



## Economist - Daily

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### **This week's top stories [19 March 2010]**

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## Presenting the bill

The stage is set for crucial vote on America's health-care reform bill

IT'S official, or as official as these things get. The health-care package destined for a vote in America's House of Representatives on Sunday will cost \$940 billion over the next ten years. Though the Congressional Budget Office score (as the estimate is known), along with the bill's final details, seems to clear the air on what the House will vote on, the package and the process remain complicated. The House is facing a two-part vote to pass the Senate bill and also tweaks through a process called "reconciliation". The former may be done through a rule that Republicans are saying is unconstitutional (though they have used it themselves). Procedural trickery or not, everyone in the House will cast a vote on the Senate bill plus reconciliation. Whether it passes or not is far more important than quibbles about the House rules.

The CBO also reckon that the health-care package, through savings and new revenue, will cut the total deficit over those years by \$138 billion against a baseline scenario. After that, the savings get even bigger, totalling (a much more speculative) \$1.2 trillion by 2029, according to some Democrats. But the sums are questionable. The CBO process has been so thoroughly gamed that the true figures could be quite different. The Republicans claim that it will cost far more and totally reject the idea that it will cut the deficit by such a sum over the second decade. ...

## Eaten away

A ban on the trade in bluefin tuna is rejected

IT WAS a moment of some drama when delegates assembled in Doha came to vote on a ban in the trade in bluefin tuna on March 18th. The previous evening many representatives of the 175 member nations of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) had been at a reception at the Japanese embassy. Prominent on the menu was bluefin tuna sushi. On the agenda the next day at the CITES meeting was a proposal to list the bluefin tuna as sufficiently endangered that it would qualify for a complete ban in the trade of the species (The Economist supports such a ban).

The complex proposal called for further discussion of the bluefin tuna's plight. Europe, the United States, Monaco and Norway were hoping to move to an adjournment, which would have allowed a proper investigation of the issues over the weekend. Kevern Cochrane, the representative from the UN's Food and Agriculture Organisation (FAO), agreed. He also acknowledged that the official FAO panel had decided that the species met the scientific criteria for listing as a sufficiently endangered species qualifying for a trade ban--the bluefin tuna population has dropped below 15% of its maximum historical level. ...

## **Tiger's return**

How successful are sporting comebacks?

AFTER a five-month absence to deal with his personal tribulations, Tiger Woods announced on March 16th that he would return to playing professional golf at this year's US Masters tournament in April. Sports stars have had mixed fortunes when returning to competition after a break. This week Michael Schumacher, who raced a Formula One car for the first time after a three-and-a-half year retirement, finished sixth in the Bahrain grand prix. George Foreman spent ten years as a pastor before getting back in the ring to regain the world heavyweight boxing crown at the age of 45. But Bjorn Borg, almost unbeatable in his day, made an ill-advised comeback to the tennis courts, losing every match with his old wooden racquets against competitors armed with more modern equipment.

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## **Incompetent visionaries**

Twenty years after declaring independence, Lithuania is discovering the value of pragmatism

LITHUANIA thinks big. In the days of the late lamented Grand Duchy, it stretched from the Baltic to the Black Sea. That was in the 12th century. But its ability to grasp the big picture remains. This is why, on March 11th 1990, the newly elected Supreme Soviet of the Lithuanian Soviet Socialist Republic voted unilaterally to restore the country's pre-war independence, with immediate effect.

...

## Where did all the love go?

Barack Obama has lost patience with Israel. But neither side dares risk a break-up

IT HAS been like a lovers' tiff without the love—quickly tamped down but with none of the kissing and making up, and no soothing of the underlying rage. As Palestinian violence flared in Jerusalem, Barack Obama's secretary of state, Hillary Clinton, said through gritted teeth on March 16th that Israel and America enjoyed "a close, unshakable bond". On the same day Michael Oren, Israel's ambassador to the United States, claimed he had been "flagrantly misquoted" in a widely reported leak that he had called the quarrel the worst crisis between the allies for 35 years.

It is nonetheless plain that relations between Israel and the Obama administration are indeed in crisis. The spark was last week's approval by Israel's interior ministry of 1,600 new homes in Ramat Shlomo, a Jewish suburb in East (Palestinian) Jerusalem. This coincided not only with a visit by Vice-President Joe Biden but also with the eve of the "proximity talks" America had at last persuaded Mahmoud Abbas to enter with Binyamin ("Bibi") Netanyahu, Israel's prime minister. Mr Biden is known for his affection towards Israel but took the announcement as a gratuitous insult. So did Mrs Clinton, who on March 12th berated Mr Netanyahu for three-quarters of an hour on the phone. She reportedly told Mr Biden to "condemn" the announcement rather than merely "express concern". ...

## Going Dutch

Buyers aplenty at the Maastricht art fair

RECESSIONS affect art fairs in different ways. The most obvious is when buyers stay away, especially if a fair has fallen from fashion or if entry tickets are too expensive. Another is when dealers abandon ship, curtailing the fairs they attend to two a year, say, instead of three. Or they suddenly offer deep discounts to ensure a sale. Slashing prices is a sure sign of lack of confidence. ...

## **Building tensions**

Relations between America and Israel reach a low point

After a raucous public slanging match, America and Israel are attempting to heal the worst rift between the countries in years. The row erupted during Joe Biden's visit to Jerusalem last week after the Israeli government approved plans to build 1,600 new homes in a Jewish suburb located in East Jerusalem. America's vice-president, sent to shore up relations and reassure Israel over Iran's nuclear ambitions, took this as a gross and gratuitous insult both personally and to his boss, Barack Obama.

Hillary Clinton, America's secretary of state, berated Mr Netanyahu on the phone and went on television to inform the world what she had done. The next day tensions rose higher after Israel's ambassador to Washington was reported to have said that the crisis was the worst between the two countries in 35 years. He later claimed that he was misquoted. On March 16th Mrs Clinton, now trying to fight the flames, said that America had "an absolute commitment to Israel's security. We have a close, unshakeable bond." ...

## Exchanging blows

Our Big Mac index shows the Chinese yuan is still undervalued

Correction to this article

RECENT renewed American calls for China to revalue its currency have so far fallen on deaf ears. China has rejected accusations that America's huge trade deficit with it is caused largely by an artificially weak yuan, which has been pegged to the dollar since July 2008. Economists point out that an appreciation of the yen did little to help reduce America's trade deficit with Japan in the 1980s. But the yuan is unquestionably undervalued. Our Big Mac index, based on the theory of purchasing-power parity, in which exchange rates should equalise the price of a basket of goods across countries, suggests that the yuan is 49% below its fair-value benchmark with the dollar. ...

## **Back on the map**

How an invisible country rocked the world

## While stocks last

Some ivory sales are a good idea. This one isn't

IN 1989 the signatories to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) agreed to ban the ivory trade, and banned it has remained. Except, that is, for when CITES chooses to allow it—as it has done now and then since 1997, when specific countries have some well-sourced ivory to get rid of. Most recently, in 2008, South Africa, Botswana, Namibia and Zimbabwe were allowed to make such sales to China and Japan. Now, as the triennial CITES meeting gets under way in Doha, both Tanzania and Zambia say they want to do something similar.

Those in favour of such sales (most notably, the countries which seek to make them) say they allow countries to benefit from having elephants, and help to finance elephant conservation and protection. Those against them (some conservation charities and some academics in the field) argue that any sale of ivory will lead to an increase in poaching by stimulating demand, and that little of the money raised actually goes to elephants. ...

## Corporate candidates

What role should corporate citizens play in politics?

THE effort to elect Murray Hill to Congress is a political campaign unlike any other. It is rare for an election candidate to pledge to “put people second, or even third”, instead of the habitual first, but then the aspiring representative for Maryland’s 8th District is not a person but a company. According to its YouTube advert, Murray Hill, a public-relations firm, is taking advantage of a recent Supreme Court ruling that granted corporations full first-amendment political rights as people, to help create “the best democracy money can buy.”

This candidacy has its attractions. After all, it would become the first elected official truly available to constituents 24 hours a day, seven days a week. Nor is it alone: according to the Washington Post, a firm called Computer Umbrella is now running for Congress in Virginia. ...

## Great claims

### Insurance losses from catastrophes

THE final bill in terms of the death toll and economic loss is still being calculated after massive earthquakes hit Haiti and Chile this year and will far outweigh the 15,000 people who died or went missing as a result of natural and man-made catastrophes in 2009. Last year, the total losses from catastrophes hit \$62 billion, of which only \$26 billion was covered by insurance, according to Swiss Re. (The insurance firm considers events “catastrophes” if insured claims, total economic losses or casualties exceed a certain threshold.) Insured natural catastrophes accounted for \$22 billion and man-made disasters \$4 billion. The most disastrous year for insurance companies was 2005. Insurance losses totalled some \$117 billion after Hurricanes Katrina, Wilma and Rita struck America. Hurricane Katrina alone claimed 1,836 lives and resulted in insured losses of some \$71 billion.

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## First round knock-down

Nicolas Sarkozy's party takes a battering in France's regional elections

HE MAY have steeled himself for a poor result in the first round of French regional elections, held on Sunday March 14th. But the outcome for France's president, Nicolas Sarkozy, must nonetheless have felt crushing. Polls had suggested that his ruling UMP party would be neck-and-neck at this point with the opposition Socialists. Instead, the Socialists bagged fully 30%, with the UMP trailing at 26%. At the second round vote next Sunday, Mr Sarkozy can now hope at best simply to hold on to Alsace and Corsica, the only two regions out of 22 in France which the UMP governs. At worst, he might even lose both.

In a poll marked by the lowest turnout since France's regions were created in 1986, Mr Sarkozy's party did manage to come out top in several places, such as Champagne-Ardenne, Ile-de-France, Provence-Alpes-Cote d'Azur (PACA) and Rhone-Alpes. But the two-round voting system allows any party with at least 10% of the poll to go forward to a run-off. This is likely to help the Socialists more than it will the UMP. Their friends, Europe Ecologie, the rising stars of the French left, secured a handy 13%. ...

## Red tide

Protestors against the Thai government take to the streets again

FOUR years of upheaval have set a high bar for street protests in Bangkok. But the demonstration that took place on Sunday March 14th was among the more impressive shows of strength in Thailand. Some 100,000 red-shirted protesters stood under a scorching sun to hear speaker after speaker denounce the current prime minister, Abhisit Vejjajiva, and the ruling elite that installed him. They called for Mr Abhisit to resign and hold fresh elections. On Monday Mr Abhisit rejected their calls from the army barracks where he was holed up, fearful for his security.

The main speech at the red-shirt rally was delivered through a video link by Thaksin Shinawatra, the twice-elected and now fugitive former prime minister. His refusal to go quietly since the army ousted him in 2006 has helped to push Thailand to the brink. The coup paved the way for the courts to order the seizure of \$1.4 billion of Mr Thaksin's fortune, which prompted his red-shirted supporters to call the present round of protests. Even before the court announced the seizure in February the red shirts had spent months preparing this massive operation in the rural north and north-east, where Mr Thaksin is still hailed as a hero. In his speech, he urged the army not to harm the people and denied that he had been expelled from Dubai, his adopted home. ...

## The week ahead

Barack Obama's off-again-on-again trip to Asia

- BARACK OBAMA is set for a trip to Asia, beginning with a stop at his boyhood home of Indonesia. But the visit, originally set to start on Thursday March 18th, will be delayed until Sunday 21st so Mr Obama can be present to give health-reform a final push before a crucial congressional vote. America's president says that he is looking forward to visiting old haunts in the most populous Muslim country. He is certain to discuss counter-terrorism efforts with President Susilo Bambang Yudhoyono and is expected to reiterate the message of a speech in Cairo last year that sought to strengthen ties between America and the Muslim world. He is also set to visit Australia, too.

- THE head of the Senate banking committee, Christopher Dodd, will unveil a long-awaited proposal on reforming regulation of America's financial industry on Monday March 15th. Attempts at molding a bipartisan bill foundered after Republicans insisted that a new consumer-protection agency should have few powers. The bill is likely to insist on central clearing for more over-the-counter derivatives and propose setting up a body to grab control of and wind-down financial companies that show signs of breeding systemic failure. ...

## **This week's top stories [12 March 2010]**

Our top articles ranked by reader popularity.

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## Oh, brother

Shining a harsh light on Lehman's bankruptcy

IT SOUNDS distinctly unpromising. A nine-volume, 2,200-page report by a court-appointed examiner into the causes of Lehman Brothers' bankruptcy, published on Thursday March 11th, has a table of contents that lasts for 38 pages. Its most exciting finding relates to an off-balance-sheet accounting gimmick. But the work of Anton Valukas, the chairman of Jenner & Block, a law firm, is crisp, clear and explosive.

Mr Valukas and his team took more than a year to research their report. They collected more than 5m documents and reviewed an estimated 34m pages of information. Looking at Lehman's IT systems was a particular challenge. The firm had a rat's nest of more than 2,600 systems and applications at the time it went bust; Mr Valukas boiled that down to the 96 most relevant ones, some of which are now operated by Barclays (the buyer of Lehman's American arm after the holding company failed). He also conducted more than 250 informal interviews, many of them with Lehman's directors and most senior executives. ...

## Cutting the clutter

A wireless replacement for all those pesky power cables

BENEATH your correspondent's desk is a cat's cradle of tangled cables linking a pair of computers to numerous peripherals and laptops around the office. On the credenza opposite is another jumbled nest of wires for recharging mobile phones, cameras, netbooks, MP3 players and other portable gizmos. When everything is humming, there are no fewer than 15 transformers plugged into various wall sockets and power strips, along with all the other electrical cables for powering computers, monitors, printers and still hungrier office gear.

Lately, your correspondent has taken to unplugging the power adaptors—at least those he can lay his hands on—when they are not being used to recharge their tethered friends. As it is, his office becomes a veritable Christmas tree of fairy lights at night with all the red, green and amber standby diodes twinkling in the dark. ...

## **A shaky start**

The challenges ahead for Chile's new government

SEBASTIAN PIÑERA looked shaken, rather than jubilant, as he was sworn in as Chile's president on Thursday March 11th. Minutes before he was reminded of the scale of the task he faces in rebuilding a large swathe of the country after a massive earthquake on February 27th. The same area was hit by an aftershock that, with a 6.9 magnitude, was only slightly smaller than the quake that devastated Haiti in January.

Three other large tremors followed during the inauguration ceremony in the National Congress in Valparaiso on the coast of central Chile. Outside people started to head for the hills as the national emergency office issued a tsunami warning. The sea, in fact, remained calm but Mr Pinera cancelled a lunch with visiting foreign leaders—some of whom did not look as if they could have eaten much anyway. After sending Rodrigo Hinzpeter, his new interior minister, to the capital, Santiago, to co-ordinate a response to the emergency, the new president boarded a helicopter to the aftershock's epicentre in the O'Higgins Region, just south of Santiago. ...

## **Hire or fire?**

Where employers are most optimistic, and pessimistic

IN 27 out of 36 countries surveyed by Manpower, an employment-services firm, more companies said they expected to add jobs in the three months to the end of June than said they reckoned on reducing their workforce. The difference between the proportion of hirers and firers was highest in Brazil and India. Throughout Asia companies have become more optimistic about hiring than they were a year ago, most dramatically in Singapore but only slightly in Japan. Things look less rosy in Europe. In several countries, including Spain and Ireland, more companies expect to see cuts to their workforce than expect it to grow. Of the four countries where the outlook has darkened, three are in Europe.

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## Harmony in Riga

For once, the anniversary of a wartime battle in Latvia should pass off peacefully

THAT March follows February is not a state secret, but it sometimes seems to come as a surprise to Latvian officials. Sometime in February, they notice that March 16th is approaching and start worrying, belatedly, about what outsiders will think.

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## All for one

Eurocrats offer up half-baked ideas to prevent a future sovereign-debt scare

NOW that Greece has given in to pressure from its peers for a more austere budget, the euro zone's policy brass suddenly seems more sympathetic towards its most troubled member. On reflection, perhaps the fault with Greece's parlous public finances lay not just with its budgetary profligacy but also elsewhere: in the absence of a central euro-zone authority for helping out cash-strapped countries; or with the credit-rating agencies that had unhelpfully downgraded Greek government bonds; or with the amoral speculators who had bet against those bonds and helped drive up borrowing costs.

It was mildly surprising that some of the messages of support came from Germany, where fiscal indiscipline is least tolerated. On March 7th the finance minister, Wolfgang Schauble, floated the idea of a European Monetary Fund (EMF) to act as a lender of last resort to euro-zone countries that could not raise funds in capital markets on tolerable terms. He offered few details about how an EMF would be financed or how it would operate. It would not be a "competitor" to the IMF, based in Washington, DC, though it would seek to police the fiscal policies of lax member countries. ...

## A trip through the borderlands

### Glimpses of life backstage

AS I walk through the bazaars of Peshawar, the capital of Pakistan's North-West Frontier Province, it is easy to think there is nothing wrong. I struggle through the crowds and pass mounds of spices in great brown sacks, birds trilling in pink cages and tiny old men struggling to restrain honking donkeys and whooping boys. Trade is brisk, and many of the shopkeepers, spotting a foreigner, grin and call out "How are you, Mister?" But round the next corner is a different scene: a large building has had its front blown out, littering the street with bricks and slabs of concrete. "Suicide bomb yesterday," explains Kausar, a local. "Many died. The people are scared—every week there is a new attack. They slaughter us even in the bazaars now." Their attacks have been unrelenting: on March 5th, in the Hangu district of the North-West Frontier Province, a convoy of Shiite pilgrims and paramilitary soldiers was attacked by a suicide bomber. Twelve people were killed and more than 300 injured.

Theories abound as to who Mr Kausar's "they" are. "They are Blackwater operatives," says Dr Naveed Irfan, a prominent psychiatrist whose house was damaged by one recent explosion. "That is why they never recover the body." He is equally confident about Osama bin Laden. "I met him once. Al-Qaeda is not a terrorist network. It is a conspiracy by the Americans to destabilise our country." Similar theories are aired regularly by Pakistan's newspapers and TV channels. This is a country in denial. ...

## **More than just a charade?**

The Israeli-Palestinian peace process resumes, after a fashion

IT WAS a wretched beginning to what had been hailed as the hopeful resumption of peace talks, albeit indirect ones, between the Israelis and Palestinians under the aegis of an American mediator. Barely had America's vice-president, Joe Biden, begun a visit to Israel to herald a new era of compromise and goodwill than it was announced, as if deliberately to poison the mood, that 1,600 new houses would be built for Jewish settlers in a big Jewish suburb in the Israeli-annexed eastern part of Jerusalem that Palestinians see as their fledgling state's future capital. Palestinian politicians were united in fury. Arabs and other peacemaking outsiders viewed the action as the illest of omens. Mr Biden sharply "condemned" the action as "precisely the kind of step that undermines the trust we need right now."

A sheepish-looking Binyamin Netanyahu, Israel's prime minister, let his aides claim implausibly that he had been unaware of the building decision. The next day his minister of interior dismissed it as a "routine, technical" step, while conceding that the timing was unfortunate, and apologised. Unsurprisingly, the incident increased scepticism towards the promised new round of talks. ...



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