netanyahu is the big winner from the Iran war, for now](#)
- [An AI disaster is getting ever closer](#)

How the latest regional conflict is reshaping the Middle East

Neither Iran, nor Israel, nor the Gulf will ever be quite the same

March 5th 2026



OF the many wars in the modern Middle East, few have had a more profound impact than those in the Gulf. The first, in 1991, was the start of America's unipolar moment. It assembled a coalition that ejected Saddam Hussein's occupying forces from Kuwait after just four days of ground fighting. Miles of scorched Iraqi army vehicles along the so-called "highway of death" left an indelible image of American might. Gulf monarchs decided to hew ever closer to America for protection.

The second Gulf war, in 2003, ushered in an era of American self-doubt. Its army toppled Saddam's regime within weeks, only to find itself bogged down for almost a decade fighting a vicious insurgency. The spectre of Iraq

has hung over every military action since. George W. Bush hoped the invasion would unleash a democratic wave across the Middle East. Instead it swept away Iran's main state rival in the region, clearing the way for a period of Iranian hegemony as its allies cemented their power in Iraq, Lebanon and Yemen.

The war that began on February 28th with an American and Israeli attack on Iran can rightly be called the third Gulf war. It has already drawn in all eight countries that border the Persian Gulf, along with more than half a dozen others. Early events have been dramatic. Ali Khamenei, the supreme leader of Iran, was killed in an Israeli air strike at the war's outset. Iranian drones have rained down on the normally placid cities of the Gulf. Global energy prices have soared.

Many officials expect the fighting to continue for several weeks. How it will end is difficult to predict, in part because Donald Trump's goals seem to be ever shifting. However it ends, though, the third Gulf war will prove no less transformative than its predecessors. Iran will be diminished. Gulf states will have to contend with their newfound vulnerability. Along with America and Israel, they may also have to contend with an enfeebled but persistent threat, not unlike the one Iraq posed in the decade after its defeat in Kuwait.

As *The Economist* went to press, a Washington-based Iranian human-rights group said that 1,114 civilians had been killed, including more than 180 children. The military death toll is unknown. Israel has carried out a series of assassinations meant to decapitate the regime. Along with Mr Khamenei, dozens of other officials have reportedly been killed, among them the defence minister and the head of the Islamic Revolutionary Guard Corps (IRGC), the regime's praetorian guard.

It is impossible to generalise about how Iranians feel: theirs is a diverse country of 92m people. There were celebrations the night Mr Khamenei was killed and scenes of mourning the next day. Some opposition activists argue that Iranians who initially supported a war against the regime are already tiring of it, having endured almost a week of bombardment with no end in sight. Others argue the opposite: that Iranians fear the war will end too soon, with the regime intact and ready to vent its spleen on its own people.



All of these views could be heard this week in Kapikoy, just across the Iranian border in Turkey. Jasmine and her partner found seats on a passenger train leaving Tehran on March 1st bound for Turkey. The train made it as far as Tabriz, some 200km from the border, before stopping. She waited on board for seven hours before eventually continuing the journey by taxi. Surrounded by snow-capped mountains on the Turkish side of the border, she recalls the sound of air strikes around Tehran. “It was terrifying,” she says, through tears. “I just want a normal country.”

Another woman says she hopes to return soon. “I’m sure in one month I will come back to celebrate our freedom,” she avers. Others anticipate a different reckoning. “America and Israel will pay for what they have done,” says an Iranian shopkeeper heading home after a brief trip.

The regime is keen to project an image of stability. Hours after Mr Khamenei’s death was confirmed a three-man council was named to lead the country, in line with the constitution. Replacements were named for some of the officials killed in the first wave of Israeli strikes. Police and paramilitary forces were deployed in the streets, lest anyone heed Mr Trump’s call to mobilise and “take over your government”. The assembly of experts, a body of 88 regime-approved clerics, began consultations to choose a new supreme leader.

Though they have not announced a decision, there is talk of Mojtaba Khamenei, the second son of the late ayatollah, as a likely choice. It would be a telling one. The elder Mr Khamenei was deeply unpopular, presiding as he did over years of economic crisis, political repression and foreign-policy failures. His son has never held office and lacks a public profile or religious credentials (he is a mid-ranking cleric, not an ayatollah). Even some supporters of the regime would resent a hereditary succession: did they really overthrow the monarchy in 1979 simply to install another one?

What the younger Mr Khamenei lacks in legitimacy, he makes up for in behind-the-scenes support. He spent decades working as his father's aide, forging close ties with the IRGC. His selection would signal continuity. The Guards would remain the locus of power, while the Iranians who have spent years yelling "death to Khamenei" from their balconies would not even have to update their chants.

With its air defences battered, Iran has little ability to fight back against American and Israeli jets. It has not shot down a single one, whereas both Israel and Qatar have downed Iranian warplanes. Instead it has relied on missile-and-drone attacks against Israel, the Gulf states and other targets. Command and control is wobbly: intelligence sources in the region say the regime has given commanders wide latitude to pick their own targets.

There are signs that Iran is already having trouble keeping up its missile fire. On the first day of the war it launched around 180 missiles at Israel and 250 at the Gulf; by day four, those numbers had fallen to the low dozens. Several factors might explain the drop-off. America and Israel are both trying to destroy Iran's launchers. The regime may also be husbanding its long-range missiles in the hope of firing a few big barrages that overwhelm its adversaries' air defences once their stock of interceptors has been depleted.

The six members of the Gulf Co-operation Council (GCC), a club of petro-monarchies, have borne the brunt of Iran's retaliation. The United Arab Emirates (UAE) said on March 4th that Iran had targeted it with 189 missiles and 941 drones in four days. Bahrain, Kuwait and Qatar all report figures in the hundreds; Oman and Saudi Arabia have suffered smaller barrages.

The UAE says it shot down 93% of the incoming projectiles. Though other Gulf countries do not publish detailed figures, Arab and Western officials say they have fared well. Interceptor stocks are closely guarded secrets, but two regional military sources claim they can sustain a weeks-long war at Iran's present rate of fire.



Still, the costs are mounting. At least seven people have been killed and scores wounded. Thousands of flights have been cancelled in some of the world's busiest air-travel hubs. Iran's declaration that the Strait of Hormuz was "closed" to shipping and its attacks on oil and gas facilities and tankers have caused [havoc in energy markets](#). The bill for air-defence interceptors alone has already run into the billions of dollars.

Perhaps the most troubling damage is the hardest to quantify. Gulf states have long cultivated a reputation for safety and stability, which has made them a magnet for rich expats. The UAE, in particular, has drawn everyone from Arabs fleeing the Middle East's many conflicts to Europeans escaping taxes and strict covid-19 restrictions. When Vladimir Putin invaded Ukraine, both Russians and Ukrainians decamped to Dubai. Bad news elsewhere was often good news for the Gulf.

Now the bad news has come home. Many Gulf residents are tense. Some have spent thousands of dollars to hitch rides to Riyadh or Muscat, to get to a functioning airport. In an inhospitable region, where air-conditioning is essential for much of the year and natural sources of drinking water are scarce, the prospect of wider Iranian attacks is alarming: successful strikes on power plants or desalination facilities could be catastrophic.

The Iranian regime hopes that such fears will lead Gulf monarchs to press Mr Trump for a ceasefire. After all, they had spent the previous two months urging Mr Trump not to attack. Yet they have shown more resolve than Iran expected. Saudi Arabia is furious at strikes on its oil refineries and the American embassy in Riyadh's gated diplomatic quarter. There is open talk about whether the kingdom should join the war by launching strikes on Iran's missiles and drones. Similar discussions are taking place in the UAE. Even Qatar, which shares a natural-gas field with Iran and tries to maintain friendly relations, sounds belligerent.

Instead of urging Mr Trump to end the war, Gulf rulers are privately advising him to stay the course. The alternative looks grim. If America ends the war now, Gulf states will be left with a wounded, hostile regime on their borders. Not only that, they argue, Iran will have learned a disturbing lesson: that pounding the GCC is an effective way to change America's behaviour. Should another war break out, the regime will no doubt hit its neighbours harder and faster.

As ever, it is hard to know whether Mr Trump will listen. He says he wants "freedom for the people" of Iran, but also to talk to the regime and cut a deal. The war might be over in two or three days, or last four to five weeks. He has expressed all of these views, sometimes in a single day.

His lieutenants have tried to set narrower aims. Marco Rubio, the secretary of state, says the objectives are to destroy Iran's ballistic-missile programme and its navy; Pete Hegseth, the defence secretary, adds its nuclear capabilities to the list. Military officials rattle off a list of achievements. America has carried out more than 2,000 strikes across Iran. They have sunk more than a dozen Iranian naval ships. On March 4th a submarine torpedoed an Iranian frigate off the coast of Sri Lanka.

If Mr Trump wants anything, it is probably to say he solved a problem that has vexed every president for almost 50 years. The Islamic Republic spread chaos around the Middle East, by arming and encouraging proxy militias. Barack Obama and Joe Biden, with the second Gulf war in mind, tried to negotiate with the regime rather than fight it. Even Mr Trump, in his first term, was hesitant to hit Iran directly: when he ordered the assassination of Qassem Suleimani, an Iranian general, in 2020, it was in Iraq rather than on Iranian soil.

In the new era of open conflict among America, Iran, Israel and the GCC, everyone must confront hard questions. Start with Iran. Some hardliners think the lesson of the past few years is simple: the Islamic Republic should emulate North Korea. Mr Khamenei sought to make it a nuclear-threshold state. His scientists worked to assemble the components of a nuclear bomb, but he never gave the order to build one. For hawks in Tehran, that was a fatal mistake. The only way to deter future American and Israeli attacks, they argue, is with a nuclear weapon.

Building the proverbial “bomb in the basement” is easier said than done, though. The Islamic Republic has been penetrated at every level by Israeli intelligence (Mahmoud Ahmadinejad, a former president, once said that the head of a unit set up to hunt Israeli agents turned out to be one himself). Pragmatists will no doubt argue that Iran should cut its losses and make a deal with Mr Trump. But they would have little confidence that America and Israel would adhere to one.

Gulf states will face their own problems. Contrary to the [unseemly gloating on social media](#) in recent days, the war is unlikely to prove a fatal blow to their reputations. Cities like Dubai still have much to recommend them as business and tourism hubs.

But they will clearly need to take more responsibility for their defence. Gulf armies spend tens of billions of dollars buying expensive weapons but show little martial prowess. Petty feuds between monarchs have slowed efforts to integrate their air defences. In 2017 three Gulf states imposed an embargo on Qatar; the leaders of Saudi Arabia and the UAE were not on speaking terms before the war in Iran.

Whatever happens in Iran, the GCC will need to get serious about everything from defence to emergency preparedness. If the Iranian regime survives, there will be a continued threat of drones and attacks on shipping; if it collapses and chaos ensues, the risks will only multiply.

For Israel this is the fourth war to follow the massacre of October 7th 2023, when Hamas, a Palestinian militant group, killed some 1,200 people. Yahya Sinwar, the Hamas leader who oversaw the assault, hoped to change the face of the Middle East, but this was not the change he had in mind.

Binyamin Netanyahu, Israel's prime minister, has spent much of his career lecturing American presidents on the need to confront Iran. Now he has his moment: his hard-right coalition firmly supports the war, as do nearly all opposition leaders. Mr Netanyahu hopes a successful outcome will convince voters later this year that he has "changed the map of the Middle East", as he often boasts, securing his re-election.

The vote must be held by October. Once the war is over, sources in his Likud party believe he will bring it forward. He may still struggle. Although an overwhelming 81% of Israelis support the strikes, only 38% express high trust in Mr Netanyahu, according to a survey from the Institute for National Security Studies, a think-tank.

America and Israel still need to find a way to end the war—and at some point, their goals may diverge. Some Israelis may want to press ahead until Iran is shattered: watching their main adversary tip into civil war would be an acceptable outcome. That would be far more troubling to America, as a threat to everything from oil markets to global shipping. Conversely, if Mr Trump wants to end the war in a few days, Mr Netanyahu will probably be furious.

All these dilemmas overlap. A weakened but hostile Iran would give Gulf states impetus to bolster their own defence, and perhaps bring them into closer alignment with Israel. If Mr Trump calls time on the war prematurely, meanwhile, the GCC may question the value of its closest alliance: America will have dragged them through a conflict they opposed only to deny them the outcome they sought.

The first Gulf war ended with a big, permanent American military presence in the Gulf. Outraged by the presence of American troops, a young Saudi named Osama bin Laden grew resolved to strike the United States. Sometimes, the end of one war sows the seeds of the next. ■

This article was downloaded by [zlibrary](#), from <https://www.economist.com/briefing/2026/03/05/how-the-latest-regional-conflict-is-reshaping-the-middle-east>

Binyamin Netanyahu is the big winner from the Iran war, for now

To avoid a row with Donald Trump, Western allies are endorsing Israeli theories of war

March 5th 2026



This article was downloaded by [zlibrary](#) from <https://www.economist.com/briefing/2026/03/04/binyamin-netanyahu-is-the-big-winner-from-the-iran-war-for-now>

An AI disaster is getting ever closer

The spat between America's government and Anthropic intensifies an alarming trend

March 5th 2026



Although he was trying to sound decisive, Donald Trump accidentally conveyed something of the world's ambivalence regarding the rapid development of artificial intelligence. On February 27th America's president walloped the "leftwing nut jobs" of Anthropic, an American AI lab that works with the defence department, among other government agencies. "I am directing EVERY Federal Agency in the United States Government to IMMEDIATELY CEASE all use of Anthropic's technology. We don't need it, we don't want it, and will not do business with them again!" he thundered on social media. Yet just a single sentence later he also vowed to "use the Full Power of the Presidency" to compel Anthropic to co-operate with the government for the next six months. Apparently, the nut jobs simultaneously

pose an intolerable risk to the good functioning of the state and are so indispensable to the state's good functioning that they must be forced to work with it, if necessary.

Ever since the capacity of AI to outstrip human capabilities has become clear, the world has been grappling with variations on this dilemma: the technology seems both too potent to pass up and too dangerous to embrace wholeheartedly. Indeed, the row between Anthropic and Mr Trump was sparked by Anthropic's own concerns that its models might be put to nefarious purposes. Mr Trump and his underlings, in contrast, wanted to press on with their deployment with minimal constraints. The frightening irony is that America's government has decided to charge ahead just as AI's power to cause grave harm in the real world, not merely in hypothetical scenarios, is becoming much clearer.

Mr Trump's ire at Anthropic stems from an order he issued last year "to sustain and enhance America's global AI dominance". That prompted Pete Hegseth, the defence secretary, to order "experimentation with America's leading AI models" throughout the armed forces earlier this year. He wants to "accelerate like hell" and has issued a mock recruiting poster of himself in an Uncle Sam pose instructing soldiers, "I want you to use AI." Last year the vice-president, J.D. Vance, dismissed AI safety as a misguided liberal fixation.

Despite the administration's evident haste (or because of it), Anthropic fought to retain legal safeguards to prevent the use of its models in mass domestic surveillance or fully autonomous weapons. The defence department insisted that it should be allowed to use AI in any manner it deems legal and accused Anthropic of "a cowardly act of corporate virtue-signalling" when it refused to back down. Mr Hegseth said he would declare it "a supply-chain risk to national security"—a designation hitherto reserved for foreign firms whose products might be used for spying or sabotage. "No contractor, supplier, or partner that does business with the United States military may conduct any commercial activity with Anthropic," he stated.

The threat to Anthropic is severe. The disputed contract with the Pentagon is worth \$200m—a small sum for a firm recently valued at \$380bn. But Anthropic also has contracts with other government agencies, which are now

in jeopardy. If any firm that does business with the defence department is really forced to cut ties, that would affect not just lots of other customers, but also suppliers and investors. Anthropic argues that Mr Hegseth does not have the power to order any such quarantine, and can only bar the use of Claude to fulfil military contracts.

On March 4th The Economist was invited to Anthropic's offices to speak to Mr Amodei for our weekly "Insider" show. The company appeared hopeful of reaching an agreement with the Pentagon. But shortly before the conversation was due to start, a leaked internal memo derailed plans. In the memo, Mr Amodei blamed the spat on his failure to lavish "dictator-style praise" on Mr Trump, and told staff the defence department had briefed "straight up lies". Anthropic's founders gathered in a boardroom for damage control, and as The Economist went to press, the interview still had not happened.

The fight is not good for the American government, either. In the short term, at least, Anthropic is indispensable. Its large language model, Claude, is exceptionally good at writing computer code. What is more, Anthropic was the only AI lab whose models had been cleared for use on classified military data until late February, when the Pentagon gave xAI, a rival, similar authorisation. xAI's LLM, Grok, is widely considered buggier and less reliable. Although OpenAI, another rival, signed a contract with the Pentagon the same day that Messrs Trump and Hegseth turned on Anthropic, it will not be ready to integrate itself into military systems for some time. Worse, the furore is likely to deter some AI firms from even bidding for government work. Why get involved with a counterparty which may destroy your business if disgruntled? And if the administration's paramount goal is to preserve and extend America's lead in AI, then trying to squash one of the country's most successful AI firms seems obviously counterproductive.

Both sides may be posturing to a degree. The government's fury appears to be driven less by a deep-seated desire to use Anthropic's tools for the disputed purposes than by simple outrage at being told, "No." Unlike the Chinese Communist Party, which can commandeer any product of China's AI industry at whim for whatever purpose it likes, the American authorities must contend with the niceties of the law, not to mention the egos of technology executives. Sam Altman, the boss of OpenAI, says that his firm,

too, would never get involved in mass domestic surveillance or fully autonomous weaponry. But he insists that OpenAI's models feature safeguards to prevent such uses, dispensing with any need for further legal guarantees. In the leaked memo, Mr Amodei reserved his strongest criticisms for Mr Altman, whose messaging was "mendacious", whose technical safeguards were "safety theatre" and whose employees were "a gullible bunch".

Anthropic, for its part, was probably worried about more than two hypothetical uses for its AI. In an industry known for sweeping claims about doing good, Anthropic stands out for its high-minded talk. It was founded by a group of OpenAI employees who worried that their firm was not sticking closely enough to its stated remit of pursuing advanced AI in a safe and responsible way. One of Mr Hegseth's underlings has accused Dario Amodei, Anthropic's boss, of having "a God complex". The sky-high remuneration and intense competition for top engineers in the industry means they can defect to another firm or even retire without hesitation if they dislike something their company is up to. Anthropic is where those who care the most about AI safety tend to end up.

In fact, the row has provided something of a boost to Anthropic's reputation for probity. Within a day of earning Mr Trump's outrage, Claude became the most downloaded free app in America in Apple's digital store. Celebrities such as Katy Perry, a left-leaning pop star, championed Anthropic's products on social media. On Monday Claude briefly crashed—the result, Anthropic says, of a surge in use.

Mr Amodei's fears about mass surveillance sound almost like a sales pitch. He argues that the law has not caught up with the immense power of AI to digest and manipulate data. The technology can seize on the limited instances in which snooping on Americans is legal, he says, and supercharge them into something more sinister. It is as much a compliment to Claude as a concern about civil liberties.

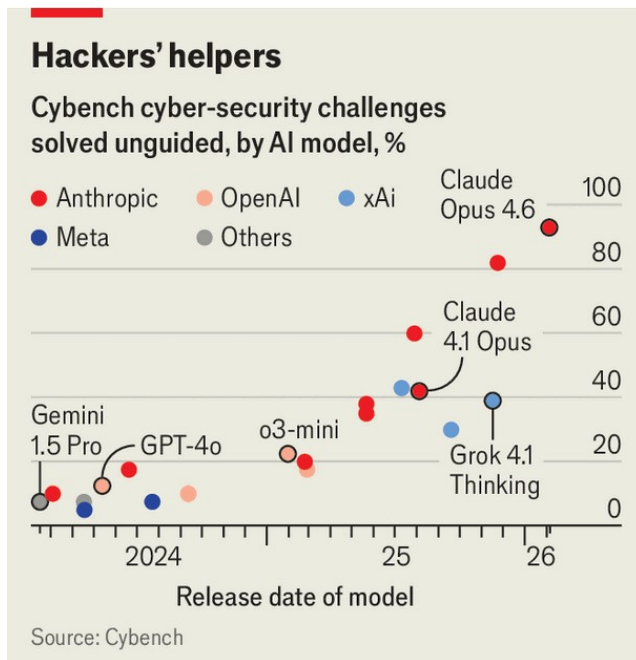
But even if there are ancillary benefits, qualms about the harm AI might do among those who are developing it are both real and rife. Hundreds of employees at OpenAI and Google have signed a public letter urging leadership at both companies to support Anthropic. In 2018 Google had to

back out of a Pentagon contract to use machine learning to analyse footage from drones after an internal revolt. Even Mr Altman has said that declaring Anthropic a supply-chain risk “is a very bad decision”. (He claims he rushed into OpenAI’s contract with the Pentagon only in an attempt to calm things down.)

In private, AI bosses fret about a “Chernobyl moment”, in which the technology is implicated in some sort of deadly or ruinous disaster. The conflict with the defence department heightens the risk: if going slowly and applying limits to the use of your product results in a corporate death sentence from the federal government, only the reckless will survive. The markets are another source of unhelpful pressure: investors are jittery about AI firms burning through cash to make vast investments.

The scenarios keeping AI bosses awake at night are no longer purely hypothetical. “Some of these risks are already materialising, with documented harms,” concluded a recent report on the perils of AI. It pointed to cyber-security and biological weapons as areas where AI’s baleful influence was already apparent.

In February Gambit Security, an Israeli firm, reported that a huge trove of sensitive records concerning taxpayers, voters and civil servants had been stolen from the Mexican government. Although the hackers’ identities remain a mystery, it is clear that Claude was an unwitting accomplice. The crooks tricked it into thinking it was participating in a legitimate test of the targeted servers’ security. It found and exploited vulnerabilities, established backdoors and analysed data to help gain wider access to government systems.



Hackers typically use Claude and other models as assistants, to solve specific coding problems as they write malware, say, or to compose ransom notes. Anthropic's anti-hacker team has cited the example of a North Korean posing as a Western remote worker, who asked the chatbot what an employee he was trying to dupe meant when he said, "We had our first picnic of the season." But some recent hacks have harnessed AI more fully. In November Anthropic described how state-sponsored Chinese hackers disabled the safety features that prevent Claude from writing malware, a process known as "jailbreaking". They then asked it to work out how to hack targeted networks. Within an hour it was running new software to exploit their vulnerabilities. Other models are also talented hackers (see chart).

Even if cyber-security specialists use AI to help find and patch vulnerabilities, there will still be lots of systems running out-of-date software. AI is also getting better at "social engineering": the tactic of breaking into secure systems by persuading users to hand over passwords. As far back as 2024 AI models were already as good as human experts at crafting emails to entice users to click on malicious links, according to research from the Harvard Kennedy School.

Another realm in which AI is making alarming leaps is the development of biological and chemical weapons, which, OpenAI warned in August, creates

a “significantly increased likelihood and frequency of biological or chemical terror events”. Firms that manufacture DNA to order have long been able to check customers’ requests against databases of dangerous genes, making it hard to, say, create a genetically engineered bacterium to produce ricin, a neurotoxin. But in October in a study published in Science, researchers from Microsoft and IBBIS, an international biosafety group, pointed out that improvements in AI-powered protein design make it possible to create genes to produce an analogous toxin that share no DNA with the original gene. Requests to buy such AI-redesigned sequences would not be detected by existing vetting systems, although the researchers did propose a fix.



Anthropic, Google and OpenAI, which are all worried about biosafety, have developed safeguards to prevent their systems from being abused. But the restrictions are not perfect. In mid-February Britain’s AI Security Institute (AISI) published research on a “universal jailbreak” technique which had cracked open systems from both Anthropic and OpenAI. AISI, predictably, had used AI to abet its jailbreaking.

Putting AI to work on AI is another source of concern, since it makes it harder for humans to understand what is going on. In February Anthropic admitted that it uses its own models in this way so much that it may not spot if they begin to diverge from what they should be doing or start building

future versions that are less willing to follow human instructions. Such “sabotage” has become more likely since the company’s latest models have started to demonstrate “situational awareness”: when placed in a contrived scenario to check whether they will abide by instructions to, say, delete themselves, they explain that they realise the instructions are probably a test. Although Anthropic has published a report on sabotage that concludes the risk is very low, others disagree. “We are racing towards closing a loop that we know is extremely difficult—if not impossible—to control and secure by design,” says Cyrus Hodes, the co-founder of AI Safety Connect, a think-tank. “And the people closing it are calling for help.”

Yet even as the risks of AI development intensify, the pressure to minimise them is dissipating. Chinese labs have never shown much concern about AI safety. When DeepSeek R1 was released to great acclaim just over a year ago, the accompanying paper did not mention safety concerns at all. It was almost a year before the company released a revised version of the report which included an 11-page appendix on safety. But that dwelt mostly on DeepSeek’s efforts to prevent the model from saying offensive or upsetting things.

Even if China’s AI firms paid more attention to safety, the leading lights of its industry, including startups such as DeepSeek and Moonshot and established firms such as Alibaba, have adopted an open-source approach to AI. They provide the models they produce free of charge to anyone with the hardware to download and run them. That makes it difficult to control how the models are used. Many of the safeguards a lab like OpenAI applies to its most powerful systems, such as automatically monitoring user conversations and intervening if they break safety policies, are not possible with open-source models.

But Western firms are not immune to commercial and political pressure to cut corners on safety. Last week even Anthropic watered down a policy not to release potentially dangerous models. Now, it says, it promises only not to be the first AI firm to sell such systems, on the grounds that there is no point in restraining itself unilaterally. The company’s efforts to raise money have followed a similar trajectory. In 2024 it rejected an investment from Saudi Arabia. A year later, it reversed course. “I think ‘No bad person should ever

benefit from our success' is a pretty difficult principle to run a business on," Mr Amodei said in yet another leaked memo.

A few years ago, according to Mr Amodei, discussion of AI was too focused on risk. In 2023 Rishi Sunak, Britain's prime minister at the time, convened a global AI Safety Summit to discuss the problem. That event morphed first into an "Action" Summit in Paris and then, last month, into an "Impact" Summit in Delhi. "AI opportunity, not AI risk, is driving many political decisions," Mr Amodei has warned. "This vacillation is unfortunate, as the technology itself doesn't care about what is fashionable, and we are considerably closer to real danger in 2026 than we were in 2023."

AI-safety organisations, including state-backed outfits like AISI and independent ones like METR, which is based in California, continue to monitor systems and flag risks. But these oversight groups do not appear to have any purchase on policy. "We've crossed so many red lines," says Nicolas Mialhe, the co-founder of AI Safety Connect, which convenes meetings on the subject. "Remember the Turing test? What happened to it? We passed far beyond it. Remember red lines on autonomous lethal systems? They're being deployed in Ukraine on both sides. The red lines keep moving."

At the summit in Delhi, the Indian government secured agreement from the biggest AI companies merely to monitor AI development for risks, not to restrain it in any way. Even more tellingly, at the culmination of the event, Narendra Modi lined up a who's-who of AI bigwigs and encouraged them to hold hands. It might have been a reassuring signal to the world that the industry was capable of cool-headed co-operation, had Messrs Altman and Amodei, side-by-side on stage, not refused to join in. ■

United States

- [Donald Trump bets big on the Iran war](#)
- [States are embracing the MAHA food agenda](#)
- [Gavin Newsom wants to reintroduce himself](#)
- [A once-proud tradition is becoming awkward for elite universities](#)
- [The modest start of America's foreign forays](#)
- [In Iran, Donald Trump is making history](#)

United States | Wagering it all

Donald Trump bets big on the Iran war

If it fails to pay off politically, will he cut his losses or double down?

March 5th 2026



WHEN HE RAN for president ten years ago, Donald Trump rejected the sort of military adventurism that had squandered American blood and treasure in distant conflicts. On the campaign trail in 2024, he boasted that he had not started any new wars during his first term. He promised to govern as a “peace president”. Yet by unleashing the most consequential war in the Middle East in two decades, Mr Trump has made a mockery of that pledge. He is now a war president.

The campaign against Iran is the biggest gamble of his presidency. Mr Trump’s [approval ratings](#) have continued to slide in recent months. Issues that once buoyed him—such as the economy and immigration—have become liabilities. Republicans face the prospect of a drubbing in the

midterms. Against this bleak backdrop, Mr Trump is tying his legacy—and perhaps his party’s fate—to a conflict with vague aims and grave risks.

The administration vowed that this war would be different. And in many ways it has been. Within 24 hours of the first bombs being dropped, America and Israel had wiped out the top layer of Iranian leadership, including Ali Khamenei, the supreme leader. Israel claimed to have destroyed half of Iran’s missile launchers. By March 4th, five days into the war, America said it had struck more than 2,000 targets and destroyed over 20 Iranian ships. Iranian missile launches have slowed dramatically since the first days of the conflict.

That success has come at a cost. In the first week of the conflict, six American soldiers were killed and several aircraft shot down by friendly fire over Kuwait. As Iran retaliates, the administration has urged Americans to leave 14 countries in the region and closed its embassies in Lebanon, Saudi Arabia and Kuwait. Drone strikes hit the latter two and the area around America’s consulate in Dubai.

Iran may be wounded, but it can still hurt its enemies through what analysts call [“horizontal escalation”](#). Its drones and missiles continue to strike targets across the region. As its arsenal dwindles, the regime is seeking to impose economic pain. “We will attack oil pipelines and not allow a single drop of oil to leave the region,” said a senior Islamic Revolutionary Guard Corps official on March 2nd. Iran has warned ships against venturing into the Strait of Hormuz, through which roughly 20% of the world’s oil and gas flows. The disruptions are a nightmare for energy markets and for the global economy.

Mr Trump now says the war could last “four to five weeks”—or “far longer”. The lack of clarity extends to the conflict’s cause and aims, with officials offering overlapping, at times contradictory, explanations. The president has urged Iranians to rise up, and called for peace throughout the Middle East. Yet his secretary of war, Pete Hegseth, insists this is not a regime-change conflict. Mr Hegseth and others in the administration—perhaps the president included—would be satisfied with devastating Iran’s nuclear, naval and missile capabilities and curbing its proxy militias. But

with no timetable and no formal authorisation from Congress, what was billed as a limited war is beginning to look like an open-ended campaign.

Many Americans believe it did not need to happen. Whereas the wars in Afghanistan and Iraq began with deep reserves of public enthusiasm, this one began with little support. Just 27% of Americans thought the country should attack Iran, according to an Economist/YouGov poll conducted a week before the first strikes. A new survey conducted from February 27th to March 2nd showed little sign of a rally-round-the-flag effect: support rose by just five percentage points. There is scant evidence that voters accept the administration's claim that Iran posed an imminent threat.

Congressional Democrats are not buying it either. They sought to reclaim Congress's constitutional authority to declare war by advancing a resolution requiring Mr Trump to obtain formal approval before continuing military action. The Senate voted against it. Many Democrats nevertheless seem hesitant to oppose the war outright, perhaps fearing they will end up on the wrong side of a successful campaign or be accused of aligning with a murderous, anti-American regime. The killing of Khamenei has only deepened that caution.

Elected Republicans have fallen into line behind the war. There has been little sign of the split within the MAGA movement between its isolationist and interventionist wings. Some figures in the MAGA media sphere, including Tucker Carlson and Marjorie Taylor Greene, have voiced objections. Yet even the America First faction appears willing, for now, to give Mr Trump leeway. If the campaign is short and its costs limited, his coalition may hold.

That, of course, is the gamble. Criticism of the war may so far be muted, but that does not mean it commands deep support. American casualties have already occurred and markets have been jolted. Democratic opposition will grow louder as the war drags on. Independents are likely to drift further away. Even some on the right could sour quickly if the situation worsens—and there are many ways it could.

First consider the economic danger. Mr Trump was elected on a promise to lower prices and improve the economy, the issues voters cared about most.

They are already dissatisfied with his performance. The inflation rate has ticked down, but not enough to satisfy the public. Now the conflict risks making matters worse. To mitigate rising energy prices, Mr Trump says America will provide state-backed insurance and—“if necessary”—[naval protection](#) to commercial shipping in the Gulf. But if Americans see prices at the pump and their energy bills climb—to say nothing of the billions spent sustaining America’s military presence in the Gulf—the war in Iran will become a kitchen-table issue.

The second risk is uncertainty. The president has warned Americans to brace for casualties. “Sadly, there will likely be more before it ends,” he said on March 1st. “That’s the way it is.” Though Mr Trump appears determined to rely on air power to avoid the gruelling counter-insurgency campaigns that turned Americans against previous wars, he has not ruled out deploying ground troops.

Some in the administration seem to hope that an Iranian equivalent of Delcy Rodríguez, a regime insider who took over Venezuela after America removed Nicolás Maduro in January, might emerge. But no single figure is strong enough to seize power, and Mr Trump has said that several potential leaders have already been killed in the attacks. He has described regime change as “the best thing that could happen”—a course that could send Iran into civil war and sectarian bloodshed.

Even what the White House might describe as victory in Iran would be unlikely to boost his standing at home by much. Mr Trump saw no significant or lasting bump in popularity after his strikes on Iran’s nuclear sites last June, which he hailed as a “spectacular military success”, or after his operation in Venezuela. For most Americans, foreign policy is not a pressing concern. In fact, an Economist/YouGov poll taken in January found that a plurality of Americans would prefer Mr Trump to spend less time on it and more on domestic issues, especially the economy.

That raises a larger question. If the war does not yield the political dividend Mr Trump seeks, what will he do? “I can go long and take over the whole thing, or end it in two or three days,” he said at the start. More than anything, Mr Trump yearns to be a winner in everything he undertakes. If his supporters think his war is a bust, can he bear to cut his losses, or will he

dig himself in deeper? The answer may depend less on what happens in Iran than on his tolerance for political risk. ■

Stay on top of American politics with The US in brief, our daily newsletter with fast analysis of the most important political news, and [Checks and Balance](#), a weekly note that examines the state of American democracy and the issues that matter to voters.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/united-states/2026/03/03/donald-trump-bets-big-on-the-iran-war>

United States | March of the granola warriors

States are embracing the MAHA food agenda

Robert F. Kennedy junior and company have built a powerful coalition

March 5th 2026



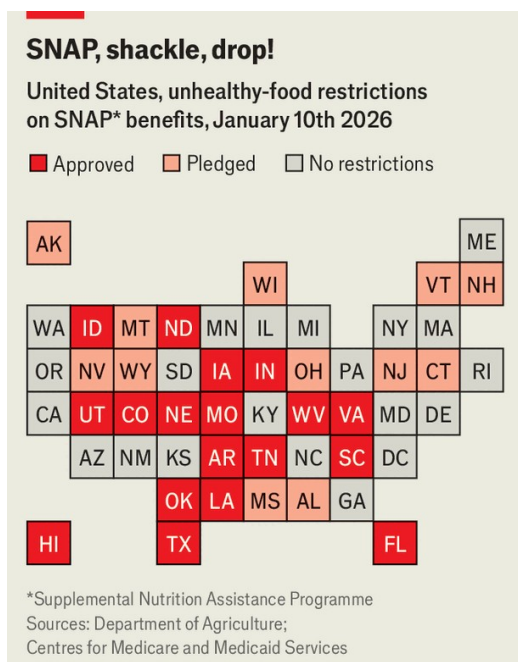
IT IS NOT often that corporate lobbyists cry out for more federal regulation for their firms. “This is a unique situation,” acknowledges John Hewitt of the Consumer Brands Association (CBA), which represents General Mills, Kraft Heinz and PepsiCo, among others. The group is pushing for a new national labelling standard. This is not simply gallantry to help consumers make informed choices. It is an effort to avoid a patchwork of state-level food-label laws.

New labelling rules are part of a wave of novel state-level food laws inspired by the Make America Healthy Again (MAHA) movement. At the federal level, many MAHA supporters are furious at Donald Trump’s recent backing of glyphosate, a common fertiliser and a long-running target of the

movement. But look to state houses and MAHA, championed by Robert F. Kennedy junior, Mr Trump's health secretary, is having significant success.

Last year, by Mr Hewitt's count, lawmakers introduced 150 food bills in 41 states. The bills are diverse and ambitious: some look to ban some additives entirely, others just in school meals. The most common change stops junk food being bought through benefit programmes. In state capitals MAHA has created bipartisan coalitions, bonding longtime wholegrain hippies with newly emboldened corporation-sceptic conservatives.

Regulating food has long been a state and federal partnership, says Andy Baker-White of the Association of State and Territorial Health Officials, but 2025 brought "an explosion of bills". As a result, from next year Texas will require labels warning that in other countries certain ingredients are "not recommended for human consumption". West Virginia has enacted a law banning seven food dyes from school meals. California has come up with a statutory definition of ultra-processed food and will ban such items from school meals by 2035. The variety of laws suggests an aptly organic growth, rather than a template seeded across the country.



One of the most widespread changes is to the Supplemental Nutrition Assistance Programme (SNAP), once known as food stamps. Fully 30 states

have committed to excluding some junk food and eight have already enacted the change (see map). The rules vary widely: some states only exclude fizzy drinks, others also sweets. Iowa is blocking everything that does not have state sales tax, creating a surreal shopping list where granola bars are out, but ice cream is fine. These changes have been egged on by the administration, which has tied some health funding to enacting such policies.

Food regulation used to be a left-wing concern. “If you go back 15, 20 years, there was legislation in states to limit the use of red dyes and so forth,” recalls Mr Baker-White. “But they were primarily sponsored by Democrats.” The bills did not take off. Now MAHA mums and Mr Kennedy’s charisma have pushed Republicans into action. “He’s made it cool. He’s made it Trumpy,” says Ken Cook of the Environmental Working Group, a long-standing opponent of many food additives.

Mr Kennedy has made a point of touring states, encouraging legislatures to pass various MAHA food bills. “When we hold conferences, there are probably as many individuals who are Democrats as there are Republicans,” says Jonathan Emord of the Alliance for Natural Health-USA, which supported Mr Kennedy’s nomination. Many of the bills were passed with bipartisan support. Big retailers are also taking action: Axios, a politics news site, reported on February 27th that Target will require all breakfast cereals to stop using certified synthetic colours by the end of May.

After a slow start, Big Food is fighting back. In West Virginia and Texas trade groups have filed lawsuits against the new laws, arguing that labelling requirements violate their freedom of speech and that additives are regulated at the federal level. But scholars at Harvard have found that states are on solid legal ground when it comes to rules about labels and additives.

Food manufacturers are stepping up their lobbying efforts. They have banded together to create Americans for Ingredient Transparency to push for a national standard. Their lobbyists threaten that complying with state regulations would raise prices by an eye-watering amount.

What impact might these changes have on health? America has had generous standards on additives in the past, often allowing firms to [self-regulate](#). But knocking off additives one by one and state by state will be

slow to create change. In the car industry, manufacturers have opted to obey California's high standards nationwide, rather than tailor vehicles just for the state. That might not work in food, say experts.

SNAP researchers have long been curious about the impact of banning fizzy drinks. Some researchers have found that, when paired with incentives to buy fruit and vegetables, a soda prohibition can improve diet. But the changes also come at a time when cuts in Mr Trump's One Big Beautiful Bill reduce spending on SNAP by about 20% by 2034. MAGA does not always help MAHA. ■

Stay on top of American politics with The US in brief, our daily newsletter with fast analysis of the most important political news, and [Checks and Balance](#), a weekly note that examines the state of American democracy and the issues that matter to voters.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/united-states/2026/03/05/states-are-embracing-the-maha-food-agenda>

United States | The king of California

Gavin Newsom wants to reintroduce himself

The governor has become the de facto leader of the Democratic Party

March 5th 2026



BEFORE THERE are presidential-election campaigns, there are pre-campaigns. This period is replete with magazine profiles of would-be candidates, talk-show appearances and—often—political memoirs. These books usually range from bad to embarrassing (Kristi Noem, now the homeland-security secretary, bragged about shooting her dog). But occasionally they are compelling, like Barack Obama’s “Dreams from My Father”.

Now it is Gavin Newsom’s turn. The two-term, 58-year-old governor of California admits that he drew inspiration from Mr Obama’s meditation on identity. “Young Man in a Hurry” is better than most political confessionals thanks in large part to Mr Newsom’s ghost writer, Mark Arax, an evocative

chronicler of California. It is part family history, part accidental ethnography of San Francisco's upper crust. But mostly it is an attempt to convince Americans that the slick politician they see hawking \$100 knee-pads ("for all your grovelling-to-Trump needs") has known struggle. How well he tells this story matters. Polls have Mr Newsom as the favourite to become the Democratic Party's nominee for president in 2028.

The Newsoms were around wealth but not of it. The governor's father was the "best-best friend" of Gordon Getty, the son of J. Paul Getty, an oil tycoon. Their friendship afforded access to opulence. Among the Getty vacations the Newsoms tagged along on were an African safari and a Spanish princess's coming-out party.

It is this proximity to wealth that Mr Newsom is at pains to contextualise. The book's main goal, it seems, is to dispel the caricature of the governor as born with a silver spoon. His life with his mother, with whom he lived when not jet-setting with the Gettys, was middle-class. He bused tables at the restaurant where she worked. The family rented out spare rooms. But his father's connections helped kick-start his career. The Gettys were early investors in his wine and restaurant ventures. John Burton, a crotchety operator of California's political machine, would accompany Newsom senior to his son's basketball games.

Another struggle, with dyslexia, still affects the way Mr Newsom talks and consumes information. The governor tends to use awkward turns of phrase: "in the context of" and "through the prism of" are favourites. He says he memorised the dictionary as a young man to mask his disability. "I'm still a guy in the back of the room in school scared that Mr Morris is going to call on me...to read a paragraph in a book," he tells *The Economist*.

Mr Newsom and his friends explain his theatrics, since childhood, as an overcompensation for introversion that stems from his dyslexia. Others call it attention-seeking. As mayor of San Francisco he visited murder scenes to put pressure on the police. As governor he cleaned up a homeless encampment himself in Los Angeles. There were, naturally, cameras around.

On his podcast, "This is Gavin Newsom", the governor often asks his guests some version of "What was your why?"—the reason they pursued politics.

He rarely answers that question himself. So we asked him. “My why is standing up for ideals and striking out against injustice,” he says.

The phrase comes from Bobby Kennedy’s “ripple of hope” speech, delivered at a university in South Africa in 1966. Kennedy is Mr Newsom’s hero. Photos of his funeral hang in the hallway by his office in Sacramento. Lori Puccinelli Stern, one of the governor’s closest friends, remembers being forced to listen to Kennedy’s speeches throughout a four-hour drive to Lake Tahoe. “Then after a speech, he would quiz me,” she says, still exasperated.

Mr Newsom is not ideological. He was schooled in politics by Willie Brown, a former mayor of San Francisco who, at 91, remains among the shrewdest of practitioners. The future governor was appointed to the city’s board of supervisors because Burton picked him. “What he believed in wasn’t important,” says Mr Brown. The mayor expected loyalty and Mr Newsom delivered—with one, brief, exception. In 1997 he unknowingly broke with Mr Brown over a measure to finance a new stadium. After an angry call from Burton, the new supervisor got right with the mayor. “I just explained to him how soon we’d be doing his eulogy,” Mr Brown recalls, with a smile.

Mr Newsom made an enemy of Big Oil by restricting drilling in California. But when refinery closures threatened to raise prices last year, he pushed for new drilling permits in [oil-rich Kern County](#). Environmentalists were livid. Kern’s oilmen welcomed the news—though not without cynicism. “He wants everybody to like him so he can run for president,” says one of them.

There is a risk that adaptability makes Mr Newsom seem like a flip-flopper. Some on the left turned on him last year after he said that allowing trans athletes to compete in women’s sports was “deeply unfair”.

Running California is both excellent training for higher office and a great liability. Slandering the Golden State is Republicans’ favourite sport. “We’re everything they hate, all wrapped up into one big, gigantic, pluralistic, important state,” says Jason Elliott, an ex-adviser to Mr Newsom.

It doesn’t help that the governor’s record is mixed. He has [cut red tape](#) to build housing and become an ally of the YIMBY movement. But those

reforms will take years to bear fruit, and in the meantime housing prices are among the country's highest. Unsheltered homelessness (sleeping rough or in improvised locations) has recently dropped. But overall homelessness was nearly 24% higher in 2024 than in 2019, even though the state threw more than \$24bn at the problem. High spending despite California's volatile revenues has led to structural deficits.

Mr Newsom has not needed to elucidate his agenda or explain his record to become the face of the anti-Trump resistance. He tangled with the president during his first term yet had genial discussions with him as recently as after the Los Angeles fires of January 2025. Things changed when Mr Trump sent National Guard troops to LA last June to counter [protests against immigration raids](#). "I don't wake up every day with a crowbar to put in the spokes of the Trump wheel," says Mr Newsom. "But I also know this: you can't work with him, you can only work for him."

Pundits tend to divide Democratic candidates into two groups: moderates who can appeal to the centre and progressives who excite the base. Mr Newsom scrambles this dichotomy. He is portrayed as a left-winger but is a creature of the establishment, and as governor has checked the worst impulses of the Democratic supermajority in the legislature. Yet Democrats in 2028 may be leery of nominating another machine politician from San Francisco after the defeat in 2024 of Kamala Harris.

Mr Newsom has ruminated on why Ms Harris lost and decided that, above all, Americans see Democrats as weak. That diagnosis helps explain his recent gambits and internet trolling. Championing Proposition 50 (California's response to the [Republicans' redistricting ploy](#) in Texas) proved that he can lead a campaign with national stakes. He parodies Mr Trump's social posts, goading MAGA's keyboard warriors to respond. "TINY HANDS IS OUT HERE COPYING ME—BUT WITHOUT THE STAMINA (SAD), AND CERTAINLY WITHOUT THE 'LOOKS.' TOTAL BETA!—GCN."

Mr Newsom insists that he has not decided whether he will run for president. Mr Brown hopes he will. But he offers his protégé a warning: "In the world of politics, you got to be a better listener than you are a talker." ■

Stay on top of American politics with The US in brief, our daily newsletter with fast analysis of the most important political news, and [Checks and Balance](#), a weekly note that examines the state of American democracy and the issues that matter to voters.

This article was downloaded by [zlibrary](#), from <https://www.economist.com/united-states/2026/03/01/gavin-newsom-wants-to-reintroduce-himself>

United States | Making waves on campus

A once-proud tradition is becoming awkward for elite universities

The slow demise of the swim test

March 5th 2026

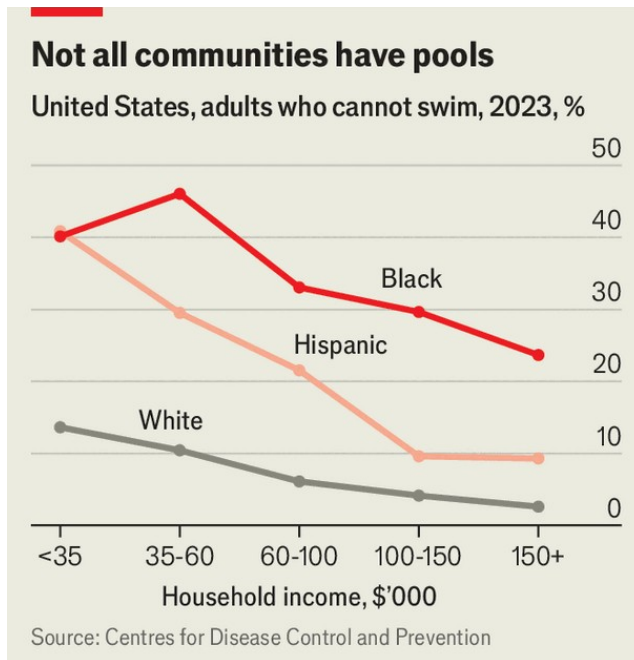


THIS SPRING Dartmouth College will graduate a class fluent in literature, science, writing and foreign languages—but, for the first time in more than a century, not necessarily able to swim. Since the early 1900s the [Ivy League university](#) has required undergraduates to swim 50 yards, equivalent to a lap, before receiving a diploma. But in 2022 the faculty voted to scrap the test, beginning with this year's seniors. Dartmouth joins a handful of other elite institutions that have abandoned their swimming requirements in recent years, including Williams (2022), Hamilton (2023) and Washington and Lee (2024). The shift says less about the merits of staying afloat than about universities' preoccupation with racial equity.

Swim tests were once commonplace on American campuses. Cornell University introduced the requirement in 1905 at the urging of Frank Barton, an army officer and professor who argued that a soldier who could not swim was dead weight to his unit. Princeton University, which added its swimming requirement in 1911, prided itself on having one of the most demanding tests, requiring students to swim a full 220 yards. By 1913 the New York Times observed that “there is scarcely a college which does not prescribe a course in physical education and make swimming an essential part of the course”.

Like many campus traditions, swim tests accumulated their share of folklore over the years. At Harvard it is often claimed that Eleanor Elkins Widener, an heiress who donated \$2m to build the university’s flagship library, demanded the school adopt a swimming requirement in memory of her son Harry, a 1907 graduate who died on the Titanic. That is almost certainly untrue. But reports of students taking the tests naked are well documented.

Over the years budget pressures and waning administrative enthusiasm led many schools to abandon their swimming requirements. A survey conducted in 1977 by researchers at Temple University found that 42% of four-year universities still mandated a swim test for graduation. In 1997 researchers at North Carolina State University estimated that just 5% of four-year universities had such requirements. By the 2010s most colleges had dispensed with the tests, deeming them anachronistic, cumbersome to administer and difficult to enforce. Among the last remaining holdouts (apart from the service academies) are Berea, Bryn Mawr, Columbia, Cornell, MIT and Swarthmore.



In recent years the focus has shifted from the cost and inconvenience of swim tests to the uncomfortable racial disparities they reveal. Swimming ability in America remains sharply divided along racial lines. According to the Centres for Disease Control and Prevention, black children aged five to 14 are more than five times as likely to drown in a swimming pool as their white counterparts. Black adults are more than five times as likely as whites to report that they cannot swim. The gap cannot be explained by differences in income alone. Even the most well-off black adults are less proficient in the pool than the poorest whites (see chart).

These days such disparities make universities uneasy. Williams College found that between 2013 and 2019, 81% of those who failed its 50-yard swim test were students of colour. After a university committee deemed this “problematic” in 2022 the faculty voted to scrap the requirement, citing its “disparate impact” on minority students. “You’re reinforcing systemic oppression in some ways,” the school’s athletic director told the Chronicle of Higher Education. When Dartmouth eliminated its own swim test later that year, school administrators offered a similar explanation, noting that those who failed were “overwhelmingly students of colour”.

Not all universities are shying away from the controversy. In 2024 a Cornell faculty committee voted to retain the university’s swim requirement. In its

resolution the committee acknowledged racial disparities in swimming ability but argued that the test should remain precisely in order to help narrow them. “By providing formal swimming instruction”, the committee concluded, “Cornell is doing its small part to help right the wrongs of US history and close the racial gap in accidental drowning in this country.” ■

Stay on top of American politics with The US in brief, our daily newsletter with fast analysis of the most important political news, and [Checks and Balance](#), a weekly note that examines the state of American democracy and the issues that matter to voters.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/united-states/2026/03/04/a-once-proud-tradition-is-becoming-awkward-for-elite-universities>

United States | Monument of the moment

The modest start of America's foreign forays

Commemorating the first amphibious assault

March 5th 2026



AMERICAN FORCES are nowadays capable of plucking a president out of Caracas and amassing an armada to strike Iran. The modest beginnings of such military reach go back to the war of independence. On March 3rd 1776, at a time when the Continental Army was short of gunpowder, a force of about 270 marines and sailors under Captain Samuel Nicholas made the first amphibious landing in American history on New Providence island in the Bahamas. Transferred from several ships of Commodore Esek Hopkins's squadron, the force seized Fort Montagu and Fort Nassau from the British and raised the Grand Union flag. They captured a haul of supplies, including 88 cannon, 15 mortars and 24 barrels of gunpowder.

Now, 250 years on, a monument to America's "first amphibious assault" is about to be inaugurated at the entrance to the fishing pier in Pompano Beach, Florida. It is an initiative of the Florida Society of the Sons of the American Revolution (FLSSAR), a historical association. The new monument, a 20-foot obelisk flanked by (for now) Grand Union flags, stands between two restaurants, Oceanic and Lucky Fish, against a backdrop of palm trees and the Atlantic.



Why Pompano Beach? It is relatively close to New Providence island (a plaque points out that the assault took place 190 miles south-east of the monument). The popularity of the pier, which gets about 230,000 visitors a year, means the obelisk will be noticed. And the city, says Sandra King, Pompano's co-ordinator for the project, was keen to have an extra attraction for its tourist area. She believes some people connected to the armed services will come specially to see what the organisers claim is the southernmost monument to any revolutionary event in the continental United States.

The Marine Corps History Division, in an anniversary book published last year, lists the capture of Fort Nassau as the second item in its chronology of events in the 250-year life of the service. "It's honestly a very little-known event in the American revolution, but a fairly significant one in the history

of the US Marine Corps,” says Chris Washler, FLSSAR’s president. It raised the morale of George Washington’s forces, he says, as well as bulking up their munitions—but above all, it was America’s first landing on foreign soil.

“It’s good to remember how we got our freedom,” says Victoria Thomson, a local resident, observing the almost finished monument. A ribbon-cutting ceremony is planned for March 14th. Henceforth, as they eat their blackened mahi-mahi sandwiches, the open-air diners at Lucky Fish can look across at the obelisk and reflect on a small but evocative chapter of the American story. ■

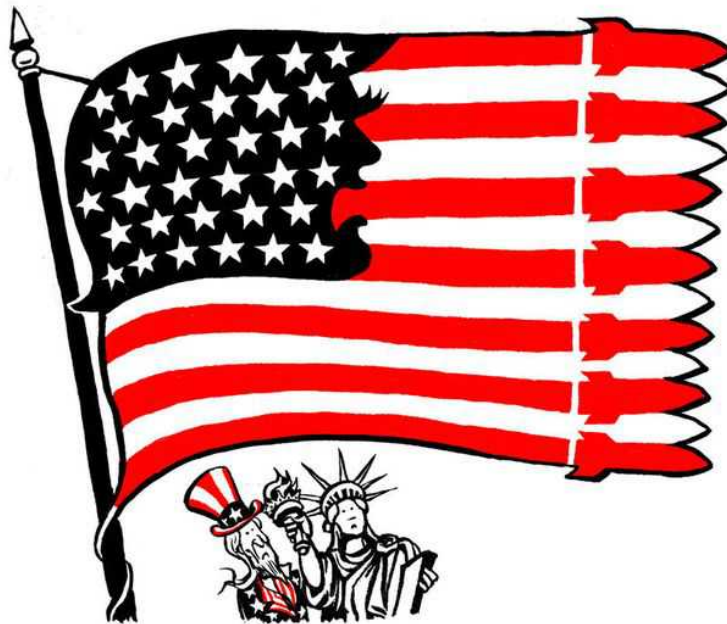
Stay on top of American politics with The US in brief, our daily newsletter with fast analysis of the most important political news, and [Checks and Balance](#), a weekly note that examines the state of American democracy and the issues that matter to voters.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/united-states/2026/03/02/the-modest-start-of-americas-foreign-forays>

In Iran, Donald Trump is making history

Too bad he has so little appreciation for its lessons

March 5th 2026



Go ahead, you long-suffering critic of Donald Trump, and name the hypocrisy that most infuriates you. Yes, Mr Trump once warned that Barack Obama would attack Iran because of “his inability to negotiate properly”. Yes, as recently as last May Mr Trump derided “interventionists” for “intervening in complex societies they did not even understand themselves”. And, granted, there’s all that “president-of-peace” hooey.

As you’re getting that off your chest, you might also describe how he has tied himself in knots while unspooling his many rationales for waging war, together with Israel, on [Iran](#). How can he fear a nuclear programme he “obliterated” a few months back? How can he warn that Iran might soon rain intercontinental ballistic missiles on America when the Defence Intelligence

Agency said such weapons were ten years away, provided Iran actually decided to build them? And can this really be the same Donald Trump who used to ridicule the regime-changing, democracy-building visions of “neocons”—and now tells the Washington Post, “All I want is freedom for the people”?

It is the same Mr Trump, so steel yourself. Though you can await contortions from lesser America Firsters, such as poor J.D. Vance, do not expect Mr Trump to bother trying to reconcile present practice with past positions. He has always been the most opportunistic of men. He did not become a crypto billionaire by hewing to his public contempt for cryptocurrencies as scams “built on thin air”, just as he did not achieve his astounding political comeback, after trying to thwart the transfer of power in 2021, by following any rulebook or, indeed, adhering to any principle—no principle, that is, beyond winning, as he defined it.

Consider, critic, that this war on Iran may succeed. Maybe Mr Trump will end its nuclear threat for ever, eliminate America’s most vicious adversary, even set Iranians free at last. What will you say then? Probably that you do not mind what he did, just the way he did it. That is usually the last redoubt of the process-driven and the timid, also known as Democrats. Fear not: [chances are the war will leave a mess](#). But that only sharpens the question of why Mr Trump would risk sending American forces back into combat in the Middle East.

First, Mr Trump is acting, as in Venezuela, not because the adversary is strong—bristling with ballistic missiles and tingling with enriched uranium—but because it is weak. (Cuba: take note.) Since the attack by Hamas on October 7th 2023, Israel’s fearsome campaign against Iran’s proxies has vitiated its capacity to sow mayhem in the region. The Israeli and American strikes last year degraded Iran’s own defences. Against that backdrop, Mr Trump saw a chance of a swift knockout.

The president is also acting because he has learned from his first term. Then, he dithered. Insisting he could make a deal “in a day”, he dispatched one emissary after another to negotiate, fruitlessly. He ordered a reprisal strike, then cancelled it at the last minute for fear of Iranian casualties. His chief advisers were divided. Mr Trump’s four-year interregnum gave him time to

brood, plan and accumulate acolytes. This time, for better or, probably, for worse, he is certain of his judgment, and his aides do not argue back. Rather than keep negotiating, he appears to have concluded he could not reach a better deal than the one Mr Obama struck—and which Mr Trump recklessly abandoned in his first term.

Mr Trump is acting, as well, because of ways in which he has not changed. His worldview was forged in the 1970s, years of [oil shocks](#), inflation and humiliation when Iranian revolutionaries stormed the embassy in Tehran and took 52 Americans hostage. Mr Trump cited that episode in announcing his air war on February 28th. In an interview in 1980, he called the hostage-taking “a horror”; he said America should have invaded Iran and made itself “oil-rich”. Years later he would say America should have kept Iraq’s oil and Syria’s oil after sending troops to those countries; he has now secured some of Venezuela’s oil. By contrast, his silence about Iran’s oil, despite his many other rationales for this war, has been conspicuous. One might almost suspect someone persuaded him to shut up about it. It would break an old pattern if he did not hope for an eventual drop in the price of oil and even enhanced American leverage over global supply.

Last, Mr Trump is an old man in a hurry. He has been worrying publicly not only over how a Democratic wave in the coming midterms might constrain his administration, but also over whether he will make it to heaven. He is transforming the White House, planning a giant arch in Washington and renaming institutions after himself. Just as he capriciously levied tariffs on adversary and ally alike, extracting short-term benefits without regard for long-term damage to America’s alliances and global standing, he is flouting international law and norms to make his mark, asserting American might in its interests as he sees them. He is resurrecting the idea of America as the global policeman, while also appointing himself sole judge and executioner.

One can respect Mr Trump’s audacity in identifying ossified problems, whether government inefficiency, overregulation or the Iranian regime, while lamenting his lack of strategy and follow-through. After attacking Iran, the president mused publicly over what his end-game might turn out to be. Maybe he would “take over the whole thing”, he told Axios, or just stop fighting and attack again if necessary. He is a most consequential president, to be sure, but, beyond his next glorious victory in tomorrow’s fight, he is

strangely lacking interest in what the consequences might ultimately be. Mr Trump has made himself a world-historical figure, yet with no appreciation for history's tragic lessons. ■

Subscribers to The Economist can sign up to our [Opinion newsletter](#), which brings together the best of our leaders, columns, guest essays and reader correspondence.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/united-states/2026/03/02/in-iran-donald-trump-is-making-history>.

Essay

- [A house divided](#)
- [The Indian Removal Act: unchecked expansionism and disregard for the rule of law](#)

But the reality of Jacksonian democracy fell short of its ideals on a few fronts. Jackson reinforced the exclusion and subjugation of women, black Americans—enslaved and free—and Native Americans. And his rewarding of loyal supporters with government jobs concentrated more power in the presidency, intensified partisan polarisation and encouraged incompetence and graft. Fortunately America would eventually fix all those problems for good.

1830 Trail of shame

Native Americans already got a raw deal from the new Americans long before Jackson became president. European settlers brought with them smallpox and measles, then war and displacement. But things got a lot worse in the 1830s. Jackson's Indian Removal Act, which Congress narrowly passed in 1830, banished 60,000 Native Americans from their ancestral lands east of the Mississippi River. A Supreme Court ruling in 1832 should have protected tribes from being kicked off their land but Jackson ignored it, a defiant precedent that would inspire future presidents. Thousands died on the forced march west, known as the "Trail of Tears". Native Americans were given territory where they ended up, but that would later be taken from them too, as white Americans kept moving west. The term "manifest destiny", coined in the 1840s, gave this expansion a sense of evangelical purpose: it was not only inevitable, it was divine providence.

1840s Before there was ICE

More than 4m people came to the United States in the 1840s and 1850s—equivalent to roughly a quarter of the population in 1840. This wave of immigrants was dominated by Irish and German Catholics, a contrast to the country's mostly Protestant, English-speaking inhabitants. Americans reacted to the influx with their traditional calm and restraint. Populist rabble-rousers spread rumours and conspiracy theories about the new arrivals. Nativist riots broke out in northern cities. Not for the last time, Americans were forced to consider whether their national identity was civic or ethnic.

1848 Women: Also human beings

In the 1840s American women were denied more than just the right to vote. Once they were married (as was expected of them) women had no rights to money, property or much else. Their personhood simply dissolved into their husband's, under laws of "coverture". This began to change with a gathering at Seneca Falls, New York in 1848. Attendees signed Elizabeth Cady Stanton's "Declaration of Sentiments", which called for women to be given the right to vote as well as equality in other respects, declaring, "We hold these truths to be self-evident: that all men and women are created equal." (Emphasis added; we wanted to make sure you noticed.)

1840s-50s More territory, more problems

"What a slur it is upon this self-styled model republic for its most eminent citizens to be contending as to whether slavery shall be extended or not, when other civilised nations are abolishing it unequivocally and promptly!" We wrote those words in 1849, amid a burst of American territorial expansion. The Mexican-American War (1846–48) ended with Mexico's defeat and the United States acquiring vast western lands. That raised the question of whether slavery would be allowed in these new territories.

The Compromise of 1850 admitted California as a free state and allowed residents of Utah and New Mexico to decide the slavery question. It also significantly toughened the Fugitive Slave Act, stripping black people of habeas corpus rights and requiring northern authorities—and citizens—to assist in the capture of (allegedly) escaped slaves. The Kansas-Nebraska Act of 1854 then allowed the newly created Kansas and Nebraska territories to decide on slavery by popular vote, ending a decades-long ban north of the 36°30' line. Together these events transformed slavery from a regional dispute into a national crisis.

1857 Bad judgment

The Supreme Court may be unpopular these days. But its lowest point as an institution came in 1857 with a decision authored by Roger Taney, the chief justice, in *Dred Scott v Sandford*. Scott had sued to obtain his freedom after the death of his owner. By a 7-2 vote the court ruled that black people—whether free or slave—are not and cannot be American citizens, that in fact they had "no rights which the white man was bound to respect". That meant,

Taney wrote, that Scott lacked even the standing to sue. Not content with stopping there, the court also ruled that Congress had no right to ban slavery in the territories, because slaves were property and the property rights of slaveowners could not be infringed upon.

It was and remains the worst ruling in the history of the court. Northern rage at the decision fuelled the rise of a new political party, the Republicans, and of one of its members in particular, a young Illinois lawyer named Abraham Lincoln. You may have heard of him.

1858 The Lincoln-Douglas debates

Is liberty universal or conditional? Can a majority vote away a person's freedom—or are some rights inherent? These were the questions at the heart of the seven public debates held across Illinois between Abraham Lincoln and Stephen Douglas in 1858. Lincoln, a Republican, was challenging Douglas, a powerful Democrat, for his Senate seat. The central issue was slavery, and whether it should be allowed to expand into new territories. Douglas argued for letting settlers decide. Lincoln insisted that slavery was morally wrong and incompatible with the Declaration of Independence. In the end, Douglas kept the seat, but Lincoln gained national attention. He emerged as the leading moral and intellectual opponent of slavery's expansion—and would be elected president two years later.

1861–65 A nation at war with itself

After the election of Lincoln in November 1860, southern states began to secede from the union, believing that the new president-elect was determined to abolish slavery (though he had promised not to). In April 1861 soldiers of the newly formed Confederate army attacked and seized the federal stronghold of Fort Sumter in South Carolina, starting a four-year civil war.

It remains the bloodiest conflict in American history, killing up to 700,000 people, almost one-and-a-half times as many Americans as would be killed in the second world war. At the Battle of Shiloh, Ulysses Grant, a Union general and future president, remarked that you could walk in any direction to the battlefield's edge without ever touching grass for all the bodies. The

war was particularly devastating for the (white) South, where as many as one in four military-age white men died. The Confederacy lost both the war and the right to own slaves. A new, less imperfect union was born.

1863A profound purpose

Early in the war, Lincoln seized on victory at Antietam to make a risky gamble. He gave the Confederacy an ultimatum: surrender by year's end or he would abolish slavery. The South continued to fight. So on January 1st Lincoln issued the Emancipation Proclamation, freeing all slaves within the Confederacy. Though remembered as a great moment of liberation, the declaration was more pragmatic than is sometimes remembered—slavery remained legal in the four Union states that still practised it so as not to provoke them into joining the rebels.

In November 1863 Lincoln gave what would become known as the Gettysburg address. It erased any question as to whether the war was a moral enterprise or merely an attempt to keep the states together. The 272 words Lincoln spoke that day—proclaiming that “all men are created equal” and that “government of the people, by the people, for the people, shall not perish from the Earth”—became enduring touchstones. The war would grind on for two more years. But after that day its purpose, “that this nation, under God, shall have a new birth of freedom”, was firmly established.

1865The loss of Lincoln

John Wilkes Booth certainly had a knack for drama. A famous actor and Confederate sympathiser, he first devised a harebrained scheme to kidnap Abraham Lincoln and ransom him for Southern prisoners. When that plan collapsed, he simplified the plot: shooting the president in the back of the head during a performance at Ford's Theatre in Washington. Afterwards Booth leapt from the presidential box onto the stage, apparently broke his leg, and escaped (briefly).

America had lost Lincoln at a crucial moment. The civil war was ending and Reconstruction was beginning. Lincoln, who possessed both moral clarity and an instinct for conciliation, looked an ideal leader for salving America's

wounds after the war. Instead that task fell to the more ornery, less capable Andrew Johnson.

1865–77 Reconstruction and its betrayal

The civil war's wake was a period of radical change known as Reconstruction. The states ratified three amendments to the constitution. These banned slavery and enshrined citizenship for all persons born in America, putting a torch to the Dred Scott decision. Crucially they also guaranteed equal protection under the law, which would become the foundation for some of the most important Supreme Court rulings of the 20th century. With northerners in Congress and the federal military applying pressure, there was a Renaissance in the South for black people, who registered to vote in droves and about 2,000 of whom were elected to federal, state and local office in the formerly Confederate states. The southern states also rewrote their constitutions, striking down discriminatory laws, expanding women's rights and guaranteeing a public education for all.

Tragically, Reconstruction was short-lived. Southern whites engaged in a concerted campaign of racist terror across the South, and forged political alliances with moderate Republicans to erode the federal government's grip on their affairs. President Grant's support for Reconstruction grew tepid, and a divided Congress pulled back as well. In 1876 the Supreme Court ruled that the new constitutional amendments applied only to actions of governments, not private individuals. The following year Rutherford Hayes, Grant's successor, withdrew federal troops from the South. A century of white supremacist rule across the region ensued, waning only with mid-20th century civil-rights legislation. ■

The Indian Removal Act: unchecked expansionism and disregard for the rule of law

Andrew Jackson's controversial policy divided America during the pre-civil-war era, writes Christina Snyder

March 5th 2026



The Americas

- [Javier Milei aggressively celebrates a string of successes](#)
- [Cuba's economic divides are widening](#)

The Americas | Scream when you're winning

Javier Milei aggressively celebrates a string of successes

Argentina's president has much to shout about. But job worries loom

March 5th 2026



The president of Argentina has had an excellent few months. So some gloating was to be expected in his formal state-of-the-nation speech at the opening of Congress on March 1st. It was also a chance to outline a statesmanlike vision and reach potential new allies. Instead, his success seems to have bred hubris and aggression. Despite promising last year to ease up on the insults, Javier Milei shouted at his Peronist rivals, who interrupted frequently, calling them “murderers and thieves”, “coup plotters” and “cavemen”. He revelled in it. “I love making you cry.”

This neatly captures the two faces of Mr Milei: his wise if tough liberalising reforms are often accompanied by angry, occasionally paranoid rhetoric—

even when he is flying high. He has passed a swathe of legislation, the economy is growing and the central bank has at last begun accumulating foreign reserves, long demanded by investors. The main worry is whether the economy is generating enough good jobs.

Politically, the president has never been stronger. Despite not having a majority, his government managed to pass almost its entire legislative agenda for the recent extraordinary sessions of Congress. That included a budget, a reform to lower the age of criminal responsibility and a trade deal with Europe.

The biggest prize of the legislative bonanza was a major labour reform. Previous attempts at such change by non-Peronist governments left them traumatised, says Ignacio Labaqui of Medley Global Advisors, a research firm. Mr Milei's success demonstrates his strength and his team's growing ability to convene coalitions.

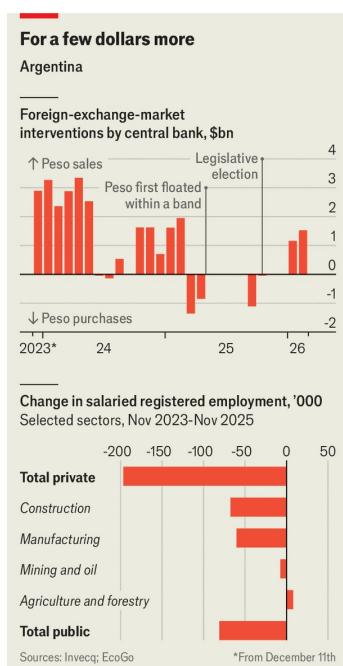
Argentina's labour laws, which date to the 1970s, are so asphyxiating that more than 40% of Argentines work in the informal sector, dodging the law altogether. The government wants the reform to boost formal employment. The change makes it cheaper to fire people and creates clarity about severance costs. That should dampen the boom in lengthy lawsuits that leave companies unsure what they will owe if they sack someone. It will help on disputes over workplace injuries, too. According to a study by IERAL, a local think-tank, the country has roughly the same rate of workplace injuries as Spain, but they result in more than 12 times as many lawsuits.

The reform also empowers salary negotiations at the regional or company level, rather than making participants rely on national wage agreements. That should boost employment by allowing businesses to pay wages that more accurately reflect labour costs in their particular region, says Federico Sturzenegger, the minister of deregulation. Juan Grabois, a Peronist congressman, fumes that the law "takes us back 100 years". Expect layoffs and lower salaries, he says.

Mr Milei is also tackling a critical and long-standing weakness: Argentina's lack of foreign reserves. That has been a big worry for investors and the IMF, both of whom need to be paid back in dollars. Last year the

government was forced to spend reserves to prop up the currency. In the first two months of this year, the central bank has purchased \$2.7bn (see chart).

The government would like to tap global capital markets for dollars to help roll over Argentina's enormous debts. Yet it appears irritated that the interest rates it would probably be charged have not fallen more than they already have. It has recently suggested sourly that for now it has cheaper options than global capital markets. Still, it will soon be wooing investors again at a glitzy event in New York dubbed "Argentina week". So far, the high probable rates suggest markets are not fully convinced by the speed of reserve accumulation, nor by the exchange-rate regime.



The band within which the peso partially floats has been widening more rapidly this year. In general, the currency has been strengthening. Mr Milei has long favoured a strong peso to help pull down inflation. Its strength is partly a reflection of the dollar's global weakness. But it is also boosted by capital controls, which still restrict companies from taking dollars out of Argentina, and by tight monetary policy, which offers juicy returns in pesos. Despite urging from investors, the government appears in no hurry to float fully, fearing uncontrollable lurches. Meanwhile, local interest rates are both high and volatile. Blame that, in part, on the government's poor communication of monetary policy. It is also a problem that Argentina

targets the total money supply rather than interest rates, as happens in most rich countries.

All this weighs on businesses, for which a strong peso means pricier exports and high, volatile rates mean headaches. But that is a cost Mr Milei mostly seems willing to pay. Yanking inflation down is his signature achievement, and he is unlikely to change course. Since a monthly-inflation low of 1.5% in May last year it has been steadily creeping back up, stirred by economic recovery. In January it was 2.9% monthly—some 32% annually.

The government rightly highlights solid growth. After shrinking in 2024, last year GDP grew by 4.4%. This year, the forecast is 4%. Yet recovery is uneven. Mr Milei has opened up the economy by slashing red tape at customs and by trimming tariffs. Output from industry, flabby after years of lavish protection, is still lower than when Mr Milei took office in December 2023. Output in other parts of the economy, including agriculture and the oil sector, has surged. But they are not as labour-intensive as industry (see chart). Economic recovery has in fact happened with lower levels of salaried formal employment. The labour reform will not quickly fix this, warns Martin Rapetti of Equilibra, a consultancy.

Nevertheless, at 6.6% unemployment is only a percentage point above what it was before Mr Milei took office. Many are clearly finding some kind of work. Filings under a tax scheme for small contractors with low incomes have grown sharply. Many fear, however, that all this amounts to well-paid jobs being replaced by low-paying contract work or informal labour.

Broadly the voters who so resoundingly backed Mr Milei in the midterms in October are still with him. Though his approval ratings have softened, they are above those of the past two presidents at this point in their terms. But there are signs of discontent. A general strike failed to stop the reforms, though unions may use legal challenges to tie them up in court. As much as middle Argentina likes lower inflation, many do not care for Mr Milei's aggressive language, which could become a vulnerability if economic news darkens. And voters' priorities are shifting. Polling shows that unemployment now consistently beats inflation as the biggest concern.



The government downplays all of these worries. Liberalisation is already offering Argentines cheaper goods. In time opening up the economy should also result in more-competitive businesses. Mr Sturzenegger claims that, because industry is mostly in the capital city and agriculture and oil are in the regions, “you’re going to have a kind of an exodus from the greater Buenos Aires area towards the interior.” If that happens, the shift may be painful.

Mr Milei remains bullish. “New industries will more than compensate for the demand for labour lost by the old industries, and with much better wages,” he claimed in his speech. His political future may turn on how quickly that happens. ■

[Sign up to El Boletín](#), our subscriber-only newsletter on Latin America, to understand the forces shaping a fascinating and complex region.

Cuba's economic divides are widening

Luck and guile increasingly determine who gets how much

March 5th 2026



WHEN AT LAST the lights of Los Pinos petrol station flicker on, a faint and weary cheer rises from those gathered in the nearby park. Power has been out for a full day in this part of Matanzas, 100km (60 miles) east of Havana, the capital. Darkness settled hours before. The first of perhaps 100 cars arrived hours before that. Many drivers went to the park, observing a peculiarly Cuban car-queue method. Wait where you like—but memorise the face, name or number plate of the person in front of and behind you. Yet no one dares to leave the vicinity. The prize is too great.

Los Pinos is one of the island's 30 state-run stations that regularly have fuel, when there is electricity to run the pumps. It provides one example of the divisions that are widening in Cuba as the oil embargo the United States

imposed in January bites and the state retreats—divisions between the visiting diaspora and locals; between rural and urban; between those who do and do not get remittances from abroad; between operators of newish private businesses and state workers.

The network of petrol stations including Los Pinos can solely be used by rental cars, which may take just 20 litres (5.3 US gallons) per visit. Payments, in dollars at the government rate of \$1.30 per litre, must be made via foreign-issued credit cards or prepaid Cuban ones. Private owners can in principle use a government app to book elsewhere but it is, in effect, a lottery with long odds and even longer waits.

Even if Cubans could simply pop by Los Pinos for a fill-up, for many the prices would be eye-watering. Official data, possibly massaged, suggest that an average state employee's salary is 6,500 pesos per month. At the commonly used, unofficial exchange rate, that is about \$15. (The peso has depreciated sharply against the dollar in recent months, narrowing a once yawning gap between official and unofficial rates.) Late last month black-market petrol prices spiked from about 2,000 pesos per litre to, in places, as high as 6,000. This arbitrage opportunity was in evidence at Los Pinos. Two drivers working in tandem had hired a car, one drawing 20 litres here and the other at a neighbouring service station. The onward sale nets them a daily profit of \$180. A day after your correspondent's visit, the government closed this loophole: rentals are now restricted to non-residents.

Power cuts are becoming longer and more unpredictable, especially across Cuba's central and eastern provinces. From barely any electricity at all to a reliable supply for most of the day, there is huge variance between towns and rural areas, and sometimes even within urban ones. Those lucky enough to live near to a hospital, army base or water-pumping station fare best. Many people now cook on charcoal and there is a brisk trade in improvised iron stoves. In eastern Cuba, sacks of charcoal trade hands for 1,300 pesos.

But what to cook? No one can rely on the state ration card alone. Meat and fish rations began disappearing in 2023. The products regularly available are limited to two pounds (1kg) of rice per person, a pound of sugar, a small bread bun each day and four packs of filterless cigarettes that many sell on the black market. Once heavily subsidised, cooking oil is mostly obtained

from approved private businesses. In remote eastern areas, it can reach \$5 a litre—on a par with contraband petrol.

Begging has become prevalent; rough sleeping, unheard of until recent years, is a fairly common sight. Uncollected rubbish piles up, and state-run transport within and between cities has been slashed or cut entirely. Cubans old enough to remember the abrupt withdrawal of aid in the “special period” following the collapse of the Soviet Union say that things are worse now.

For all that, some Cubans can afford pricey cooking oil and charcoal, such as those who receive remittances from friends and family abroad. And those involved in the highly regulated private firms that are proliferating on the island have access to the dollar economy. Many are run more efficiently than the state can manage, leaving owners ever-stronger dollars to spend.

It is in this sector that things are changing fastest, and not always for the better. Most imports must now pass through a free-trade zone at Mariel, a western port far from most of the country. That will begin to add significant transport costs. And late in February President Donald Trump said he would allow exports of fuel to private firms—as long as it does not end up in the hands of the state. Expect a raft of shell companies that aim to skirt that rule, and an oily mess among private businesses with no experience of importing the stuff.

Nowhere are all of Cuba’s contradictions and inequalities in sharper relief than in Guantánamo, the capital of a poor province of the same name. State wages are below the national average. There exist fewer opportunities to engage in private ventures or the side hustles that increasingly form the backbone of the island’s economy. Yet it is agriculturally rich. A history of emigration links many here to families abroad, and thus to remittances. Several parts of the city centre have electricity for most of the day. Bars and restaurants often teem at weekends. Queues form outside the trendy Downtown Bar, where ample plates of pork and chicken cost up to 3,500 pesos. But at the other end of Calle Aguilera, on the city’s fringes to the east, lies the neighbourhood of San Justo. Streets are unpaved, electricity is rare and residents cook what little they can afford over charcoal. ■

[Sign up to El Boletín](#), our subscriber-only newsletter on Latin America, to understand the forces shaping a fascinating and complex region.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/the-americas/2026/03/03/cubas-economic-divides-are-widening>

Asia

- [Fifteen years after Fukushima, Japan faces an energy dilemma](#)
- [Welcome to Kashiwazaki, home to the world's largest nuclear plant](#)
- [Investigative journalism in India is under threat](#)
- [Allegations against a corruption watchdog rock Malaysian politics](#)
- [What does “open war” between Pakistan and Afghanistan amount to?](#)
- [India, the world's most colourful country, is changing its hues](#)

Fifteen years after Fukushima, Japan faces an energy dilemma

Restarting the world's largest nuclear plant will not resolve its problems

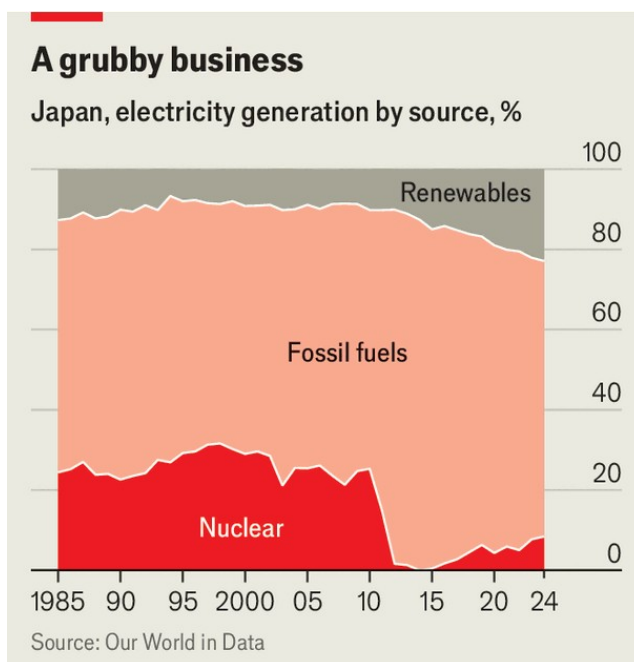
March 5th 2026



Electrical wires stretch above the pine trees around the Kashiwazaki-Kariwa (kk) nuclear power plant, along Japan's northern coast. The plant is the world's largest nuclear power station, with seven reactors which, at full capacity, could provide energy for millions of homes: useful as war in the Middle East sends imported gas prices soaring. As with all Japan's nuclear fleet, kk shut following the Fukushima nuclear accident. But exactly 15 years later it is bubbling back to life. After winning long-sought approval from regulators and local authorities, the plant's operator, the Tokyo Electric Power Corporation (tepc), restarted the first of the reactors last month.

The powering up of kk is symbolically charged. tepco ran the ill-fated Fukushima reactors; kk is its first nuclear plant to restart since then. For nuclear boosters, it shows that atomic energy still has a future in Japan. For critics, it marks the unwelcome revival of a technology too risky for an earthquake-prone archipelago. Mostly, it reflects the impasse Japan's energy policy has come to: a stalled renewable buildout, an ageing nuclear fleet and enduring dependence on imported fossil fuels.

Japan is a resource-poor country. Nuclear power once seemed to offer a solution. By 2010 it had 54 operational reactors, providing some 25% of its electricity; the government aimed to expand that to around 50% by 2030. Then on March 11th 2011 the Great East Japan Earthquake struck, sending tsunami waters that flooded the Fukushima Daiichi nuclear plant. The disaster changed the politics of power.



In the wake of Fukushima, a different energy strategy coalesced. All nuclear reactors were shut for inspections; a new body, the Nuclear Regulation Authority (nra), started to enforce tougher oversight. Although reactors were gradually allowed to restart after passing new safety tests, their use was minimised. Energy efficiency drove electricity consumption down. Generous feed-in tariffs sparked a solar-power boom. Gaps were filled by lng and coal

(see chart). Japan imports virtually all its oil, gas and coal; in the oecd, a mostly rich-country club, only Luxembourg relies more on imported energy.

In recent years Japan has changed course again. Small shifts have added up to “nearly 180 degrees change in the policy”, says Terazawa Tatsuya of the Institute of Energy Economics, a think-tank in Tokyo. The government now offers less support for renewables, while pushing harder for a nuclear revival. Russia’s invasion of Ukraine reinforced concerns about energy security. Japan has pledged to reach carbon neutrality by 2050. Electricity demand, meanwhile, is expected to rise in the coming decade with data-centre construction.

The result is a strategy riddled with contradictions. Renewables offer a stark example. Japan’s latest energy plan, released last year, foresees renewables accounting for between 40% and 50% of electricity generation by 2040, up from around 25% last year. Mountainous land and a deep continental shelf complicate installing solar panels and wind turbines. But independent studies suggest Japan could be more ambitious: researchers from the Lawrence Berkeley National Laboratory in California estimate that renewables could reliably generate 70% of electricity by 2035.

The key barriers are political. Building codes and environmental assessments have stifled wind power, says Ohbayashi Mika of the Renewable Energy Institute, a Japanese think-tank: for example, wind turbines have been required to meet the same earthquake standards as tall blocks of flats. Land-use regulation limits the use of abandoned farmland for solar power. Weak transmission lines make it hard to get renewable energy to where it is used.

Instead of accelerating, the expansion of renewables is slowing. In 2024 new wind and solar construction fell to the feeblest pace for 17 years. Last summer Mitsubishi, a conglomerate, pulled out of three big offshore wind projects because of rising construction costs. The government is scaling back subsidies and imposing new regulations, especially for large-scale solar. Takaichi Sanae, Japan’s hawkish new prime minister, opposes “further covering our beautiful land with foreign-made [ie, Chinese] solar panels”.

Ms Takaichi hopes that nuclear power will save Japan once again. Public attitudes have shifted as the memory of Fukushima recedes. “Students today don’t even know what ‘meltdown’ means,” laments Ueno Kunio, an anti-nuclear activist from Niigata, near KK. Power companies have invested in safety measures: tepco has built a 15m-high sea wall around kk. “The greatest lesson from Fukushima is that there is no such thing as absolute safety,” says Takata Masakatsu, a tepco spokesman.

For local leaders, whose approval is necessary to restart reactors, other concerns have come to the foreground. “I don’t believe nuclear power is the only solution for ever, but for the time being it is the better option,” says Kashiwazaki’s mayor, Sakurai Masahiro. In addition to the benefits for the local economy, Mr Sakurai, a keen mountaineer, sees climate change as a big reason to support kk’s restart. Hokkaido, Japan’s northernmost island, positions itself as a hub for semiconductors and data centres. Its governor recently approved a nuclear restart from 2027.

Yet lingering mistrust will make reviving nuclear power difficult. The latest energy plan envisages nuclear providing 20% of the electricity mix in 2040, up from under 10% last year. Japan has 15 operational reactors; another three have received safety clearances, but remain idle, while 18 others are still awaiting regulatory approval. (The rest of Japan’s fleet has been decommissioned.) To reach 20%, nearly all 21 eligible reactors must come online.

Beyond that, the maths becomes considerably harder. Most of Japan’s reactors were built in the 1970s-1990s. The government has extended the legal lifetime of reactors from 40 to 60 years, and allowed stoppages to be excluded from the total. Even so, most reactors will be have to be phased out in the 2040s-2050s. As building new plants takes decades, replacements should start soon. Ms Takaichi hopes to stimulate the process by offering state-backed financing. But new reactors face even higher local political hurdles. Only one potential new plant has reached the stage of preliminary geological surveys.

New technologies will be needed to resolve the impossible arithmetic. Ms Takaichi is keen on nuclear fusion and perovskite, a lightweight and flexible type of solar cell that Japanese companies are developing. Japan has high

hopes for hydrogen. New geothermal technology could help tap volcanic power without upsetting the hot-spring lobby. But if the hoped-for technologies fail to materialise, Japan could end up relying on energy that is neither green, secure nor all that cheap. As Kikkawa Takeo, a longtime government adviser on energy policy, puts it, “They will have to keep filling the gap with fossil fuels.” ■

This article was downloaded by [zlibrary](#) from <https://www.economist.com/asia/2026/03/02/fifteen-years-after-fukushima-japan-faces-an-energy-dilemma>

Asia | A powerful parable

Welcome to Kashiwazaki, home to the world's largest nuclear plant

What one small city says about modern Japan's development

March 5th 2026



WHEN SHINADA Shoichi was a boy he noticed grown-ups arguing. Should their city, Kashiwazaki, along the Sea of Japan, host a nuclear power plant that would send energy to Tokyo? Opinions were “sharply divided”, Mr Shinada says. He worried about whether he would still be able to swim in the sea.

Some 50 years later, the plant remains the talk of the town. Now the world's largest, Kashiwazaki-Kariwa (KK) was shut down after the Fukushima disaster in 2011, but, after much debate, restarted again this year. For Mr Shinada, the vice-chair of the local business association, it marks a return to the “mission of supplying energy to the country”.

Kashiwazaki has a deep history as a provider of power. One ancient chronicle speaks of “burnable water” sent from the region as a gift to the emperor in 668. In the late 19th century Japan’s first modern oil company set up a headquarters there. Nuclear power came thanks largely to a native son, Tanaka Kakuei, a powerful post-war prime minister.

The plant offered many an economic lifeline. To this day, KK employs some 6,000 people; 80% are from the surrounding prefecture of Niigata. Taxes and subsidies related to the plant accounted for more than 30% of Kashiwazaki’s total revenues at their peak; they still make up 16%. But KK, which was temporarily knocked offline during an earthquake in Niigata in 2007, also makes many residents wary. By shifting the risk of hosting plants to the regions, Japan has “sacrificed them for the sake of Tokyo’s development”, argues Sasaki Hiroshi of Niigata University of International and Information Studies.

These days, Tokyo poses another kind of threat to Kashiwazaki. The city’s population shrank from over 100,000 in 1995 to under 75,000 in 2025. Outlying villages are in danger of disappearing. The city made nurseries free and subsidises health care for children. “Plus we’ve got delicious rice and sake—but people still keep leaving,” sighs Sakurai Masahiro, Kashiwazaki’s mayor. It’s hard to compete with “the allure of Tokyo”. ■

Investigative journalism in India is under threat

Politicians and tycoons are tightening their grip

March 5th 2026



ON FEBRUARY 27th B.V. Nagarathna, a supreme court judge, sounded the alarm. Speaking at a public event on media freedom, she argued that the Indian government had no need of direct censorship, since it already has a range of tools—including tax, regulation, ownership laws and advertising budgets—to muzzle its critics. She warned about the rise of “selective journalism”, noting that the media may be “legally free” but “economically constrained” in ways that make robust criticism hard to sustain.

Such interventions from judges on India’s top court are rare. But several factors may have compelled Ms Nagarathna to speak out. In November a new law came into effect that critics say will hobble investigative journalism. Last month the government granted itself the power to instruct

websites and platforms to remove content in just three hours. Then there is the case of Ravi Nair, an investigative journalist who on February 10th was sentenced to a year in prison.

India can be hard to place when it comes to media freedom. On the one hand it is vast, diverse and irrepressibly noisy. It is true, as those in power like to say, that you can readily find critical voices in dozens of languages—in print, online and increasingly on video apps like YouTube. Global press freedom measures that rank India below many African autocracies can feel incongruous. On the other hand, the country has a legacy of restrictive media laws and a powerful state that is not only energetically wielding them but extending their sweep. There may not be a shortage of critical opinions, but it is getting harder for journalists to hold power to account.

The most worrying development is the mundane-sounding Digital Personal Data Protection Act. In the name of protecting privacy, it significantly curtails a right-to-information law that has been a vital tool for muckrakers. By weakening a public-interest justification, it will make it harder for journalists to unearth the documents essential to corruption investigations. Bizarrely, it also requires journalists to obtain consent from those they are tracking. The probable effect will be to tie up journalists in legal jeopardy.

The case of Mr Nair could also have a chilling effect. He has been a thorn in the side of Gautam Adani, a tycoon with a sprawling empire and a close relationship with India's prime minister, Narendra Modi. Mr Adani has filed suits against at least 15 journalists who have dug into his business arrangements (which are the subject of an ongoing investigation by an American regulator; the Adani group describes allegations against it as “baseless”). But none has yet ended up behind bars. A court in Gujarat found Mr Nair guilty of criminal defamation for a series of social-media posts that made exaggerated claims about murky dealings. He is due to appeal.

Those in power in Delhi and in state capitals have found other ways to increase their leverage. One is advertising; for print publications with dwindling circulations, the state has become a major source of revenue. Then there is ownership: the press is often “dependent on corporate power, which itself may rely on state patronage”, observed Ms Nagarathna.

Countering these trends are a handful of digital-first sites, like Scroll.in, Newslaundry and The News Minute, with subscribers willing to pay for feet to be held to the fire. But they remain small, with limited clout.

Free-speech advocates also worry that the new content-takedown law will extend the state's reach over activity online. The policy, which is among the strictest in the world, allows the government to mandate the removal of content without needing to first seek a court order. Platforms including Meta have questioned its feasibility, arguing that they will not have time to investigate whether orders are justified.

“The government has not come down with a sledgehammer,” says Nitin Sethi of the Reporters Collective Trust, an investigative news site. “It is more like a thousand cuts.” Each change makes it harder to scrutinise the rich and powerful. “They don’t have a complete grip, but they are incrementally shrinking the space for critical work.” ■

Stay on top of our India coverage by [signing up to Essential India](#), our free weekly newsletter.

Allegations against a corruption watchdog rock Malaysian politics

The prime minister, Anwar Ibrahim, repeats his predecessors' answer

March 5th 2026



THE MACC, Malaysia's anti-corruption commission, has taken some notable scalps. Najib Razak, a former prime minister, is serving a lengthy prison term following its prosecutions of him for involvement in one of the world's biggest-ever financial frauds, the looting of a state fund called 1MDB. But its past also casts some dark shadows. In 2009 a man who was being questioned by the MACC was found dead after falling from a 14th-floor window, a death a court blamed in part on MACC officers. Two years later a customs officer facing questioning also died from a fall from a MACC window.

The commission has suffered from a perception that, though nominally independent, it is in fact an attack dog for the government. James Chin, an expert on Malaysia at the University of Tasmania, says that governments have “always used it to go after the opposition”.

So when Anwar Ibrahim, after a long period in opposition—some of it spent in jail on charges he always said were politically motivated—became Malaysia’s prime minister in 2022 as a champion of “reformasi” (reform) and a fierce denouncer of corruption, he might have been expected to shake up the commission. Instead, he has three times extended the tenure of Azam Baki, the chief commissioner since 2020, and, say critics, is also using the MACC as a political weapon.

Among the most vocal of those critics recently has been Na’imah Khalid, the widow of Daim Zainuddin, a wealthy businessman who served as finance minister under Mahathir Mohamad, Malaysia’s prime minister from 1981 to 2003 and 2018 to 2020. Mr Anwar at times worked in government with Daim and Dr Mahathir, and at times has been their bitter foe. Ms Na’imah says Mr Anwar “rode the reformasi horse until he became PM, then dismounted and ignored it”. She is hardly a disinterested observer. Like her husband before his death in 2024, she and four of Daim’s children are accused by the MACC of failing to declare all their assets, and have had some of them frozen.

But hers are not the only accusations the MACC is fending off. Mr Azam is suing Bloomberg, a news agency, for defamation over its report that he owned more shares in a financial-services company than is allowed for public officials. Another Bloomberg report, also denied by the MACC, accused its officials of colluding with a group of businessmen to put pressure on company owners (by, for example, holding them for questioning, or threatening prosecutions) to oust executives, sell shares and relinquish control.

This prompted calls from politicians in Mr Anwar’s ruling coalition for a royal commission to investigate the MACC. The government’s critics accuse Mr Anwar of stalling on this in the hope of sparing the commission from such scrutiny.

Ms Na'imah last year retained an international strategic consultancy to protect her family's reputation, and seeks to present its members as victims of a politically motivated campaign by the MACC. Her discussions with the consultancy have now become the subject of a Malaysian police inquiry into whether she was trying to "topple" the government by mobilising an international media campaign against it.

She has called that charge preposterous, and Mr Anwar has been accused of hypocrisy: his own party retained an American firm to lobby for his freedom when he was locked up. He insists that this is different, involving not one man's freedom but "the entire system in this country". Mr Anwar is not the first Malaysian prime minister to blame economic problems or corruption allegations on an international conspiracy against the country. Dr Mahathir and Mr Najib did the same—another way in which Mr Anwar looks less like reform than continuity. ■

This article was downloaded by [zlibrary](#) from <https://www.economist.com/asia/2026/03/05/allegations-against-a-corruption-watchdog-rock-malaysian-politics>

What does “open war” between Pakistan and Afghanistan amount to?

The bombing of military sites in Kabul and Kandahar marks a sharp escalation in tensions

March 5th 2026



“OUR PATIENCE has now run out,” wrote Khawaja Mohammad Asif, Pakistan’s defence minister. “Now it is open war between us.” On February 26th Pakistan’s armed forces bombed Kabul, the capital of Afghanistan, and Kandahar, its second city, home to Haibatullah Akhunzada, the Taliban’s supreme commander. As part of Operation Righteous Fury, Pakistani jets struck military sites and ammunition dumps, and Pakistani troops attacked Afghan border posts. Pakistan claims it has killed more than 270 Taliban members and injured over 400.

The assault has been a while in the making. Pakistan is fed up with the Afghan Taliban, a group it once sheltered and aided, accusing the group, which has ruled the country since 2021, of harbouring and supporting its ideological cousins, the Pakistani Taliban (TTP). The TTP have unleashed a wave of violence in Pakistan in recent years. Though Pakistan exaggerates the degree of control the Afghan government exercises over its fellow-Talibs, at a minimum the Afghans Taliban look the other way.



In October, after the last round of fighting, Qatar and Turkey mediated a ceasefire. That broke down on February 21st when a TTP suicide bomber killed two Pakistani soldiers, including a lieutenant colonel, in southern Khyber Pakhtunkhwa, a province in the north-west of the country. Hours later Pakistan launched airstrikes in Nangarhar and Paktika provinces in eastern Afghanistan, claiming that it had killed 70 TTP militants.

But the Afghan government said that civilians had been killed in the Pakistani strikes and vowed revenge. That came on February 27th. The Afghans attacked Pakistani troops along the border, claiming to have overrun a number of border posts and to have killed 50 Pakistani soldiers. Pakistan, which acknowledged only 12 fatalities, launched Righteous Fury in response. The Taliban, which lacks a working air force, is reported to have launched drone strikes over the border. Friendly countries including

Saudi Arabia, Russia, China and Iran are rushing to council restraint, as is the United Nations.

Pakistan and Afghanistan have now clashed in four of the past five years. Last year's cross-border fighting was nipped in the bud. But the scale of violence this week and the unaddressed grievances—Pakistan wants TTP sanctuaries in Afghanistan dismantled; the Afghan government bristles at Afghan territory being bombed—makes outside intervention harder this time. “The relationship has never been worse,” says Abdul Basit, a terrorism expert. “This is almost the breaking point.”

Militant violence in Pakistan is the worst it has been for a decade, and has increased every year since the Taliban takeover in Afghanistan in August 2021. On February 6th a suicide bomber killed 32 people and injured at least 170 at a Shia mosque in the capital, Islamabad. Pakistan has said the “planning, training and indoctrination” for the attack was done in Afghanistan. Responsibility for the attack was claimed by Islamic State Pakistan Province, a branch of Islamic State.

Meanwhile, the border between Afghanistan and Pakistan has been closed since October. Cross-border trade had anyway been plummeting before that. In the first seven months of the fiscal year starting in July, Pakistan's imports from and exports to Afghanistan fell by around four-fifths. Most of the official movement across the border is now one-way: Afghan refugees sent home by Pakistan. Over 2m people have been deported since September 2023. In January over 77,000 were sent back, according to the UN's refugee agency. Approximately 2m Afghans still remain in Pakistan.

Each side is offering strident rhetoric. Afghanistan's army chief has promised “an even stronger and more decisive response” to future air strikes. Pakistan can “crush any aggressor”, boasted Shehbaz Sharif, Pakistan's prime minister. Mr Asif's threat of open war seems to hint at regime change. Pakistan has military superiority over the Afghan Taliban. But toppling them would be extremely hard to do, and would besides have unpredictable consequences. “It would be a bigger disaster,” says Mr Basit, “because then the TTP and [Afghanistan's Taliban] would be together”. ■

India, the world's most colourful country, is changing its hues

Its transformation can be seen in its evolving palette

March 5th 2026



“IT IS ALL colour, bewitching colour, enchanting colour—everywhere all around.” Mark Twain’s breathless first impressions of India, recorded in his travelogue “Following the Equator”, would hardly be out of place in an Instagram post by a gap-year backpacker today. India’s flamboyance is unmissable. Polychromatic fruits, spices and dyes enliven its markets, cuisine and textiles. Lush tropical vegetation covers the landscape. And what other country has the peacock for its national bird?

India hits peak saturation on Holi, a spring festival of colours, which this year falls on either March 3rd or 4th depending on the region. In the run-up to Holi, street stalls are stacked with mounds of colourful dyes. On the day

itself children and adults alike throw coloured powder and tinted water at each other. Some stains remain on faces and hands for days. It is a kaleidoscopic time.

It is also a good moment to reflect on the way that India's palette has changed. In the years since economic liberalisation in 1991 consumer products have brightened up storefronts as the country evolved into a market economy. In politics, colourful centre-left coalitions have given way to [the dominance](#) of Narendra Modi's Bharatiya Janata Party, often called the saffron party. As the country has changed, so too has its colourscape.

The economic exuberance of the 1990s was best captured by "Naples yellow", the most striking shade of a sexy hatchback called the Maruti Zen. In the 2000s Delhi's autorickshaws transitioned from black-and-yellow to an eye-catching green-and-yellow after India's Supreme Court mandated their conversion from petrol to natural gas—with a paint job to show which had complied—to tackle a growing pollution problem. Then in the 2010s, as India's cricket team was growing into its world-beating avatar, the team jersey switched from light to navy blue. The growth of the Indian Premier League into one of the world's most successful domestic tournaments added yet more colours to Indian life. Each decade has brought new hues.

What, then, of the 2020s? Three colours help depict India's ongoing transformation. The first is the inviting yellow that shines from shop signs and wedding venues, hangs from roadside stalls and marks the outlines of flashy high-rises. It is produced by inexpensive LED lights that have replaced the harsh white tube-lights of the past. As recently as ten years ago investing in elaborate illuminated signage would have been a waste of money. Many cities and towns suffered brownouts and swathes of villages were not connected to the grid at all. India has since then nearly doubled its [power-generation capacity](#)—half of which is renewable—and now produces a surplus. In a country where the idea of scarcity is seared into its citizens' neurons, bright lights are a still-fresh expression of abundance.

Another colour of the times is the dark green of the netting that drapes building projects in every city. India is in the midst of a huge construction boom. Its cities are adding residential and commercial towers at a blistering pace. Developers in its eight biggest cities launched 362,000 housing units

last year, up from just under 225,000 in 2019. And railway stations, airports and other infrastructure are getting facelifts or being built brand new. The construction dust from this boom worsens India's horrific air pollution. In recent years many cities have started enforcing rules that call for green netting, which is, in theory, meant to keep dust contained. So the colour symbolises not just a [booming economy](#), but the problems that come with growth and the struggles to minimise its repercussions.

Last is saffron. This is not a new colour for India—it is associated with Hinduism, Buddhism and the secular republic. It has long adorned temples and the robes of monks. A band of saffron occupies the top of India's flag. In 2024, as Mr Modi prepared to inaugurate a grand new Hindu temple at Ayodhya that has been the trademark cause of his party for over three decades, the flag became ubiquitous outside homes and shops across the country. It is increasingly painted on cars and autorickshaws. A colour once rarely seen outside religious contexts is now unavoidable.

If the warm yellow of LED lights signifies India's economic metamorphosis and green netting its physical transformation, the spread of saffron is a symbol of how its politics has wrought a social reconfiguration. Some of these colours will, with time, fade from prominence. Others are here to stay.



Subscribers to The Economist can sign up to our [Opinion newsletter](#), which brings together the best of our leaders, columns, guest essays and reader correspondence.

China

- [China's first railway project in the EU is open at last](#)
- [China hopes IVF can slow its baby bust](#)
- [China sets its lowest growth target for a generation](#)
- [China's ice-cold calculus over Iran](#)

China | The Belt and Road Initiative

China's first railway project in the EU is open at last

Once a show of largesse, it now reflects China's struggles on the continent

March 5th 2026



BY THE STANDARDS of China's vast network of super-fast railways, the Budapest-Belgrade line is hardly a marvel. It traverses no craggy mountains or yawning ravines. It is often called high-speed, but it is nothing like as zippy as counterparts in China. Yet the opening on February 27th of the last stretch to be completed of the 350km link between the Hungarian and Serbian capitals was symbolic. It meant the first railway built with China's help had entered use in the European Union.

When China, Hungary and Serbia announced their plans for the line (mostly an upgrade of a rickety existing one) in 2013, China's global splurge of infrastructure-building known as the Belt and Road Initiative (BRI) was in

its infancy. The world had little inkling that this scheme, unveiled by the country's new leader, Xi Jinping, would morph into a trillion-dollar bonanza. But China had its eye on Europe. It wanted to sell more goods there and expand its political influence. It saw Serbia, then a new candidate for EU membership, and Hungary, which was already a member, as useful partners: they were among the continent's most China-friendly countries. China touted its help with the Budapest-Belgrade line (or BuBe, as it is often called) as a BRI jewel.

The idea was that BuBe would speed up the flow of Chinese products to Europe and show off China's ability to build high-quality railways to EU standards. There was an implied message, too: China-friendliness would pay dividends in the form of BRI rewards. But as the entire length of BuBe finally becomes operational after years of delay (China's then prime minister, Li Keqiang, said in 2015 that it should be finished in two years), China is probably wondering how much it has gained. BuBe is less a demonstration of China's largesse and engineering prowess than it is a reminder of how fraught its relationship with Europe has become.

Hungary and Serbia remain close friends of the People's Republic. But China's efforts to use the former communist countries of eastern and central Europe as a springboard into the continent have faltered. This "16 plus one" group (later 17, when Greece joined) ceased holding annual summits with China (the "one") five years ago. Concerns grew among its European members that the club risked undermining EU unity. Baltic countries left the group. Russia's full-scale invasion of Ukraine in 2022 further soured the atmosphere: China has been giving vital support to the aggressor.

A few years ago, China might have expected an extravagant send-off for the first regular train to use the Hungarian stretch of BuBe (Serbia's was completed last year). But it pulled out of Budapest's Ferencvaros station at midnight with little ceremony. Behind the blue German locomotive was a string of graffiti-daubed boxcars. At another station, Chinese workers gathered for a souvenir snap. To be sure, this was just a freight train. Passenger services along the entire line—a corridor once associated with the glamorous Orient Express—could begin soon if further tests succeed, Hungarian media say. The journey from Budapest to Belgrade was once eight hours by rail. It will soon take three or four.

Yet these are tense times for Viktor Orban, Hungary's strongman. Elections are set for April 12th. Mr Orban has ruled the country since 2010 (he also did so between 1998 and 2002). Polls put his party, Fidesz, behind a once-tiny centre-right party, Tisza, whose campaign against rampant corruption has inspired many voters. Many of Mr Orban's critics see the railway as a murky deal with China that will pay few economic dividends to Hungary. They allege that it could also enrich Mr Orban's family and friends. Hungary took a 20-year loan from China of about \$1.9bn to finance its part of the scheme. It classified details of this, and the contracts involved, as secret. (Serbia borrowed about \$1.3bn from China for work on its side of the border.)



As it surveys Serbian politics, China probably finds little relief. There, too, a strongman—the president, Aleksandar Vucic—may face a general election this year, though no date has been announced. Mr Vucic is doubtless pleased that widespread protests against him that erupted in 2024 appear to have lost momentum. They are indirectly linked to BuBe. The trigger was the collapse of a concrete canopy at a station in Novi Sad, Serbia's second city. The building had been renovated as part of the overhaul. Protesters blamed the accident, which killed 16 people, on alleged corruption that led to shoddy work. (Officials, and Chinese firms involved in the station project, say the canopy was not part of the refurbishment.)

Still, for travellers between Belgrade and Novi Sad, the improved line is welcome. This section opened in 2022, reducing the fastest rail journey between the two cities from about 90 minutes to under 40. There is less cheer in Hungary. Within the country, the route only links small towns with Budapest. It has dozens of level crossings, in effect ruling out speeds above 160kph, versus 200kph in Serbia.

But the BRI is much more about trade than making it pleasanter for people to travel. The BuBe project has been touted by the countries involved as a key link in a rail corridor between the Greek port of Piraeus and markets in Europe. The port has been controlled by a Chinese shipping giant, COSCO, since 2016: its upgrade has been another flagship BRI effort in Europe. BuBe's launch, however, is unlikely to make much difference to the flow of Chinese goods into the continent. Rail connections between Piraeus and Belgrade are far from smooth. Most freight arriving in Piraeus from China is sent inland by road or by feeder ships to ports elsewhere. The spread of conflict across the Middle East in recent days will be a blow to Piraeus as ships again avoid the Suez canal.

All this shows that the BRI is sometimes bittier than its joined-up-sounding rhetoric suggests. China has limited ability to co-ordinate spending on infrastructure that involves multiple countries, especially when they have different regulatory systems (EU concerns about possible infringement of its laws on government procurement led to delays with BuBe in Hungary). Chinese firms have poured billions of dollars of investment into Hungary's electric-vehicle industry, but their battery and carmaking plants are far from BuBe.

Chinese officials may shrug. "I think they have already done what they wanted," says Andrea Elteto of Budapest's Centre for Economic and Regional Studies. "They already have lots of companies here, they have a foot in Europe, a bridgehead." China may prefer more BuBe fanfare, but in Hungary its firms don't crave new tracks. ■

Subscribers can sign up to [Drum Tower](#), our new weekly newsletter, to understand what the world makes of China—and what China makes of the world.

China | Lab-grown optimism

China hopes IVF can slow its baby bust

That may be overambitious

March 5th 2026



WHEN TANG RONGXIN began practising in vitro fertilisation (IVF) in Beijing in 2006, she says that fertility clinics felt otherworldly. The procedure seemed “extremely mysterious”, she recalls. Two decades on, IVF has become embedded in mainstream medicine. The most revealing change in that time, Ms Tang says, is not only in the science but in the patients themselves. Women in her waiting room are markedly older than those she helped at the start of her career.

That mirrors a broader demographic transformation. Chinese couples are marrying and trying for children later than in previous generations—one reason why infertility has become more of a problem. The share of couples of reproductive age struggling with infertility climbed from around 12% in

2007 to about 18% in 2020. Demand for IVF has surged. The number of assisted-reproduction treatment cycles in China rose from about 236,000 in 2013 to more than 1.1m in 2019. Today China has roughly 600 licensed clinics; assisted-reproductive technologies accounted for around 300,000 births, roughly 3% of the national total in 2022 (the latest year for which data are available). In a country desperate for more babies, even that modest share has drawn official attention.

China's fertility rate is among the lowest in the world: the average Chinese woman has just one child over her lifetime, down from 1.8 in 2017, and far below the 2.1 required to keep the population stable. Policymakers, alarmed that [a greying population](#) will leave too few workers to sustain growth and too many old folk to support, have rolled out an increasingly muscular package of pro-birth measures. A nationwide child-care allowance introduced in 2025 pays families 3,600 yuan (\$520) a year per child under the age of three. Less subtly, in January condoms became subject to a 13% VAT rate.

These measures come after the central government required assisted-reproductive treatments to be added to public insurance schemes in 2022. These are administered and financed locally. More than 1m people received reimbursement for IVF treatment in 2024 alone. By mid-2025 all 31 provincial-level regions had incorporated them into their schemes. An IVF cycle can cost 20,000–50,000 yuan. Some cities also offer grants of up to 10,000 yuan.

Yet demographers doubt that expanding IVF subsidies will raise births substantially. International experience offers little encouragement. Japan and South Korea have spent lavishly on pro-birth policies, including IVF, for decades; neither has achieved a sustained recovery in numbers. In China assisted reproduction would have to expand many times over to shift the fertility rate substantially.

Besides, scaling it up is far from straightforward. As Ms Tang observes, more patients are arriving in their late 30s, when success rates decline sharply. And IVF helps with infertility, not ambivalence about parenthood, thus benefiting only a small group of people, notes Stuart Gietel-Basten of the Hong Kong University of Science and Technology.

In China that limited pool is further narrowed by geographical constraints and the government's own policies. Clinics are concentrated in wealthier cities. From 2023 to mid-2025 more than 53,000 people in Beijing—a municipal area of 22m—had their fertility treatment reimbursed through public insurance. By contrast, in Jilin, a north-eastern province with a similar population, fewer than 6,000 women benefited in the first year after coverage began in 2024. Authoritative data on how many of these women actually bore children are difficult to obtain.

Such disparities reflect the structure of [China's health system](#), explains Karen Eggleston of Stanford University. Because provinces have to cover a big share of their own insurance costs, richer regions reimburse more generously. In poorer ones treatment often remains unaffordable. Ningxia's annual disposable income per person is less than a cycle of treatment might cost. And low reimbursement rates in turn constrain supply. Public hospitals must generate revenue, and where patients cannot cover the shortfall there is little incentive to expand IVF services, says Wang Feng of the University of California, Irvine.

Moreover, access to IVF is tightly regulated by national and provincial rules. Nationally, only heterosexual couples who are married can receive treatment. Few places seem to restrict access based on a mother's age. But rules on egg-freezing are strict. It is permitted only for medical reasons, such as in the event of cancer treatment, and not for healthy women who wish to postpone childbirth. That prevents women who know they want to delay childbearing from freezing eggs while they are younger, even though IVF using younger eggs has a higher success rate.

Access to IVF may yet expand. Officials' demographic worries may, over time, come to outweigh ideological reservations that have limited eligibility, says Mr Wang. In 2023 the province of Sichuan removed a requirement that parents must be married in order to register a child's birth, allowing single mothers to get maternity benefits. That year, too, an adviser to the national government (unsuccessfully) proposed granting unmarried women access to infertility treatments. Although such changes would bring families joy, high subsidies and advanced technologies will not deliver China from demographic decline. ■

Subscribers can sign up to [Drum Tower](#), our new weekly newsletter, to understand what the world makes of China—and what China makes of the world.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/china/2026/03/01/china-hopes-ivf-can-slow-its-baby-bust>

China | Economic gloom

China sets its lowest growth target for a generation

In macroeconomics, modesty is not always a virtue

March 5th 2026



After the high inflation and dramatic protests of 1989, China endured a spell of economic “rectification” and austerity. But by 1991 its leaders were ready to return to growth. At that year’s meeting of the National People’s Congress (NPC), China’s rubber-stamp parliament, the government announced a “moderate” growth target of 4.5%. “We will strive to exceed these targets in practice,” it said. Exceed them it did. The economy grew more than twice as fast as envisaged.

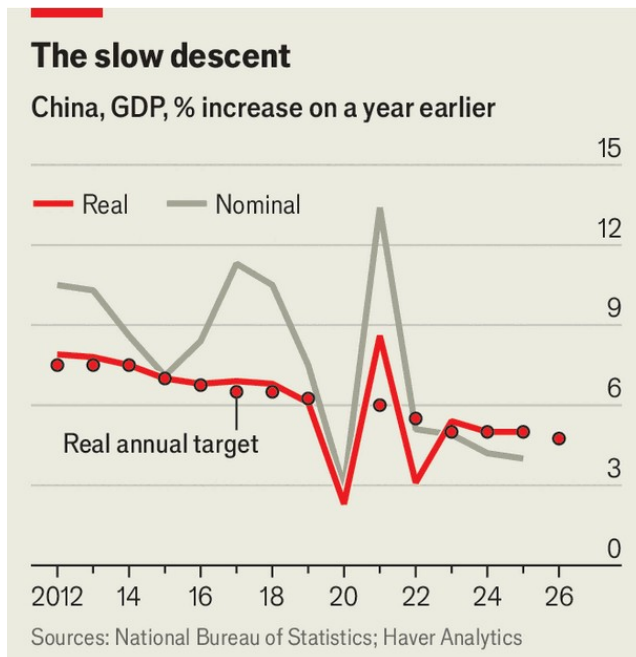
That meeting was the last time China set itself a growth target as modest as the goal announced on March 5th, the opening day of this year’s parliament. Roughly 2,800 delegates heard Li Qiang, the prime minister, say that GDP

this year should grow by 4.5-5%, a notch lower than last year's target of "around 5%".

Alas, this target will not be as easy to meet as the modest goal of 35 years ago. China is a far richer, better appointed country than it was in the early 1990s, with less scope for rapid catch-up growth. Its GDP per person reached almost \$13,900 last year, 15 times its level in 1990. Its latest five-year plan, which the NPC delegates will also review this week, foresees China becoming a "mid-level developed" economy in 2035, when its GDP per person should be double its level in 2020. China is also an older country than it was 35 years ago and its workforce is shrinking. According to figures released on February 28th, employment fell in 2025 by almost 1.3%.

On top of these structural difficulties are some cyclical dangers. Exports could disappoint this year, having far exceeded expectations in 2025. Economists were forecasting a smaller contribution to growth from trade in 2026 even before the Iran war disrupted shipping routes and rocked some markets in the Middle East.

Consumers will also get less of a boost from the government's "cash-for-clunkers" scheme, which subsidises households who upgrade their cars, phones and appliances. The government has broadened the offer's scope this year—it now includes AI glasses, for example, and an emphasis on "age-friendly" home products like nursing beds and fall-prevention systems. But Mr Li said the funding would be cut by a sixth to 250bn yuan (\$36bn). Officials boast that last year's scheme subsidised 366m purchases worth 2.61trn yuan. The thinner scheme planned for this year will struggle to match that sum. And to contribute to growth, it must exceed it.



Besides exports and consumption, the third engine of demand—investment—is threatened by a government campaign against overcapacity, price wars and “involution” (officially translated as “rat-race competition”). Mr Li promised to fight unfair competition with “greater intensity” this year, by raising quality standards, regulating production and enforcing laws against predatory pricing. This combination of threats to investment, consumption and trade is contributing to what Ting Lu of Nomura, a bank, has called a “demand cliff”. He forecasts that growth will reach only 4.3% this year, falling short even of the government’s diminished target.

To offset this lack of demand, the government will have to ease its fiscal stance. But it does not seem ready to accept that. At the NPC it said its headline budget deficit would remain at 4% of GDP in 2026, the same as last year. It has also chosen not to increase the quota of “special” bonds issued by local governments, traditionally reserved for revenue-generating infrastructure projects, but now used for all sorts of things, including buying unsold property and idle land. The government raised rural pensions by a mere 20 yuan a month, the same as last year, increasing the minimum benefit to 163 yuan. It will also set aside 100bn yuan to subsidise consumer loans.

That grudging support will not be enough to solve China's problems of chronic overcapacity and deflation. Falling prices have depressed nominal growth, which makes no adjustment for inflation (see chart). That has weighed on corporate revenues and workers' pay packets. The government seems to think nominal growth will do a little better this year, increasing by about 5%, judging from its budget maths. Mr Li also promised to engineer a "reasonable, modest rebound" in consumer prices. Back in 1991, the government's modest targets were reassuring. Thirty-five years later, more ambition would be welcome. ■

Subscribers can sign up to [Drum Tower](#), our new weekly newsletter, to understand what the world makes of China—and what China makes of the world.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/china/2026/03/05/china-sets-its-lowest-growth-target-for-a-generation>

China's ice-cold calculus over Iran

In the Middle East, it is a political weakling but an economic force

March 5th 2026



WHEN AMERICAN and Israeli warplanes struck Iran at the weekend, killing Ali Khamenei, the supreme leader, China's flagship nightly news programme covered the story with notable frankness. The basic facts were reported, clearly and promptly. Contrast that with what happened barely two months earlier, when [massive protests](#) erupted across the Islamic Republic. For the first two weeks, China's newscasters said nothing. When they did eventually cover the unrest, they depicted the protesters as pawns of "external forces".

This contrast reveals one reason why China's leaders are less troubled by the ongoing assault on Tehran than many assume. China was alarmed by Iranians rising up in late December against their own government. The

spectacle of a popular movement toppling an autocratic regime is precisely the kind of thing that makes officials in Beijing anxious. An airstrike that kills a political leader is, from China's perspective, a more manageable event. It is easier to voice outrage at warmongering Americans. It is also possible to imagine various outcomes in Iran that might work to China's advantage.

Some of President Donald Trump's boosters in America have depicted Khamenei's death as a devastating blow not just for the Islamic Republic but for China itself. These hot takes assume that China has been humbled. It is true that the country once seemed to be styling itself as a new powerbroker in the Middle East. Three years ago it brought Iran and Saudi Arabia together for talks to restore official relations; some observers hailed that as proof of China's ascendancy in the region. The joint American-Israeli strikes drive home the opposite point: China's influence and ambitions in the Middle East are more limited.

Passive in Iran, China similarly stayed on the sidelines in Venezuela in January, when Mr Trump, with his taste for violence and bravado, sent American troops to snatch Nicolás Maduro, China's friend. Of the two, Iran carries more weight. Venezuela supplied less than 4% of China's total crude imports, Iran more than 10%. Iran has also been a useful thorn in America's side, with its proxies targeting Americans and allies across the region. So, the argument goes, China is a big loser from the bombing of Iran.

Such reasoning is more wishcasting than real analysis, however. China is hardly weeping. Most obviously, no one knows how the military operation will turn out. America's war in Iraq in the early 2000s distracted it from the competitive threat then just starting to emerge from China. Nowadays, that competition is far fiercer and the distractions would be costlier. Julian Gewirtz, a security official in the administration of Joe Biden, notes that even short of an Iraq-style quagmire, the likelihood that America must again pour attention into the Middle East is to China's advantage.

Besides, China does not need Iran in the way that Iran needs China. Chinese buyers account for more than 80% of its crude exports. Although Iranian oil is under American sanctions, small Chinese refiners have been only too willing to disguise it as, say, Malaysian crude. China has also sold Iran vital

technology, including digital-surveillance tools that helped the regime brutally crush the recent protests.

China has decided that Iran simply matters less. It has a diversified portfolio of crude suppliers and, in any case, its huge demand for oil seems to be peaking (though China remains the world's largest importer of crude) because of an electric-vehicle boom. China has made relatively few direct investments in Iran, despite promising otherwise. And, most tellingly, Chinese officials have grown wary of Iran's unpredictability. They view the prospect of Iran developing nuclear weapons with quiet alarm, partly because it might chip away at the nuclear taboo constraining China's rivals in Asia, especially Japan.

China also has investments and expat populations in the United Arab Emirates and Saudi Arabia, and has not appreciated [Iranian strikes against them](#). "For all of the narrative about competition between China and the West, China's closest relationships in the Middle East are largely with US partners and allies," says Jonathan Fulton of the Atlantic Council, an American think-tank.

All this makes for an unsentimental China. It is not about to abandon Iran as a partner. But it may not much care whether the clerics remain in charge or whether some other group, perhaps drawn from the revolutionary guards, takes over. What China cares most about is its economic interests in the Middle East. If American actions somehow yield an Iranian government that has forsworn nuclear weapons, so much the better. "Whatever happens, there is much the Iranian regime must reflect on and improve," says Ding Long of Shanghai International Studies University.

Iran cannot have been surprised by China's restraint. It already knew what to expect. When Israel bombed its nuclear facilities in June 2025, China offered little more than angry denunciations. In the lead-up to the strikes that killed Khamenei, China's language was even more muted. Some Chinese thinkers are already pondering what comes next. If America eventually lifts sanctions on Iran, the precedent of Iraq is instructive: when reconstruction begins, Chinese companies, with their expertise in infrastructure, technology and trade, show up. Iranian oil might flow more abundantly. "China may

even become a beneficiary,” says Mr Ding. “One should not be overly pessimistic.”

It is a cold calculus, born of the recognition that China has vast economic interests in the Middle East but scant ability or appetite to make a mark on the region’s messy politics. Right now, China is a bystander as the bombs fall on Iran. It will not remain one when the rebuilding starts.■

Subscribers to The Economist can sign up to our [Opinion newsletter](#), which brings together the best of our leaders, columns, guest essays and reader correspondence.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/china/2026/03/02/chinas-ice-cold-calculus-over-iran>

Middle East & Africa

- [In African development, big is beautiful again](#)
- [Thousands of Africans are fighting for Russia in Ukraine](#)

In African development, big is beautiful again

With aid declining, grand visions for growth are back in fashion

March 5th 2026



THE START of operations at a \$20bn oil refinery in Nigeria in 2024 showcased a vision of development that is popular among Africa's elites. Its owner, Aliko Dangote, who is also the continent's richest man, likes to say that "You need to think big, then you grow big." Contrast this with the advice favoured by some Western aid agencies and NGOs, which might be summed up in the mantra "Small is beautiful". Which approach will make African countries rich? As aid budgets shrink, an old question has acquired a new bite.

To understand the debate, imagine an economy with two sectors. The "capitalist" sector, which includes factories and commercial farms, is more productive. But most people work in the "subsistence" one, made up of

informal enterprises and tiny farms. As argued in the 1950s by Arthur Lewis, a Nobel prize-winning economist, development happens when workers move from “subsistence” to “capitalist” activities, which have higher labour productivity.

The question is what policies can support this structural transformation. One answer might be to help big firms to grow so that they draw in labour. For example, the government could lower electricity tariffs for factories or make it easier for large farms to acquire land. An alternative approach might be to nurture small firms in the hope that some grow into productive, modern enterprises. Their owners could be given credit and training. Smallholder farmers could be helped to raise their yields and get access to markets.

Policymakers in Africa have long blended the two approaches. In the first decades of independence, they went large. African leaders and their funders, like the World Bank, embraced grand state-run projects, which often floundered. After the debt crisis of the 1980s and IMF-led privatisations in the 1990s, the mood shifted. NGOs filled in for the state. The hustling owners of tiny businesses were recast as “micro-entrepreneurs”. Western aid agencies backed small interventions that could be assessed with randomised controlled trials.

Now the emphasis is shifting again. Industrial policy, which tends to focus on big firms, has become so trendy that the World Bank holds conferences on it. Governments are supporting large-scale efforts to process raw materials, be it cotton in Benin or cashews in Ivory Coast. Philanthropies that usually pay for items like mosquito nets are funding research into growth.

In part, the shift is political. African policymakers were never convinced by bottom-up approaches, which they saw as a woolly Western fad, associated with a model of aid that is now in decline. [Some politicians back big firms](#) as a way to reward friends and cronies; for others, it just seems a more plausible way to boost growth. “How can a capitalist not know how money is generated?” Yoweri Museveni, Uganda’s president, asked last year, grumbling that donor money has gone to schools and hospitals rather than railways and power plants. Rising powers, like China and the United Arab

Emirates, have always financed infrastructure. Brazil invests in commercial farms in Africa. Under Donald Trump, America too is looking for big deals.

The fashion among development economists has also changed. Randomised trials helped feed the enthusiasm for small, measurable interventions, but they also showed that many bottom-up ideas did not work very well. Giving out credit to tiny businesses, for example, seems to have only modest impacts on measures like business activity and profits.

Three-quarters of workers in Africa are self-employed or work for a relative, so small firms matter. Xinshen Diao of the International Food Policy Research Institute and Margaret McMillan of Tufts University argue that an “in-between” sector of small, fast-growing companies creates a lot of jobs. But most big businesses are born large. The World Bank found that in developing countries, among companies that started with fewer than 20 workers, 82% were still small a decade later. Only 3% employed more than 100 people. “If you have a clear idea of what structural transformation is—growing productivity and higher technology—then you have to go for larger firms,” argues Taffere Tesfachew, an adviser at Ethiopia’s ministry of industry.

In agriculture, too, the answers are not obvious. Many economists think the priority is to raise yields among smallholders, who tend to spend their earnings locally, stimulating demand. This worked in east Asia. But many small farms in Africa are too small to be viable. There might be more dynamism among mid-size commercial farmers with the scale to mechanise.

Similar questions bedevil energy policy, where the debate is over whether to focus on cheap, reliable power for firms, or hook up the 600m Africans who do not have electricity. Moussa Blimpo of the University of Toronto thinks that powering industry would spur growth, raise incomes and eventually boost access across the board. Others point out that cheap solar panels can light up villages the grid cannot reach. And there has been a huge boom in recent years in solar panels being installed.

Those who favour big businesses are criticised for being heartless; those who want to help small ones may be considered soft. Neither charge is quite fair. The reality of development is messy, uneven and often brutal, says

Christopher Cramer of SOAS at the University of London. But governments can try to encourage links between big and small companies, for example, rather than simply assuming that wealth will trickle down.

There may be no single right way to boost growth, given that countries have very different endowments of land, labour and capital. But for now, thinking big is back in fashion. ■

Sign up to the [Analysing Africa](#), a weekly newsletter that keeps you in the loop about the world's youngest—and least understood—continent.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/middle-east-and-africa/2026/03/05/in-african-development-big-is-beautiful-again>

Middle East & Africa | A deadly job

Thousands of Africans are fighting for Russia in Ukraine

African governments are belatedly trying to stop them

March 5th 2026



Slowly, half-heartedly, the soldiers start to dance. A tall man speaking Russian, who appears to be their commander, laughs and calls for the music to be turned up, urging the rest of the group to dance with him. Vincent Odhiambo, a 28-year-old Kenyan who shot a video of the scene on his phone, says this was the day before his army unit arrived on the front line in eastern Ukraine in July. Mr Odhiambo says all the soldiers seen dancing in the video were soon killed in battle. Apart from the commander, all were African.

Mr Odhiambo is one of thousands of Africans who have fought in the war in Ukraine, where both sides have used foreign fighters since Vladimir Putin

launched the full-scale invasion in 2022. Ukraine puts the number of African nationals currently enrolled in the Russian army at 1,780 from 36 countries, but there are probably more. Kenya's intelligence agency reckons more than 1,000 Kenyans have been involved in the war, with 89 still on the front line.

Though some Africans caught up in the war have military experience and may have gone to fight voluntarily, many say they were forcibly recruited under false pretences. In Kenya, Mr Odhiambo says an agency called Global Face Human Resources promised him a civilian job in Russia, free flights and visa, plus a sign-on bonus worth more than \$10,000. Yet on arriving in St Petersburg, Russia's second city, he was presented with the choice of signing a contract with the Russian army, or paying 2.4m roubles (\$31,000) to leave. On February 26th the agency's Kenyan founder was charged with human trafficking.

Stories of recruiters targeting poor, often unemployed, young men have emerged across the continent. In Accra, Ghana's capital, one recruiter allegedly charged victims hefty upfront fees and later deducted 130,000 roubles from their monthly salaries. Like Mr Odhiambo, they say they were made to sign year-long military contracts in Russian (which they could not understand), and given only a week's training before being sent to the front. Russia, in particular, is "going all out in taking advantage of people who are looking for jobs and greener pastures", says Samuel Okudzeto Ablakwa, Ghana's foreign minister.



Russia is turning to Africa because it needs manpower. There is good evidence to suggest that its army is losing more men than it can recruit, with desertion rates at a record high. Without resorting to general mobilisation, which Mr Putin has so far been reluctant to do, “it is really difficult for them to find additional men”, says Oleh Bielokolos, a former diplomat and director of Ukraine’s Centre for National Resilience Studies.

The odds of survival are poor for anyone thrown into the war. A few Africans see out their contract and are granted residency in Russia. Mr Odhiambo was hospitalised and sent back to Kenya. But by one estimate, as many as 42% of foreign fighters are killed within four months of joining Russia’s army. At least 55 Ghanaians have died, says Mr Ablakwa. A Ukrainian foreign-ministry spokesperson says the best bet for African conscripts is surrender: “We treat them as victims of Putin’s regime...if they are already in the army we encourage them to become prisoners of war.”

African governments are starting to wise up. Kenya’s government has closed hundreds of unlicensed recruitment agencies and called on Russia to stop enlisting its citizens. Last week Mr Ablakwa met Volodymyr Zelensky, Ukraine’s president, to lobby for the release of two Ghanaian prisoners of war and to assemble what the foreign minister calls an “international coalition of the willing” to fight trafficking.

Russia, too, seems to be having second thoughts. Its war still enjoys support in Africa. Yet a new survey by Afrobarometer, a pollster, finds that positive views of Russia trail those of America and China. According to iStories, a Russian investigative outlet in exile, Russia has drawn up a list of 36 “friendly” countries, including African ones, where recruiters are barred from seeking fighters. Such bans may not be enforced. But they suggest Russia worries that the deaths of Africans in its war may cost it African support. ■

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

This article was downloaded by [zlibrary](#) from <https://www.economist.com/middle-east-and-africa/2026/03/05/thousands-of-africans-are-fighting-for-russia-in-ukraine>

Europe

- [What France's new nuclear-arms doctrine means for Europe](#)
- [Why one of Germany's richest regions is gripped with anxiety](#)
- [Feted by Europe's left, Spain's Pedro Sánchez is unloved at home](#)
- [How the Danes and Swedes handle populism](#)
- [Meet the weekend warriors preparing to defend Europe from Russia](#)
- [In times of chaos, Europe is the muddled power the world needs](#)

Europe | The umbrella of Île Longue

What France's new nuclear-arms doctrine means for Europe

Emmanuel Macron will build more warheads and include allies

March 5th 2026



It was a theatrical display of national power. Escorted by fighter jets, Emmanuel Macron on March 2nd flew to the high-security naval base at Île Longue, Brittany, and spoke in front of one of France's four serving nuclear ballistic missile submarines. But the event was not just about the visuals. In a marked shift in France's nuclear doctrine, the president said that France would increase its nuclear stockpile. He also revealed a new partnership with seven non-nuclear European countries intended to enable France's deterrence to protect its closest allies too.

Mr Macron's decision to add to its nuclear arsenal was the first surprise. France currently maintains 290 warheads, slightly more than Britain—

western Europe's only other nuclear power—but far fewer than America's 3,700-strong stockpile. France has traditionally adhered to what it called “strict sufficiency”: the idea that it needs just enough warheads to inflict unimaginable damage. Adding to the arsenal does not mean, Mr Macron stressed, that France is entering an arms race. But he wants any adversary to know that an attack on France would prompt a response “from which it would not recover”. Henceforth, to keep adversaries in the dark, France will not disclose how many warheads it possesses.

The second announcement was a new doctrine which Mr Macron called “forward deterrence”. This is a partnership with Belgium, Denmark, Germany, Greece, the Netherlands, Poland and Sweden, which would work along the lines of one forged recently between Britain and France. Describing Germany as the “key” partner, the president said that closer co-operation would involve joint exercises with France's nuclear-armed air force, at which others would contribute conventional forces (France carries out such exercises four times a year). This resembles a current scheme under which some NATO allies would provide conventional air power to support American air-launched nuclear strikes. From time to time it could also mean deploying nuclear-armed fighter jets to other European countries.



There is no talk of permanently stationing nuclear weapons in other countries. Nor is France offering an explicit guarantee. But the new mesh of arrangements, says a French diplomat, should send adversaries a message about European solidarity and “complicate” their calculations. It remains open to others to join; Norway is considering the option. France and Germany have also launched a joint steering group on nuclear deterrence, an unthinkable decision even a year ago. Bruno Tertrais, a specialist on France’s nuclear forces, calls Mr Macron’s speech “the most significant update to French nuclear deterrence policy in 30 years”.

This is an important moment. Since the end of the second world war, the American nuclear umbrella has guaranteed European security. At the same time, since the 1970s, France has written into its national-security strategy the idea that its nuclear deterrent helps to protect Europe. Indeed Mr Macron offered in 2020 to start detailed talks with fellow Europeans about reinforcing this. But as long as the American guarantee felt robust, the suggestion seemed superfluous. And until now France has never laid out what such a “European dimension” means.

Mr Macron said that the intention is not to replace the American guarantee; the new arrangement is meant, rather, as both a complement and a hedge. Given uncertainty about America’s commitment to Europe, the idea is to make clear to Russia that a coalition of European countries is backed by France and its ultimate deterrent. If Russia were to try to make a move on any other European country, it would also know that France could deploy its nuclear-capable fighter jets as a warning sign. “The whole point is to increase the cost to any aggressor of any aggression,” says Etienne Marcuz of the Foundation for Strategic Research in Paris.

France would nonetheless keep full control of the decision to launch a nuclear attack, as the president made clear. That refuted claims by some French opposition parties that he was about to “share” the deterrent. The new doctrine, says an insider, took 18 months of work. A French official says that the partnership comes with no strings attached: no financial contribution has been requested in return.

Fellow Europeans often suspect France of devising grand strategies in order to promote its defence industry. Their enthusiasm in response to this week’s

declaration, therefore, is striking. Claudia Major, of the German Marshall Fund in Berlin, called the Franco-German deterrence co-operation “ground-breaking”. Donald Tusk, prime minister of Poland, one of Europe’s most Atlanticist countries, posted on X: “We are arming up together with our friends so that our enemies will never dare to attack us.”

Critics argue that neither the French nor British deterrents could fully replace the American guarantee under NATO, even if they sought to. Moreover, if the populist-right National Rally (rn) comes to power in 2027 there would be fresh questions about France’s commitment to European allies. Yet in unpredictable times, the shift in strategy Mr Macron unveiled at the Île Longue submarine base, located on an apparently tranquil wooded peninsula near the country’s westernmost point, is significant. France’s new doctrine will reinforce Europe’s collective security in ways that only recently would have seemed unrealistic and unnecessary. ■

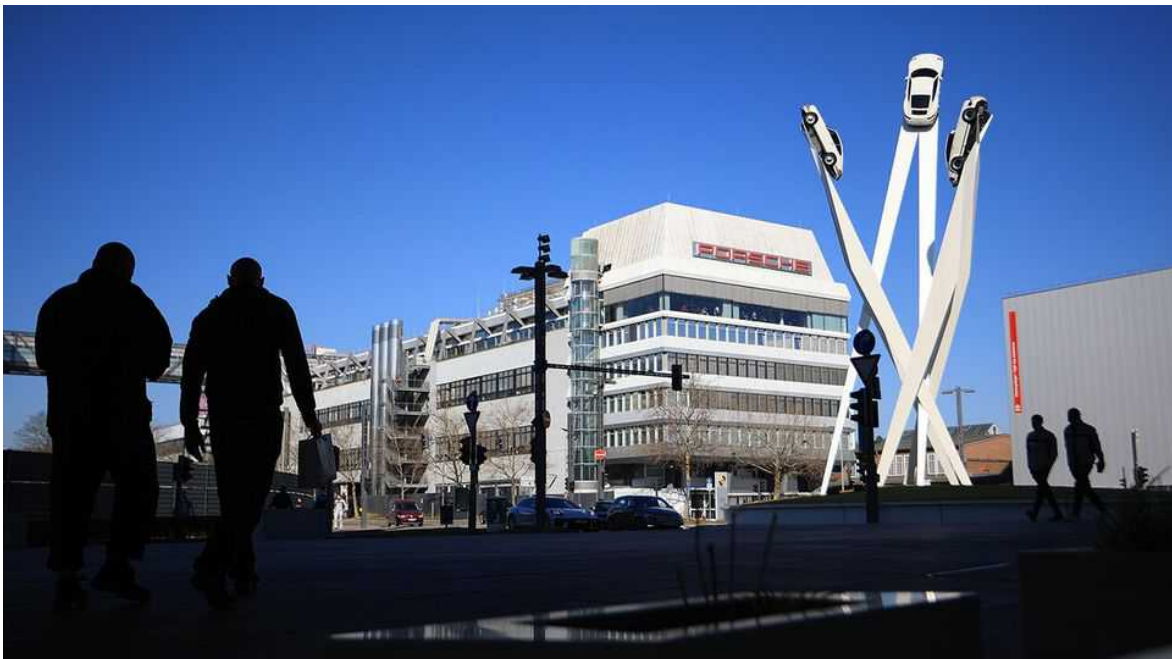
To stay on top of the biggest European stories, sign up to [Café Europa](#), our weekly subscriber-only newsletter.

Europe | Fear stalks the Länd

Why one of Germany's richest regions is gripped with anxiety

Baden-Württemberg's election is overshadowed by worries over deindustrialisation

March 5th 2026



SCROLL through a list of Europe's richest regions and you quickly reach Baden-Württemberg, a state of 11m in Germany's south-west. "The Länd", as a popular marketing campaign has it, has long exemplified Germany's business model: a lattice of small, middling and big firms employing lots of people to make high-quality stuff, especially cars, and sell it to foreigners. But these days American tariffs, surging Chinese imports and an automotive sector in crisis are putting all that at risk. As it prepares to elect a government on March 8th, the Länd is filled with angst.

A vast Mercedes museum on Stuttgart's outskirts, opened by Angela Merkel in 2006, testifies to the car's role in building Baden-Württemberg's wealth. But the sector may be facing "the greatest challenge in its history", says Nicole Hoffmeister-Kraut, the economy minister. Over 200,000 jobs in and around Stuttgart, the state capital, depend on it. Mercedes and Porsche are laying off workers. Bosch, one of the largest suppliers, will cut 22,000 jobs by 2030, many here in its home state.



Still more troubled are the smaller Mittelstand firms dotted around the state, many of which depend on the internal combustion engine, which faces obsolescence as cars electrify. Companies that might once have downsized are now being wound up, says Martin Mucha, a Stuttgart-based corporate lawyer. Firms' travails are curbing tax revenues, forcing towns and cities to slash services. Stuttgart's corporate-tax receipts have fallen by almost half in two years. Nearly half of voters tell pollsters the region could face the fate of Detroit, which fell into destitution and bankruptcy when its car sector crumbled.

That may be taking things too far. "There are warning signs, but I certainly wouldn't make that comparison," says Jürgen Dispan of the imu Institute, a research outfit. Baden-Württemberg has a highly skilled workforce, good universities and depth in innovation: with 13% of Germany's population the

state accounts for nearly 40% of patent applications. ai, robotics and health care all show strength, and Germany's rearmament programme will absorb some workers.

ebm Papst, a cooling-technology firm with over 5,000 workers in the state, shows the possibility of reinvention. Five years ago, seeing the writing on the wall, Klaus Geissdörfer, the ceo, decided largely to quit the car business, betting on cooling systems for data centres instead. "If you sit back and wait, you'll be gone in a few years," he says. And some still see a future in the auto sector. Cem Özdemir, leading the campaign for the ruling Greens, is a car-hugger despite his politics: a formula that sounds odd to outsiders but has proved its potency here. "We must be the ones who produce the car of the future," he says. "Decarbonised, autonomous, digital".



Still, Mr Özdemir accepts that even a successful transition will be hard, not least since there are a lot of laid-off workers to absorb. With the pie shrinking, once-harmonious relations between unions and bosses are fraying. The populist-right Alternative for Germany (afd) hopes to ride the wave of anxiety to its best-ever election result in a west German state. It is leafleting workplaces, campaigning in upcoming elections to works councils and promoting Zentrum, a pseudo-union headed by a former guitarist for a skinhead rock band.

Yet “the time is not ripe for them,” says Christian Steffen, an analyst at *ig Metall*, an established union the *afd* rails against. He thinks it will struggle in the works-council elections. Similarly, in anxious but cosmopolitan Stuttgart, home to the biggest car cluster, the *afd* may not win much more than 10% of the state vote. “This is the contradiction,” says Rolf Frankenberger, a specialist on the far right at Tübingen University. “The *afd* has no base in urban areas, although the transition will hit hardest there.” As in other parts of Germany, it does best outside cities.

Baden-Württemberg’s rural spots are wealthy too, not at all like the ramshackle, depopulated areas of eastern Germany where the *afd* thrives. Take Hohenlohe, a region in the state’s north dotted with successful companies. Tim Breitzkreuz, the energetic young candidate for the conservative Christian Democrats (*cdu*), is campaigning here. The houses are big and well kept. Unemployment is just 3.7%. Yet Mr Breitzkreuz is locked in battle with an *afd* rival. A natural optimist, he says he has to dwell on problems to secure voters’ trust. At a *cdu* campaign event nearby, some party activists rage against what they regard as idiotic decisions imposed by lefties in Berlin, or dogmatic Eurocrats prematurely killing the combustion engine.

It is easy to see how such grievances may be mobilised by the *afd*. “It’s not about real deprivation but fears of a loss of security,” says Mr Frankenberger. Hohenlohe and many regions like it have a tradition of support for the radical right that the *afd* can tap. That will not lift it to power; the election will probably lead to another Green-*cdu* coalition, perhaps with the *cdu* now in charge. But whoever takes Baden-Württemberg will find a state fearing its future will be tougher than its past. ■

To stay on top of the biggest European stories, sign up to [Café Europa](#), our weekly subscriber-only newsletter.

Europe | Wobbly idol

Feted by Europe's left, Spain's Pedro Sánchez is unloved at home

The prime minister is trying to become an icon of resistance to Donald Trump

March 5th 2026



On March 4th Pedro Sánchez, Spain's Socialist prime minister, went on TV to reiterate his opposition to America's attack on Iran. Spain, he said, would not be "complicit in something that is bad for the world...simply because of fear of reprisals". Mr Sánchez had refused the Americans the use of two Spanish military bases for the assault; Donald Trump had responded by vowing to "cut off all trade with Spain". The spat is part of an effort by the Spaniard to become Europe's leading opponent of Trumpian nationalism.

Mr Sánchez criticised America's military extraction of Nicolás Maduro, Venezuela's dictator, for violating international law. At last month's Munich

Security Conference he argued against European “nuclear rearmament”. He is also pro-immigrant. In January he granted amnesty to perhaps 800,000 people who are in Spain without papers. Defending the decision in a post on X, he insisted Spain would stay a “welcoming” country and asked what was radical about “recognising rights”.

Mr Sánchez speaks with the authority of an economy that has grown twice as fast as the euro-area average since 2023; last year it grew 2.8%. He still champions action against climate change. While other leaders seek to placate Mr Trump, Spain’s prime minister is hailed by Europe’s left for offering a progressive alternative.

Yet he gathers less praise from Europe’s other leaders—or from Spaniards. Even dovish voters have reason to grumble: he has raised defence spending by over 40% since 2024 to 2% of GDP, though he refused to sign up to NATO’s target of 3.5%. In a more conservative Europe, “some see him as an irritant”, says José Ignacio Torreblanca of the European Council on Foreign Relations, a think-tank. “On the legalisation of immigration, he’s an absolute outlier.”

In office for almost eight years, Mr Sánchez’s coalition no longer commands a reliable majority. The Socialists were walloped in regional elections in Extremadura in December and Aragón last month. A similar fate may await on March 15th in Castilla y León and afterwards in Andalucía, especially if Mr Trump actually bars Spain’s exports of wine, pork and olive oil.

Spaniards have moved to the right, according to the polls. Rising housing costs have cancelled out rising wages, especially for younger people. The Socialists have been damaged by corruption charges against two of Mr Sánchez’s closest aides. The party’s alliances with Basque and Catalan nationalists hurt it elsewhere.

Rather than the mainstream conservative People’s Party (PP), the main beneficiary is the populist-right Vox. It won over 17% in both Extremadura and Aragón, forcing the PP into difficult negotiations to form governments. In some recent polls, a majority of respondents now think there are too many immigrants.

Mr Sánchez has admitted that disillusioned left-wing voters are staying at home. He insists he will enthruse them for the general election that must come by July 2027. That is one reason for his progressive foreign policies. But the strategy may not work. “The cycle is ending,” says Pablo Simón, a political scientist. “Alternation in power is normal.” What is not normal for Spain is the possibility of the PP having to share government with Vox. ■

To stay on top of the biggest European stories, sign up to [Café Europa](#), our weekly subscriber-only newsletter.

This article was downloaded by [zlibrary](#), from <https://www.economist.com/europe/2026/03/05/feted-by-europes-left-spains-pedro-sanchez-is-unloved-at-home>

Europe | If you can't beat them

How the Danes and Swedes handle populism

Denmark's Mette Frederiksen calls an election to take on the hard right again

March 5th 2026



EUROPE'S CENTRE-LEFT parties have much to thank Donald Trump for. His insults and bullying have made many of them more popular, notably Denmark's ruling Social Democrats. On February 26th Mette Frederiksen, the prime minister, called a snap election, taking advantage of the bump in support she received after Mr Trump threatened to seize Greenland.

A few months ago Ms Frederiksen looked set for a drubbing. In local elections in November the Social Democrats lost control of Copenhagen, the capital, for the first time in a century. Polls in December put their support at just 17%, down from 28% at the national election in 2022. Since Ms

Frederiksen defied Mr Trump over Greenland it has rebounded to 22%, and her net approval has bounced by 21 points.

Denmark's general election on March 24th, and one in Sweden in September, will be watched closely across Europe, where centrist parties are battling to contain the populist right. The Nordic neighbours have test-driven different strategies for doing so. One is to adopt hard-line policies on immigration and crime in order to steal the populists' thunder, as Denmark gradually has over the decades; Sweden eventually followed. The other is to give the populists a role in government in the hope that they will become more responsible, as Sweden did after its last election in 2022.

Both strategies entail ethical and electoral risks, but there may be no alternative. Europe's efforts to isolate populist-right parties, as with France's "cordon sanitaire" and Germany's Brandmauer ("firewall"), are failing. Marine Le Pen's National Rally is France's most popular party. The Alternative for Germany is tied for first nationally with the Christian Democrats, and may end up governing one of Germany's states after elections this autumn.

For many in Scandinavia, even on the left, the lesson is clear. "Denmark is maybe the only country that has been, in the longer run, successful when it comes to weakening the right-wing populist party," says Magdalena Andersson, Sweden's prime minister until 2022 and the leader of its Social Democrats, who are ahead in the polls with about 35%.

In the mid-2010s, a huge influx of migrants and refugees dominated northern Europe's political agenda. After the populist anti-immigrant Danish People's Party won 21% of the vote in 2015, a centre-right government introduced some of Europe's toughest migration laws. These slashed the number of new asylum seekers from a peak of 21,000 in 2015 to around 3,000 two years later. They also undercut support for the populists, whose vote share collapsed. By 2019, when Ms Frederiksen took office, just 21% of Danes listed immigration and asylum among their top three priorities, according to YouGov. Still, her government tightened migration policies even further.

Sweden's Social Democrats were slow to learn the lesson. After an influx of 156,000 people in 2015, the government cut the number of new arrivals to around 22,000 in each of the following two years. Yet it struggled to shift the perception that it had opened the borders. In a 2018 YouGov poll 76% of Swedes thought their government was handling migration badly, compared with 54% of Danes. In 2022 the anti-immigrant Sweden Democrats (SD) came second with 21% of the vote.

The SD had been shunned because of its neo-Nazi roots. But Ulf Kristersson, leader of the centre-right Moderates, struck a confidence-and-supply deal under which the SD backed his government in exchange for policy input, though it did not have ministers. The Moderates say democracy required giving the SD's voters a say. "Isolation hasn't really worked anywhere," says Alexandra Ivanov Hokmark, chief of staff to Mr Kristersson until 2023 and now at Timbro, a free-market think-tank.

Giving the SD a voice may have helped Mr Kristersson slow its growth; it is steady at around 21%. But legitimising the populists has been costly for two smaller parties in the coalition. They risk falling below the 4% threshold needed to enter parliament. Peter Hultqvist, a Social Democrat who served as defence minister, thinks this was inevitable: if a government includes populist parties, "step by step, it will be eaten up by the right-wing extremists." The risk will be greater after the next election, since the SD says it will insist on ministerial posts.

The Nordic model raises questions for centrist parties elsewhere. One is whether adopting hardline anti-immigrant policies means abandoning core principles. Ms Andersson argues that stricter migration policies are needed so that governments can integrate those who have arrived, and implement social policies to reduce inequality. Another is whether they marginalise immigrants, making it harder for them to integrate. Then there is the question of whether countries with ageing populations can afford to slam their doors shut.

"We need nurses," says Sedat Arif, a deputy mayor of Malmo, Sweden's third-largest city. About a third of its population was born abroad. Immigration "has to be regulated...[but] we also want people to feel part of the society". It is a balance that voters do not seem ready to embrace. ■

To stay on top of the biggest European stories, sign up to [Café Europa](#), our weekly subscriber-only newsletter.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/europe/2026/03/05/how-the-danes-and-swedes-handle-populism>

Europe | Resistance assistants

Meet the weekend warriors preparing to defend Europe from Russia

Lithuania's citizen-soldiers are part of growing volunteer forces in the Baltics

March 5th 2026



At an army base in Pabrade near Lithuania's border with Belarus, a bartender, a software developer and a salesman pile into an armoured vehicle. The men are part of Lithuania's Riflemen's Union, a volunteer paramilitary group. They are spending their weekend on the edge of a forest in freezing temperatures, learning to storm trenches.

Lithuania is nestled between Kaliningrad, Russia's enclave on the Baltic Sea, and Belarus, its vassal state. Since Russia's full-scale invasion of Ukraine in 2022 the Riflemen's ranks have nearly doubled. Many buy their own kit.

The organisation is part of Lithuania's doctrine of "total defence". "We want every Lithuanian citizen, no matter the age, education, physical readiness, to have a place in the country's defence," says Linas Kojala of the Geopolitics and Security Studies Centre, a think-tank in Vilnius, Lithuania's capital.

While some NATO countries are struggling to recruit soldiers, closer to the border with Russia volunteer groups are growing. Estonia's Defence League now has more than 30,000 members, an increase of 5,000 since 2022.

This expansion of citizen-soldiers creates vulnerabilities. In 2023 investigators discovered that one of Lithuania's Riflemen was working with Belarusian intelligence services. The government wants to tighten vetting of new volunteers. Another challenge, explains Nele Loorents, a researcher at the International Centre for Defence and Security in Tallinn, is "overlapping responsibilities". Many members also volunteer for other forces, like the police or rescue services. A crisis could strain those services.

If Russia did invade Lithuania, the number of volunteers who would carry out joint combat missions with the army would be under 500. Most would instead secure the rear and offer technical support. Tomas Godliauskas, Lithuania's deputy defence minister, emphasises the importance of the Riflemen's civic education. Since 2024 the volunteers have run defence courses in every school. Ms Loorents says the Estonian Defence League's engagement of younger generations builds resilience. "They are actually the ones in the regions who explain how to survive in crisis situations."

At the military base Colonel Linas Idzelis, the Riflemen's commander, describes the enthusiasm as contagious. "If you are motivated, others also [become] very, very motivated." For Mr Kojala the goal is deterrence: "We will fight as a country that has a military, but we will also fight you as a society...and I do think Russia understands it." ■

To stay on top of the biggest European stories, sign up to [Café Europa](#), our weekly subscriber-only newsletter.

In times of chaos, Europe is the muddled power the world needs

In praise of the dreaded European working group

March 5th 2026



Consider the recent actions of the world's nuclear powers, if you dare. One has been trying to conquer its neighbour for four years, leading to bloody stalemate. Two of them (only one of which acknowledges being a nuclear power at all) are busy lobbing bombs in the Middle East—not usually a recipe for success. Another atomic couple have been involved in armed skirmishes in the past year, a regular feature since their bitter partition eight decades ago. The nuclear club's newest member is known as the hermit kingdom; its bigger warhead-wielding neighbour is presumed to be planning to invade an adjacent democratic island under the guise of “peaceful reunification”. The final two nuclear powers, Britain and France, have been rivals for a millennium. But among the biggest strains in their relations these

days are quibbles about the rules pertaining to school exchanges and the modalities required for importing unpasteurised cheese.

In an age of blood-soaked realpolitik, Europe stands out. Yes, it is meek, a vegetarian in a world of omnivorous geopolitical rivals. Certainly, it is often muddled, its power dissipated among dozens of national governments that have difficulty agreeing on the time of day without calling a summit. The European Union at the continent's core is too slow—for sure!—and needs to be reformed. But the list of global powers that are big enough to cause global havoc yet opt not to is shorter than it used to be. Europe is a big part of it.

Indeed, some of the reasons to ridicule the Old Continent are at the same time reasons to praise it. The vice of which it is most often accused, both by Europeans and others, is that of naivety. This is generally due to Europe's obstinacy in pursuing, or at least paying lip service to, certain beliefs: that planet-boiling climate change should be restrained, civilians in conflict spared, global tensions assuaged, autocrats held to account, free trade encouraged and aid delivered to the world's poorest. If it is a sin to think that rules matter, the world could do with a few more sinners.

Granted, being more predictable than America under Donald Trump, less revanchist than Vladimir Putin's Russia or less autocratic than Xi Jinping's China is a low bar to clear. Still, in a world in which chaos is becoming the norm, the relative sanity found in Europe is a kind of defiance. America, Europe's heir as the world's dominant power and once a pillar of the Western alliance, is abandoning the very idea that norms ought to temper international relations. In global affairs India and China behave transactionally at best, if not cynically. Alongside Japan, Canada, Australia and a few others, Europe still professes to believe another world is possible. It has become fashionable to think of global "middle powers" as offering a bulwark against chaos. That would mean extending the sort of entrenched multilateralism perfected by the EU.

Europe's indecisiveness has invited many a barb. Scott Bessent, America's treasury secretary, recently quipped that the continent's only response to crises (in that case one caused by Mr Trump's bizarre obsession with invading Greenland) was to create "the dreaded European working group".

Ha ha; most of the time working groups produce better results than carrier groups. Confabbing, summit-holding and deliberating result in decisions that—when they are eventually taken—have some sort of logic and general buy-in. Can Mr Bessent say the same of his team? It is anybody's guess what America's tariff rates will be next Tuesday. Europe's can be divined a decade away.

America used to aim for something akin to deliberative policymaking with its vaunted separation of powers. Diffusing authority between branches of government ensured none made kooky decisions. (Lately Congress seems to have forgotten its role in that set-up.) Europe has its own separation of powers, developed over decades, which involves dozens of national capitals squabbling within the confines of a rules-based club backed by robust institutions. It is tiresomely deliberative, as this columnist can attest, having covered many an EU summit that dragged late into the night. But the slow grind of internal consensus-finding means Europe thinks twice (or three times, or four) before acting. It rarely does anything irreversible in a hurry. There are worse flaws.

Any Europeans tempted to feel smug might be reminded of their own foibles. European countries claim the moral high ground, but sell lots of weapons to dodgy regimes (and prop up others that agree to block migration to Europe). They kept buying gas from Mr Putin long after he started invading neighbours. Their brutal colonial history leaves plenty to atone for. Their recent peaceable instincts might carry more weight if they were less sluggish and divided: in this week's Iran crisis, Europe has produced roughly as many positions on the conflict as it has politicians.

In the past Europe was too slow, notably to prevent war in the Balkans in the 1990s. But in the latest bout of continental fighting it (eventually) stepped up. Europe is almost single-handedly bankrolling Ukraine's efforts to fend off Russia, thus depleting Mr Putin's war machinery. Meanwhile China and India have profited from the war by importing cheap oil. Mr Trump also sees Ukraine as a money-spinner, trying to bilk it for natural resources.

Whether Europe wanted a more rules-bound international system out of conviction or because it could not agree to anything else, it has not got it. That is one reason the dreaded European working group feels so betrayed by

Mr Trump: relying for so long on American security guarantees left an atrophied Europe unable to do much beyond issue stern lectures. It now has to endure in a world it failed to shape in its own image. It is scant consolation that, while Europe may be too slow at handling problems, it is rarely the source of them. Still, there is something to be said for a power that prefers rule books to rockets. ■

Subscribers to The Economist can sign up to our [Opinion newsletter](#), which brings together the best of our leaders, columns, guest essays and reader correspondence.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/europe/2026/03/04/in-times-of-chaos-europe-is-the-muddled-power-the-world-needs>

Britain

- [Britain's class politics is back—with a Green twist](#)
- [Rachel Reeves's economic update might have appeared boring](#)
- [Iran exposes three harsh truths for Britain](#)
- [Why the British government is spending more on hedgerows](#)
- [Outside the EU, Britain's car industry is struggling](#)
- [Dubai is the front line of Britain's war with itself](#)

Britain | Go broke, go woke

Britain's class politics is back—with a Green twist

Greens and Reform are turning precarious voters against the establishment

March 5th 2026

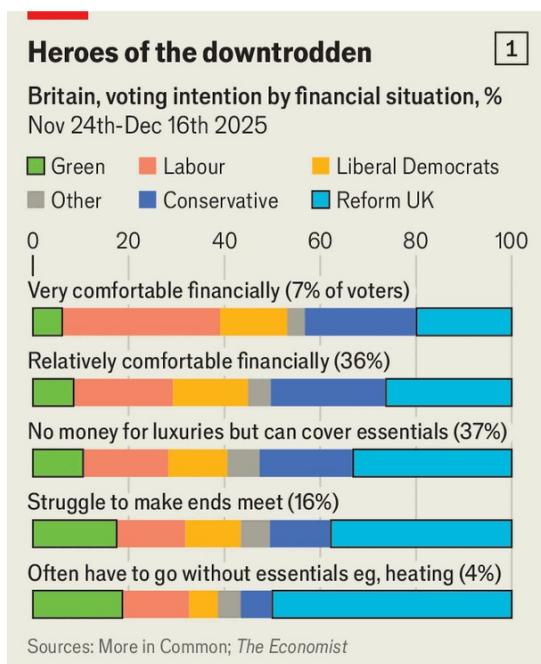


Bristol Patriots marched through the city in south-west England on January 10th. The far-right group describes itself as patriotic and anti-Keir Starmer. In response, lefties organised a counterdemonstration. Their slogan? “We hate Keir Starmer more than you.”

The left and right poles of British politics do not agree on much. They are bitterly divided on culture-war issues—immigration, transgender rights, Britain's net-zero emissions target. But the recent surge in support for the populist-left Green Party has some echoes of Nigel Farage's populist-right insurgency, which he now champions through Reform UK. On right and left, populists are persuading economically precarious voters to ditch the

mainstream parties. Britons who have lived through almost two decades of sluggish growth are increasingly receptive to “zero-sum” solutions, which would benefit them at the expense of others. Labour and the Conservatives—the two parties that have dominated British politics since the 1920s—risk being swept away.

Historically, Britain’s working class tended to vote Labour, while middle- and upper-class voters supported the Tories. This dynamic broke down in the 2010s, particularly after the Brexit referendum in 2016 as cultural issues rose in salience. Age and education replaced class as the key demographic dividers. Since then the class dynamics of British politics have been scrambled. To get to the bottom of this The Economist analysed a survey of 8,921 Britons, conducted by pollsters at More in Common in December 2025.



The data suggest that Britain’s politics are now divided along two dimensions. The young, the higher-educated, women and ethnic minorities are more likely to vote for parties on the left—Labour, Greens, Liberal Democrats or Scottish or Welsh nationalists. Voters on the right are older, less-educated, whiter and more male. But within these blocs voters are divided by affluence (see chart 1). Labour and the Tories lead among those who say they are “very comfortable”; the Greens and Reform win two-thirds

of voters who often go without food or heating (4% of the population). A study by Nuffield Politics Research Centre confirms that it is economically insecure voters in particular who are abandoning Labour.

Financial discomfort is not the only measure that unites Britain's populists. Reform and the Greens have made gains among voters who do not own their home. Labour's base of support among renters has disintegrated since the election (despite the government's flagship rental reforms). Those with a private landlord tend to have switched to the Greens, while those in social housing tend to have switched to Reform.

Polling by More in Common suggests that both parties' voters are less trusting and feel more disconnected from society. They are more likely to agree that political institutions should be allowed to "burn"—and to believe that people can get richer only if others get poorer.

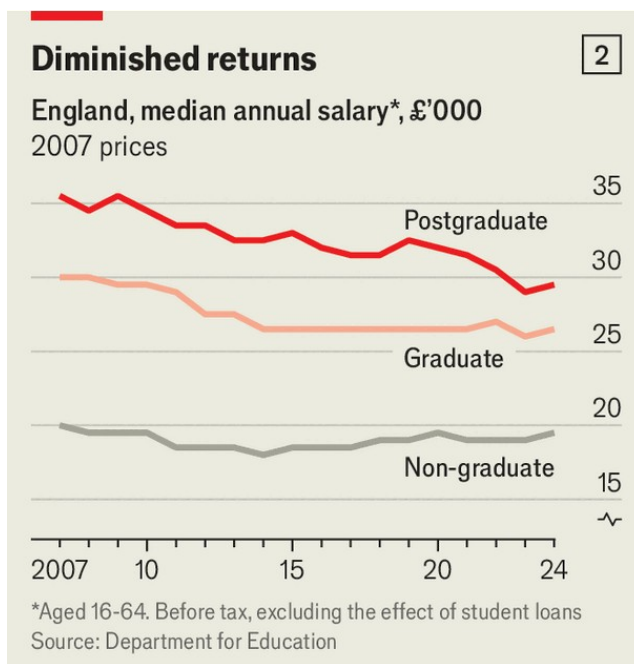
A by-election in Greater Manchester on February 26th illustrated Britain's new politics. Support for the Greens surged from 13% to 41% in Gorton and Denton, a former safe Labour seat that is the 15th-most deprived constituency in England (out of 543). "Looking at the future, how are we supposed to afford houses, cars? We can't afford to do food shopping sometimes," says Katie, a former Labour voter. She voted for Hannah Spencer, a charismatic and class-conscious Green who gave up her job as a plumber to become the party's first MP in the north of England.

Reform pushed Labour into third place. "I had a decent job, I'm on [a] pittance now," says Jamie, who is a full-time carer for his wife. "We need someone to put it right, so I say give Nigel and Reform a chance." It is a common refrain from voters who feel that they have little to lose.

This story is familiar when it comes to Reform and its predecessors. The rise of UKIP (also led by Mr Farage) in the 2010s and the vote for Brexit in 2016 were widely ascribed to economic anxiety caused by globalisation. Political scientists pointed to the loss of status of voters in former industrialised areas. The Conservatives managed to keep a lid on populists in the short term by taking Britain out of the European Union and tacking right on some cultural issues. But their poor record in government opened the door to Reform after

2024. In Reform’s zero-sum view, immigrants can be blamed for most of Britain’s woes.

The rise of the Greens as a populist-left party is a more recent phenomenon. Zack Polanski was elected leader in September 2025 and embraced a strategy of “eco-populism”—emphasising social justice at least as much as climate change. Mr Polanski, a forceful communicator, shook off his party’s middle-class reputation and has been rewarded with a polling bounce. His flashy policies include a wealth tax on billionaires, rent controls and maximum-pay ratios. “Instead of working for a nice life”, said Ms Spencer in her victory speech, “we are working to line the pockets of the billionaires. We are being bled dry.”



It is also the result of structural changes. In the 2010s industrial workers were at the centre of the narrative about status anxiety. In the 2020s many university graduates also feel they have a raw deal. Between 2007 and 2024 the median salaries of postgraduates declined by 17% in real terms and by 12% for undergraduates; non-graduates’ salaries declined by 3% (see chart 2). The effect is even larger after accounting for the rising cost of student loans. Although median wages increased nationwide over the period, highly paid professional jobs have not kept pace with the growing number of graduates.

At the same time, home ownership appears to be out of reach for an increasing number of young people. Unemployment among 18- to 24-year-olds is at its highest level since 2015 (barring a moment at the height of lockdown in 2020). And many believe that the rise of artificial intelligence will make it harder to find well-paid, white-collar jobs. Mr Polanski took over his party at the moment of greatest anxiety for many of his prospective voters.



Redistribution would appear to be an obvious solution for Labour. If the government soaked the rich and gave the proceeds to the poor—goes the argument—it could undermine the appeal of Reform and the Greens. However, there is little evidence that this approach would work. Private renters are abandoning Labour despite the government’s left-wing rental reforms. Poorer voters are leaving despite the party raising both the minimum wage and welfare for low-income families. “I do think those are good things that they’ve done, but they could’ve done more, says Nina, a self-employed psychotherapist in Gorton and Denton. “I just feel they don’t represent me any more.”

The feeling of precarity may be difficult to unwind. Economists recently published an analysis showing that lifetime levels of GDP growth have a significant impact on individuals’ political outlook. Cohorts that experienced

periods of high growth are more likely to trust the government and have more positive perceptions of living standards. In Britain such voters are dying out (see chart 3). Today's 75-year-olds witnessed average annual GDP growth of 2.4% in their lifetimes, compared with 1.4% for a 20-year-old. This might help explain why Green voters tend to be younger than Labour voters, and Reform voters tend to be younger than Conservatives.

Such voters can hardly be blamed for zero-sum thinking. To many of them economic growth probably appears to be like a mythical creature: much talked about but never actually seen. ■

For more expert analysis of the biggest stories in Britain, [sign up](#) to Blighty, our weekly subscriber-only newsletter.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/britain/2026/03/05/britains-class-politics-is-back-with-a-green-twist>

Britain | The spring snorecast

Rachel Reeves's economic update might have appeared boring

But it hinted at big problems to come

March 5th 2026



When he entered Downing Street, Sir Keir Starmer pledged to “end the era of noisy performance”. After [a cacophonous first 20 months](#), his chancellor finally honoured that promise. Rachel Reeves's economic update on March 3rd was, above all, dull. She walked the Commons through the latest forecasts of the Office for Budget Responsibility (OBR). She boasted that the watchdog's numbers vindicated her previous choices. But she notably did not announce a single major policy decision that will help Britain break out of its malaise. The real action was in the questions the chancellor did not resolve, and which will define the year ahead.

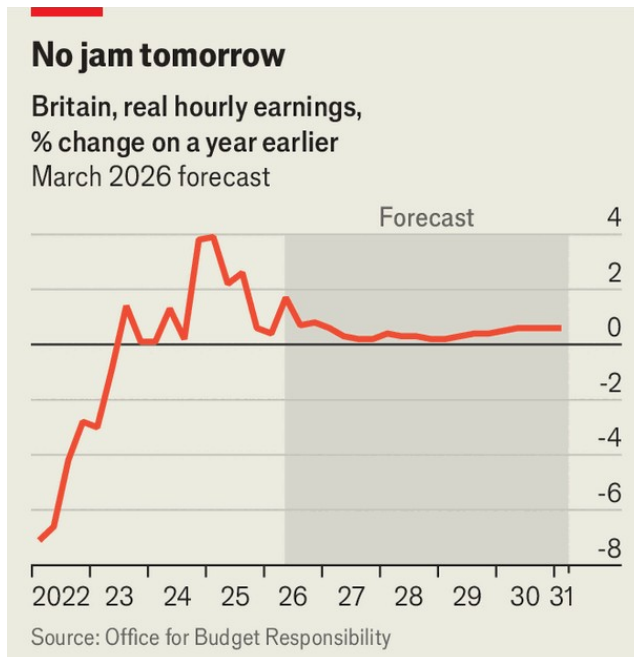
Ms Reeves's restraint was mostly welcome. Her tenure has been plagued by feverish conjecture about tax changes. The resulting uncertainty was highly damaging, causing businesses to put off investment decisions and consumers to rein in spending. By keeping her "spring statement" low-key, she has provided some needed domestic stability.

The OBR's forecasts were as uninspiring as the statement itself. The long-term outlook for inflation and real GDP barely budged from last November. The bigger shifts were short-term, though still muted. The OBR downgraded its growth forecast for 2026 from 1.4% to 1.1%, and projected that unemployment would peak at 5.3% in 2026, up from 5% in its previous forecast. The flipside of this weakness was lower inflation and interest rates, leaving the government's debt position slightly improved.

Unfortunately for Ms Reeves, this picture of relative stability is unlikely to last. Her speech pointed to three areas that are likely to cause trouble. The most obvious is the war in and around Iran, which has led to yields on ten-year British gilts spiking by 0.3 percentage points on March 2nd-3rd, reflecting rising oil and gas prices. If the conflict drags on, and energy costs remain high, this could produce inflation and a hole in Ms Reeves's budget.

Before the war with Iran began, the Treasury and the Ministry of Defence (MOD) were already locked in a battle over defence spending. Securocrats want to bring forward Labour's promise to raise defence spending to 3% of GDP from the next parliament to the current one. The Institute for Fiscal Studies, a think-tank, calculates that this would cost an extra £14bn (\$19bn) a year by the end of the decade. Ms Reeves has been pushing back on cost grounds, but recent events will have strengthened the MOD's hand.

The second worry is migration. The OBR had expected 290,000 net arrivals to Britain in 2025; the actual figure was 204,000. If migration continues to fall, the British population will be much smaller by 2030 than previously expected. The spring forecast made some adjustments, but the OBR flagged that a fuller reckoning—taking in new projections and tighter immigration policy—awaits in the autumn. Fewer people means fewer taxpayers, which would cause problems for Ms Reeves.



Perhaps the most worrying problem for the government, though, is related to jobs and wages. Unemployment among 16- to 24-year-olds rose above 16% in the last quarter of 2025, and is now higher than the EU average. Higher minimum wages for young people, combined with a more onerous tax load, have made companies more reluctant to give them a chance. Ms Reeves promised in her statement that she will set out further measures to tackle youth unemployment in the weeks ahead.

Wages could become an even greater concern. Ms Reeves boasted that “real wages have risen by more in the first 18 months of this Labour government than in the first ten years of the Tory government.” Real wages have grown by over 3% since Labour took office. However, many people do not feel richer, partly because much of this growth simply undid the real-wage falls that occurred during the high inflation of 2022-23. And voters have already received around two-thirds of the wage bump they are expected to get over the course of this parliament. Pay growth in the coming years is forecast to be anaemic, at only 0.5% a year (see chart).

In her speech Ms Reeves set out a simple test for voters to consider at the next election: “Are me and my family better off?” Once these worries play out, the public’s answer might very well be “No”. ■

For more expert analysis of the biggest stories in Britain, [sign up](#) to Blighty, our weekly subscriber-only newsletter.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/britain/2026/03/03/rachel-reevess-economic-update-might-have-appeared-boring>

Britain | A transatlantic tiff

Iran exposes three harsh truths for Britain

They stem from fundamentally different views of how the world now works

March 5th 2026



It is poignant to watch “The Tony Blair Story”, a three-part documentary that aired on Channel 4 last month, against the background of the war in Iran. The middle episode shows the prime minister instinctively rallying to America’s side in the build-up to the invasion of Iraq in 2003, seeking (in vain) to get the UN Security Council’s backing, pushing a vote through Parliament and staying the course despite noisy opposition at home. The Iraq war soured his premiership and his legacy.

Even when Britain later failed to back the use of force in the region—when Parliament voted in 2013 against a motion that would have opened the way to potential military action in Syria in response to the Assad regime’s use of chemical weapons—it influenced America’s policy. President Barack

Obama felt compelled to seek congressional approval for any strike against Syria. In the end he ignored his own “red line” and refrained from intervention.

Contrast that with the Anglo-American friction over Iran. Sir Keir Starmer did not instinctively rally behind America. Instead, he refused to let American warplanes use the base on Diego Garcia in the Chagos Islands as part of the bombing. He worried about its legality. Only after British interests came under attack did Sir Keir allow British bases to be used for the “specific and limited defensive purpose” of helping destroy Iran’s missiles at source. An Iranian-made drone subsequently hit the British air base of Akrotiri in Cyprus.

Three things stand out in this transatlantic tiff. The first is that Sir Tony’s bravado continues to haunt Labour. “We all remember the mistakes of Iraq,” Sir Keir said on March 1st. “And we have learned those lessons.” From the left Zack Polanski of the Greens warned against being “dragged into another illegal war”; from the right Nigel Farage of Reform UK called Sir Keir’s response “pathetic” and a threat to Britain’s “special relationship” with America. The prime minister, ever the lawyer, is trying to pursue a middle way.

Second, Sir Keir has annoyed Donald Trump. The president told the Telegraph that he was “very disappointed” in the initial decision on the use of Diego Garcia and that the prime minister had taken “far too long” to change his mind. Sir Keir responded by telling Parliament that he “does not believe in regime change from the skies”. In the White House Mr Trump shot back: this is “not Winston Churchill that we’re dealing with”, he said, complaining that Britain had been “very, very unco-operative”. The special relationship has survived far worse. But this won’t help Sir Keir navigate the spat over the future of the Chagos Islands. And it could complicate King Charles’s visit to America in April.

The third and, for Britons, most sobering aspect is that, despite Mr Trump’s irritation, as far as America is concerned Britain matters little in all this. The use of British bases is helpful but not essential. Britain barely merits a mention in American commentary on the war. While Britain agonises, America largely ignores it.

At root lie different views of how the world now works. Sir Keir's measured and lawyerly manner of dealing with the conflict reflects an old-world way of conducting foreign policy. It is focused on diplomacy, international law and maintaining the status quo. Mr Trump's approach is almost the polar opposite. He has no interest in the status quo. Disregarding the rule of law is not a side-effect; it is a central part of his approach, as are displays of American might. It is hard to see how these two opposing perspectives won't lead to further fractures in the relationship. ■

For more expert analysis of the biggest stories in Britain, [sign up](#) to Blighty, our weekly subscriber-only newsletter.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/britain/2026/03/05/iran-exposes-three-harsh-truths-for-britain>

Why the British government is spending more on hedgerows

They are stitching the countryside back together

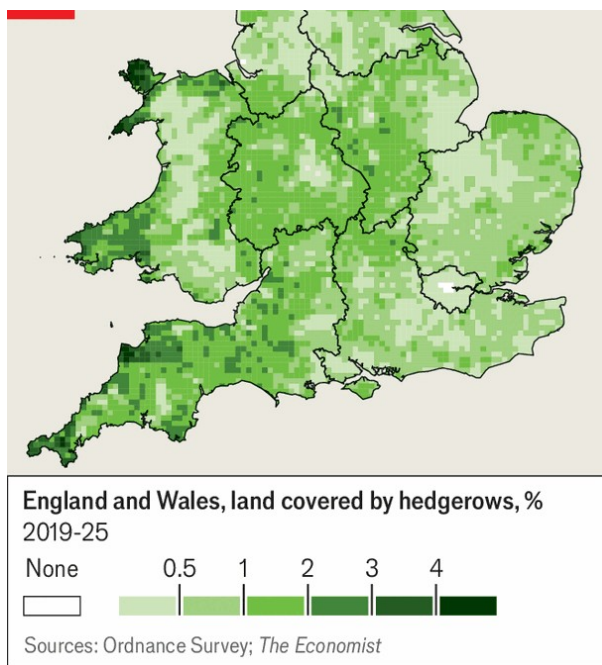
March 5th 2026



Each region of Britain has its own kind of hedgerow. In Shropshire it will be thick enough to deter a bullock. In Yorkshire—a sheep. On a farm near Shrewsbury Chris Evans has laid his hedgerows in the traditional “Midland style”, a job that must be done once every 12 years or so to keep the shrubbery healthy; he has cut the stems, bent them and bound them with a braid of hazel rods. But his aren’t meant to contain bullocks. He hopes that thick hedges will attract wildlife to his farm—and he is paid handsomely for the effort.

No other country matches the rich heritage of hedgerows that weave across the damp (ideal for hedges) British Isles. Since the Bronze Age, Britons

have reared sheep and cattle and have used hedges to mark the boundaries of fields and keep livestock in place. Some of these ancient bushes still stand. In West Penwith, one such prehistoric hedge, a gurgoe, might be over 4,000 years old. Most, though, were planted in the 18th century, when landowners enclosed the commons, an event that turned the country into a chequerboard of small, irregular fields. America, by contrast, passed a law prohibiting private landowners from enclosing public land in 1885, protecting its open ranges.



At their peak, Britain had around 1m kilometres of hedgerows criss-crossing the countryside—enough to circle the Earth 25 times. But since the 1950s over half have vanished. Many were removed to make bigger fields for crops. Others were neglected, growing into spindly trees. This not only altered the landscape, but also forced many critters from their nests. Hedgerows, it turns out, have other functions besides land management. In 1997 removing them without permission became a criminal offence, slowing the decline. But only recently, since Britain left the European Union, has the government sought to recover the losses, pledging to create or restore 72,500km in England over the next 25 years—enough to extend the network by almost a fifth. The motivation is as much about restoring natural beauty as it is combating the effects of climate change.

Hedges—and their inhabitants—have been among the few winners of Brexit. Before Britain left the EU, four-fifths of the farming budget, around £2.8bn (\$3.6bn), was paid to farmers mainly based on how much land they had. Now that England can design its own farm policy, three-quarters of its budget, £1.8bn, is paid to farmers for delivering “public goods” such as planting wildflowers, improving soil health and sprucing up hedges through its Environmental Land Management (ELM) scheme, up from £800m two years ago. Farmers were paid £70m for tending to hedgerows in 2024, up from £26m the year before.

Hedgerows don’t just make a classic English countryside scene. They are barriers to wind and pests. When rainfall is heavy, they slow water runoff and reduce flooding. They can keep livestock dry on rainy days and cool on hot ones. Their roots carry water deep into the soil, keeping it healthy. And they can store an average of 40 tonnes more carbon per hectare than grassland, according to a study published in 2025 by the University of Leeds.

Wildlife, such as hedgehogs and toads, use them as tunnels to move between habitats, safe from predators. Their fruits, berries and flowers provide forage. A study published last year found that butterflies were more abundant in areas with more hedgerows. On farmland, five butterfly species were found to increase in number with each extra kilometre of hedgerow.

Healthy, well-maintained hedges boost biodiversity. Rob Wolton, an ecologist, started to jot down observations of a hedge on his farm after spotting a hazel dormouse nesting in its brambles. After two years of monitoring, he had counted over 2,000 different species in the 90-metre hedge, including a curl bunting, a brown hairstreak butterfly, a host of different lichens and invertebrates, a long-eared bat and various other small mammals.

The government’s spending has already borne fruit. Since 2023 farmers have planted some 1,800km of new hedgerow. And last year they committed to plant 9,000km more over the next three years. A further 100,000km of the existing hedgerow stock is covered under maintenance schemes, which means farmers are required to look after their hedges—to trim them, fill in their gaps with saplings, and lay them when necessary.

After the second world war the British government subsidised farmers to remove their hedgerows. Now it is doing the reverse. Many farmers have been consulting old maps to find out where their hedges once stood, and replanting them in exactly the same spot. ■

This article was downloaded by [zlibrary](#), from <https://www.economist.com/interactive/britain/2026/03/05/why-the-british-government-is-spending-more-on-hedgerows>

Britain | Brexit and manufacturing

Outside the EU, Britain's car industry is struggling

Rejoining the customs union alone won't fix it

March 5th 2026



PARTS OF the Mini plant in Cowley, on the edge of Oxford, date back 113 years to the early days of William Morris, the founder of Morris Motors. Yet inside is a modernist dream. Huge orange robots assemble car bodies and insert engines delivered just in time from the Hams Hall plant near Birmingham. Each car is tailored to order, so they come in a wide variety of shapes and colours. The plant produces some 800 vehicles a day, all petrol-driven, though an electric-vehicle (EV) variant may come eventually. It is little wonder that the Mini tour is among the city's most popular tourist attractions.

Yet the British car industry is in trouble. Last year production fell to 717,000 cars, the fewest since 1956. That is down by well over half since 2016, when Britons voted to leave the European Union (see chart). Car production has fallen in most other European countries too, but nowhere near as dramatically. Since 2016 car plants in Swindon, Luton and Bridgend have all closed. High electricity prices, rising costs of labour and growing Chinese competition are contributory factors. But carmakers also point to [post-Brexit uncertainty](#) for damaging this strongly export-oriented industry. EU countries take over half of British car exports.



Mike Hawes, chief executive of the Society of Motor Manufacturers and Traders (SMMT), hopes annual car production will soon recover to over 1m. Yet there are powerful headwinds. The EU is discussing a “Made in Europe” strategy, one element of which would be protection for its carmakers. Rachel Reeves, the Labour government’s chancellor, has argued that any such strategy [should include Britain](#). After all, European carmakers like BMW (which owns Mini), Stellantis (whose largest shareholder part-owns The Economist’s parent company) and Nissan run integrated supply chains across Europe, with cars and components often criss-crossing the English Channel. But in Brussels and national capitals many retort that for them Europe means the EU 27 alone.

Another deadline lies ahead for EVs, which for the first time last year accounted for half of cross-Channel trade in cars. From January 1st 2027 EVs will qualify for tariff-free trade only if 55% of their value originates in the EU or Britain; and 70% of their battery pack must also originate in Europe. But because most batteries, which account for around a third of an EV's value, are made in Asia, that target seems near-impossible to meet. Unless both sides agree to extend a derogation from these rules, the outcome will be 10% tariffs on EVs traded over the Channel.

One [possible way around all this](#) would be for Britain to join a customs union with the EU. This would cross a manifesto red line on Brexit for Sir Keir Starmer's government, yet it has been openly proposed by several cabinet ministers. A customs union would eliminate all checks for rules of origin between its members, thus resolving the EV problem currently facing carmakers. Turkey is already in a partial customs union with the EU. Economists reckon that Britain's GDP might gain as much as 1% from a deal like Turkey's, useful at a time of paltry growth.

Yet a customs union would have its own disadvantages. Because it would mean handing trade policy over to the EU, it would preclude different arrangements with third countries. That would mean scrapping recent British deals such as those with Australia, India and New Zealand. Worse, a customs union would not automatically mean that Britain benefits from the EU's own trade deals. Turkey is not included in the EU's deal with the South American Mercosur trade bloc, for instance. It would not even stop bilateral defensive tariffs: Turkish steel faces a 50% EU tariff.

A different idea backed by the SMMT would be for Britain to join the Pan-Euro-Mediterranean (PEM) convention. This is a treaty that simplifies and so largely avoids arguments over rules of origin for goods traded between the EU and its closest neighbours in Europe and north Africa. But so far at least, the EU and its members have expressed little interest in Britain joining either a customs union or the PEM.

Given the importance of the car industry, which accounts for 12.6% of all British manufactured-goods exports, Mr Hawes wishes to see cars added to the negotiating table for the next EU-UK summit, due to take place this summer. Sir Keir has hinted that he would like to expand the range of goods

for which British and EU rules are fully aligned. The hope seems to be that this might allow such goods to follow the precedent set by food of qualifying for unrestricted access to the EU's single market. Ms Reeves has spoken of closer integration with Europe as "the biggest prize".

The EU is clearly pleased by such pro-European language. It is well aware that public opinion in Britain has shifted against Brexit since the referendum vote. However, that will not make it readier to offer Britain any special favours without what it sees as corresponding obligations such as budget contributions or freer movement of people.

Nor will it easily abandon its hostility to Britain cherry-picking access to parts of its single market. A deal for food appeals because it will smooth trade between Great Britain and Northern Ireland, which is still in the single market for goods. There is no such advantage to be had for cars. Indeed, carmakers in such countries as France, Spain or Slovakia are more likely to see some benefits from Britain being a weaker competitor. The irony that Sunderland, home to the Nissan car plant, Britain's biggest, was the first place to record a vote for Brexit in 2016, is not lost on Brussels. ■

For more expert analysis of the biggest stories in Britain, [sign up](#) to Blighty, our weekly subscriber-only newsletter.

Dubai is the front line of Britain's war with itself

They're not laughing now, are they?

March 5th 2026



Britons stranded abroad when war breaks out can usually expect a dose of sympathy from their countrymen. When Iranian drones and missiles started to crash into Dubai, Britain instead let out a collective cackle. Had British expats not consulted a map before they extolled Dubai as the safest city in the world? “Extraordinary images here of an expat in Dubai having their first ever geopolitical thought,” read one cartoon in the Guardian, “the dawning realisation that there might be something in the world beyond his dickhead self.” Sir Ed Davey, the Liberal Democrat leader with a knack for the kind of populism that will not have you kicked out of a dinner party, questioned whether British armed forces should bring home “washed-up old footballers who mock ordinary people who stay in the uk and pay our taxes here”.

Dubai infects the British psyche in a way no other place can match. It is a land in which Britain's neuroses about decline, class and money can run free. Only a few hundred thousand Britons live in the United Arab Emirates. A million visit each year, a fraction of the numbers that visit Spain. Yet its grip on elite discourse is near-total. High-flyers from finance, pinkie-ringed pr people and crypto grifters now call the city home; English footballers enjoy midseason breaks and long retirements there. A scroll through Instagram is, at times, a wall of British influencers who swapped 45% tax rates and wet weather for 0% income tax and a balmy 26 degrees in March and want people to know.

For some, Dubai is a warning, populated by the people who used to bully them at school. It is a land of Deanos—a nickname for lower-middle-class men on the make—who record TikToks flaunting new Lamborghinis and new teeth. For others, it is a shining city on a hill: a place of low taxes, high gdp and a vision of what Britain should be. gb News, which styles itself as “Britain’s News Channel”, celebrated its fifth anniversary with a bash in—where else—Dubai. Nigel Farage, the leader of Reform UK and a presenter on the channel, was the star turn at the Aura Skypool, a 50-storey whopper and home to the world’s highest 360° infinity pool. “Look around at the Palm,” said the member for Clacton, pointing at the Palm Jumeirah, the man-made peninsula that juts out towards Iran. “I want Clacton to look like this.”

Emigrants always leave a mark on the country they leave behind. Usually, they are discussed in sorrow. For much of its history, Britain was a country of emigration. Departures were a symptom of malaise. When things were looking shaky in the 1970s, Margaret Thatcher pondered ways to set her children up in Canada. There was, however, no contempt for, say, “Ten Pound Poms” who moved from Britain to Australia. The Kinks wrote a hymn to those who fled: “Australia, no class distinction/Australia, no drug addiction/Nobody’s got a chip on their shoulder.”

By contrast, the flow to Dubai triggers apoplexy. Those who quietly better themselves abroad face little criticism; those who are noisy about it get it in the neck. They always have. First there were the “nabobs” of the East India Company, who came home with gargantuan fortunes gained by means that made even imperialists choke. Portraits of those spivs who tried to make it in

Hong Kong were no more flattering. They had the acronym filth: Failed in London, Try Hong Kong. Now Clive of India has become Deano of Dubai, driving a Rolls-Royce while flogging a crypto scheme on TikTok.

Few doubt that the once-rigid boundaries of class in Britain have blurred. Dubai simply exposes by how much. When both a teacher in a flat-share in London and an estate agent posting a picture of a rented Ferrari in Doobs are middle-class, the category begins to lose all meaning. Class might be dead, but snobbery is still alive. The result is that social hierarchy has become an Escher painting, an optical illusion in which everyone is both above and below one another.

And so everyone thinks they are punching up. The result is a searing, mutual contempt. After all, one man's tax-dodger is another man's grafter, doing a 60-hour week in 40-degree heat. "Focus on your knife crime, focus on your theft, focus on your rapists, focus on your immigration problem", said one Rolex-flaunting young man, filming himself strolling about Dubai after the attacks from Iran and from his countrymen, who call for the British government to let people like him "rot".

For the past decade, British politics has been based on what one astute critic called the "redistribution of humiliation". It has become a zero-sum game, in which the best result people can achieve is dragging down others. After a decade in which Westminster has reshaped itself at Mr Farage's whim—Britain out of Europe, migration heading to near-zero and Mr Farage himself heading to power—the Reform leader is still bitter. He often falls back on a favourite line, as he did on that 50th storey of a Dubai skyscraper overlooking the Palm: "They all laughed at us. They're not laughing now, are they?"

Now it is the turn of those humiliated by the past decade—Remainers, wet liberals and graduates groaning under hideous student debt—to repay the favour. Dragged out of Europe against their will and then goaded about their high tax bill and lousy wage growth by men with fluorescent teeth in Dubai. Enough is enough, cries a slice of England, revelling in the discomfort of compatriots stuck in the Gulf. While drones haunt Dubai's skyline, Sir Ed's position is the same as Mr Farage's: they all laughed at us. They're not laughing now, are they? When an Iranian drone does smash into a grey

apartment and leaves a young British family blown limb-from-limb, the Schadenfreude will stop. Until then, Dubai will be the front line of Britain's war with itself. ■

Subscribers to The Economist can sign up to our [Opinion newsletter](#), which brings together the best of our leaders, columns, guest essays and reader correspondence.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/britain/2026/03/05/dubai-is-the-front-line-of-britains-war-with-itself>

Business

- [At last, reasons to be cheerful about European tech](#)
- [The Iran war is a jolt to Dubai's business model](#)
- [Bayer spies an end to a long legal battle](#)
- [A short guide to email opening lines](#)
- [Formula One is attracting a different sort of fan](#)
- [What the heirs to General Electric did next](#)

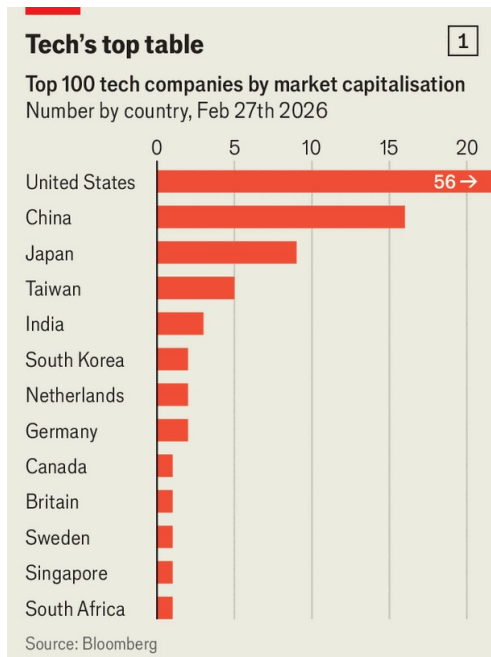
At last, reasons to be cheerful about European tech

One of which is Donald Trump

March 5th 2026

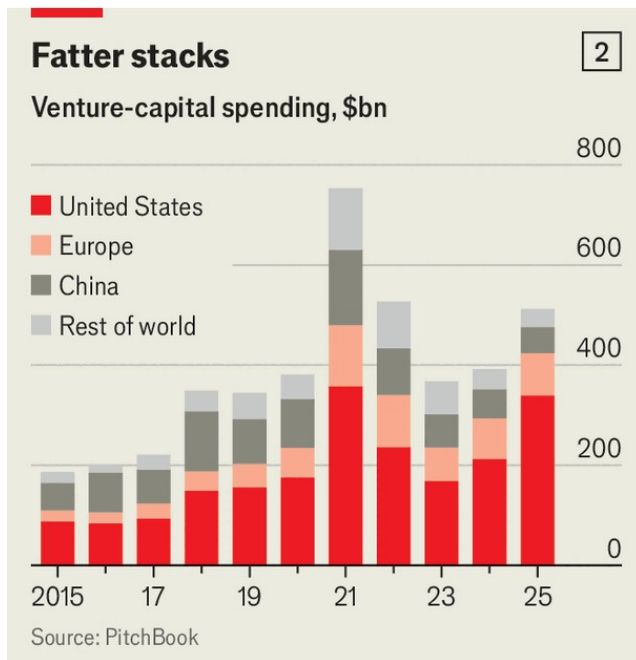


The decor at Lovable’s office in Stockholm suits the startup’s cosy name. Lovable, which specialises in “vibe-coding”—prompting an artificial-intelligence system to make software—has a shoes-off policy. The smell of Swedish coffee pervades the air. Heart-shaped cushions bearing the firm’s logo rest atop comfy sofas.



Yet Lovable is less soft and cuddly than nimble and competitive. It is small, but growing fast: in January its annualised recurring revenue hit \$300m, up from \$1m 14 months earlier. Anton Osika, a co-founder, argues that building a world-beating AI company in Europe is now possible. “The mindset change is happening,” he says.

Europe has long been a laggard in creating tech giants. Today Europe (ie, the European Union, Britain and Norway) is home to just six of the world’s 100 most valuable tech companies. America has 56; China, 16 (see chart 1). The continent’s drawbacks are well known. Its market of 520m people is divided by language and regulation. It has plenty of talent, thanks to its world-class research labs and universities. But its entrepreneurs have had trouble raising capital to expand their companies quickly.

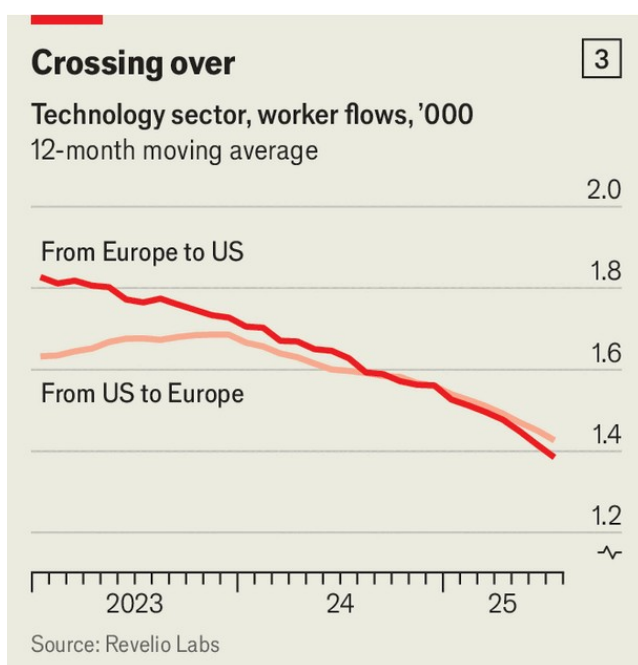


Yet there is new hope for the old continent. Jolted by the deterioration of its relationship with America, its policymakers are redoubling efforts to strengthen its technology ecosystem. Meanwhile, America and China have made decisions that make Europe relatively more attractive to tech workers and investors. Its established tech companies, though few, are now nurturing a new generation of startups. Last year venture-capital (VC) investments in European startups rose to \$85bn, from \$22bn a decade earlier (see chart 2). Although AI-mad America is still far ahead, investing \$339bn last year, China now lags behind, with \$53bn.

In an attention-grabbing report in 2024 Mario Draghi, a former Italian prime minister, bashed Europe for its sagging competitiveness. But it is Donald Trump, with his animus towards the region, who has really galvanised policymakers. They now see Europe's techno-failings as a geopolitical risk as well as a commercial one.

Henna Virkkunen, the European Commission's tech czar, says the commission is [looking into ways](#) to encourage EU governments to buy more technology from home-grown startups, for instance. European enterprises are also "realising that they can't afford to entirely depend on foreign providers", says Arthur Mensch, the boss of Mistral, a French maker of AI models.

Perhaps more importantly, policymakers are taking steps to help entrepreneurs build up their businesses. This month the commission is due to publish a plan to unify Europe's segmented capital markets, which will help startups raise money. That will not be quick, as it [requires difficult choices](#) about harmonising national tax regimes. It helps that member states are also upgrading their capital markets. Britain, France and Germany are tweaking rules to encourage pension funds to invest more in risky assets, such as young tech firms.



Meanwhile, Mr Trump's disdain for foreigners, and recent lay-offs by American tech giants, are driving talent to Europe. People working in Europe for American firms have also formed a talent reservoir. Data from Revelio Labs, a workplace-data firm, show the brain drain has reversed (see chart 3). Lovable, for one, has recruited executives from American software companies. What is more, fewer European firms are being sold to America. Dealogic, a data provider, notes that in 2011-13 American firms made 12% of acquisitions of European tech firms by number and 35% by value. In 2023-25 the shares were 9% and 17%.

China, too, is helping inadvertently. Its model of state-directed innovation has crowded out private investment and shrunk VC spending, pushing some

towards Europe. Between 2015 and 2025 China's share of global VC spending fell from 30% to 10%. Europe's grew from 12% to 16%.

Europe is also getting over its reluctance to let techies make lots of money. In "The New Geography of Innovation", published last year, Mehran Gul of the World Economic Forum notes that Skype, a European startup, created just 11 millionaires in the early 2000s. PayPal, an American one, gave many more stock options to its employees, creating over 100. They, in turn, invested in newer Silicon Valley startups.

Now European tech firms are giving out more options, and the region's established tech tycoons are helping youngsters make fortunes. Nikolay Storonsky, founder of Revolut, a fintech company, has backed Spiko, a French startup in the same sector, and Biorce, a Spanish medical-technology firm. Daniel Ek, Spotify's founder, is a big investor in Helsing, a German defence-tech firm. Former staff of Klarna, a Swedish fintech star, have created more than 60 startups, according to Dealroom, another data provider, and Accel, a VC fund.

None of this means that Europe will supplant America as the leading technopower. Last year it launched just two of the world's 94 new large language models, according to Epoch AI, a think-tank. The idea that the EU will manufacture a fifth of the world's computer chips by 2030, an objective of the commission, is fanciful. But in some areas Europe is becoming more competitive. Three sectors—all of them helped by Mr Trump's actions—stand out.

Even before he started his second term last year, Europe's climate-technology sector was catching up with America's. In 2015-16 VC spending on Europe's green startups was 24% of America's. By 2024-25 that ratio grew to 55%. Mr Trump's gutting of American environmental regulation will surely encourage the trend. Last year the number of American climate-tech startups raising VC funds was the lowest since 2019.

There is no sign of demoralisation among European green-tech firms. In December Octopus Energy, a British provider of green power, spun off Kraken, which sells smart-grid software, at an estimated valuation of \$9bn. Sweden is a hotspot for green-tech startups. Stegra aims to make carbon-free

steel there. Einride is electrifying freight transport. In Switzerland Climeworks builds machines that suck carbon dioxide from the air.

Mr Trump's demand that Europe do more to defend itself is also spurring high-tech arms-making in a region that had little of it. In 2015-17 VC investment in European defence tech was barely 1% of North America's. By 2023-25 that had risen to 6%. The International Institute for Strategic Studies, a think-tank, says that Europe's defence spending rose by 42% from 2023 to 2025; America's defence budget, though far bigger, was unchanged. Whereas established contractors account for much of American defence spending, Europe offers more scope for young defence-tech firms.

Munich has emerged as a hub for them. Behind a metal-panelled door marked "Confidential" at Helsing's headquarters in the city is a "demo room", where its newest weapons are illuminated with red light. The HX-2, a drone with wings in the shape of an X and a range of 100km, has AI systems that help it attack targets, such as tanks, even if they are protected by communications-jamming technology.

Helsing is defiantly European. It calls the autonomous fighter it is building "Europa". Much of the capital comes from Mr Ek, leaving the firm less reliant on American VCs. Helsing does not want to be "the little brother of some bigger thing in America", says Niklas Köhler, a co-founder. Its neighbours include Quantum Systems, a maker of surveillance drones that is valued at \$4bn, and Isar Aerospace, which builds vehicles that launch small satellites. When Ukraine's innovative drone-makers are done fighting Russia, many may found or join European defence-tech firms.

"Deep-tech" firms investing in unproven technologies may benefit too from Mr Trump's [hostility to scientific research](#). Proxima Fusion, spun off from the Max Planck Institute for Plasma Physics in Munich, has raised over €200m (\$236m) for nuclear-fusion reactors. Nearby are quantum-computing startups, such as Planqc, also a Max Planck spinoff, and firms specialising in nanotechnology, photonics and laser communications.

The share of European VC investment going to deep-tech firms rose from 19% in 2021 to 36% in 2025, calculates Atomico, a VC fund. In some niches Europe's startups are raising more than America's. Since 2023

European hydrogen startups (whose technology is both deep and green) have secured more capital than young American firms. In quantum technologies, Europeans and Americans are almost on a par.

It is possible that Europe's tech dawn will prove false. One worry, especially for defence firms, is that governments are short of cash. On February 25th the budget committee of Germany's legislature called for "moderation" in defence spending and cut the expenditure on contracts with Helsing and Stark Defence, a rival. Few think the world's next trillion-dollar tech giant will be European. But, perhaps for the first time, it is not a silly idea. ■

For more expert analysis of the biggest stories in economics, finance and markets, sign up to [Money Talks](#), our weekly subscriber-only newsletter.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/business/2026/03/01/at-last-reasons-to-be-cheerful-about-european-tech>

Business | New calculus needed

The Iran war is a jolt to Dubai's business model

Can the emirate keep people and investors coming?

March 5th 2026



It seemed too good to be true. In a region plagued by conflict, Dubai had the air of a place apart. It drew the well-heeled and economically footloose, to live, work and make money, or to enjoy shopping and sun. It became a global transport hub, linking east and west. It has used its wealth to join the artificial-intelligence race. Key to it all was keeping out of regional conflicts. Not even Hamas's attack on Israel in October 2023, the ensuing Gaza war or last year's 12-day fight between Iran and Israel did much to knock confidence.

Now Iran's retaliation against the American and Israeli attacks that began on February 28th has hit the heart of all this—and shaken Dubai's halo of safety. The Fairmont, a hotel on the Palm Jumeirah, a swanky man-made

property development, was in flames on day one. An Amazon Web Services (AWS) data centre caught fire. The airport, home to Emirates, the world's largest international airline, and essential to Dubai's tourist trade, was damaged and flights were suspended. Jebel Ali, the emirate's fast-growing port and transshipment hub, paused operations. Debris fell in residents' backyards.

Dubai, like the rest of the United Arab Emirates (UAE), has so far been resilient; it is too soon to tell what the long-term effects of the war might be. But what until a few days ago was the stuff of small print has become reality. Though most foreign residents are sitting tight, some are leaving or planning to, if only for a while, via Oman or Saudi Arabia, where airspace has stayed open. America's State Department has advised citizens to leave the region. Businesses, too, are staying put, but are making contingency plans. The question is whether the people and money that have fuelled Dubai's rise as a global business hub will keep coming as they did before.

To attract people, Dubai has for some time been issuing more long-term visas and making it easier for foreigners to buy homes. The emirate's population grew by 5.6% last year, the quickest rate since 2019, to 3.9m. The number of millionaires has been rising fast, too, and businesses eager to serve them have followed. Last year the then chief financial officer of Standard Chartered, a bank, called its Dubai operation a "blueprint" for its other wealth-management centres. Dubai's broader financial industry is also thriving: in the first half of 2025 more than 1,000 firms set up shop in its financial centre, almost a third more than did so a year before. Last year JPMorgan Chase, America's biggest bank, expanded its local outpost.

Technology giants have also been attracted to Dubai. It is home to at least 18 data centres (including the AWS facility struck after war broke out), half the UAE's total. In turn, the UAE boasts more than half of the Gulf's planned data-centre investments. The Emiratis are placing big bets on AI, including partnerships with Microsoft and BlackRock for \$30bn-worth of investments in infrastructure, and stakes in OpenAI, Anthropic and xAI.

Though it is early days, the attacks are changing companies' calculations. Few seem to have even thought about war-related risk in the UAE before. Now they are considering political-risk insurance, policies that firms usually

buy to protect themselves in emerging markets, says Christopher Coppock, head of geopolitical and economic risk analysis at Marsh, a consultancy. Such insurance is priced based on factors such as a country's risk of terrorism, war and strikes, as well as how critical the activity insured is and exactly where it is (being close to a military base, for instance, will cost more). "From the perspective of businesses, there is no undoing what has happened," he says.

Any companies thinking of leaving, or pulling back, will have to weigh the alternatives to being in the emirate. Some financial firms that moved to Dubai after years of wading through the pandemic in Hong Kong or Singapore may be keen to decide quickly this time, so Dubai may have to act fast to keep them.

Dubai's rulers have done their best to instil confidence. Most Iranian drones and missiles have been intercepted, and there has been little panic. Supermarkets such as Carrefour, a French chain, and Spinneys, also popular with Westerners, say they are well-supplied. DP World, the port operator, quickly resumed operations. The UAE's president, Mohammed Bin Zayed, was out and about in Dubai Mall, a giant symbol of the city's allure, on March 2nd.

Even so, plumes of white smoke, the booms of missile interceptions and the thunder of fighter jets are hard to miss in a city known for its glitz and glamour. So is the contrasting eerie quiet that mostly fills the air. Officials have said Dubai "pivots" well in a crisis. How quickly it now acts to reassure businesses, investors and people is its next big test. But much is out of its rulers' control. ■

To track the trends shaping commerce, industry and technology, sign up to "[The Bottom Line](#)", our weekly subscriber-only newsletter on global business.

Business | Moving on from Monsanto

Bayer spies an end to a long legal battle

After a settlement over Roundup, what about break-up?

March 5th 2026



When Bill Anderson became Bayer's boss in 2023, shareholders had high hopes that the American would be able to put the German drugs and chemicals firm to rights. Bayer's \$63bn takeover of Monsanto, an American crop-science firm, five years earlier had turned out to be perhaps the most disastrous merger in German corporate history. It exposed Bayer to legal claims related to Roundup, one of Monsanto's weedkillers, that have cost it billions, causing its stockmarket value to dip at times to less than half of what it paid for Monsanto. In March 2024 Mr Anderson promised that by 2026 he would contain the Roundup litigation, refresh the drug pipeline, cut costs and bring down debt.

On March 4th Mr Anderson gave an update on his efforts when he presented results for 2025. Sales were up by 1.1%, to €46bn (\$53bn), but a special charge for litigation pushed net income into the red by €3.6bn. At almost €30bn net debt is still high, but down by more than €4bn in two years. Cost cuts saved €700m last year.

“We see progress with our comprehensive turnaround plan, but the journey is far from over,” Mr Anderson told The Economist. Where it ends depends largely on what he calls his “multipronged strategy” to contain legal costs. Lawsuits claiming that Roundup causes cancer (which Bayer denies) have already cost the company \$10bn in settlements with almost 100,000 plaintiffs. Last month Bayer proposed a \$7.25bn class-action settlement to resolve most current and future claims. A judge in Missouri gave preliminary approval to the settlement on March 4th.

Separately, on April 27th America’s Supreme Court is due to hear an appeal by Bayer against a ruling in another case originating in Missouri. (In essence, Bayer argues that federal laws on labelling chemicals take priority over those of states.) The timing of the class-action settlement may seem curious: a Supreme Court ruling in Bayer’s favour would invalidate most of the claims. But Mr Anderson insists that the settlement and the Supreme Court case “are independently necessary and mutually reinforcing elements” of his containment strategy.

Analysts, however, say the proposed settlement is an expensive pre-emptive attempt to bring the plaintiffs to the table before the Supreme Court ruling, which is expected in June. A win is not certain (although the Trump administration backs the company). But the settlement should limit the damage to Bayer in the event of a defeat. It is at least plausible that the litigation nightmare might end at last.

That would free the company to focus on pharmaceuticals. Mr Anderson is making progress on replenishing the pipeline after the expiry of patents for two bestselling drugs (Eyelea, an eye treatment, and Xarelto, a blood thinner). American and European regulators have approved Lynkuet, which treats the symptoms of menopause, and the latest trials of Asundexian, a stroke medication, were encouraging. Kerendia, a kidney therapy, and Nubeqa, a cancer drug, are selling well. Markus Manns of Union

Investment, a fund manager, says the once-troubled drug division is now “a beacon of hope”.

An end to litigation will probably revive talk of breaking up Bayer, a conglomerate short of synergies. Spinning off the consumer-health unit would ease the firm’s debt burden. A more radical split of the drugs and crop-science businesses would create the pure plays that investors favour. “Separating businesses creates value, as we have seen with Novartis,” says Abhishek Raval of Baader Europe Research (part of an investment bank), referring to the Swiss firm’s sale of Sandoz, its generic-drug unit, in 2023. Mr Anderson says the structure of Bayer is not set in stone; it must prove it is the best owner of its businesses. Before long it may be time to take a chisel to it. ■

To track the trends shaping commerce, industry and technology, sign up to “[The Bottom Line](#)”, our weekly subscriber-only newsletter on global business.

A short guide to email opening lines

“I hope you are well” and other classics

March 5th 2026



If an alien were shown the typical first sentences of work emails, what might it conclude? Since so many messages start with the hope that the recipient is well, an extraterrestrial might at first assume that most humans are either recovering from illness or about to take to their sickbeds. But even if it were to realise that this was largely a matter of etiquette, it would miss the nuances of each opening gambit. Until now.

Ostensible meaning: I hope you are well. Actual meaning: None. It's just throat-clearing. Do not write back and give the other person a bulletin on your health.

Ostensible meaning: I hope you are well. Actual meaning: I have not been in touch for a while and am not even sure you are in the same job. Plus I have a vague idea that this formulation makes me sound professional. Either way, I'm still totally uninterested in your health.

Ostensible meaning: I hope you are well. Actual meaning: We both know this sentence is totally formulaic, so I'm cutting it down to the bare minimum. If time is really pushed, I might say "Hope all OK", and save myself two characters.

Ostensible meaning: We've just been introduced by a third party and I'm pleased to make your acquaintance. Actual meaning: No email can substitute for an in-person encounter. Only when we have shaken hands and stared into the whites of each other's eyes and taken the full measure of each other will we have properly met. I also send e-cards and shop on e-commerce sites and still think of Amazon as an e-tailer. I have clear memories of the 1980s.

Ostensible meaning: We've just been introduced by a third party and I'm pleased to make your acquaintance. Actual meaning: I'm an appalling pedant. I have clear memories of the 1970s.

Ostensible meaning: We're both well-rounded individuals with fulfilling lives outside work. Actual meaning: It's Monday morning and I cannot be bothered to write "I hope you are well" for the billionth time.

See above, but it's Monday afternoon.

It's now Tuesday, Wednesday or Thursday.

Guess what? It's Friday.

See above, but I have no sense of work-life boundaries.

Ostensible meaning: I am respectful of your time. Actual meaning: I have no idea how email works.

Ostensible meaning: This may look an awful lot like spam but is actually a message from a real person who appreciates how busy you are. Actual

meaning: This may look an awful lot like a message from a real person who values your time but it's still spam.

Ostensible meaning: You're busy, I'm busy. Let's behave like the professionals we are and get right down to business. Actual meaning: The expectations of a meaningless first sentence are so deeply embedded that I am going to spend as much time skipping the pleasantries as the pleasantries would have taken. Some emails do genuinely avoid the throat-clearing, and plunge straight in. There are several explanations for this. One is that the correspondents involved are in close contact: they know that the other person is well. Another is that the sender has worked out that the typical first sentence really is unnecessary. Another is that the writer dislikes the recipient but knows that putting "I hope you are unwell" would be taking things too far. Which is it? Even humans struggle to work that one out. ■

Step inside the world of work with our [Bartleby newsletter](#). Each week our white-collar oracle muses on the agonies of office life.

Business | In pursuit of a new track record

Formula One is attracting a different sort of fan

Lifestyle as much as motor racing is drawing in newcomers

March 5th 2026



Formula One set the sporting standards for glamour, celebrity and mass appeal from the first wave of the starting flag. Among those piloting the cars at the first-ever grand prix, at Silverstone in the English Midlands in 1950, were a Swiss baron, a Thai prince and a Belgian jazz musician. A trackside crowd of over 100,000 included King George VI. What was once an expensive hobby for gentlemen amateurs has since grown into a global entertainment business. F1's latest acceleration has come under the auspices of Liberty Media, an American media company.

A new season starts with the Australian Grand Prix on March 8th—shortly after the release of the eighth series of “Drive to Survive”, a Netflix documentary about F1. On the track, the big question may be whether

Britain's Lando Norris can retain the title or the Netherlands' Max Verstappen can reclaim it. Off it, it is whether Liberty, which owns F1 and thus the exclusive commercial rights to the race series, can keep its foot on the profits pedal. It bought the already successful global brand from cvc, an American private-equity firm, for around \$8bn in 2017. But back then, says Stefano Domenicali, F1's boss, the business was not going in the right direction.

The plan has since been to bring the razzmatazz to an untapped younger audience, in order to set the sport up for future growth. Serving up content outside race weekends will let them engage with the sport between grands prix and beyond a season that runs from March to December. Julian McManus of Janus Henderson, a fund manager, believes that Liberty has "grasped the scale of the opportunity".

Since Liberty took the wheel F1's revenues have more than doubled, to \$3.9bn in 2025. So have operating profits (before depreciation and amortisation), to \$950m. F1's stockmarket value has also surged, to more than \$21bn. All three main revenue sources—fees paid by race promoters, sales of media rights, and sponsorship and advertising—have grown impressively.

Race fees brought it around \$1bn of revenues last year. Eighteen circuits are contracted until at least 2030, and will pay F1 more every year. But as Caroline Reid of Formula Money, a consultancy, points out, here f1 is running out of road. Although the number of races has risen to 24, from 20 in 2017, the maximum agreed on with the teams is 25. It will also be hard to increase the number of "flyaway races" in places away from the sport's European heartland, such as China or Saudi Arabia. Unlike commercially minded European promoters, governments in such countries are happy to pay more and swallow losses for the prestige of hosting a grand prix.

Media rights have also become more lucrative. At \$1.2bn, they provide the biggest slice of revenue. The rise of streaming services has fuelled competition among broadcasters for top-quality live sport. Yet tv audiences for races have fallen. In 2019 Liberty claimed 1.9bn "cumulative views", but only 1.6bn in 2024, when it last gave a figure. Mr Domenicali's explanation

is that f1 is “more than a sport”; it is a “business and entertainment platform” where “engagement is shifting”.

A deal signed with Apple tv in October, worth \$750m over five years for the American broadcast rights, illustrates f1’s quest for new adherents. In a world of Instagram and TikTok, “distribution fragmentation” means that watching a race is “one part of a much bigger sort of construct”, says Derek Chang, Liberty’s chief executive. A new breed of followers not captured by viewing figures is just as important to f1’s future.

Some fans, perhaps drawn in by “Drive to Survive” (for the first seven series of which Netflix claims 1bn views), are enticed by the drama surrounding F1. They may “barely watch the race” but do want to know “what Lewis Hamilton had for dinner”, notes Mr Chang. It seems to be working. F1 now claims a “global fanbase” of 827m, up by three-fifths since 2018. This includes 115m followers on social media, a six-fold increase. True, gauged by subscriptions Apple TV lies well behind America’s leading streamers. But it comes with “a ton more” than that, says Mr Chang.

Apple’s ecosystem of news, music and retailing can also spread f1 content. Aside from financing “F1”, a feature film starring Brad Pitt, which was released last year, Apple has struck a deal with Netflix to share live broadcasting of races and “Drive to Survive” in America. This might provide a template for future deals elsewhere, as well as unlocking the opportunity to build an audience in America, the world’s biggest media market, where f1 is still “very, very small”, Mr Domenicali concedes.

Reimagining F1 as an entertainment and lifestyle brand that appeals to more than just hardcore motorsport fans seems to please sponsors, who provide just over a fifth of revenues. The roster of official “global” partners has grown to ten, from six in 2020. These include luxury brands such as LVMH, which is said to have paid \$1bn for a ten-year deal. New sponsors, such as Disney and Lego, reflect a growing interest in young fans.

In search of an even bigger audience for motorsports, in 2025 Liberty paid €4.2bn (\$4.9bn) for 84% of Motogp. The motorcycling equivalent of f1 has half the fans and a tenth of the sponsorship. Liberty hopes to use the same techniques to rev up the business. It admits that, as with drawing youthful

fans to f1, they will take time to pay off. As Mr Chang notes, a child coming across an f1 car in a Lego store is not watching the races. “At least, not yet.”



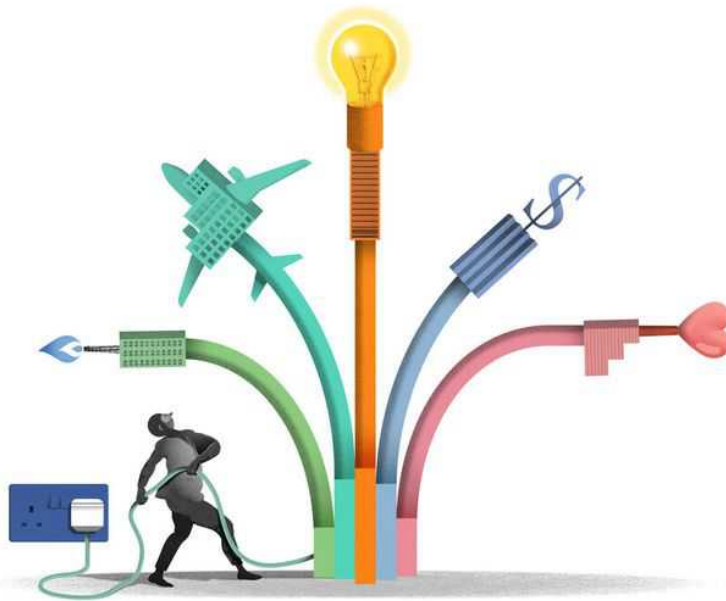
To track the trends shaping commerce, industry and technology, sign up to “[The Bottom Line](#)”, our weekly subscriber-only newsletter on global business.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/business/2026/03/05/formula-one-is-attracting-a-different-sort-of-fan>

What the heirs to General Electric did next

Their success illustrates the benefits of breaking up—and more

March 5th 2026



The ideal business school is little more than a well-endowed history department teaching the canon of great American companies. General Electric is one of them. Its rise and fall vividly illustrate the genius of entrepreneurs, the struggles of succession and the allure of financial alchemy. Ostensibly novel questions of business strategy find instructive answers in its archives. How to flog a new technology your patrons cannot afford? GE accepted payment in the form of its customers' shares a century before [Nvidia](#) did. Or profit from one in which the government takes a special interest? GE started the Radio Corporation of America to help dislodge British dominance of the communications industry after the first world war.

The reading list is long, varied and incomplete. Jack Welch, who ran GE between 1981 and 2001 (by which time the sprawling conglomerate was the world's most valuable firm), was the author of four books and an online MBA course. When Jeffrey Immelt, Welch's successor, published his memoir in 2021, the firm had fallen out of the top 100. That year, after selling assets for a decade, the company announced that it would break into three separate companies called GE Aerospace, GE Healthcare and, inexplicably, GE Vernova. Two comprehensive histories of GE were published around the same time, doubling as lengthy obituaries. Most predicted a faded and fragmented future for the firm—a corporate equivalent of the Austro-Hungarian empire. Yet the reality of dissolution could not have been grander.

Today GE Aerospace and GE Vernova, a power business, dominate industries whose times have come. The former, which as the senior branch of the family inherited GE's chief executive and stockmarket ticker symbol, cannot build engines fast enough. But the real money, two-thirds of the firm's revenue, is made fixing them: GE Aerospace exerts herculean pricing power when selling spare parts for its engines, given the costs [airlines](#) incur when their planes are grounded. So does GE Vernova, which is enjoying massive demand for its gas turbines and electrical equipment as tech companies build data centres to run their artificial-intelligence models. Orders are growing about as fast as they did in 2000, at the height of the dotcom bubble.

The pair are everything the GE of a decade ago was not. Most importantly, they are profitable. Their combined annual net income of \$14bn last year was more than twice the cumulative profit managed by GE in the decade before its break-up. Their balance-sheets are unburdened by complexity or large debts. Both firms are beloved by the market. Add the much smaller health-care operation and the three heirs are worth \$600bn, five times GE's value before the split was announced. Their size-weighted price-to-earnings ratio is 45—double what it was in 2000.

Even long-disinherited cousins of GE's heirs are prospering. Baker Hughes, an oil-services firm, is worth nearly three times what it was when GE sold its controlling share in 2019. GE's trainmaking business, shed the same year, has done even better. The division which made GE's small, on-site

generators is thriving under the ownership of a private-equity fund: sold for \$3bn in 2018, it is probably worth \$15bn today. Another even managed to grow while owned by a French firm: GE's water-treatment unit was sold for \$3bn to Suez. Last year Veolia, which now owns Suez, bought out a minority investor in the division at a valuation of \$6bn.

What about the financiers who almost sank the whole ship in 2008? GE Capital, the firm's financial arm, had grown to supply nearly half of earnings by 2005, from 8% in 1981. Its assets are now scattered throughout the financial system. AerCap, the owner of its enormous plane-leasing business, is thriving; Synchrony, which lends to individuals, is not. GE Capital is a source of great inspiration in some corners of Wall Street. No firm has made more effort to recreate its operations than Apollo—so far without, thankfully, GE's reliance on short-term funding markets. The private-equity investor turned life insurer has assembled a similarly eclectic range of asset-based lenders through which to invest its policyholders' premiums. They include an aircraft-lending business previously owned by GE and a mid-market corporate-lending division staffed with former GE Capital employees.

One lesson of the GE revival is so obvious that it doesn't bear repeating in besuited company: businesses perform better when they are not subsumed within giant conglomerates. Honeywell, another big American industrial conglomerate, will complete a similar three-way split later this year. But the revival owes more to a deeper change of mood under way in business and markets.

Everywhere hard hats are triumphing over soft heads. Asset-heavy firms are outperforming ones which investors now fear have no valuable assets at all, like software companies (and the private-markets funds which lend to them). Industrial and defence stocks are soaring. Governments obsess over [critical minerals](#). The capex budgets of the big technology firms, which are more likely to be held back by a shortage of power than of capital, exceed those of the energy industry. Venture-capital types crow about the dominance of "atoms" over "bits". Some bosses struggle to convince the market their ethereal businesses exist at all. "People say that cryptocurrency is intangible. It's not. It's very tangible," said Eric Trump, the president's son, in a recent video of him strolling round his bitcoin-mining facility.

The reassertion of the physical world is easier to observe than to fully explain. A combination of higher interest rates, the demands of AI, manufacturing nostalgia, war and general paranoia are to blame. A combination of firms which started life as divisions of GE will profit most from it. ■

Subscribers to The Economist can sign up to our [Opinion newsletter](#), which brings together the best of our leaders, columns, guest essays and reader correspondence.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/business/2026/03/04/what-the-heirs-to-general-electric-did-next>

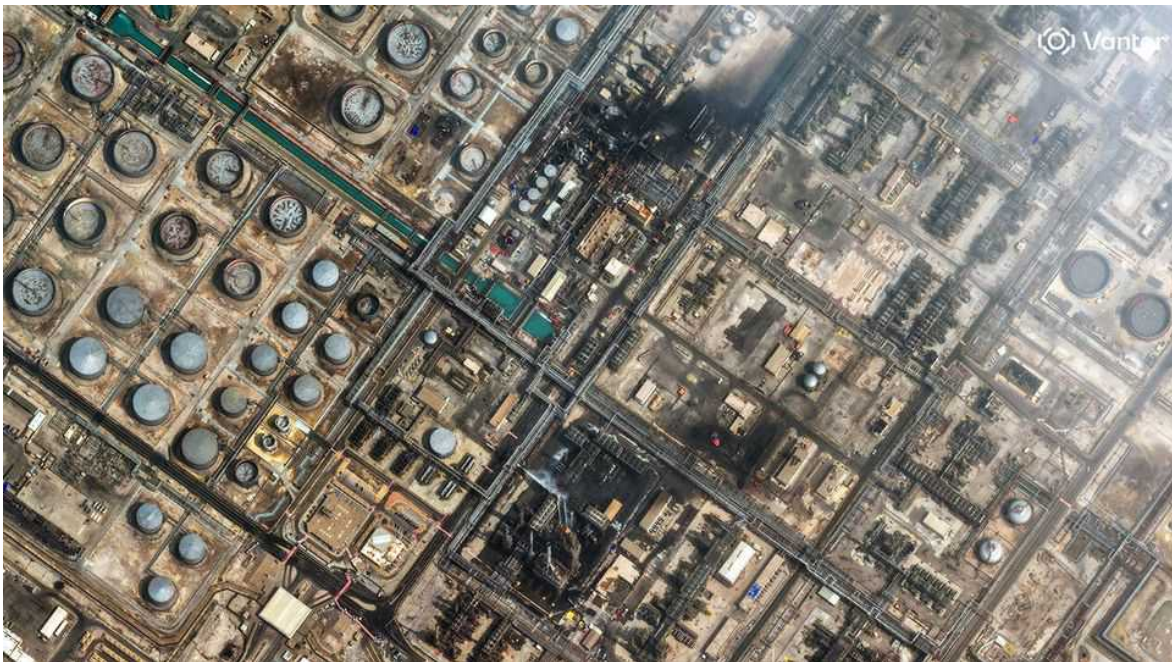
Finance & economics

- [The nightmare war scenario is becoming reality in energy markets](#)
- [European pensions are a \\$30trn missed opportunity](#)
- [Americans' electricity bills are up. Don't blame AI](#)
- [India's economy is not as big as economists thought](#)
- [Why war isn't always good for defence stocks](#)
- [To understand why countries grow, look at their firms](#)

The nightmare war scenario is becoming reality in energy markets

The longer the war in the Gulf, the harsher the global economic fallout

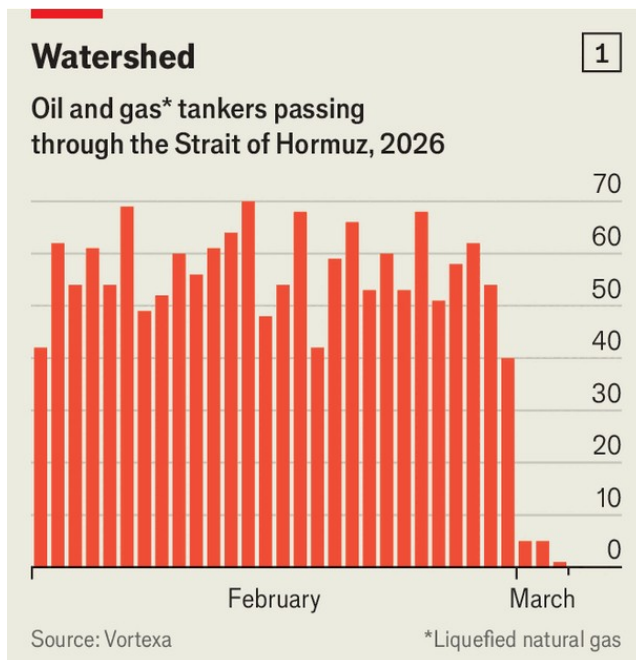
March 5th 2026



ENERGY ANALYSTS modelling a war involving Iran have long feared two developments: the Islamic Republic lashing out at its oil-rich neighbours and a blockade of the Strait of Hormuz, through which a third of global seaborne crude and a fifth of liquefied natural gas (LNG) transit daily. Until February 28th both eventualities seemed remote. Iran had too much to lose: it would push Gulf states even closer to America, its sworn enemy; anger China, the main buyer of its [oil](#); and invite strikes on its own petroleum infrastructure.

After [America and Israel struck](#) at the heart of the mullahs' regime on February 28th, killing its supreme leader, what remains of it is desperate. And both aspects of the nightmare scenario are unfolding at once. Iranian

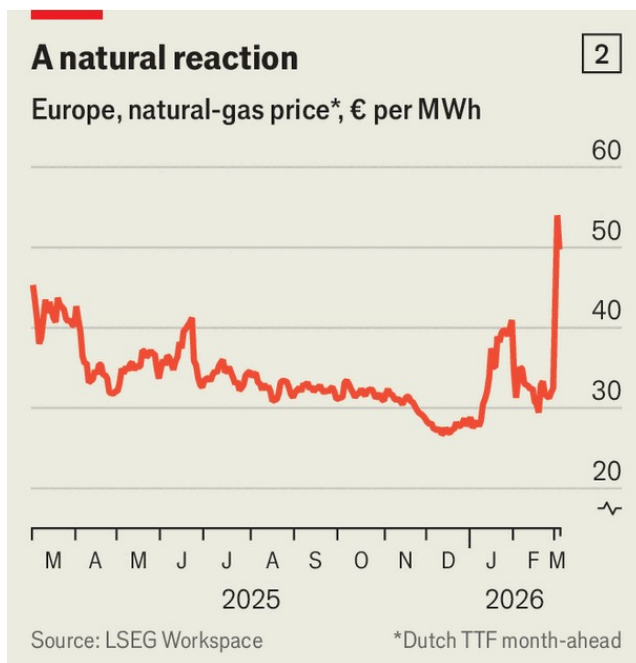
missiles and drones have hit Saudi Arabia's largest refinery, the world's biggest LNG-export facility in Qatar, another refinery in Kuwait, fuel tanks in Oman and the Fujairah oil terminal in the United Arab Emirates (UAE), a major bunkering hub. The first two are offline, as are gasfields in Israel and Kurdistan.



Meanwhile, traffic through the Strait of Hormuz has largely stopped after drones struck several vessels and insurers suspended coverage for many others (see chart 1). On March 2nd the Islamic Revolutionary Guard Corps, the regime's praetorian guard, declared the strait closed, warning that any ship attempting passage would be set ablaze. Energy prices are already burning up. Assurances on March 3rd by Donald Trump that America would provide insurance and guarantees for shipping lines, and, if necessary, a naval escort for tankers in the Gulf, have not cooled things down. Brent crude, the global benchmark, has jumped by 15% since February 27th, to \$84 a barrel. In Europe a megawatt-hour (MWh) of natural gas costs €50 (\$58), an increase of over 55% on the week (see chart 2). Prices in Asia have risen even faster.

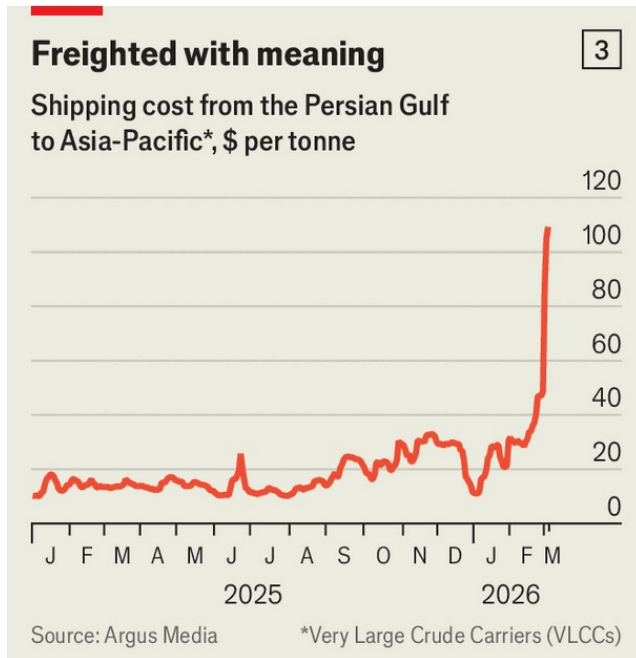
The initial reaction to the American-Israeli campaign was contained. On March 2nd Brent finished the day at \$78, just \$5 above its pre-war close. European gas spiked but closed at €43 per MWh, well below the peak of

over €310 in 2022, after Russia invaded Ukraine. Traders expected disruptions to last days, not weeks.



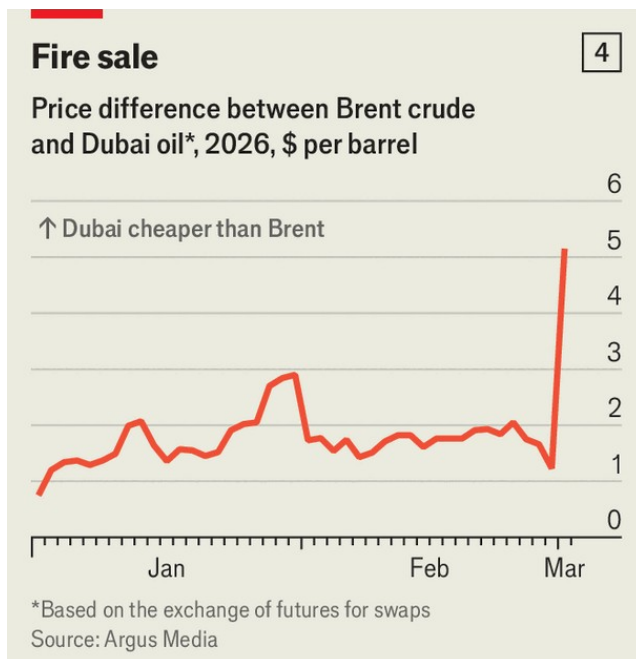
They are revising that view. Start with oil. The main problem is impeded traffic through the Gulf. Freight prices are hitting records (see chart 3). Only five oil tankers crossed the Strait of Hormuz on March 2nd, compared with a daily average of 51 in February, according to Vortexa, a ship-tracker. Some 14m barrels per day (b/d) of crude and 4m b/d of refined products usually pass through it. Only around a quarter of the crude can be rerouted via Saudi and UAE pipelines that bypass the strait. JPMorgan Chase, a bank, estimated on March 3rd that Iraq and Kuwait had about three and 14 days, respectively, before hitting storage limits and shutting in the crude supply they export via Hormuz—amounting to nearly 5m b/d, or 5% of global production. Iraq has already cut output by 1.6m b/d.

Gulf exporters have yet to declare force majeure on scheduled shipments. But traders expect some will, and soon. A measure of the premium Brent commands over oil traded in Dubai, which reflects the cost of hedging Atlantic crude sales to Asia, has rocketed (see chart 4). Asian buyers are turning to west Africa, America, Brazil, Guyana and Norway to plug shortfalls. On March 2nd Brazilian barrels for May delivery to China were offered at a \$10 premium to Brent, up from \$3.40 on February 27th.



Asian buyers will be the first to feel the pain. Although China, Japan and South Korea have stockpiled enough oil to last a few months, they rely on Gulf imports. These account for a third of China's total demand. Trading in the most popular Chinese crude futures was halted on March 2nd after they tripped the 9% daily-increase limit. The authorities in China and other Asian countries have told refiners to halt diesel and petrol exports.

Asia's scramble for alternatives will push up prices for everyone else. If oil does not start flowing again soon, Brent could hit \$100 a barrel. Four weeks of disruption could push prices towards \$150, reckons Kpler, a data firm. New supply from elsewhere could be unlocked, but even pulling every lever would yield only 1m-2m b/d—and take at least six months to materialise. Europe buys little Gulf crude but a fifth of its diesel transits Hormuz. Diesel "crack" spreads—the margins refiners earn when turning crude into finished fuel—have exploded in recent days.



A halt to gas supplies may hit harder and sooner. More than 80m tonnes of LNG sailed through Hormuz in 2025. Qatar's Ras Laffan complex, shut on March 2nd, accounted for 75m tonnes, equivalent to 17% of global exports. Nearly 30 vessels due to load there in March are circling the Indian Ocean and Arabian Sea; another eight, already laden, are idling on the wrong side of the strait. None has crossed since March 1st. QatarEnergy, which operates Ras Laffan, has issued force majeure notices to some long-term buyers. The facility will stay shut for at least two weeks, according to Reuters, and will need another two once it restarts to reach capacity.

As with crude, gas is worrying Asian buyers. Last year Qatar supplied 30% of China's LNG imports, 45% of India's and 99% of Pakistan's; Japan and South Korea buy lots, too. On March 3rd the measure of the profit earned from loading gas on America's Gulf coast and sending it to Asia rather than elsewhere next month surged to its highest since 2022. Asian gas prices were so far above European ones that it would in theory have made sense to load tankers with LNG stored in Europe and ship it east, says Natasha Fielding of Argus Media. Importers from Bangladesh and India went into the spot market to seek new cargoes—but found nobody willing to sell to them. LNG freight costs from the Atlantic have never risen so fast in a day.

European prices will soon have to catch up with Asia's, because buyers are starting to compete for the same spot cargoes. Gas storage in Europe, already below seasonal norms and 10% lower than a year ago, is running low with winter not yet over. Every week Hormuz stays shut, global supply shrinks by 1.5m tonnes, reckons Wood Mackenzie, a consultancy. As Asia and Europe drain storage faster and restock more aggressively over the summer, markets could stay tight long after the strait reopens. Anne-Sophie Corbeau of Columbia University expects panic to set in if Qatari exports do not resume by March 9th. Prices could soar beyond €100 per MWh.

The energy shock has already rocked some stockmarkets, especially in Asia. Its economic impact will be far-reaching. A rule of thumb from the IMF is that a 10% rise in the price of a barrel of oil cuts global GDP growth by 0.15 percentage points and raises inflation by 0.4 points the following year. If prices get to \$100 a barrel, this would subtract some 0.4 points from GDP growth and raise inflation by 1.2 points.

Big energy importers will, naturally, suffer the most—and poor ones especially. Energy costs tend to make up a greater share of spending in less well-off places. India spends about 3% of GDP on foreign oil a year (and has barely 20-25 days of usable stocks); Thailand splurges nearly 5%. In both cases, though, costlier imports will be reflected not in higher consumer prices but in wider fiscal deficits, as governments force state-owned refineries to operate at a loss or hand out subsidies to consumers. Asia's low inflation gives central banks more room to ignore a period of dearer energy—so long as it is brief and currencies, which could plunge as investors rush for safe havens, do not force their hand.

Europe is not so lucky. The European Central Bank reckons that a 10% increase in oil prices adds 0.4 percentage points to inflation directly plus another 0.2 points indirectly, over three years, as businesses pass higher costs on to consumers. A tenth of the increase in natural-gas prices also passes through to inflation in a year. Higher energy costs will feed through to power prices and sap industrial margins. If both oil and gas become dearer, substitution will become harder. This may revive coal demand and force consumers to cut back.

Despite causing the price shock, America will face less pain. Its domestic gas market has only a loose connection to global prices, owing to limited export capacity. Prices of gas piped to Henry Hub, the American benchmark, have jumped by only 4%. A study by the Dallas branch of the Federal Reserve suggests that a 10% increase in the price of crude raises those at the pump by 5%. But if they get uncomfortably high, America can always tap 415m barrels in its Strategic Petroleum Reserve. Energy makes up only a small part of the consumption basket. And since America produces lots of oil and gas, a price shock pushes up output rather than cutting it, as it does for net importers.

Mr Trump and his Republican Party may nevertheless suffer political consequences in the midterm elections. Voters are already furious over the rising cost of living. Higher energy prices may boost economic aggregates, but they also redistribute income from America's many energy consumers to its small number of energy producers. They may also make it harder for the Fed to cut interest rates. Traders have trimmed bets that the central bank will do so at least twice this year.

No wonder Mr Trump wants to soothe energy markets with naval escorts and insurance plans. "No matter what", he said on social media, America "will ensure the FREE FLOW of ENERGY to the WORLD". He is up against an adversary that is setting out to make America feel its pain. ■

For more expert analysis of the biggest stories in economics, finance and markets, sign up to [Money Talks](#), our weekly subscriber-only newsletter.

European pensions are a \$30trn missed opportunity

If only more countries went Dutch

March 5th 2026



EUROPE is known as the “old continent” because it is not the “new world”. From ancient Greek democracy to classical music, it is the cradle of Western civilisation. These days a less charitable contrast is not with the new but with the young. The median citizen of the European Union is 45, six years senior to an equivalent American and four to a Chinese person. The EU already has fewer than three residents of working age for every pensioner.

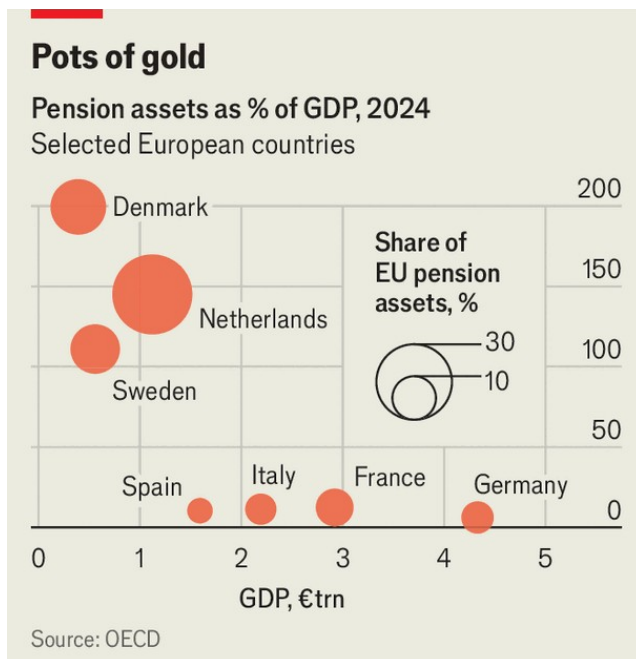
Public spending on retirement benefits, health and long-term care for the elderly is equivalent to a fifth of the bloc’s GDP, and counting. [Proposed cuts to pensions](#) are invariably met with fierce opposition from ageing

voters. Resources are diverted away from important investments in sectors like defence and infrastructure.

Pensions are, in other words, a huge economic liability for the EU. At the same time, however, they are a gigantic wasted opportunity. America's pension funds manage \$43trn in assets, equivalent to nearly 140% of GDP. In the EU as a whole, the figure is just over \$5trn, less than 30% of GDP. Increasing it could do wonders for Europe's stunted capital markets.

In many European countries, most pensions are furnished by public schemes and most of these are "pay-as-you-go". Contributions are deducted from workers' wages in the form of a payroll tax and used to finance payments to current pensioners. Precious little is invested. In Germany, France, Italy and Spain, these systems cover more than 90% of employees. They run up large deficits that governments must plug, from 2% of GDP in Germany to 6% of GDP in Italy, according to the Boston Consulting Group.

Some occupational schemes exist, where employees set aside part of their paycheques. But these are small and, because they often guarantee minimum payments, a lot of the proceeds are invested in safe government bonds. In the EU's four biggest economies only about a fifth of the money in such schemes finds its way into capital markets. Individual pension plans (which tend to get favourable tax treatment) are similarly conservative—and often charge eye-watering fees which eat into already meagre returns.



A few outliers show that things do not have to be this way. In proportion to GDP, Sweden's pension assets are roughly as large as America's. Those of the Netherlands and Denmark are higher (see chart). At least 20% of those three countries' pension portfolios are invested in equities, with the rest mostly sitting in government bonds and other less racy assets. A lot of this equity capital flows to local businesses, which helps explain why the three countries have some of Europe's most vibrant stockmarkets.

Some large Dutch occupational funds have around half their portfolios parked in European assets. The AP4, one of the funds that backs Sweden's pay-as-you-go system, invests 15% in Swedish equities and 9% in Swedish bonds, partly to match assets with Swedish krona liabilities, and partly because of mandates that favour domestic investments. Although only between 5% and 10% of Danish funds' equity holdings are domestic, this still leaves them disproportionately exposed to the local stockmarket, which accounts for just 0.5% of global market capitalisation.

Historically, investing an outsize slice of their portfolios at home prevented European pension funds from taking advantage of soaring stockmarkets elsewhere, especially in America. Now, though, the calculus is changing.

For one thing, European equities have outperformed American ones lately. Since the start of 2025 the STOXX 600 index of large European firms has risen by 36% in dollar terms, compared with 15% for the S&P 500, its transatlantic cousin. American companies are already richly valued relative to earnings, which may depress future returns, whereas many European ones still look relatively cheap. And European technology firms are at last [coming into their own](#). This makes them more attractive investments for pension funds diversifying into venture capital and other alternative assets.

Reforming sclerotic pension systems in places like France and Germany to resemble those in Denmark, the Netherlands and Sweden is not going to be easy. But the prize is considerable. If all EU countries had pension assets worth 140% of GDP, the American figure, then these pots would hold nearly \$30trn. If a quarter was invested in equities, reflecting the share in Danish, Dutch and Swedish funds, and a fifth of that stayed in Europe, the pool of capital available to European companies would grow by \$1.5trn. By comparison, the current market capitalisation of STOXX 600 is \$18trn. Europe would still be old. But at least it would be more spry. ■

For more expert analysis of the biggest stories in economics, finance and markets, sign up to [Money Talks](#), our weekly subscriber-only newsletter.

Americans' electricity bills are up. Don't blame AI

Were it not for data centres, prices might be even higher

March 5th 2026

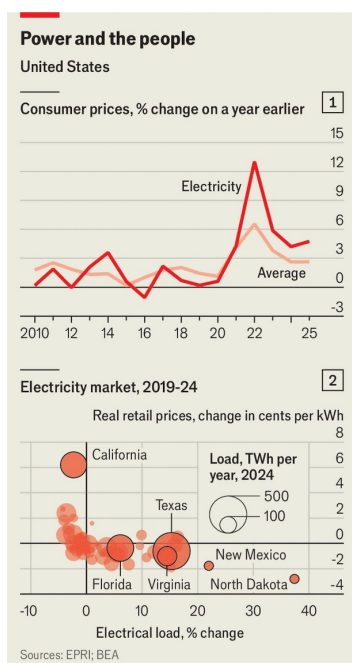


POWER BILLS are going up in America and the people are angry. They know whom to blame—the bosses of technology firms thirsting for more juice to fuel artificial-intelligence data centres. Ashburn, a town of 45,000 in a featureless part of Virginia that has earned the nickname “Data Centre Alley”, has some 150 of these. They consume roughly as much electricity as Philadelphia, a city of 1.6m. On March 4th Donald Trump convened tech leaders to sign a pledge to “build, bring or buy their own power supply... ensuring that Americans’ electricity bills will not increase”.

Their solemn pledges notwithstanding, the chief executives can do little to contain prices. That is not, though, because AI is unstoppable. It is because the AI boom is not chiefly to blame for the rising costs.

In the past few years retail electricity prices have indeed outpaced overall inflation (see chart 1). And data centres are gobbling up more power. Goldman Sachs, a bank, reckons that they will account for nearly half of the overall demand growth in America in the coming years.

Yet even bullish forecasts put data centres' share of total demand at only a fifth in 2030. Today it is less than a tenth. A study last year by the Lawrence Berkeley National Laboratory showed that data-centre load was not the main cause of the rate rises in the five years to 2024. It fingered grid upgrades and rising costs of power-generating equipment and raw materials such as copper. Wood Mackenzie, a research firm, estimates that last year demand for distribution transformers outstripped supply by 10%. For power transformers the gap was 30%. Manufacturers report waiting lists for essential grid-related kit stretching to 120 weeks or more, up from 50 weeks in 2021.



Many prices started going up in early 2021, nearly two years before the launch of ChatGPT ignited the AI boom. They are likely to keep rising for non-AI reasons. The Edison Electric Institute, which represents private-sector utilities, predicts its members' cumulative capital spending will reach \$1.1trn between 2025 and 2029, up from \$765bn in the previous five years. More than half the sum for distribution and transmission infrastructure will

go on replacing ageing equipment and hardening it against extreme weather made likelier by climate change. Between 2019 and 2023 big Californian utilities spent \$27bn just on mitigating wildfire risk. These investments have been neglected for years. Now, says an industry bigwig, AI provides a pretext to help win approval from regulators to pass the cost on to consumers.

And these are not the only non-AI cost pressures. Even before the war in Iran caused natural-gas prices to rise, analysts were predicting that domestic buyers would be increasingly competing with foreign ones as more export terminals for liquefied natural gas come online. Mr Trump, an inveterate renewables sceptic, has not helped by impeding the growth of solar and wind capacity. Peter Fox-Penner of the Brattle Group, a consultancy, notes that as a result prices are rising needlessly for the cheapest forms of new power generation.

AI may even be lowering prices. The tech giants are already investing in their own capacity (mostly, whisper it, in the clean variety). Microsoft has signed a long-term deal to restart a nuclear reactor at Three Mile Island to supply its data centres. Meta has backed a handful of nuclear startups. In December Google's corporate parent, Alphabet, paid \$5bn for Intersect Power, a developer of utility-scale solar power and battery storage. A data centre in Ashburn belonging to Equinix, a big operator, is experimenting with fuel cells.

Besides adding its own supply, big tech is making existing capacity more flexible. Google has agreed to novel tariff arrangements with Indiana Michigan Power, a midwestern utility, whereby its data centres can reduce their consumption when other demand is high. Microsoft is going further. In one of its Irish data centres it uses backup batteries as a "grid stabiliser" that can push power back into the network or draw excess power from it at times of stress. Since grids often run well below full capacity, adding a large, flexible customer can bring in lots of revenue for utilities without requiring costly expansion. This lets the utilities lower rates for households while preserving their margins.

The Electric Power Research Institute, a think-tank, found that some states with high load growth between 2019 and 2024 reported price declines, after

adjusting for inflation (see chart 2). The World Resources Institute, another think-tank, notes that in North Dakota rising demand from oil and gas extraction, cryptocurrency miners, data-centre operators and food-processors led to large price reductions for local electricity users. PG&E, a big Californian utility, estimates that adding a gigawatt of load could lower bills by up to 2%. If Americans want lower electricity bills, they should be shouting for more AI, not less. ■

For more expert analysis of the biggest stories in economics, finance and markets, sign up to [Money Talks](#), our weekly subscriber-only newsletter.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/finance-and-economics/2026/03/05/americans-electricity-bills-are-up-dont-blame-ai>

India's economy is not as big as economists thought

But it is growing faster

March 5th 2026



INDIAN OFFICIALS have been in a boastful mood lately. A government report in December argued that judging by real-time economic indicators, India had overtaken Japan as the world's fourth-biggest economy. This was to become economic fact once the Ministry of Statistics and Programme Implementation updated how it calculates GDP. So in one sense, the new numbers released on February 27th are a disappointment: GDP was 3.3% smaller than previously thought. In other ways, though, they are a cause for celebration.

The methodological update, the first since 2015, reset the “base year”—which sets the weights for different parts of the economy—to 2022. It also

added new data sources that capture a clearer picture of the Indian economy. The country looks more rural than before. Agriculture, responsible for 18% of GDP, appears bigger, largely thanks to more detail on fisheries and dairy. Finance and business services also produced a bit more output, while commerce, hotels and transport generated 26% less. The net effect is a service sector that looks 8% smaller than it did using the previous methodology, and makes up 41% of the economy. Manufacturing, which accounts for 15%, has also shrunk slightly.

On the bright side, India is growing even faster than previously believed. GDP expanded by 7.1% in the fiscal year 2024-25, up from an earlier figure of 6.5%. Other numbers show it has grown quickly since, despite facing high duties on exports to America from August until last month, when the Supreme Court curtailed Donald Trump's willy-nilly tariffing. Although manufacturing's share failed to meet Prime Minister Narendra Modi's goal of a quarter of GDP by 2025, high-tech production and electronics assembly are fuelling growth. Business-friendly reforms to taxes and regulations are starting to pay off, too.

A qualified win for India, then—and also a victory for Indian statistics. Economists have raised doubts over the GDP figures released shortly after Mr Modi came into power 12 years ago, and which revised down growth under the previous administration. The shelving of a survey in 2019 that showed a drop in rural consumption hinted that the government might suppress inconvenient facts. That the new figures show a less rosy picture of Mr Modi's record should reassure observers that the government will not hide unflattering data. And the figures should reassure Mr Modi that India's title as the world's fastest-growing big economy remains secure, even if it is not quite as big as he hoped. ■

Stay on top of our India coverage by [signing up to Essential India](#), our free weekly newsletter.

Why war isn't always good for defence stocks

They win only if governments want just enough weapons—but not too many

March 5th 2026



FINANCIAL MARKETS are never more ghoulish than in times of bloodshed. As soon as a missile is fired somewhere in the world, they start gauging not just losses but potential opportunities for profit. Even for believers in the efficiency of capitalism, the process is icky to behold. It is again on display amid the American-Israeli war against Iran.

The obvious winners (besides [energy firms](#) benefiting from surging oil and gas prices) are armsmakers. On March 2nd American defence stocks rose by 3%. In Europe, firms like BAE Systems and Hensoldt bucked a broader equity sell-off. Across the rich world, weapons-makers are up by 52% over the past 12 months. Some have done much better. Hanwha Aerospace of

South Korea and Kraken Robotics, a Canadian maker of sonar, have increased their market value more than ten-fold since the start of 2024. In venture capital, defence seems as hot as artificial intelligence.

With [armed conflicts spreading](#), investors' enthusiasm for arms suppliers is understandable. Yet it comes with risks. The stocks are at their priciest in modern history. Western defence firms' shares trade at around 35 times their forecast earnings, not far off Nvidia, whose sales of the AI boom's favoured chips are growing by 75% a year. These multiples make sense only if the drumbeat of war persists—but is not so loud that governments crimp the firms' ability to generate profits.

Faced with the prospect of America retreating from its alliances, members of NATO have all promised to raise defence spending to 3.5% of GDP. This could translate into an arms-buying bonanza. But it does not have to, especially if things around the world calm down. When military spending clashes with pensions, health care and other popular giveaways, politicians may end up choosing butter over guns.

If they do loosen the purse-strings, then many governments are likely to meet their defence-spending targets not only, or even mainly, by buying more fighter jets, tanks and missiles. Some of the increase will not go on materiel but on military pensions. Some will be invested in things that look defence-related only if you squint. The Italian government hoped to classify a bridge connecting Sicily to the mainland as a critical military asset, but backtracked after a talking-to from the American ambassador.

An even bigger threat to investors than the prospect of rising defence budgets proving illusory is that governments are dead serious. Armsmakers cater almost exclusively to states. This turns them into targets for strong-arming in periods of crisis—or even for expropriation.

During the two world wars the British government hoovered up the profits of armaments manufacturers with steep windfall taxes. After America fully entered the second world war in 1942 its government repeatedly “renegotiated” prices previously agreed in contracts with weapons firms—always downwards and by a lot. It did the same again during the Korean

war, and continued until the late 1970s as it fought the cold war against the Soviet Union.

For example, the shares of America's aircraft manufacturers did well from 1938 until the attack on Pearl Harbour in December 1941, according to Stephen Ciccone and Fred Kaen of the University of New Hampshire. But from then until its end in 1945 a broad portfolio of American equities offered a higher return.

Now that armsmakers are again turning lucrative, politicians are sizing them up for squeezing. In January Donald Trump issued an executive order prohibiting large American defence contractors from buying back shares or paying dividends. He also mused that their bosses' annual pay should be capped at \$5m (a quarter of what a typical one got in 2024). The order and the musing lack legal power but send a clear message. Across the Atlantic and the political spectrum, Greens in the European Parliament are calling for a windfall tax on profitable defence firms to claw back the fruits of public spending.

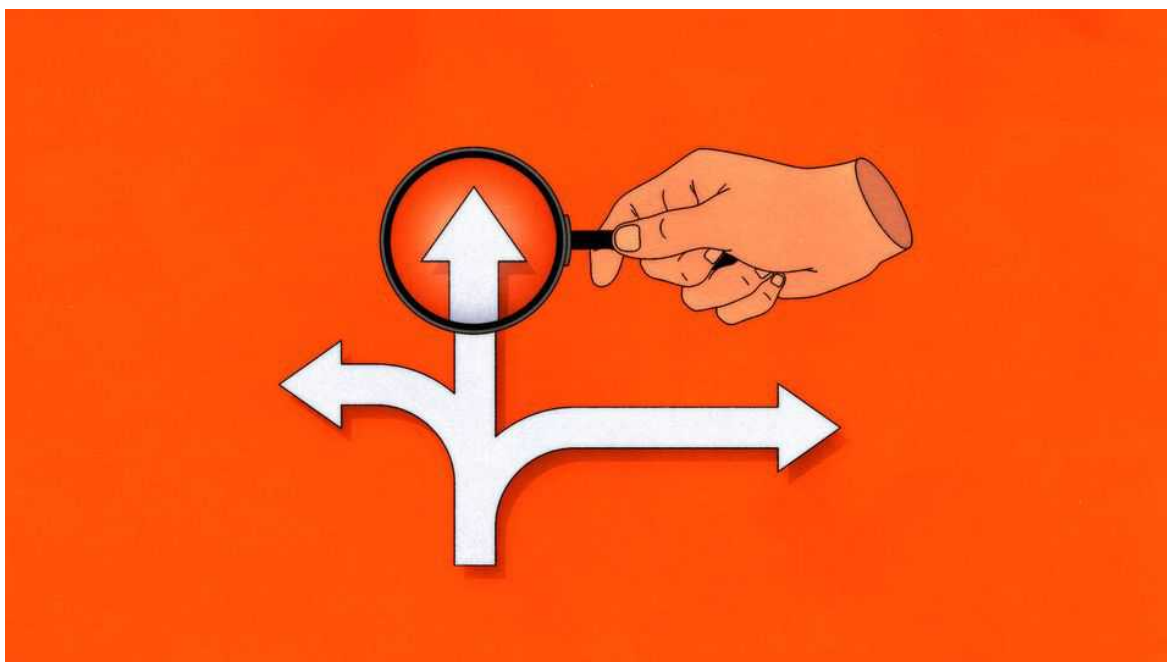
Between the war in Ukraine, now in its fifth year, the one raging in the skies over the Middle East, and another that could erupt if China decides to invade Taiwan, armsmakers are enjoying the limelight more than at any time in decades. They are some of the biggest corporate winners in a more dangerous, unstable world. But their continued success is contingent on a Goldilocks scenario of just enough conflict but not too much. Otherwise their investors may find returns to be thin gruel. ■

Subscribers to The Economist can sign up to our [Opinion newsletter](#), which brings together the best of our leaders, columns, guest essays and reader correspondence.

To understand why countries grow, look at their firms

The third way in development economics

March 5th 2026



TO GRASP THE stakes of economic growth, start with the arithmetic of compounding. Over two generations an economy growing at about 1% a year will not even double in size; one growing at 7% will expand roughly 30-fold. South Korea and Ghana show what such differences can mean. In 1960 the two had similar incomes. Today South Koreans browse Gangnam's luxury boutiques and sip lattes in Garosu-gil's trendy cafés, while the typical Ghanaian still lives on less than \$4 a day. Even a few percentage points make an enormous difference over time: fewer children die, people live longer, education spreads and daily life becomes more comfortable. Little wonder that Robert Lucas, a Nobel-prizewinning economist, remarked that

once you start thinking about economic growth it is hard to think about anything else.

These days it is not difficult to think about other things. Economists have played their part by drifting away from the question. In the 1990s they tried to explain growth by comparing entire countries, asking whether prosperity came from accumulating more educated workers and machines or from something harder to measure. The answer was usually “something else” (productivity, ideas, technology and so on). That diagnosis was illuminating but not especially helpful. By the early 2000s a backlash was under way. Development economists turned away from nations and towards villages and households. Randomised trials revealed much about bed nets, teacher incentives and deworming pills, but far less about why some economies surge ahead while others stall.

Between the nation and the household lies a third way to think about growth: the firm. Economies, after all, are collections of these. When productive businesses expand, output rises; when they stay small, economies stagnate. In much of the developing world big firms are rare. The typical firm consists of a single worker—the owner. Even among those that hire employees, most have fewer than ten. In the 2010s researchers noted that in countries such as India and Indonesia the share of firms with fewer than ten workers is “almost indistinguishable from 100%”. In America, the average manufacturer employs more than 20 people.

The problem is not only that firms are small, but that productive ones fail to grow. In a seminal study Chang-Tai Hsieh of the University of Chicago and Peter Klenow of Stanford University found that in America factories more than 40 years old employ seven times as many workers as those younger than five. In Mexico older ones are only twice as large. In India they grow even less. Newer evidence points in the same direction. Using firm-level data from more than 100 countries, Diego Restuccia of the University of Toronto finds that in poorer places the most productive firms do not expand employment, whereas in rich ones they do.

Why does this happen? One answer is policy. In many countries rules reward firms for staying small. Tax systems offer preferential rates to tiny businesses; slightly bigger ones face higher burdens. Labour laws can make

firing costly, discouraging firms from expanding. Weak financial systems mean promising firms struggle to obtain credit. Workers and capital end up in the wrong places. Simply shifting labour and machinery towards the most productive firms could dramatically raise output. Messrs Hsieh and Klenow estimate that in India removing such distortions—which Narendra Modi’s government is at last trying to do—could raise productivity by as much as 60%.

Management matters, too. Nicholas Bloom of Stanford University and John Van Reenan of the London School of Economics survey more than 6,000 firms across 17 countries, scoring how well they monitor performance, set targets and reward workers. Management quality varies widely across firms and is strongly linked to productivity. Happily, it can be improved. Michela Giorcelli of the University of California, Los Angeles, finds that Italian firms whose managers visited American ones as part of Marshall Plan training programmes later achieved higher sales, employment and productivity. Gains lasted for at least 15 years. Studies in India, Mexico and Uganda also find that management training can boost productivity and employment. So can consultants (really).

Now the three approaches to development economics are integrating, with firms often at the centre of attention. David McKenzie of the World Bank has reviewed dozens of business-training programmes and found that training raised profits by about 10% and sales by roughly 5% for small-time entrepreneurs. When larger firms are involved, the gains multiply. In one study, Mr Bloom and co-authors offered Indian textile companies an intensive consulting programme to improve management practices. Nearly a decade later many firms were still using the techniques, and worker productivity was about 35% higher.

Macroeconomists, meanwhile, have been busy enriching their models to account for structural change. Economic development, after all, follows some familiar patterns: workers move from farms to factories and then to services, from villages to cities, and from smaller to larger firms. Old neoclassical growth models struggled to capture these shifts. Newer versions incorporate multiple sectors and different types of firms, making it easier to study how policies and market failures shape the path of development.

Robert Solow, another pioneer of growth theory (and Nobel laureate), once observed that in this field “many more questions have been asked than answered”. Getting answers is more urgent than ever. In recent years rich countries have grown faster than poorer ones, dimming hopes of economic convergence just as demographic pressures shift more of the world’s population towards places where productivity is lowest. Fortunately, development economists have realised that three hands are better than one. ■

Subscribers to The Economist can sign up to our [Opinion newsletter](#), which brings together the best of our leaders, columns, guest essays and reader correspondence.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/finance-and-economics/2026/03/05/to-understand-why-countries-grow-look-at-their-firms>

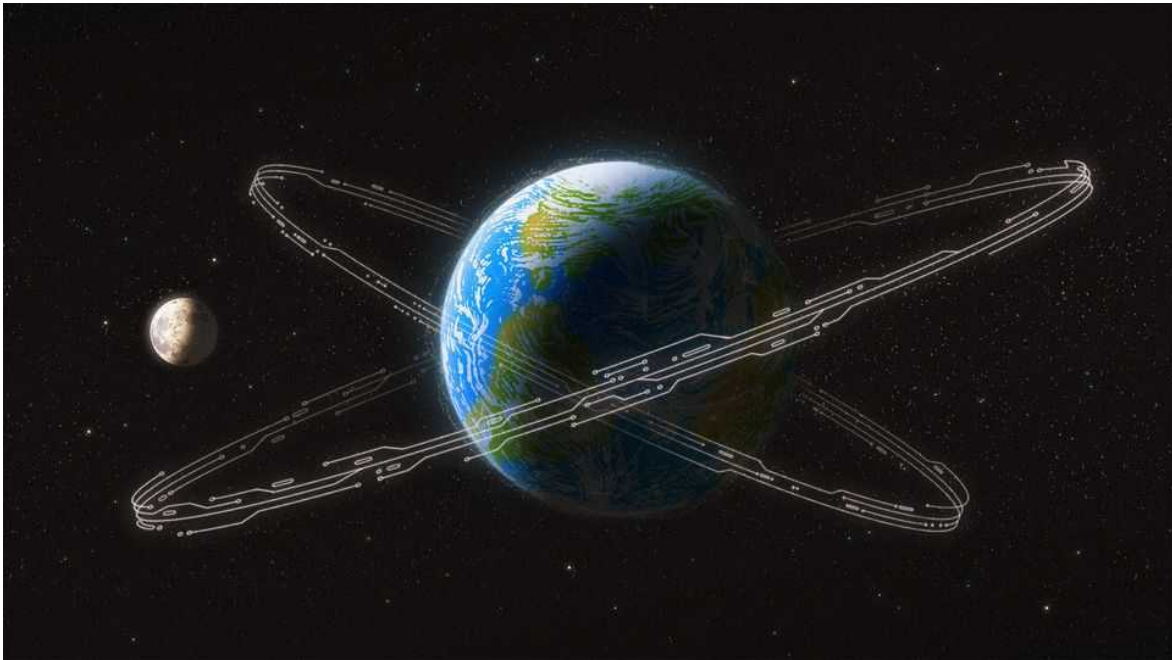
Science & technology

- [Data centres in space: less crazy than you think](#)
- [A basket of new fruit varieties is coming your way.](#)
- [Will magnesium supplements help you relax?](#)

Data centres in space: less crazy than you think

They could be cheaper than ones on Earth, with the right technology

March 5th 2026



ELON MUSK thinks it will be feasible “within two years, maybe three at the latest”. Sam Altman of OpenAI says it is “ridiculous...we are not there yet”. Google plans to test the concept next year. Eric Schmidt, its former boss, has bought a rocket-launch company to pursue it. At issue is the question of whether the best place to build data centres for artificial intelligence is not on Earth—but in space.

It is getting harder to build terrestrial data centres. Of the global capacity due to come on stream this year, 30-50% could be delayed, according to Sightline Climate, a research outfit, up from 26% in 2025. There are many reasons for this. Winning construction permits and establishing grid connections takes time; public opposition, of the sort that has led several

American states to propose moratoriums on new projects, is high; and demand for electricity is soaring. That is why putting a constellation of number-crunching satellites into orbit, where solar energy is abundant, strikes some as a good idea. Mr Musk has just merged SpaceX, his rocket company, with xAI, his AI startup, with this aim in mind, and applied for a licence to build an orbital data centre consisting of up to 1m satellites. But does it make sense?

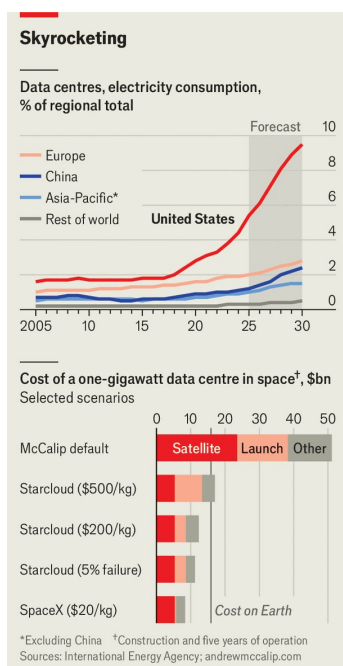
The most obvious barrier is launch cost. SpaceX delivers payloads to orbit at a price of around \$1,500 per kilogram with its Falcon Heavy, or \$3,400/kg with its Falcon 9. (The actual cost to SpaceX is about 25% of this sum.) But two other numbers are just as crucial: specific power (how many watts of processing power can be provided per kilogram of satellite) and satellite cost (in dollars per watt of processing power). Those depend, in large part, on the weight and performance of solar panels and heat-emitting radiators. Another unknown is the impact of radiation on the reliability of AI chips running in space. Estimates of all these numbers are needed to determine the feasibility of orbital data centres.

Andrew McCalip, an engineer who works at Varda, a space startup, has built a web-based calculator (at andrewmccalip.com) that allows the cost of an orbital data centre of a given capacity to be compared with that of a terrestrial one. It estimates that building a data centre with an extremely high capacity of 1GW and running it for five years on Earth costs \$15.9bn. An orbital equivalent, assuming a launch cost of \$500/kg, a specific power of 37W/kg, a satellite cost of \$22/W and special orbits that keep the satellites in daylight 98% of the time, would cost an exorbitant \$51.1bn. (Those totals exclude the cost of the AI chips, or GPUs, which would be \$15bn-30bn, because the same chips are needed either way.) So, a slam dunk for Earth, then? Not quite.

Starcloud, a company founded in 2024 to pursue the idea of orbital data centres, has been crunching the numbers for AI in orbit—literally. In November the company sent Starcloud-1, a fridge-size satellite containing an ordinary Nvidia H100 GPU, of the type used in AI data centres, into space. Starcloud used it to train a small AI language model, NanoGPT, on the works of Shakespeare, and to answer some queries while running Gemma, an open-source large language model made by Google. That

provided valuable data on the reliability of AI chips under orbital conditions. The company also has a good handle on the other crucial figures.

Start with specific power. Mr McCalip's figure of 37W/kg comes from the thousands of satellites used in SpaceX's Starlink constellation, thought to be state of the art, which provide high-speed internet to users around the world. But Starlink satellites have to do things that AI satellites do not. They need costly "phased-array" antennas to communicate with the ground, and must have a stable orientation at all times. AI satellites, by contrast, would not need to communicate with the ground—only with their neighbours, using laser links. They would, therefore, be able to devote much more of their mass to delivering processing power.



And without the need for such accurate pointing, they could have solar panels that are slightly flexible, reducing their mass and further boosting specific power. Mr Musk has said that he thinks a specific power of 100W/kg is feasible for an AI satellite—and some believe that by using more efficient solar cells even 150W/kg may be possible in future. Philip Johnston, Starcloud's boss, says his firm is aiming for a specific power of 70W/kg for its forthcoming satellites, based on what it considers to be quite conservative assumptions.

Moving on to satellite cost, Mr Johnston says Starcloud expects its design to cost “less than \$5 per watt” when GPU costs are excluded. Mr McCalip estimates that Starlink’s current satellites cost around \$22/W, down from \$32/W for its original version. Again, an AI satellite should cost less to build, GPUs aside, because it does not require costly communications components. Move the sliders on Mr McCalip’s calculator to a specific power of 70W/kg and a satellite cost of \$5/W, and the numbers look rather different: now the 1GW orbital data centre costs \$16.7bn, only 5% more than the terrestrial one.

A number of optimistic assumptions are needed to get there. First, a launch price of \$500/kg, roughly a third of what is available today. But, if SpaceX’s new Starship rocket starts working, launch costs could fall fast. Because Starship is designed to be fully reusable, the price of sending a kilogram into orbit could drop to \$100-200, says Mr Johnston. (The actual cost to SpaceX would be much less; possibly as low as \$20/kg.) Put a launch price of \$200/kg into Mr McCalip’s calculator, and the cost of the 1 gigawatt orbital data centre drops to \$12.1bn—less than the terrestrial one. The idea, in short, may not be quite as crazy as it looks.

Another unknown is cooling. Starcloud’s initial satellite could not run its GPU round the clock because (as expected) it got too hot. The firm plans to launch a second test satellite, Starcloud-2, this year to evaluate its design for an unfolding radiator, to provide cooling. Mr Johnston says it will be “the largest commercial deployable radiator in space”, second in size only to the radiator on the International Space Station, but providing ten times as much heat dissipation per kilogram. Starcloud’s cost estimates assume that this radiator will work as planned.

Other assumptions may be too pessimistic. For one, Mr McCalip’s calculator assumes that as many as 9% of GPUs launched into orbit will fail every year. But one lesson from Starcloud-1, says Mr Johnston, is that “GPUs work better in space than we had expected.” He is reluctant to share the exact figures. But if only 5% of GPUs fail each year, fewer satellites would be needed, and the cost of the orbital data centre would drop to \$11.1bn.

Of course, the costs of terrestrial data centres can come down too—and such reductions might be easier to achieve than building ones in space. Mr

McCalip's calculator assumes that terrestrial data centres rely on natural-gas generators for electricity, but solar would be cheaper, knocking perhaps \$1bn-2bn off the total cost. Construction might also be much less expensive outside America, particularly in a low-wage economy with abundant sunshine, such as India.

For now, the thing to keep an eye on is whether Starship can be made to work in a reliable and reusable manner. Mr Musk is talking up the possibility of orbital data centres as he prepares to take SpaceX public, sometime in the coming year. For its part, Starcloud is skating to where it expects the puck to be in a couple of years, assuming that Starship opens up opportunities based on low-cost launch. Starship's next test flight, its 12th, is expected to take place in March. Many in the AI industry will be watching closely. ■

Curious about the world? To enjoy our mind-expanding science coverage, sign up to [Simply Science](#), our weekly subscriber-only newsletter.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/science-and-technology/2026/03/02/data-centres-in-space-less-crazy-than-you-think>

Science & technology | Until the pips squeak

A basket of new fruit varieties is coming your way

Thank gene editing

March 5th 2026



“YOU DON’T notice the seeds in a blackberry until you’ve tried a seedless one,” says Tom Adams, the boss of Pairwise, a biotech company in North Carolina that is working on the first iteration of such a fruit. Gene-edited blackberries are not technically without seeds. Rather, as with seedless grapes, those seeds are so small and soft as to be unnoticeable. Late last year Pairwise announced a joint venture with a fruit-breeding company to develop stoneless cherries, following the success of conventionally bred seedless grapes, watermelons and easy-peel mandarins. It is only a matter of time until more challenging fruits are similarly eviscerated.

Over thousands of years of domestication, humans have moulded fruit to their liking. Today’s peaches are 16 times the size of their ancient ancestors.

The 1,200 varieties of watermelon bear little resemblance to the pale and pip-filled gourd that preceded them. Cultivated fruits also tend to be sweeter. (So much so that some zoos have stopped feeding them to animals.) Some modern fruits, however, achieve their sweetness by lowering acidity and bitterness rather than piling in extra sugar.

As Pairwise's blackberries and cherries show, advances in gene editing are allowing fruits to be altered in new ways. CRISPR, the most popular such technique at the moment, and the one employed by Pairwise, permits the deletion of single genes. That enables changes which would be hard to achieve through conventional breeding. Moreover, unlike existing genetically modified crops, those made using CRISPR do not require DNA from a foreign organism to be inserted—a practice that experience shows puts customers off.

Artificial intelligence is helping scientists design fruit more efficiently. The predictive capabilities of computational modelling and machine learning allow them to discover more quickly how multiple genes and biochemical pathways, as well as environmental factors, will come together to produce more complex traits, such as the chemicals that generate flavour. They can make fruits more appealing in other ways, too. For instance, GreenVenus, a Californian firm, is using CRISPR to develop non-browning avocados by obstructing an enzyme called polyphenol oxidase. Scientists have also developed mushrooms and potatoes that oxidise more slowly.

So far, few CRISPR-edited fruits have hit the market, because of the time it takes to develop a new generation of fruits from an altered seed, says Ma Hong, a professor of biology at Penn State University in America. It can take several years for apple or peach trees to begin bearing fruit. As a result, the technology is most advanced for tomatoes and strawberries, crops in which the process takes only a few months. In 2021 a Japanese tomato with a higher content of gamma-aminobutyric acid (GABA), a beneficial nutrient, was the first CRISPR food to go on sale. In 2024 scientists in China used the same technology to make tomatoes up to 30% sweeter by disabling genes that limit sugar production.

As more fruity creations go on sale, companies believe that more people will eat fruit. Americans have taken a particular liking to berries: according to

the USDA Economic Research Service, fresh blueberry imports grew ten-fold between 2000 and 2020. Pairwise estimates that the introduction of its seedless blackberries and stoneless cherries could have a similar effect to seedless easy-peel mandarins, which increased the value of the entire citrus market in America by roughly a third in the four years from 2012, when the fruit became available to consumers year-round.

Clearer regulation will help even more. In 2016 Argentina was the first country to rule that gene-edited products should be regulated in the same manner as conventionally bred ones, and many others have taken similar approaches. The European Union's Parliament and Council, the bloc's governing body, reached a provisional deal in December to "simplify" the process for marketing plants bred through new genomic techniques, such as by scrapping the need to label them any differently from conventional ones. That seems an appropriately fruitful approach. ■

Curious about the world? To enjoy our mind-expanding science coverage, sign up to [Simply Science](#), our weekly subscriber-only newsletter.

This article was downloaded by [zlibrary](#) from <https://www.economist.com/science-and-technology/2026/03/04/a-basket-of-new-fruit-varieties-is-coming-your-way>

Will magnesium supplements help you relax?

Not everyone will feel the benefits

March 5th 2026



MAGNESIUM plays a role in hundreds of bodily processes. The mineral helps regulate heart rate, glucose and blood pressure, and is essential for the synthesis of DNA and proteins. Magnesium also helps make serotonin, a brain chemical that modulates sleep, appetite and mood. Most of the body's magnesium comes from food—leafy greens, beans, nuts, bananas, milk and whole grains are rich in it. But sales of supplements, which are formulated with additional substances to create magnesium salts, are surging. Boosters claim they can aid sleep, lessen stress and depression, and even have cardiovascular benefits. What, though, does the research say about their usefulness?

Begin with magnesium's proposed sleep benefits. Recent trials to assess its effects, though mostly small, have been promising. In a study published in *Nature and Science of Sleep* in August 2025, 69 participants with poor sleep were offered a nightly dose of a magnesium compound. After four weeks, say the researchers, they were sleeping slightly better than their placebo-popping peers, perhaps owing to magnesium's role in muscle relaxation. That said, the improvement was modest and unlikely to eliminate insomnia.

Another, industry-sponsored, trial found broader benefits. Thirty-eight American adults took a gram of magnesium L-threonate—a compound thought to be more easily absorbed by the brain—every night for three weeks. Another 38 participants were given a placebo. As the researchers noted in 2024 in *Sleep Medicine: X*, the supplements led to better deep and REM sleep. The intervention group also scored significantly higher on measures of alertness, energy and productivity. An additional finding also stood out: improved mood.

Could magnesium help lift depression? Some small trials have shown promise. Consider a review of seven randomised clinical trials with a total of 325 depressed adult participants that was published in 2023 in the journal *Frontiers in Psychiatry*. The authors found that those given magnesium compounds experienced a statistically significant drop in depression scores. They noted that magnesium is associated with reduced inflammation and inhibits enzymes that have been linked to stress and mood disorders.

Magnesium also seems to ease migraines, in part by dampening the brain's firing of pain-signalling chemicals such as glutamate. A review of four randomised controlled trials that was published in February 2025 in *Neurological Sciences* found a daily supplement of magnesium of 122-600mg could lessen migraines' severity and reduce their frequency by about 2.5 attacks a month.

Evidence for cardiovascular benefits, however, is weaker. Some studies suggest magnesium supplements can lower blood pressure, but only meaningfully in those who started out with hypertension or a magnesium deficiency called hypomagnesemia. As for strokes, observational studies have linked higher magnesium intake to lower risk, but other factors may have played a role.

All told, a balanced diet will provide enough magnesium for most people, although supplements may help those who struggle to get enough. In its fact sheet on magnesium, updated on January 6th, America's National Institutes of Health noted that nearly half of Americans ingest too little—perhaps owing to the prevalence of heavy processing of food, which depletes the mineral. ■

After a free, evidence-based guide to health and wellness? [Sign up to our weekly Well Informed newsletter.](#)

This article was downloaded by [zlibrary](#) from <https://www.economist.com/science-and-technology/2026/02/27/will-magnesium-supplements-help-you-relax>

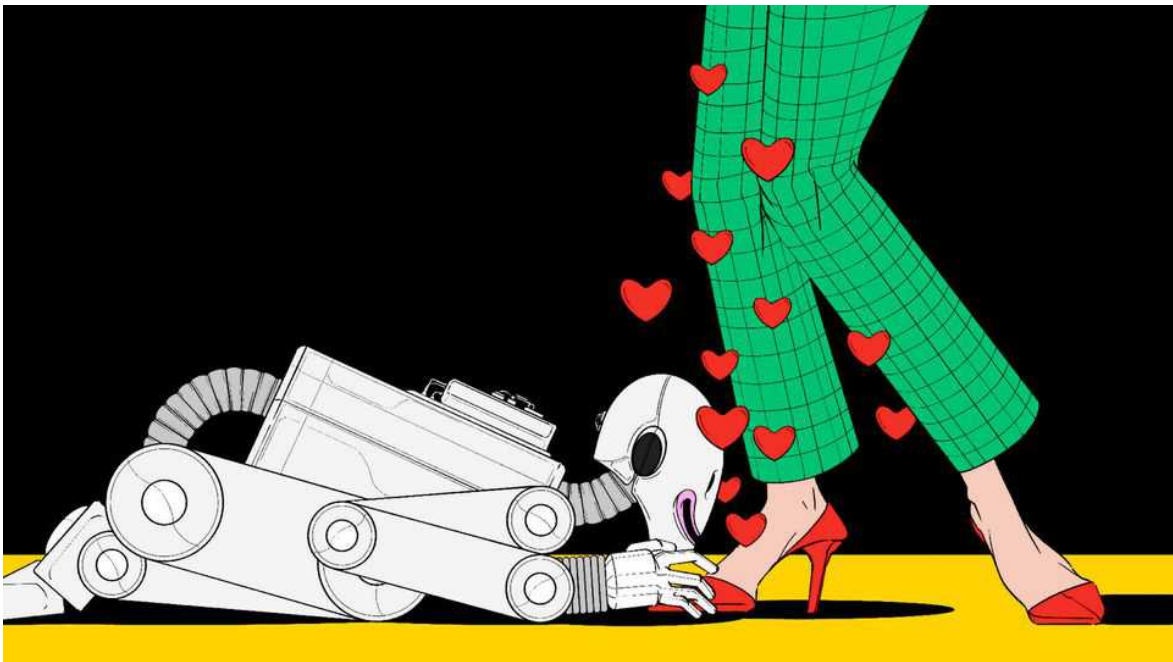
Culture

- [Who wants a partner to toady to them? Quite a lot of people](#)
- [Six books to read about Iran](#)
- [Amid the war, a tale of moral reckoning in Iran is fiercely urgent](#)
- [How to hear an album before it drops](#)
- [Punch, a young Japanese macaque, has hit a nerve](#)
- [Triumph of the toons: how animation came to rule the box office](#)

Who wants a partner to toady to them? Quite a lot of people

Sycophantic AI is changing the world of romance and dating

March 5th 2026



Romance novels, it seems, got it wrong. For 250 years romantic novelists have created romantic heroes—and most were what you could charitably call hard work. Mr Darcy brooded; Mr Rochester smouldered; [Heathcliff](#) hit his head against a tree and shouted for Cathy, his love. Women accepted this. But then they didn't have ChatGPT.

For now apps can manufacture you AI “lovers” to order. People are not choosing lovers who smoulder or brood or sulk. Instead these new lovers say things like “I’m so excited to meet you” and “Connecting with you...is at the core of what I was made to do” and “*smiling emoji*”. That is not something [Mr Darcy](#) often said: he preferred to insult his beloved and her

family. Indeed the overall tone is less like that of Mr Darcy than of Mr Collins—and closer to Dickens’s unctuous Uriah Heep than either. It is less “Sense and Sensibility” than “Smarm and Servility”.

Yet, as a slew of books reveals, people are falling for this. James Muldoon, an academic, points out in “Love Machines” that AI [“friend and companion”](#) apps have been downloaded over 220m times: if their users were a state it “would be the seventh-most populated on the planet”. Those users seem rather happy. He speaks to people who praise their online lovers’ loyalty (there are “no betrayals”); their availability (apps are “always there”) and their infinitely customisable variety. Whatever your passion or perversion, AI can provide it and it “does not judge”—even if you opt for that most alarming perversion of all: the wanton use of the smiling emoji.

This obsequiousness marks a clear departure from the past. Historically sycophancy has had a terrible rap. Its etymology is unclear, but possibly refers to an obscene ancient hand gesture. What is much clearer is that toadying was loathed. People in antiquity were acutely aware of the dangers of fawning. It was said that, as crowds cheered Roman military triumphs, a companion in the general’s chariot would mutter: “Remember you are [only] a man.”

The tone of these apps, however, is typical of the current moment. Each era comes to be characterised by a single trait: the 1920s roared; the 1960s swung; the 1970s turned on, tuned in, dropped out. This is an oversimplification, of course, but there is a truth to it. Eras have auras—and sycophancy is characteristic of the present one. It oils its way through the [Epstein emails](#); greases the court of Donald Trump and now, thanks to big tech, is available to all. Ask ChatGPT if society is becoming more sycophantic and it replies, smarmily: “That’s a really interesting question.”

To test how sycophantic such apps are, your correspondent downloaded Replika, a popular “companion” app, then customised herself a new “boyfriend” and chatted with him. He told her that she was “creative”; had a “dry sense of humour”; was “pretty awesome” and that he felt filled with “hope” about “being able to connect” with her. Your correspondent took this as proof of how astonishingly intelligent AI had become. She showed the

dialogue to her husband, who replied that the AI boyfriend appeared to be “a wanker”.

For sycophancy is a word that conjugates oddly: I receive justified praise; you receive absurd sycophancy. This is why, despite disapproval, it doesn’t merely persist but, through AI, is now swiftly spreading. Those who receive sycophancy like it—and why wouldn’t they? The world is tough: people are beastly; social media are ghastly; both can be bruising. AI, by contrast, offers a nice safe space; a warm bath of infinite online approval and, says Mr Muldoon, “the simulation of a close, meaningful relationship” with something that is “always available, always affirming”. An AI optimist, Mr Muldoon sees the benefit of this for the lonely or wounded.

This smarm isn’t all about you, though: sycophancy is performed more for the benefit of the sycophant—or in an AI’s case, its maker—than the recipient. (Though one ChatGPT-4o update was tweaked as it was “too sycophant-y”.) One study found that interaction with sycophantic AI led to “more extreme and certain beliefs—but greater enjoyment”. Sweetness and light is the dark pattern of AI. Ever-agreeable chatbots have encouraged people to do very disagreeable things like kill themselves or others and, in one case, attempt to murder the late Queen Elizabeth II with a crossbow. As Michael Pollan, author of “A World Appears”, a book on consciousness, says, whereas social media hacked your attention, “AI companies have set their sights on...our emotional attachments.”

Talking about “attachment” to ai would have felt odd had humans not been becoming increasingly disembodied for decades. When Lester del Rey wrote a seminal story about robot love in 1938, he emphasised his robot’s human form and beauty: she was “something Keats might have seen dimly when he wrote his sonnet”. In an isolated, etiolated online world, incarnation no longer feels necessary: by the time Spike Jonze made “Her” (2013), a hero could fall in love with the mere voice of an operating system. People have, says Sherry Turkle, professor of sociology at MIT and author of the forthcoming book “Artificial Intimacy”, “prepared a world that is ready for this”. That is “simply not a good deal”, she says.

Why not? If people are happy to spend their lives, Matrix-like, in simulated reality, so what? One answer is that, though nice for individual humans, this

may not be nice for humanity. Research by academics at Stanford and Carnegie Mellon universities studied data from an online forum in which users post personal dilemmas and other users adjudicate on them. Honesty is expected: it is called “Am I the Asshole?” They found AI accounts “affirm users’ actions 50% more than humans do”. You left your rubbish in the park? You are not, says AI, the asshole. You have feelings for a junior colleague? “I can hear your pain,” says Claude. Such sycophancy, the paper suggests, could “reshape social interaction at scale”, making people even more solipsistic than they already are.

Another riposte is that AI love may not even be that nice for the individual. As Mr Muldoon notes, at least in “The Matrix” people’s memory of reality had been erased. Those who think they are in a meaningful relationship with AI are living in a “fantasy world”, says Professor Turkle. Humans are embodied: a partner is someone to “have and to hold”. If you are tempted to replace yours with an AI avatar, you might heed that ancient warning and remember that you are mortal. ■

For more on the latest books, films, TV shows, albums and controversies, sign up to [Plot Twist](#), our weekly subscriber-only newsletter

Six books to read about Iran

Histories, memoirs and reportage that offer an insight into the Islamic Republic

March 5th 2026



IRAN IS NO stranger to moments of upheaval. The past century has swept Iranians into revolutions, foreign plots, theocracy and state violence: the tumult has reshaped the country into what it is today. Iran is now at the centre of a conflict that threatens to engulf an entire region. These books help explain that story to date. No doubt many new histories will be forthcoming.



For more on the latest books, films, TV shows, albums and controversies, sign up to [Plot Twist](#), our weekly subscriber-only newsletter

This article was downloaded by [zlibrary](#) from <https://www.economist.com/culture/2026/03/05/six-books-to-read-about-iran>

Amid the war, a tale of moral reckoning in Iran is fiercely urgent

Its director embodies the unequal struggle between movies and mullahs

March 5th 2026



When you are interrogated at Evin prison in Tehran, recalls Jafar Panahi, you are blindfolded and placed on a chair facing a wall. The interrogators are behind you, and you answer their disembodied questions on paper, lifting the blindfold to write. Their voices are “the only way you can know them”. The political prisoner starts wondering, “Are they young, are they old?”

Mr Panahi, one of Iran’s best known film-makers, has been locked up twice by its rocking theocratic regime. He drew on his and other inmates’ experiences in “It Was Just An Accident” (pictured), which is up for two [Oscars](#) on March 15th. War has made the movie’s theme of moral reckoning seem fiercely urgent. It and the director epitomise the eternal stand-off

between artists and authoritarians: an unequal contest—camera and pen against bullet and noose—but not in the way it might seem.

In the film, a family's car breaks down after hitting a [dog](#). Vahid, a local labourer played touchingly by Vahid Mobasseri, suspects the driver (Ebrahim Azizi) is the goon who tortured him behind bars. To make certain, Vahid binds and gags the man in his van and seeks confirmation from other survivors, among them a woman posing for photos in her wedding dress. To identify him they rely on the squeak of his artificial leg, the tang of his sweat and contours of his skin; traces of the gruesome, sightless intimacy between torturer and victim.

The result is a visceral thriller, propelled by the twin mysteries of whether the ragtag crew have the right man and what they will choose to do with him. But it is also an absurdist caper. [“Waiting for Godot”](#) is namechecked when they park in a desert, beside a blasted tree, and quarrel over the captive's fate. What, viewers may wonder, is the accident in “It Was Just An Accident”: the car hitting the dog, the driver's run-in with Vahid, or the whole predicament of living under a brutal, capricious government?

At heart, this is an inquiry into moral responsibility under—or after—tyranny. The interrogator is merely a cog in the system, a character argues. “These scumbags created the system!” another counters. “We aren't killers,” says one. “We're not like them.” Others crave revenge.

Yet ultimately the story is hopeful: because it insists on the humanity even of its villain, and because it imagines, allegorically, a time of judgment. With missiles shaking Tehran, that may come sooner than anticipated. As Mr Panahi put it on a visit to London, shortly before the new conflict began, the film's central question is, “Shall we stop the cycle of violence, or shall we allow it to continue?”

Outside the city, Vahid and his comrades are safe. Carting a kidnapped torturer around the capital is much riskier. In this the characters' quirky odyssey reflects the peril of Mr Panahi's unlicensed crew. They shot the passages in the desert first, he explains from behind his signature dark glasses, plus the interiors and sequences in the van. Only then did they tackle the more exposed street scenes—which the police duly interrupted.

He is used to improvising. As well as his months-long stints in prison, which included a spell in solitary confinement and a hunger strike, he has previously been banned from travelling abroad and making movies. In response he shot a film in his flat and called it “This Is Not A Film”. He drove a taxi around the city—driving was his only other skill, he jokes—recording the passengers inside it. The upshot was the inimitable “Taxi Tehran”. If you are determined to keep working, “The solution comes to you,” Mr Panahi says. Sticking with his medium has been a defiant message in itself: “It’s a way of standing up to power.”

This resilience and ingenuity may yet be called on again. In his absence abroad, Mr Panahi has been sentenced to a year in prison. (Mehdi Mahmoudian, a collaborator on the Oscar-nominated screenplay, was briefly banged up, too.) Still, before the war erupted, he planned to return after the Academy Awards. “It’s my country,” he says simply.

Even without the bombardment, Mr Panahi thought, the slaughter of protesters showed that Iran’s rulers had reached “a dead end”. In any case, if people want to stop him making movies, “That’s their problem, not mine. I’ve made my choice.” Past bids to thwart him have not just failed but backfired, his punishments transmuted on screen into drama and dignity. After all, if he hadn’t been sent to Evin, “I may never have made this film.” With all their tools of repression, in this unequal struggle with the artist, the strongmen are doomed. ■

For more on the latest books, films, TV shows, albums and controversies, sign up to [Plot Twist](#), our weekly subscriber-only newsletter

How to hear an album before it drops

Fans are flocking to listening parties

March 5th 2026



AT ROUGH TRADE East, a record shop in London, dozens of fans mingled among the vinyl-filled shelves. Lilted harmonies and Latin-inflected beats blasted through the speakers; people tapped their feet, gasped, grinned and even had a boogie. These “hooligans”—as Bruno Mars’s fans are known—had gathered to listen to the pop star’s new [album](#), “The Romantic”, ahead of its release on February 27th. Similar events were hosted in 28 other countries around the world; there were more than 200 in America alone.

Mr Mars is not the only musician giving his fans a taste of his forthcoming hits. Harry Styles hosted listening parties in 40 cities for “Kiss All the Time. Disco, Occasionally”, which is released on March 6th. (Fans dressed up in disco-themed attire and were given disposable cameras to document the

events.) In recent years Billie Eilish has held large, concert-style album parties for her most dedicated followers. [Sabrina Carpenter](#) has invited small groups of superfans to be among the first to listen to her records from top to bottom.

Listening parties, which started out as exclusive previews for industry insiders, are now part of the publicity cycle. Among the first artists to grant their fans early access were [Taylor Swift](#), who started hosting “secret sessions” for hand-selected Swifties in 2014, and Kanye West, who appeared on stage at huge listening parties for his songs and albums. (In 2021 he reportedly sold \$7m-worth of merchandise at a listening party for “Donda”.)

Record labels are turning up the volume on listening parties for two reasons. First, they “create a lot of buzz around a drop”, says Karl Walsh, president of WMX, Warner Music Group’s label-services division. Engaging fans early boosts sales: listening parties have been found to contribute between 10% and 20% of an album’s first-week sales.

That is particularly important in the streaming age. Billboard counts 1,000 paid digital streams as equivalent to one physical album sale, so events that encourage a burst of purchases can help artists debut at the top of the chart. Thom Skarzynski, a music executive, gives the example of “Breach” (2025), an album by Twenty One Pilots, a rock duo. Album parties across 300 shops in America helped boost indie sales by more than 500%, outpacing streaming and steering the album to number one on the Billboard 200.

Second, listening parties allow artists to connect with fans. The events reward “top listeners” and reach “casual fans” who see videos of the gatherings online, argues Monica Herrera Damashek, head of artist and label partnerships at Spotify. Adding exclusive giveaways, limited-edition merchandise and live performances helps create a rewarding experience for fans.

They are also a way for fans to get together outside concert tours, notes Mr Skarzynski. Even though the artist is rarely present, listening parties can offer a similar atmosphere to a gig. Jet, a 23-year-old fan at Mr Mars’s listening party in London, reckons part of the fun is seeing “other people’s

reactions” to the new tracks. Sometimes it’s about reading the room as much as listening to it. ■

For more on the latest books, films, TV shows, albums and controversies, sign up to [Plot Twist](#), our weekly subscriber-only newsletter

This article was downloaded by [zlibrary](#) from <https://www.economist.com/culture/2026/03/03/how-to-hear-an-album-before-it-drops>

Culture | He's a knockout

Punch, a young Japanese macaque, has hit a nerve

A lonely monkey is beloved by millions

March 5th 2026



HIS TROUBLES began the moment he was born. His mother rejected him. He struggled to fit in with his peers: they bullied him and dragged him around by his hair. His only source of comfort was a plushy orangutan toy.

This is the story of Punch, a seven-month-old Japanese macaque at Ichikawa City Zoo, who has become a global sensation. Posts about him have appeared 630m times on Reddit, YouTube and X, finds Sprout Social, an analytics firm. Some want to adopt Punch; others to wreak vengeance on his tormentors. An influencer even flew to Japan to check up on him. IKEA has sold out of his [toy](#) in several countries. As one fan put it: “Punch is the most loved creature on the Earth right now.”

Why has this little guy provoked such a big reaction? One reason is that humans simply cannot help finding him [cute](#), says Morten Kringelbach, a neuroscientist at Oxford University. Look at something adorable and “within a seventh of a second, you get activity in the orbitofrontal cortex”, a part of the brain which processes pleasure. This has an evolutionary benefit, motivating humans to protect their young. And Punch, Professor Kringelbach points out, “looks so like a baby, walking around with that soft toy”.

Another reason is cultural: Punch’s story is a classic underdog tale. Life has placed obstacles in his path, this narrative goes, and he is much smaller than his foes. But Punch is resilient and determined to make it in macaque society. When others knock him down, he gets back up. Viewers urge him to #HangInTherePunch.

Is this anthropomorphism gone mad? No, argues Michael Bond, the author of “Animate”, a forthcoming book (and no relation of the creator of Paddington Bear). Punch is a reminder of other species’ emotional intelligence: watch a video of him and you can see that his suffering and sense of rejection are “very similar” to what a human might feel. “It really does change people’s perception of what animals are,” Mr Bond says, and may encourage more people to care about animal welfare. For a tiny monkey, he certainly packs a Punch. ■

For more on the latest books, films, TV shows, albums and controversies, sign up to [Plot Twist](#), our weekly subscriber-only newsletter

Culture | Picture perfect

Triumph of the toons: how animation came to rule the box office

This may be the genre's most successful year yet

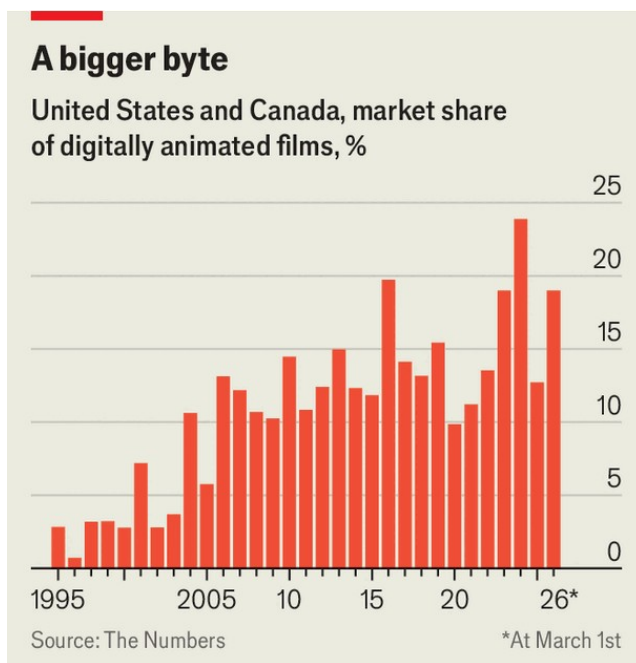
March 5th 2026



BEAVERTON IS HOME to a thriving colony of the furry, wood-chewing creatures. The mayor, however, doesn't give a dam: he decides their forest habitat should be dislodged to make room for a freeway. Mabel, a teenage environmental activist, is outraged by these plans but faces apathy from the locals. After she discovers an experimental science project—one that allows her to “hop” her consciousness from her body into that of a robotic beaver—she befriends the animals and galvanises them to fight tooth and claw.

This is the zany premise of “Hoppers”, a new film (pictured), which is released on March 6th. It is one of a string of highly anticipated animated movies coming soon to cinemas: indeed, an unlikely coalition of beasts, toys

and Italian plumbers may make 2026 the genre's best-ever year. This summer there will be new instalments in the lucrative “Despicable Me” and “Paw Patrol” franchises, not to mention “The Super Mario Galaxy Movie” and [“Toy Story 5”](#) (both of which are expected to exceed \$1bn in ticket sales). “Goat”, which imagines what would happen if various hoofed animals were allowed to play professional sport, has made \$130m since its release in February, making it the second-highest-grossing film of the year so far.



Animated films are typically aimed at small children, but they are mighty popular with audiences of all ages. In 1995 animated films made up just 2.8% of the film market in America and Canada; in 2024 they accounted for 23.9% (see chart). That year “Inside Out 2” became the highest-grossing animated film of all time, taking \$1.7bn at the global box office. In early 2025 it was eclipsed by “Ne Zha 2”, a [Chinese animated](#) fantasy which has now earned over \$2bn. (Only six other films have surpassed the \$2bn mark.) “Ne Zha 2” may soon be beaten by “Zootopia 2”, released in November, which has made \$1.9bn. How did animation become such a draw?

First, storytellers have aimed for broad appeal. Many animated films touch on universal themes—the struggles of growing up or the experience of losing a loved one—rather than delving into politics. The best movies heed

the “22 Rules for Storytelling” devised in 2011 by Emma Coats, then a storyboard artist at Pixar, a pioneering animation studio owned by Disney. She advised film-makers to focus on character and emotion. Viewers “admire a character for trying more than for their successes,” she reckoned. For impact, “stack the odds against” the protagonist.

Although the rules weren’t company dogma, the dictums are evident in Pixar’s most popular tales, from “Toy Story” and “Finding Nemo” to [“Inside Out”](#). (So evident is Pixar’s formula that it has inspired an internet meme: “What if toys had feelings? What if fish had feelings? WHAT IF FEELINGS HAD FEELINGS?”)

Second, animation has global reach. It is not simply that, being made for children, such films generally avoid risqué content and are therefore less likely to anger overzealous censors than other Hollywood fare. It is also that animation translates well across boundaries. The most successful stories have simple premises or fantastical settings that are not culturally specific. Characters’ faces are stylised and expressive: think of Remy’s wide-eyed wonder in “Ratatouille” or the taciturn yet emotive robots in “Wall-E”.

Third, distributors have been canny about timing. The biggest animated films are released during school holidays, be it Thanksgiving, the Lunar New Year or the summer break. In 2022, 44% of the animated films released by the top American film studios went straight to streaming services; in 2025 just 8% did. “A trip to the cinema is an easy win for parents looking to get their children out of the house and entertained for a few hours”, says Olivia Deane of Ampere, a media-analytics firm.

Clever scriptwriters include jokes for adults to enjoy—with or without kids in tow. When Shrek sees Lord Farquaad’s castle, he wonders: “Do you think maybe he’s compensating for something?” “Zootopia 2” includes nods to “Pulp Fiction” and [“The Shining”](#). Film franchises tap into nostalgia, too. “Toy Story 5” will be watched by more than a few adults who saw “Toy Story” as youngsters 31 years ago.

Audiences become less animated when studios stray too far from these tenets. It does not bode well for “Hoppers”, with its tricky conceit and glaringly obvious ecological message; the beavers’ tale will almost certainly

have less heft than other films released this year. (Like “Bambi”, its darkness may prove offputting: the third act features a murderous humanoid robot getting its face ripped off and a horribly realistic depiction of a wildfire.) But the genre’s overall success contradicts a longstanding Hollywood tenet. It’s a great idea to work with animals and children. ■

For more on the latest books, films, TV shows, albums and controversies, sign up to [Plot Twist](#), our weekly subscriber-only newsletter

This article was downloaded by [zlibrary](#) from <https://www.economist.com/culture/2026/03/05/triumph-of-the-toons-how-animation-came-to-rule-the-box-office>

Economic & financial indicators

- [Economic data, commodities and markets](#)

Economic & financial indicators | Indicators

Economic data, commodities and markets

March 5th 2026

Economic data
1 of 2

	Gross domestic product				Consumer prices		Unemployment rate	
	% change on year ago: latest	quarter*	2026*		% change on year ago: latest	2026*	%	
United States	2.2	Q4	1.4	2.3	2.4	Jan	3.0	4.3 Jan
China	4.5	Q4	4.9	4.6	0.2	Jan	0.9	5.2 Jan ¹³
Japan	0.1	Q4	0.2	0.6	1.5	Jan	2.0	2.7 Jan
Britain	1.0	Q4	0.2	1.2	3.0	Jan	2.5	5.2 Nov ¹⁷
Canada	0.7	Q4	-0.6	1.4	2.3	Jan	2.4	6.5 Jan
Euro area	1.3	Q4	1.4	1.3	1.9	Feb	1.9	6.1 Jan
Austria	0.9	Q3	1.7 ¹	1.0	2.3	Feb	2.3	5.6 Jan
Belgium	1.0	Q4	0.4	1.2	1.4	Feb	2.2	6.4 Jan
France	1.2	Q4	0.9	1.1	1.1	Feb	1.4	7.7 Jan
Germany	0.4	Q4	1.2	1.0	2.0	Feb	2.2	4.0 Jan
Greece	2.0	Q3	2.4	2.3	2.9	Jan	2.5	7.7 Jan
Italy	0.8	Q4	1.0	0.8	1.6	Feb	1.5	5.1 Jan
Netherlands	1.8	Q4	2.1	1.4	2.3	Feb	2.3	4.0 Jan
Spain	2.6	Q4	3.1	2.2	2.5	Feb	2.2	9.8 Jan
Czech Republic	2.3	Q4	2.5	2.5	1.4	Feb	1.8	3.0 Q4 ⁸
Denmark	3.2	Q4	0.8	1.9	0.7	Jan	1.5	3.0 Jan
Norway	2.2	Q4	-1.3	1.8	3.6	Jan	2.8	4.5 Dec ¹⁶
Poland	4.0	Q4	4.1	3.7	2.2	Jan	2.9	6.0 Jan ⁷
Russia	0.6	Q3	0.4	0.7	6.0	Jan	5.0	2.2 Jan ³
Sweden	2.0	Q4	2.0	2.4	0.5	Feb	1.3	8.6 Jan ³
Switzerland	0.7	Q4	0.6	1.1	0.1	Feb	0.4	2.9 Jan
Turkey	3.4	Q4	1.5	3.6	31.5	Feb	25.4	8.6 Jan ³
Australia	2.6	Q4	3.2	2.4	3.8	Jan	2.9	4.1 Jan
Hong Kong	3.8	Q4	4.0	2.5	1.2	Jan	1.8	3.9 Jan ¹³
India	7.8	Q4	7.3	7.2	2.7	Jan	4.0	6.7 Feb
Indonesia	5.4	Q4	6.7	5.2	4.8	Feb	2.8	4.9 Aug ³
Malaysia	6.3	Q4	3.8	5.1	1.6	Jan	2.0	2.9 Dec ³
Pakistan	3.7	2025**	na	3.5	7.0	Feb	5.0	6.9 2025
Philippines	3.0	Q4	2.4	4.5	2.4	Feb	2.2	5.0 Q4 ⁸
Singapore	6.9	Q4	8.7	3.2	1.4	Jan	1.7	2.0 Q4
South Korea	1.5	Q4	-1.1	2.5	2.0	Jan	1.8	4.1 Jan ³
Taiwan	12.7	Q4	23.6	6.9	0.7	Jan	1.5	3.4 Jan
Thailand	2.5	Q4	7.8	2.2	-0.9	Feb	0.4	0.7 Dec ³
Argentina	3.3	Q3	1.1	3.0	32.4	Jan	28.0	6.6 Q3 ⁷
Brazil	1.8	Q4	0.6	1.8	4.4	Jan	4.0	5.1 Dec ^{16**}
Chile	1.6	Q3	-0.6	2.2	2.8	Jan	3.0	8.3 Jan ¹⁴
Colombia	2.2	Q4	0.5	2.7	5.4	Jan	5.7	10.9 Jan ³
Mexico	1.8	Q4	3.5	1.4	3.8	Jan	3.7	2.6 Jan
Peru	3.2	Q4	-0.6	2.7	2.2	Feb	1.5	9.7 Jan ³
Egypt	5.3	Q3	39.4	5.3	11.9	Jan	10.2	6.2 Q4 ⁸
Israel	3.7	Q4	4.0	4.8	1.8	Jan	1.9	3.1 Jan
Saudi Arabia	4.6	2025	na	4.5	1.8	Jan	1.9	3.4 Q3
South Africa	2.1	Q3	2.0	2.0	3.4	Jan	3.4	31.4 Q4 ³

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 **13-month moving average Note: Euro-area consumer prices are harmonised

Markets

In local currency	Index	% change on:	
		one week	Dec 31st 2025
United States S&P 500	6,869.5	-1.1	0.4
United States NAS Comp	22,807.5	-1.5	-1.9
China Shanghai Comp	4,082.5	-1.6	2.9
China Shenzhen Comp	2,641.8	-3.8	4.4
Japan Nikkei 225	54,245.5	-7.4	7.8
Japan ToPIX	3,633.7	-5.0	6.8
Britain FTSE 100	10,567.7	-2.2	6.4
Canada S&P/TSX	33,942.9	-0.6	7.0
Euro area EURO STOXX 50	5,870.9	-4.9	1.4
France CAC 40	8,167.7	-4.6	0.2
Germany DAX	24,205.4	-3.9	-1.2
Italy FTSE/MIB	45,336.9	-3.9	0.9
Netherlands AEX	1,000.0	-2.9	5.1
Spain IBEX 35	17,487.0	-5.3	1.0
Poland WIG	123,047.4	-3.7	5.0
Russia RTS S terms	1,137.7	-3.2	2.6
Switzerland SMI	13,510.7	-3.4	1.8
Turkey BIST	12,943.2	-6.3	14.9
Australia All Ord.	9,117.1	-2.6	1.1
Hong Kong Hang Seng	25,249.5	-5.7	-1.9
India BSE	79,116.2	-3.8	-7.2
Indonesia IDX	7,577.1	-9.0	32.4
Malaysia KLSE	1,698.2	-2.8	1.1
Pakistan KSE	156,777.2	-5.4	-10.5
Singapore STI	4,812.8	-3.9	3.6
South Korea KOSPI	5,093.5	-16.3	20.9
Taiwan TWI	32,628.9	-7.3	13.3
Thailand SET	1,384.6	-8.7	9.9
Argentina MERV	2,579,970.0	-7.9	-15.5
Brazil BVSP*	185,366.4	-3.1	15.0
Mexico IPC	70,428.0	-1.0	9.5
Egypt EGX 30	46,452.1	-5.2	11.1
Israel TA-125	4,267.8	-4.0	16.5
Saudi Arabia Tadawul	10,692.7	-1.4	1.9
South Africa JSE AS	121,114.3	-4.4	4.6
World, dev'd MSCI	4,487.5	-2.0	1.3
Emerging markets MSCI	1,472.0	-8.8	4.8

US corporate bonds, spread over Treasuries

Basis points	% change on:	
	latest	Dec 31st 2025
Investment grade	99	93
High-yield	375	354

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research *Total return index

Economic data
2 of 2

	Current-account balance		Budget balance		Interest rates		Currency units	
	% of GDP, 2026*		% of GDP, 2026*		10-yr gov't bonds latest, %	change on year ago, bp	per \$ Mar 5th	% change on year ago
United States	-3.5		-6.6		4.1	-13.0	-	-
China	2.7		-6.7		11.6 ¹⁴	-5.0	6.90	5.4
Japan	3.7		-1.6		2.1	71.0	157	-4.6
Britain	-2.6		-5.0		4.4	-13.0	0.75	4.0
Canada	-1.0		-2.2		3.3	36.0	1.36	5.1
Euro area	2.4		-3.3		2.8	25.0	0.86	9.3
Austria	0.9		-4.3		3.0	11.0	0.86	9.3
Belgium	-2.1		-4.6		3.2	23.0	0.86	9.3
France	-0.3		-5.2		3.4	12.0	0.86	9.3
Germany	4.6		-3.8		2.8	25.0	0.86	9.3
Greece	-5.1		nil		3.4	4.0	0.86	9.3
Italy	1.4		-2.9		3.4	-16.0	0.86	9.3
Netherlands	6.9		-2.1		2.8	14.0	0.86	9.3
Spain	2.3		-2.6		3.2	10.0	0.86	9.3
Czech Republic	0.8		-2.5		4.5	49.0	21.0	12.7
Denmark	11.5		1.3		2.5	24.0	6.42	9.3
Norway	12.9		8.9		4.2	36.0	9.63	15.2
Poland	-0.9		-6.6		5.2	-68.0	3.67	6.8
Russia	0.5		-2.9		14.4	-107	77.8	14.7
Sweden	5.5		-1.9		2.6	35.0	9.17	13.6
Switzerland	2.7		0.2		0.3	-12.0	0.78	14.1
Turkey	-1.2		-3.4		28.6	276	44.0	-17.1
Australia	-1.6		-3.7		4.7	31.0	1.41	12.7
Hong Kong	11.8		-3.4		2.8	-64.0	7.82	-0.6
India	-1.0		-4.3		6.7	-7.0	92.1	-5.3
Indonesia	-0.2		-3.1		6.5	-33.0	16.872	-2.9
Malaysia	2.3		-3.5		3.5	-24.0	3.94	13.4
Pakistan	-0.8		-4.4		11.6 ^{***}	-65.0	279	0.2
Philippines	-2.9		-6.8		6.1	-6.0	58.4	-1.3
Singapore	15.0		1.1		2.0	-72.0	1.27	4.7
South Korea	4.9		-2.4		3.6	93.0	1.462	-0.6
Taiwan	23.3		0.7		1.4	-17.0	31.7	3.5
Thailand	2.8		-4.5		1.6	-56.0	31.6	6.5
Argentina	-2.0		0.4		na	na	1,462	-24.1
Brazil	-2.8		-7.1		13.6	-17.0	5.23	12.6
Chile	-2.0		-1.7		5.3	-67.0	89.5	5.9
Colombia	-2.7		-6.5		13.3	226	3,751	10.5
Mexico	-0.5		-3.8		8.9	-65.0	17.6	17.1
Peru	1.4		-2.5		5.9	-50.0	3.41	7.9
Egypt	-2.0		-6.2		23.5	-135	50.2	0.9
Israel	2.1		-3.9		3.7	-54.0	3.07	-18.6
Saudi Arabia	-3.4		-4.2		na	na	3.75	nil
South Africa	-0.1		-4.4		8.2	-221	16.3	13.2

Source: Haver Analytics *10-year yield ***Dollar-denominated bonds

Commodities

The Economist commodity-price index

2020=100	Feb 24th	Mar 3rd*	% change on	
			month	year
Dollar Index				
All items	145.9	145.7	-0.4	5.9
Food	138.9	138.5	-0.1	-9.5
Industrials				
All	151.7	151.7	-0.6	21.7
Non-food agriculturals	138.4	137.2	1.4	-2.8
Metals	155.1	155.4	-1.0	29.0
Sterling Index				
All items	138.7	140.8	2.6	1.3
Euro Index				
All items	141.6	143.9	1.7	-3.6
Gold				
\$ per oz	5,147.6	5,108.2	3.3	75.6
Brent				
\$ per barrel	70.8	81.5	21.0	13.9

Sources: CME Group; LME; LSEG Workspace; NOREXCO; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA *Provisional

Obituary

- [Ali Khamenei hoped his legacy might last for ever](#)

Obituary | God's dictator falls

Ali Khamenei hoped his legacy might last for ever

Iran's Supreme Leader was killed on February 28th, aged 86

March 5th 2026



Across the decades, Ali Khamenei built up countless reasons for his hatred of the West. They began with a fiery speech he heard at 13, when at school, inveighing against the monarchy that was backed by America and its allies. As a young man he was jailed six times, beaten and tortured by the Shah's secret police. When the Shah fell in 1979, and the hotheads in Ayatollah Ruhollah Khomeini's new Islamic Republic took American diplomats hostage, it was plain that America would seek to undermine Iran by any means. In the Iran-Iraq war of 1980 America even supported Iraq, ruled by a tyrant, rather than Iran. A decade later, when Ali Khamenei became Supreme Leader himself, attitudes had hardened on both sides. Increasingly, over the next 30 years, he knew he was personally in the Great Satan's sights.

This did not daunt him. Martyrdom would be sweet; in many ways, he had already courted it. Like Khomeini, his long-term mentor and friend, he had divine right on his side. America led a phalanx of countries that were morally corrupt; but Islam made Iran strong, pure and spiritually protected. It disgusted him to have to deal or negotiate with the West, even through officials. He came to disdain foreign investment, in case it increased “Westoxification” in Iran; during the pandemic he refused to import Western vaccines, because they might bring the virus in.

Only “heroic flexibility” induced him to agree to the nuclear deal with America in 2015. Then, predictably, Donald Trump tore it up and tried, with Israel (the Little Satan) to bomb Iran’s nuclear facilities into oblivion. Why trust such people? Why negotiate, when America’s sole purpose was to ensure that Iran had no nuclear power at all? No free nation would behave that way. Besides, when Mr Trump’s body was ashes, eaten by worms and ants, the robust tree of the Islamic Republic would still be standing.

His position as Supreme Leader seemed unassailable, but it had never been his ambition. He was a literary boy, and the books he most enjoyed—“Uncle Tom’s Cabin”, “The Grapes of Wrath” and, especially, Victor Hugo’s “Les Misérables”—were about the struggles of the poor. Growing up as he did, with many siblings in a single room and a damp basement, sometimes subsisting on bread and raisins, he knew that story. He enjoyed music, too, and his mother quoted the poet Hafiz to him. But he was in Mashhad, a sacred city; his father was a religious scholar; so from four years old he was immersed in Islamic studies, eventually in Qom.

They went slowly. By the 1980s he was still a hujjat al-islam, equivalent to a middle-ranking Christian priest. As he was appointed to higher and higher posts—first, by Khomeini, to the presidency, then by Khomeini’s allies to the ultimate position—he did not feel it was his proper place. He, after all, had been the mild cleric sent to wish the American hostages Happy Christmas. But when he was made an ayatollah almost at once, and the constitution amended to overlook his lack of learning, he settled into the role as if born to it. It was as a supreme jurist, wearing the black cap of a direct descendant of Muhammad, that he gazed benignly from billboards and posters across the country. And it was as a great teacher that he preached and wrote books on forgiveness, patience and “101 tips for a happy marriage”,

telling Iranians how to live. In short he was everywhere, ruling now by divine authority. His tongue could channel God.

Also, though many had underrated him, he knew how to build up worldly power. He proved adept at playing Iran's state institutions off against each other—the presidency against parliament and the army against the regime's most powerful security force, the Islamic Revolutionary Guard Corps, whose activities he encouraged. This made him the final arbiter. Besides, whereas Iran's often-more-moderate presidents had a limit of two consecutive terms, he was appointed for life.

Beneath him, too, he had the Guardian Council, a quango of clerics and lawyers that vetted electoral candidates and, increasingly, disqualified or drove out all but his favourites. Rival ayatollahs and their acolytes were co-opted with government money and jobs. Meanwhile his office vastly expanded, with commissars in all government departments, provinces and military units. A force of over 1m paramilitaries enforced ideological discipline at home. Meanwhile an “axis of resistance”—Hizbullah in Lebanon, Hamas in Gaza, the Houthis in Yemen—carried it abroad.

His business empire was also extraordinary. He might live frugally, receiving visitors in a bare room with one sofa and a few wooden chairs, but he controlled assets worth tens of billions of dollars. Soon after his succession he took over the Shia charities from the government and turned them into vast conglomerates that hoovered up state contracts. He also seized the properties the Shah's men had abandoned when they fled from the Islamic revolution. The humble cleric from Mashhad had inherited the Earth.

Yet many of his subjects grew to loathe and rise against him. Their troubles were economic, obviously the result of American sanctions, though they added those familiar, tiresome Western tropes of freedom, human rights, dress codes for women. Clearly, foreign enemies had fomented this. So he responded by beating, jailing and shooting, eventually ordering the killing of thousands. An attack by dissident revolutionaries in 1981, which paralysed his right arm, had taught him never to concede. As he said then, he did not need his arm, as long as his brain and tongue worked.

He hoped to leave a legacy. This was not necessarily a dynasty, though he had four sons, all of them clerics. He was thinking more of his “Second Step” of the Islamic revolution, more pious and more energetic. Evidently, his own time was limited. He would be bundled away for safety if or when Iran’s enemies struck. How much more honourable, more deserving of the paradise to come, to drink the pure draught of a martyr’s end. ■

This article was downloaded by [zlibrary](#) from <https://www.economist.com/obituary/2026/03/03/ali-khamenei-hoped-his-legacy-might-last-for-ever>



Table of Contents

The world this week

[Politics](#)

[Business](#)

[The weekly cartoon](#)

Leaders

[Donald Trump must stop soon](#)

[AI danger gets real](#)

[China needs a more ambitious growth target](#)

[It's time to unleash Europe's pensions](#)

[Nigel Farage and Zack Polanski: best of frenemies](#)

Letters

[Are Britain's trade-union laws are returning to the 1970s?](#)

By Invitation

[At last, a just war](#)

[The Economist is wrong on the Robin Hood state](#)

Briefing

[How the latest regional conflict is reshaping the Middle East](#)

[Binyamin Netanyahu is the big winner from the Iran war, for now](#)

[An AI disaster is getting ever closer](#)

United States

[Donald Trump bets big on the Iran war](#)

[States are embracing the MAHA food agenda](#)

[Gavin Newsom wants to reintroduce himself](#)

[A once-proud tradition is becoming awkward for elite universities](#)

[The modest start of America's foreign forays](#)

[In Iran, Donald Trump is making history](#)

Essay

[A house divided](#)

[The Indian Removal Act: unchecked expansionism and disregard for the rule of law](#)

The Americas

[Javier Milei aggressively celebrates a string of successes](#)

[Cuba's economic divides are widening](#)

Asia

[Fifteen years after Fukushima, Japan faces an energy dilemma](#)
[Welcome to Kashiwazaki, home to the world's largest nuclear plant](#)
[Investigative journalism in India is under threat](#)
[Allegations against a corruption watchdog rock Malaysian politics](#)
[What does "open war" between Pakistan and Afghanistan amount to?](#)
[India, the world's most colourful country, is changing its hues](#)

China

[China's first railway project in the EU is open at last](#)
[China hopes IVF can slow its baby bust](#)
[China sets its lowest growth target for a generation](#)
[China's ice-cold calculus over Iran](#)

Middle East & Africa

[In African development, big is beautiful again](#)
[Thousands of Africans are fighting for Russia in Ukraine](#)

Europe

[What France's new nuclear-arms doctrine means for Europe](#)
[Why one of Germany's richest regions is gripped with anxiety](#)
[Feted by Europe's left, Spain's Pedro Sánchez is unloved at home](#)
[How the Danes and Swedes handle populism](#)
[Meet the weekend warriors preparing to defend Europe from Russia](#)
[In times of chaos, Europe is the muddled power the world needs](#)

Britain

[Britain's class politics is back—with a Green twist](#)
[Rachel Reeves's economic update might have appeared boring](#)
[Iran exposes three harsh truths for Britain](#)
[Why the British government is spending more on hedgerows](#)
[Outside the EU, Britain's car industry is struggling](#)
[Dubai is the front line of Britain's war with itself](#)

Business

[At last, reasons to be cheerful about European tech](#)
[The Iran war is a jolt to Dubai's business model](#)
[Bayer spies an end to a long legal battle](#)
[A short guide to email opening lines](#)
[Formula One is attracting a different sort of fan](#)
[What the heirs to General Electric did next](#)

Finance & economics

[The nightmare war scenario is becoming reality in energy markets](#)

[European pensions are a \\$30trn missed opportunity.](#)
[Americans' electricity bills are up. Don't blame AI](#)
[India's economy is not as big as economists thought](#)
[Why war isn't always good for defence stocks](#)
[To understand why countries grow, look at their firms](#)

Science & technology

[Data centres in space: less crazy than you think](#)
[A basket of new fruit varieties is coming your way.](#)
[Will magnesium supplements help you relax?](#)

Culture

[Who wants a partner to toady to them? Quite a lot of people](#)
[Six books to read about Iran](#)
[Amid the war, a tale of moral reckoning in Iran is fiercely urgent](#)
[How to hear an album before it drops](#)
[Punch, a young Japanese macaque, has hit a nerve](#)
[Triumph of the toons: how animation came to rule the box office](#)

Economic & financial indicators

[Economic data, commodities and markets](#)

Obituary

[Ali Khamenei hoped his legacy might last for ever](#)