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The failure of Britain's chumocracy

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Our country of the year

DECEMBER 22ND 2018–JANUARY 4TH 2019

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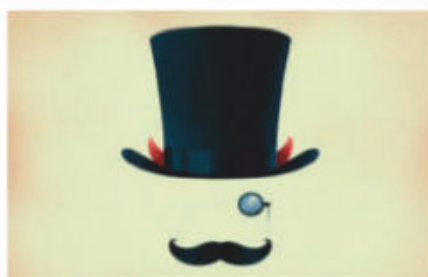


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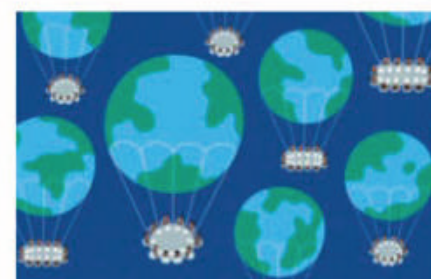
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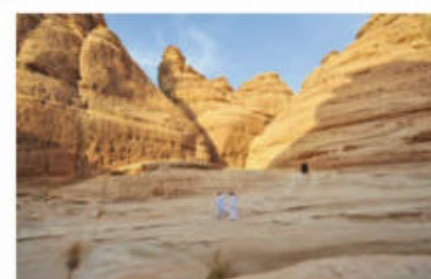
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Anna 9:53 AM

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America and China started a **trade war**, the world's worst such dispute in decades. America imposed tariffs on \$250bn-worth of Chinese products; China responded with tariffs of its own. America also slapped duties on steel imports from Europe, Canada, Mexico and elsewhere, infuriating its allies. Donald Trump intervened on national-security grounds to scupper a \$117bn bid from Broadcom, a chipmaker with ties to South-East Asia, for Qualcomm. It would have been the biggest-ever tech merger. There was one de-escalation: America, Canada and Mexico struck a deal to update NAFTA.

"Fire and Fury"

In another dysfunctional year at the White House, **Rex Tillerson** was sacked as secretary of state, as was **Jeff Sessions** as attorney-general, both after the president had publicly undermined them. The investigation by **Robert Mueller**, the special counsel, into Russian influence in American elections rumbled on, laying charges against some of Mr Trump's former aides. A voter backlash against Mr Trump propelled the Democrats to win the House of Representatives in the **mid-terms**, though the Republicans increased their majority in the Senate.

The messy spectacle of **Brett Kavanaugh's** confirmation hearings to the Supreme Court polarised American politics even further. With the **#MeToo** movement fully behind them, Democrats wheeled out sexual-assault allegations from the early 1980s to try to block his path. Mr Kavanaugh survived the media circus and was eventually confirmed in the

Senate by 50-48, the narrowest such margin since 1881. He appointed a team of all-female clerks, a first for the court.

Bother Brexit

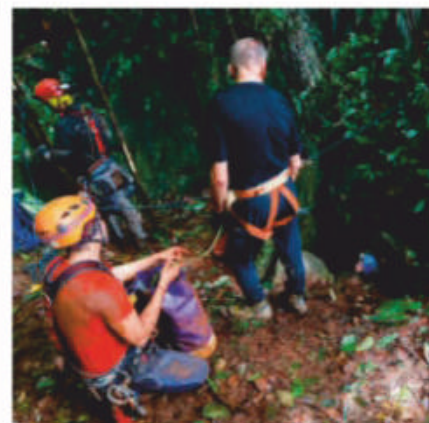
After a year of tortuous **Brexit** negotiations, Theresa May and the European Commission agreed a deal for Britain's withdrawal from the European Union, but Britain's Parliament has not approved the agreement. Britain's prime minister clung to power after hard Brexiteers in her party tried to bring her down. Two-and-a-half years after the referendum, the opposition Labour Party still had no coherent Brexit policy. Britain is due to leave the EU on March 29th.

Tensions increased between Britain and Russia after two Russian intelligence officers poisoned Sergei Skripal, a dissident, and his daughter with a **nerve agent** in Salisbury, an otherwise quiet cathedral town. They both survived. Russia paraded the attackers on television, claiming they were innocent tourists with an interest in church spires.

Facebook had a terrible year. The social network came under intense pressure to rein in **fake news** and protect user data. The revelation that **Cambridge Analytica**, a political consultancy that had worked on Donald Trump's campaign in 2016, had obtained information on 87m Facebook users through a third-party app shook the company to its core.

A large number of prominent **chief executives** left their jobs or announced their departures. The list includes Vittorio Colao at Vodafone, Indra Nooyi at PepsiCo, Paul Polman at Unilever, Martin Sorrell at WPP and Dieter Zetsche at Daimler. John Flannery was ousted at General Electric, as was John Cryan at Deutsche Bank. Carlos Ghosn was dismissed from Nissan for alleged misdeeds. The carmaking industry lost another giant with the death of Sergio Marchionne, Fiat Chrysler's boss.

Elon Musk stood down as **Tesla's** chairman, but remains chief executive, after tweeting that he intended to take the company private, a move that fell foul of regulators. The electric-car maker at last hit its production targets, and actually made a quarterly profit.



The world watched and waited as 12 boys and their football coach trapped in a **flooded cave in Thailand** were rescued in a complex operation involving thousands of people. A navy diver died in the attempt. Mr Musk tweeted unfounded claims that one of the rescuers was a paedophile. The rescuer had provoked Mr Musk by deriding his offer of a kid-sized submarine to help the boys escape as a PR stunt.

Carmakers ramped up their development of electric and **self-driving vehicles**. A woman was run down in Arizona by one of Uber's autonomous cars, the world's first fatal accident involving a **pedestrian** and a driverless vehicle.

In **Syria** the regime of Bashar al-Assad used chemical weapons again, killing scores of people in Douma, the last rebel stronghold in Eastern Ghouta. America responded by firing missiles at military targets. Later in the year a Russian military jet was shot down by Syria. Instead of blaming its ally, Russia said Israel was responsible because it had provided misleading information about a missile attack it had launched.

Xi Jinping confirmed his grip on power in **China** by promoting more of his allies to senior positions. Wang Qishan, who led a crackdown on corruption,

was made vice-president. His new role includes helping to manage ties with America. The priority for the government was limiting the damage from the trade conflict with America; GDP in the third quarter grew at the slowest pace since the financial crisis. **China's stockmarkets** will finish the year well down.

Donald Trump hailed his summit with Kim Jong Un, **North Korea's** dictator, as a breakthrough, even going so far as to say "we fell in love" during the ongoing detente. But there has been little progress implementing the deal they signed. The North has been sending out mixed signals about whether it intends to denuclearise. The North's PR offensive included sending a team to the **Winter Olympics** that marched with the South Korean side under a reunification flag.

Mr Trump's attempt to replicate his tough-guy approach with **Iran** did not produce a similar rapprochement. He pulled out of the deal to roll back Iran's nuclear-weapons programme, describing it as "rotten". The reimposition of American sanctions, especially on its oil and gas industry, crippled Iran's economy.

Popular populists



Brazil and Mexico both elected populist leaders. **Jair Bolsonaro**, a fan of former military regimes, won Brazil's presidency after being stabbed during the campaign and losing 40% of his blood. **Mexico** elected Andrés Manuel López Obrador, a leftist with a penchant for dodgy referendums. AMLO, as he is called, ►►

slashed wages for top officials, including himself, and vowed to halt reforms of education and the oil sector.

In the year's other big elections, **Colombia** took a conservative turn when it elected Iván Duque as president. With the main opposition candidate barred from running, Vladimir Putin was easily re-elected as **Russia's** president. **Pakistan** got a new prime minister in Imran Khan, though the former cricket star had un-sporting help from the army. **Italy** got a new populist coalition, which did little to tackle the country's mounting debt problem.



Malaysians ousted the increasingly corrupt party that had ruled their country since independence in 1957, even though it had tried to rig the ballot. And **Zimbabwe's** election was won by ZANU-PF, sans Robert Mugabe. The opposition claimed the vote had been rigged, but the electoral commission insisted there had been no skulduggery.

Cyril Ramaphosa took over as **South Africa's** president when Jacob Zuma at last resigned after years of corruption scandals. The moribund economy emerged from recession. **Australia** also got a new leader when Malcolm Turnbull was ousted as prime minister by his party colleagues and replaced with Scott Morrison. The office has changed hands six times since 2007. Amid an impeachment vote, Pedro Pablo Kuczynski resigned as **Peru's** president.

The crisis of socialist mis-management in **Venezuela** deepened, speeding up a mass

exodus of its hungry and disenfranchised people. The military officers in charge of toilet-paper distribution failed to deliver. Inflation hit 1,000,000%. Nicolás Maduro, the president, gained another term in a sham election. He blamed Colombia for what he said was an assassination attempt on himself by drones. The event, captured on tv, showed troops fleeing rather than defending their leader.

I don't believe it

Global warming was said to be partly responsible for **wildfires** that killed some 100 people near Athens and at least 85 in California. A report by the Intergovernmental Panel on Climate Change warned that such calamities will become more common if the world warms even by another 0.5°C. A White House report forecast grim effects for the American economy: Donald Trump said he didn't believe it. An international deal was struck on how to implement the Paris agreement on climate change.

Indonesia suffered two devastating **earthquakes**. The first struck the island of Lombok, killing over 560 people. The second triggered a tsunami in Sulawesi, killing more than 2,250 people.

Women got wheels



Saudi Arabia lifted a ban on female drivers. It also allowed cinemas to open for the first time in decades (the first film to be shown publicly was "Black Panther"). But these small liberalising steps were overshadowed by the arbitrary locking up of feminists, plutocrats and many others.

The kingdom froze its links with Canada after Canada's foreign minister mildly criticised such abuses. Jamal Khashoggi, a journalist, was murdered and dismembered by Saudi operatives in a consulate in Istanbul.

The war in **Yemen** ground on. An air strike on a school bus that killed scores of children was just one incident in which civilians were caught up. The UN warned that the country was on the brink of a famine, with up to 14m people at risk of starvation.

Gun violence in America hit the headlines again. A former pupil went on a rampage at his high school in Florida on St Valentine's Day, murdering 17 people. Eleven Jews were murdered by a gunman at a synagogue in Pittsburgh, America's worst-ever anti-Semitic attack. Over one weekend in Chicago 75 people were shot in separate incidents, 13 of them fatally.

Trump grump

Jerome Powell continued gradually raising interest rates in his first year as chairman of the **Federal Reserve**. Mr Trump said he wasn't "even a little bit happy" with him. The political pressure Mr Powell endured was nothing compared with **Turkey's** central bank. Recep Tayyip Erdogan, Turkey's president, described high interest rates as "the mother of all evil" and claimed that they cause inflation. Most economists think they curb it. After a run on the lira, the central bank eventually raised rates regardless.

After a run on the peso, **Argentina** had to call in the IMF (again). Mauricio Macri, the president, introduced an austerity plan and new taxes on exports.

Stockmarkets appeared to be heading for their worst year since the financial crisis. Many leading indices, including the S&P 500, the Dow Jones Industrial Average and the FTSE 100 are set to end the year below

the level at which they started. There was a broad sell-off in technology stocks. **Apple**, which had earlier become the first company worth \$1trn, tumbled. **Google** was slapped with a record €4.3bn (\$5bn) fine by the European Commission. The **bitcoin** bubble burst.

The consolidation of media and telecommunications companies produced some of the year's blockbuster mergers, including a deal between **T-Mobile** and **Sprint** that valued the combined entity at \$146bn. **Rupert Murdoch's** association with Sky, a British subscription-TV broadcaster that Mr Murdoch's company founded in 1989, ended after it was bought by Comcast.



Germany's government lost two state elections in which the far right gained. Angela Merkel, chancellor since 2005 and a stabilising force in Europe, said she would step down in 2021. Germany's consternation was compounded by its football team being knocked out in the early stage of the **World Cup** for the first time since 1938. France won the tournament.

One of the most bizarre stories of 2018 was the faked assassination of Arkady Babchenko, a **Russian journalist** and critic of the Kremlin, by Ukraine's intelligence services. Mr Babchenko's body was smeared with pig's blood and taken to a morgue while his "murder" was deplored by the world's media. His sudden appearance, alive, at a press conference dumbfounded his grieving friends and colleagues. Wisely, he had kept his wife in the loop, but he still apologised to her publicly.

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The uses of nostalgia

How to get the best from an outbreak of reminiscence

POLITICIANS HAVE always exploited the past. But just now, rich countries and emerging economies are experiencing an outbreak of nostalgia. Right and left, democracies and autocracies, all are harking back to the glories of yesteryear. Even as President Donald Trump vows to “Make America great again”, President Xi Jinping is using his “Chinese dream” to banish a century of humiliation and return China to its golden age. Mexico’s new president, Andrés Manuel López Obrador, has a mission to withstand global capitalism and restore his country’s economic sovereignty. Jaroslaw Kaczynski, the most powerful politician in Poland, wants to purge the last traces of Soviet communism to bring about a renaissance of old-fashioned Polish values.

This orgy of reminiscence has different causes in different countries. In emerging markets past glories are often a foretaste of future triumphs. China, which has enjoyed 40 years of transformative growth, senses that it is on the threshold of something great. Under Narendra Modi, India has been celebrating its growing geopolitical heft with a Hindu-nationalist revival.

In the rich world, by contrast, nostalgia usually stems from what Sophia Gaston, of the Henry Jackson Society, calls “an omnipresent, menacing feeling of decline”. Almost two-thirds of Britons think that life used to be better. A similar share of the French do not feel at home in the present. This year’s UN World Happiness Report found that Americans are becoming less content. Large majorities in rich and developing countries believe that robots and automation will increase inequality and harm employment. A poll of 28 countries in 2017 found that over half of respondents expected their living conditions to stagnate or worsen. Only 15% of Japanese think their children will be richer than their parents.

Vaults full of research attest to how emerging-market optimism is more soundly based than rich-country pessimism. People around the world are living longer, healthier lives; fewer fall victim to war and famine; as education spreads, discrimination and prejudice are waning. Similarly, the summers were rarely as idyllic or the nation as glorious as sentiment would have it.

But to reject pessimism and nostalgia as simply inaccurate misses the point. They are powerful forces that are shaping politics. To harness them, you must first understand them.

Nostalgia serves optimists and pessimists alike as an anchor in a world being transformed. New technologies, including artificial intelligence, threaten to disrupt entire industries and to alter the relationship between the state and the citizen. After two centuries power is shifting from the West back to China. The planet is ageing faster than at any time in history. Its climate is changing. It is ever more racially and culturally mixed.

At such moments, people are drawn to nostalgia as a source of reassurance and self-esteem. Many Brexiteers hope that leaving the European Union means they will once again belong to a dynamic “global Britain”. Catalans evoke an idealised past in pursuit of a distinctive identity. Alarmed by corruption and recession, Brazilians have elected a president who harks back to the certainties of a military dictatorship they rid themselves of three

decades ago. When Mr Trump boosts coal and steel, men who feared that they had been marginalised in dirty, dying industries suddenly feel as if they are worth something again.

In the rich world, nostalgia also offers a way to rebel against someone else’s idea of progress—to “take back control”. The far-right Alternative for Germany has its strongest support in the former East, where voters regret their loss of community and security. In France the *gilets jaunes* smash shop windows on the Champs-Élysées because they cannot make ends meet. They reject the trade-off offered by their president, Emmanuel Macron, between national prosperity and individual economic security.

This makes nostalgia dangerous. Protesters do not necessarily expect to put back the clock—they may just be seeking to slow it down. And yet such sclerosis may only aggravate the sense of decline. In addition, the self-esteem that nostalgists crave often seems to feed xenophobia. India’s Hindu-nationalist revival has seen an increase in reported hate crimes towards Muslims. In the West people on the right remember a whiter past, with fewer cultures, even as the hard left condemns the machinations of global business. It is no accident that there has been a resurgence of anti-Semitism, not least in Britain’s Labour Party under the backward-looking Jeremy Corbyn.

Because of the taint of xenophobia, progressives are quick to treat all nostalgia as prejudice, leading them to dismiss the fears of whole sections of society. That sweeping judgment is one more reason why populists have been able to exploit nostalgia so successfully.

They are having it too easy. Nostalgia can be harnessed for good. At the start of the 20th century, Europe and America were nostalgic, too, buffeted by a similar confluence of technological, geopolitical and cultural change. Then a period of conflict and social upheaval led to universal suffrage and education for all. Today’s politicians can learn from that time. They must avoid war, obviously, by preserving and enhancing the institutions that enable countries to work together. But they should also find bold ways to deal with insecurity and alienation. That will involve the state working harder for the citizen by making education available throughout people’s lives, by overhauling taxation, devolving power to cities and regions, averting climate catastrophe, and wise management of immigration.

If the past is a foreign country, let me emigrate

The nostalgists are on to something. When one way of running the world seems to be exhausted, but the next has yet to come into being, the past holds important lessons. When nothing seems to make sense, history becomes the supreme discipline. Knowing who you are and where you came from matters.

The best way to harness the past demolishes prejudice and opens horizons. A proper sense of history helps you grasp that progress depends on facing up to hard choices. Sometimes it can inspire, too. Fifty years ago *Apollo 8* took off from Cape Canaveral in Florida. On December 24th it captured a photograph of Earth, a half-shrouded blue-white planet, seemingly united. ■



Industrial policy

Big mistake

Mega-mergers would mean less competition when what Europe needs is more

NO COMPANY FOUNDED in Europe in the past four decades has gone on to be worth over \$100bn today. Entrepreneurs in America have managed the feat a dozen times, including the founders of Amazon, Cisco and Home Depot. China will soon have more such corporate leviathans than the European Union does. Angela Merkel of Germany and Emmanuel Macron of France are among those who think they have found a solution to this relative impotence: let European companies merge their way into the top leagues.

Only the most hidebound politicians still yearn for the state-owned “national champions” of yore. But an increasing number see a need for “European champions” able to compete globally. Mrs Merkel has called for EU competition guidelines to be “modernised” so that European titans can emerge. Mr Macron says he wants the issue to feature prominently in the upcoming European election campaign. From eyeglasses to steelmaking, from stockmarkets to railways, proposed cross-border mergers are being backed by politicians as the only way to take on Chinese and American rivals (see Europe section). That should set alarm bells ringing, for two reasons.

The first is that Europe already has a competition problem. A forthcoming study by Chiara Criscuolo and colleagues at the OECD, a club of mainly rich countries, shows that the average market share of the top four firms in Europe in each industry has risen by three percentage points since 2000. The free cashflow of non-financial firms as a share of GDP is well above its 20-year average. When concentration is rising and profits are high and persistent, the answer is not to make big firms even bigger.

Industrialists argue that added size will make them more efficient, and so likelier to thrive globally. Sometimes sheer size pays off: Airbus, an aerospace giant, is a cross-border success story. But big deals often throttle competition. Take the mammoth proposed merger between the operations of Germany's

Siemens and France's Alstom that make rolling stock and train-track signals. In some rail markets the combined firm would be three times bigger than its largest rival. Margrethe Vestager, the EU's independent-minded competition commissioner, seems sceptical that a Siemens-Alstom tie-up will be good for consumers. She is right to be wary.

The second reason to worry is political. As Mrs Merkel and Mr Macron become keener on the logic of big mergers, pro-competitive voices in Europe risk being drowned out. Britain, historically a stalwart defender of free markets, is consumed by the Brexit mess. The European Commission has a strong record of standing up to governments on issues such as state aid, but Ms Vestager's term ends next year. Suspicion of Chinese investment, though often warranted, can be exploited to hinder any foreign company taking over an EU firm.

If competition-sapping mergers are not the way to create world-beating companies, what is? Above all, European firms struggle compared with their American and Chinese rivals because the continent's markets are so fragmented. Making it so that an Irish firm can serve a Portuguese client as easily as a Texan one can serve a

New Yorker would be good for businesses of all sizes. The EU's “single market” is designed for goods. It works less well for services—which make up over 70% of the European economy. Talk of greater integration of capital markets and digital services urgently needs to be turned into action. More funding for basic research is also needed to help foster innovation.

European bosses complain that China and America tilt the playing field in favour of their own companies, whether through “America first” trade policies or Chinese soft loans. That is no reason to follow suit. Mercantilism benefits favoured companies but not economies and consumers. The answer to other countries giving their citizens and taxpayers a raw deal is not to emulate them. It is to foster competition. ■



China and America

Military misunderstandings

For the sake of global peace, the armed forces of the world's two superpowers must learn to communicate

IT IS A sobering thought that official military communication between America and China is still conducted by fax machine. The use of this obsolete technology symbolises a worrying lack of effective dialogue between the two countries' armed forces. The giants jostle for space in the western Pacific; their ships and jets manoeuvre close to each other every day. Neither side wants war, but China is intent on keeping America at bay. It is easy to imagine how a collision in the air or at sea could escalate. Casualties could fan nationalist flames on either side and cause twitchy officers, or political leaders, to respond in ways that lead rapidly to disaster. So could a misunderstanding by either side of

the other's military movements. Relations between China and America are already strained over trade and a host of other matters. So it is only common sense to try to reduce the risk that their cold-war style sparring might turn hot.

American and Chinese officers are getting to know each other better. Exchanges between their military academies, port calls and high-level visits to each other's countries have multiplied over the years (see China section). But there is still a huge gulf. Much of the interaction is superficial. American officers often describe the Chinese who talk to them as “barbarian handlers”: polished, English-speaking political appointees, usually intelli- ►



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► gence officers, whose uniforms have never been crumpled or muddled. The Americans are sometimes led around empty Potemkin bases and entertained with kung fu shows rather than genuine drills. They wonder why they should waste their time on such junkets, which offer little insight into Chinese intentions or how the two sides might defuse a crisis. When senior officers of the two sides meet, the Chinese tend to spend much of the time lambasting American foreign policy rather than discussing how to build trust.

In recent years China has forged ever-closer military ties with Russia. In September China sent thousands of troops to join Russia's largest manoeuvres since the cold war. But when invited to take part in American exercises, China has behaved boorishly. In 2014 America, to its credit, allowed the Chinese navy to join RIMPAC, the world's largest multinational war games at sea. Instead of responding with camaraderie, China demanded plum roles, sent spy ships to snoop on the manoeuvres and barred Japanese officers from the traditional shipboard cocktail party. America excluded China from RIMPAC this year in protest against China's deployment of missiles on artificial islands it has built in the South China Sea. That upset the Chinese navy, but the Americans rightly felt no loss. Even when given an opportunity to build bridges, Chinese officers have chosen to ignore it.

The two armed forces do not just use faxes to communicate. A channel called the Defence Telephone Link was set up a decade ago. A whizzier video link between the chairman of America's joint chiefs of staff and his Chinese counterpart was established more recently. The problem is not a lack of channels. It is how they are used. American officials have made clear that if China were to call during a crisis, they would pick up the phone. They are not sure whether China would do the same.

Part of the problem is the way that China's armed forces work. The Communist Party is present throughout the military hierarchy. Its political commissars often wield as much power as commanders who are genuine soldiers. Especially at higher levels, Chinese officers can move only at the speed of a committee. But that is no excuse for China's habit of unplugging the phone. Swift communication may not end a crisis, but it can certainly reduce the danger of tensions flaring up over a misunderstanding.

Going ballistic

Mercifully, when Barack Obama was president, the two countries managed to establish some rules for managing close encounters between their ships and planes. That has led to fewer near collisions in the air and at sea. But that still falls short. China's relentless beefing up of its military forces has created an urgent need for wider-ranging agreements. Pentagon officials say China is arming its air force with nuclear weapons. That would give China a complete "triad" of nuclear weaponry, launchable from the air, land and sea. Yet the two armed forces have not held nuclear talks in over ten years. Even the Soviet Union agreed to give warnings about ballistic-missile tests. The Chinese refuse to consider such a confidence-building measure, despite the growing importance of missiles to both countries.

On a visit to Washington, DC, in November China's defence minister, Wei Fenghe, said that communication must be strengthened. It is good that China recognises this. But all too often the country lets pique over unconnected business disrupt military contacts. In 2018 it cancelled multiple high-level talks, including an embryonic dialogue between senior military officers. Not since the cold war has it been so crucial for global peace for two defence establishments to talk. ■

Identity

Les stats, c'est moi

A new way to think about data is needed

“DATA”, RUNS a common refrain, “is the new oil.” Like the sticky black stuff that comes out of the ground, all those 1s and 0s are of little use until they are processed into something more valuable. That something is you.

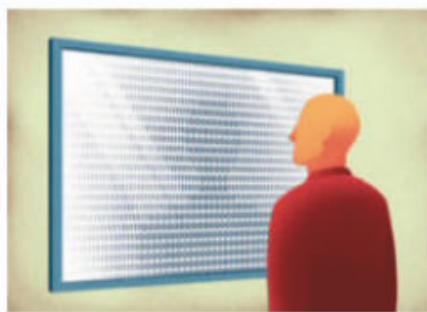
Seven of the world's ten most valuable companies by market capitalisation are technology firms. Excluding Apple, which makes money by selling pricey gadgets, and Microsoft, which charges businesses for its software and services, all are built on a foundation of tying data to human beings. Google and Facebook want to find out as much as it is possible to know about their users' interests, activities, friends and family. Amazon has a detailed history of consumer behaviour. Tencent and Alibaba are the digital wallets for hundreds of millions of Chinese; both know enough about consumers to provide widely used credit scores.

Where tech companies have blazed a trail, others have followed. Consumer brands in every industry collect data on their customers to improve design and advertise products and services. Governments have looked at these firms and instituted their own systems to gather information on their citizens. Na-

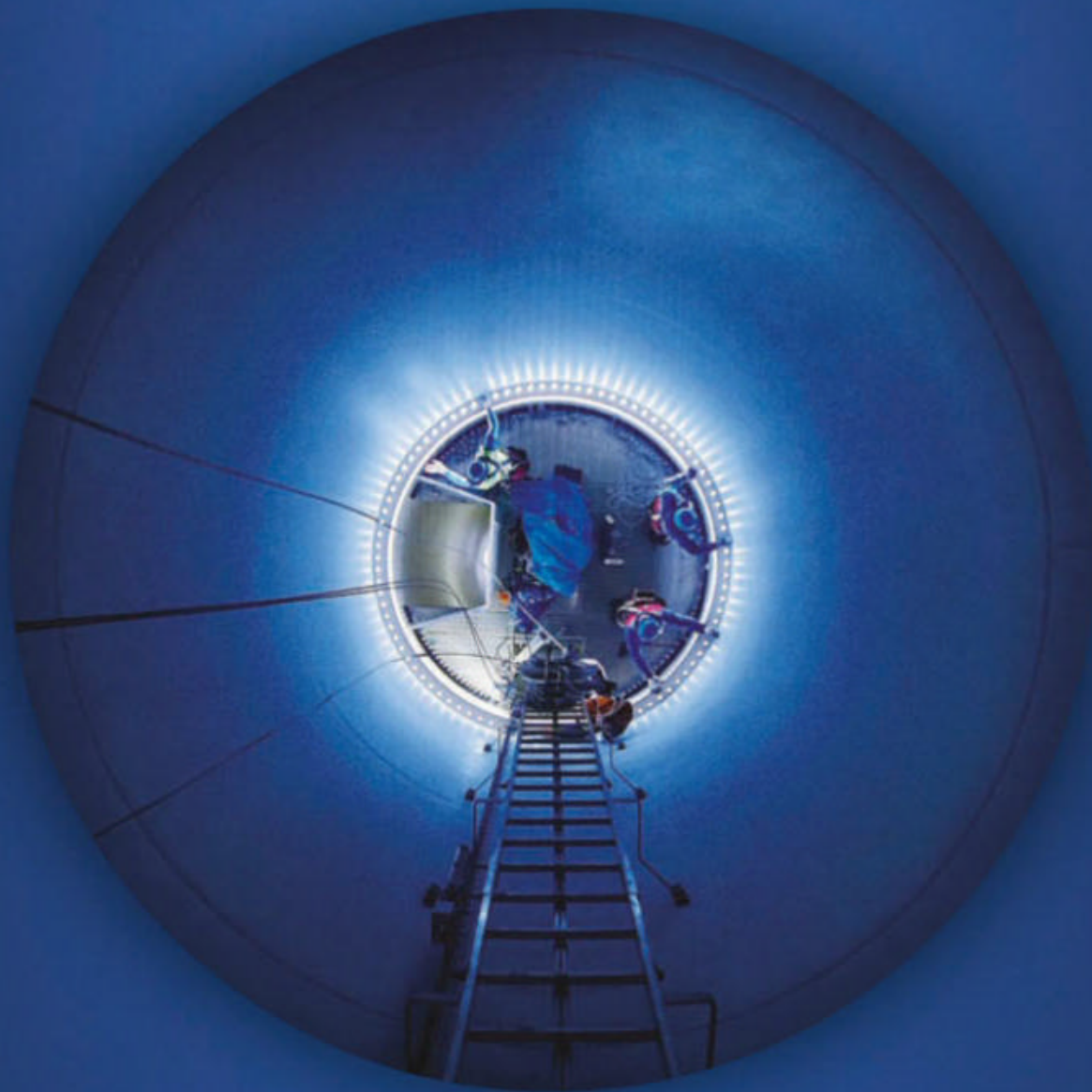
rendra Modi, India's prime minister, cites Facebook as an inspiration. That is apparent in the ever-expanding reach of Aadhaar, an ID system for India's 1.3bn residents that is required for nearly every government service imaginable.

That data are valuable is increasingly well-understood by individuals, too, not least because personal information is so often hacked, leaked or stolen. India's database has been shown to be vulnerable to scammers and state abuse. Facebook has spent most of 2018 dealing with the reputational damage of multiple breaches, most notably via Cambridge Analytica, a consulting firm. The list of other companies that have suffered some sort of data breach in 2018 alone reads like a roll call of household names: Google, Marriott, Delta, British Airways, Cathay Pacific, Best Buy, Sears, Saks 5th Avenue, even Panera Bread. Such events have caused a tectonic shift in the public understanding of data collection. People have started to take notice of all the data they are giving away.

Yet few have changed their online behaviour, boycotted snooping tech firms or exercised what few digital rights they possess. Partly this is because managing your own data is time- ►►



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▶ consuming and complex, even for those who understand how to do it. But it is also because of a misunderstanding of what is at stake. “Data” is an abstract concept, technical and intangible. Far more solid is the idea of identity (see Essay). It is only when “data” is understood to mean “people” that individuals will demand accountability from those who seek to know them.

Such accountability stretches far beyond an obligation to secure someone’s credit-card details. In the information age, data are used to decide what sort of access people have to services. Uber ratings determine who gets a taxi; Airbnb reviews decide what sort of property you can stay in; dating-app algorithms choose your potential life partners. Firms use location data and payment history to sell you products. Your online searches may establish the price you pay for things. Those with a good Zhima credit score, administered by an Alibaba subsidiary, enjoy discounts and waived deposits. Those without receive few offers.

When they are used by states, such techniques pose a still greater threat. Algorithms that are able to recognise patterns in data can pinpoint dissidents or even those with unconventional opinions. In 2012 Facebook experimented with using data to manipulate emotions. In 2016 Russia used data to influence the American presidential election. The question is not whether someone is doing something wrong. It is whether others can do wrong to them.

We, the data

The fossils of past actions fuel future economic and social outcomes. Privacy rules, data-protection regulation and new laws surrounding the use of algorithms are crucial in protecting the rights of individuals. But the first step towards ensuring the fairness of the new information age is to understand that it is not data that are valuable. It is you. ■

Country of the year

Ovation nation

Which country outdid the rest in 2018?

OUR ANNUAL “country of the year” award goes not to the most influential nation, nor to the richest, nor to the one with the tastiest food (sorry, Japan). It celebrates progress. Which country has improved the most in the past 12 months?

It is a tricky choice. A stellar performance in one year is no guarantee of future success. Last year’s pick, France, is now racked by riots. Myanmar, our winner in 2015, has regressed bloodily. Nonetheless, we must choose. For 2018, some of our staff facetiously suggested **Britain**, for giving the world a useful warning: that even a rich, peaceful and apparently stable country can absent-mindedly set fire to its constitutional arrangements without any serious plan for replacing them. Others suggested **Ireland**, for resisting a form of Brexit that would undermine Irish peace; and also for settling its vexed abortion debate democratically. Two Latin American states merit a mention. Whereas Brazil and Mexico are plunging into populism, **Ecuador** and **Peru** are strengthening institutions, such as the judiciary, that can curb a headstrong leader. **South Africa** has ditched a president, Jacob Zuma, who presided over the plunder of the state. His replacement, Cyril Ramaphosa, has appointed honest, competent folk to stop the looting.

In the end, the choice came down to three countries. In **Malaysia** voters fired a prime minister who could not adequately explain why there was \$700m in his bank account. Despite Najib Razak’s glaring imperfections, his sacking was a surprise. Malaysia’s ruling party had dominated politics since the 1950s and gerrymandered furiously to keep it that way. Yet the opposition triumphed at an election, and Malaysians enjoyed the delicious spectacle of police removing big boxes of cash, jewellery and designer handbags from their former leader’s home. Malaysia might have made a worthy winner, except that the new prime minister, the nonagenarian Mahathir Mohamad, seems reluctant either to relax the country’s divisive racial preferences or to hand over power as agreed to his more liberal partner, Anwar Ibrahim, a former political prisoner.



Ethiopia had an extraordinary year. It is a huge place, with 105m people and a long history of tyranny and woe. A cold-war Marxist regime slaughtered and starved multitudes. The guerrillas who overthrew it looked to China for inspiration and loans. They had some success in rebuilding a desolate economy, but also shot protesters and virtually criminalised dissent. After tempers exploded following a rigged election in 2015, the ruling party this year picked a reformist leader, Abiy Ahmed, who has released political prisoners, largely unmuzzled the media and promised to hold real elections in 2020. He has made peace with Eritrea, opening a long-closed border and restoring access to the sea. He is even trying to liberalise Ethiopia’s debt-burdened, state-directed economy, where a phone connection is harder to get than in anarchic Somalia next door. If this were a contest for

person of the year, Abiy might have won. But we did not choose Ethiopia because it is far from clear that the new prime minister will be able to curb ethnic violence. Separatists no longer fear being shot by the security services; some are now trying to create ethnically pure enclaves by driving minorities from their homes. Perhaps 1.4m people have been displaced so far. Autocracies, alas, seldom die quietly.

Yet in **Armenia** that is exactly what seems to have happened. The president, Serzh Sargsyan, tried to dodge term limits by making himself into an executive prime minister. The streets erupted in protest. Nikol Pashinyan, a charismatic and bearded former journalist and MP, was swept into power, legally and properly, on a wave of revulsion against corruption and incompetence. His new party alliance won 70% of the vote in a subsequent election. A Putinesque potentate was ejected, and no one was killed. Russia was given no excuse to interfere. A note of caution: Armenia’s nasty territorial dispute with Azerbaijan has not been resolved and could ignite again. However, an ancient and often misruled nation in a turbulent region has a chance of democracy and renewal. For that reason, Armenia is our country of the year. *Shnorhavorum yem!* ■

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leave on time

arrive at the right place

find your car

get there before they close

find a 4-letter word for assist

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every day.

March 29th 2019 and all that

In searching for a parallel crisis to Brexit in Britain, Bagehot (November 24th) glossed over some of the instructive detail of ditching the gold standard in 1931. That crisis broke under a minority Labour government sustained by the Liberals. The pound came under pressure as a result of a banking collapse in Germany and Austria, where British banks were heavily exposed. The City and the Bank of England pressed the government to make cuts in public-sector pay and unemployment benefits to restore confidence.

Ramsay MacDonald decided that he couldn't continue as prime minister once half his cabinet refused to back the proposed cuts. The Conservatives, however, were not prepared to form a minority government to deliver this unpalatable medicine and the Liberals did not want to help them gain the necessary majority in Parliament. In these circumstances MacDonald agreed to form a government of co-operation with the other parties in order "to deal with the national emergency that now exists". It promised that afterwards "the political parties will resume their respective positions."

This government duly went ahead with the cuts, which provoked the Invergordon mutiny by sailors, which in turn provoked the run on the pound the cuts had been intended to prevent. At that point the government suspended the gold standard. As A.J.P. Taylor concluded, "The mutiny provoked a common-sense solution which the politicians and economists had been incapable of discovering for themselves."

MICHAEL WILLIAMS
*Letchworth Garden City,
Hertfordshire*

The parallel Bagehot should have considered is the repeal of the Corn Laws in 1846. Then, as now, a divided Tory party had to choose between vested interests and cheaper food.

ADRIAN WADDELOVE
Malpas, Cheshire

If a second referendum is to have three questions, there is an obvious way to organise it. The problem with the first referendum was that no one knew what "leave" entailed. Hence, next time we need two rounds. The first asks, "If we leave the EU would you prefer 'no deal' or 'Mrs May's deal'?" Then, when the answer to this is known (say a week later), round two asks "Now you know how we would leave, would you prefer leaving or staying?"

The decision is sequential. Economists solve such problems by backward induction, starting with the last step of the actual process (how you leave) and working backwards to determine the best first step (whether to leave).

L. ALAN WINTERS
Director
UK Trade Policy Observatory
Brighton

Boris Johnson was a good choice to win your alternative awards for political prize idiots (Bagehot, December 8th). But my God it must have been like shooting fish in a barrel.

JAMES PERRY
Paris

Singapore responds

Given *The Economist's* belief in free speech and robust debate, I found it surprising that Banyan (December 1st) took issue with my letters to *The Economist*. Apart from quoting anonymous readers, Banyan selectively failed to mention that I had also argued that in our consistently contestable elections, the People's Action Party could well lose power, and would deserve to do so if it ever became incompetent and corrupt. I write not to defend any political party, but to set the record straight and provide your readers with the facts to judge for themselves.

This time, Banyan made patronising backhanded innuendos about Singapore's ongoing political succession. The ruling party has indeed settled on Heng Swee Keat as its next leader. But the prime minister in Singapore must command

the confidence of the majority of members of parliament, no different from British prime ministers. Provided the party wins the people's support in the next general election, due by April 2021, Mr Heng will take over from Lee Hsien Loong as prime minister.

Banyan equated democracy with freewheeling, rambunctious politics, divisive national debates, inter- and intra-party politicking, and quick changes of prime ministers and cabinet ministers. He dismissed Singapore's political culture which strives for continuity and consensus in seeking the mandate of the people.

So far our system has produced accountable and stable governments, and progress and security for Singaporeans. And that surely is the ultimate test of any political system.

FOO CHI HSIA
High commissioner for
Singapore
London

Randian philosophy

James Lennox turned to Ayn Rand for his analysis of capitalism, which Rand idealised as the economic system best suited to her conception of human beings, whose noble purpose is personal happiness and productive achievement (Letters, November 24th). Though somewhat different from Friedrich Nietzsche or Max Stirner, her rejection of religious and socialist ethics lay in the total repudiation of the morality of altruism. Rand's ideological skyscraper rested narrowly on premises that led her, for example, to rate Mickey Spillane above William Shakespeare.

Murray Rothbard's satirical playlet, "Mozart was a Red" (available on YouTube), did less than justice, however, to her demonstration of the vital connection between individual freedom and scientific discovery and innovation (although she did praise America's mission to the moon).

Rand's imaginative environment belonged to the 1940s and 1950s. I doubt she would accept global finance, with its

cyber-run fractional reserve and hedge-fund speculation, or open-door mass-immigration of refugees and culturally incompatible communities.

DAVID ASHTON
Sheringham, Norfolk

Carry on writing

I was not aware that Sid James and Charles Hawtrey were employed by your business desk. However, your piece on the lingerie market ("Going for bust", December 8th) had sufficient *double entendres* to make a matron blush. From the article's title, to keeping "abreast" of market dynamics, to shares in Victoria's Secret having their "knockers", all it lacked was a comment on insider dealing featuring a bishop and an actress.

Thankfully you also managed to avoid stating that stocks, like underwear, can go down as well as up.

SIMON ARBUTHNOT
London

Christmas stockings

The subscription offer I received with my issue (December 1st) included the tag line "Nobody changed the world with novelty socks". That was in the same week as the funeral of President George H.W. Bush, a fairly influential man who was famously fond of novelty socks.

Looks like the shoe is on the other foot.

GEOFFREY CHAPMAN
Honolulu

I am disappointed that *The Economist* has never tried to change the world with novelty socks. A few comfortable pairs with snappy quotes from the Espresso app would be a step in the right direction. Please dip your toe into this.

ERIK GULOIEN
St Catharines, Canada

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