

# TIME Business

News and views on the economy, markets and business

## EUROPE

### Why Germany Should Leave the Euro Zone

*The departure of Germany would take pressure off the weaker countries, and the costs of breaking up the euro zone will have to be paid no matter who leaves*

By Michael Sivy | @MFSivy | April 12, 2012 |



German flag flying outside the Reichstag in Berlin.

Most discussion about a potential breakup of the euro zone assumes that Greece and other financially troubled countries would be the ones who ended up abandoning the common euro currency. But there's a compelling alternative to that conventional wisdom — that the true problems of the euro zone could be best addressed if Germany were the one to leave, accompanied, perhaps, by a few other rich countries.

The argument for the weak countries leaving is that they would be able to escape the austerity policies imposed by Germany. Once they abandon the euro, their new national currencies would quickly depreciate, making their economies more competitive internationally because their exports would be cheaper for foreigners to buy. In the process, of course, the weak countries might have to default on their euro-denominated debt, but that would be the inescapable price of freedom. Presumably, the richer European countries would then try to establish a smaller, more viable common-currency zone.

The trouble with this conventional scenario is that it rests on a couple of big misconceptions — namely that the chief problems of the weak countries are budget deficits and debt, and that if budgets are balanced and debt is managed down, those countries would be able to make interest payments on their bonds and the banks that own those bonds wouldn't have to suffer big losses.

In reality, though, the biggest problem of financially troubled European countries is not debt but high labor costs. Easy credit over the past decade allowed those costs to rise rapidly in some countries, which were then less able to export their goods or compete with cheap imports. From 2000 to '07, higher labor costs reduced competitiveness by 10% to 20% in Italy and Spain. And even with all the austerity policies since 2008, Spain and Italy have been able to improve their competitiveness only by a few percentage points, if at all. Those countries will never be able to compete economically until they get their labor costs down significantly. And it's very difficult politically to get workers to accept 10%-to-20% wage cuts.

Well, there is one way: financially weak European countries could devalue their currencies, which would bring down labor costs across the board almost invisibly. That's a lot easier for a population to accept than overt wage cuts industry by

industry. Moreover, in the absence of devaluation, countries would spend the next decade chipping away at labor costs in an atmosphere reminiscent of the Great Depression. The only catch is that devaluation is precisely what the euro was designed to prevent.

So why shouldn't the weaker countries just pack up and leave? Trouble is, although their new currencies would immediately fall in value, the euro would remain strong. And as soon as people anticipated a devaluation, they would withdraw money from local banks and instead deposit it in the banks of countries that were going to keep the euro. Moreover, countries that left the euro zone would still be stuck with debts to foreigners that would be denominated in euros — but they would have to pay back those loans with their own devalued national currencies, which would make the debt burden seem even heavier.

At the very least, the result would be capital flight and higher interest costs. And more likely, countries that leave the euro zone would be unable to make all the payments on their debt and would end up defaulting anyway. That would be incredibly disruptive to the global banking system, and the countries that defaulted would probably be locked out of the credit markets for several years.

By contrast, if Germany were the one to leave, the euro would be the currency that falls in value, relative to Germany's new national currency and also to the dollar. The weaker European countries would get to keep the euro but still get the devaluation they need, which would reduce their labor costs far less painfully than through wage cuts. In addition, the value of their outstanding debt would decline along with the value of the euro, and they would be more likely to be able to make payments on that debt and avoid defaulting.

The standard argument against this solution is that as the value of euro-denominated debt falls along with the euro, banks in many countries would have big losses on bonds they own. But losses from falling bond prices are less disruptive than sudden defaults. And the fact is that those losses have really already occurred, they just haven't been acknowledged. The goal at this point is not so much to prevent losses, but to find a way for banks and other international financial institutions to absorb their losses without triggering sudden bank failures or a global financial crisis. In short, it's not about the money, it's about stability. And for once, it may be easier to maintain order without the help of Germany.

New York Times  
Feb 2 2012

## Wishing Upon an Atom in a Tiny French Village

SCOTT SAYARE

FESSENHEIM, France — The protesters who periodically descend upon this rural village say the aging nuclear power station here, in the woods beyond the cornfields, is a calamity in waiting. They note that its twin reactors, the country's oldest, were built 30 feet below the dike of the canal that runs alongside the Rhine River — the water serves as the station's coolant — but that France's national utility, which runs the plant, has declined to study the consequences of a break in the embankment. The plant also sits in a seismic zone — in 1356, an earthquake decimated the Swiss city of Basel, just 30 miles south — and atop one of Europe's largest aquifers. The concrete containment vessels that surround the reactors at Fessenheim are just a fraction of the thickness of those at the Fukushima Daiichi plant in Japan, at least one of which was shown to have cracked in the disaster there.

The front-runner in this year's presidential race, the Socialist François Hollande, has pledged to close the plant if he is elected in May. Even in the wake of the meltdown in Japan, as France's European neighbors have begun to close nuclear plants, this village quite likes its power station. Just a mile or so from the border with Germany — which closed its eight oldest reactors within days of the Fukushima disaster — Fessenheim seems a fitting symbol of France's attachment to the atom. The village's 2,341 inhabitants pay little heed to the warnings of catastrophe from antinuclear types. They are far more interested, they say, in the doctors and nurses who have chosen to work here, the bike lanes and freshly paved roads, the pharmacy, the supermarket, the public pool, media center and athletic complex, as well as the day care center, the nursery school, the elementary and middle schools — all of them subsidized by the millions of euros in taxes that flow from the plant each year.

France's 58 nuclear reactors produce nearly 75 percent of the country's electricity — the largest proportion for any nation in the world — with a total installed capacity second only to that of the United States. The nuclear industry accounts for an estimated 400,000 jobs, and France sells and builds nuclear plants abroad. The country is the world's largest net exporter of electricity. Just over the Rhine, Germany's remaining nine reactors are scheduled for closing by 2022. Switzerland's government banned the construction of new nuclear plants last May. Spain has had a similar ban in place for years, while in Italy, where the last nuclear plant ceased operation in 1990, voters last year repealed a government plan for new sites.

France, meanwhile, has shut not a single reactor in the wake of the disaster in Japan, and it is building a next-generation plant on the northern coast. In a report released this week, the government auditing agency advised that the country's reliance on nuclear energy is such that France has little choice but to continue operating all its nuclear stations for at least the coming decade.

President Nicolas Sarkozy has pledged to protect the industry from his presidential opponents. "Our nuclear industry constitutes a force — an economic force, a considerable strategic source for France," he said in November. "To destroy it would have consequences that would be — I dare to use the word — dramatic."

United States

The Economist November 26th 2011

Gun control

## Have firearm, can travel

LV2 Ang 9  
(18.30 juin)

WASHINGTON, DC

**The House smiles on hidden guns, but gun-control advocates may have secret weapons in the Senate**

ONE question that worries many visitors to [defensivcarry.com](http://defensivcarry.com), a website devoted to the delights and pitfalls of life with a hidden gun, is whether their "concealed-carry" permits will be valid outside the state in which they are issued. Can they take their guns on holiday with them? Can they pack them in their checked bags for a flight? What if their plane is diverted to a spot like New York, which makes it exceedingly difficult to carry a gun? And if they cannot bring their guns with them, how will they defend themselves and their loved ones when threatened?

Gun-rights activists have a simple solution: require all states to honour one another's concealed-carry permits. There is no reason to suppose, says Andrew Arulanandam of the National Rifle Association (NRA), that a person considered fit to carry a gun in one state would suddenly become a menace to society on entering another. Many states already have such reciprocal agreements, without any obvious ill effects, he adds. The House of Representatives agrees: earlier this month it approved a bill that would make one state's permit valid in any other, with the exception of Illinois and the District of Columbia, both of which do not allow concealed weapons at all.

Opponents of the measure, including the mayors and police chiefs of many big cities, say it will allow people to get around local rules about who can obtain a concealed-weapon permit. Many states require permit-holders to undergo safety training, for example, or deny permits to alcoholics; others do not. Four states—Alaska, Arizona, Vermont and Wyoming—do not require a permit at all, although three of them do helpfully issue them for use outside the state. The question of which states have the cheapest and easiest-to-obtain permits is another popular topic on [defensivcarry.com](http://defensivcarry.com). Forcing states to accept the permits of the most permissive jurisdictions would be an assault on states' rights, says Mark Glaze of Mayors Against Illegal Guns, a pressure group.

It will fall to the Senate to adjudicate. John Thune, a Republican from South Dakota, says he is working on getting concealed carry through the chamber. He was also the leader of the last attempt, in 2009, that fell just two votes short of approval. Conditions look more favourable now. Several of the Democrats who voted against reciprocity then have since been re-



Ready to face New York

placed by Republicans, who tend to be keener on gun rights. Others, such as Claire McCaskill of Missouri, are facing difficult re-election battles in gun-friendly states. Even Barack Obama, the bogeyman of gun-rights groups, has wavered on the subject of concealed carry. He claimed to oppose it as a candidate, but then signed a law permitting it in national parks in 2009.

Mr Obama, facing a difficult re-election battle of his own, would probably prefer not to offend anyone by weighing in on either side this time. Harry Reid, the leader of the Democratic majority in the Senate, could well grant him his wish, by preventing the subject from coming to a vote. And even if there is a vote, gun-control advocates assume that when the chips are down enough Democrats would probably be available to foil Mr Thune again. But relying on allies who do not wish to come forward until the last minute is always a nerve-racking proposition. □

## Dutch mobile euthanasia units to make house calls

Kate Connolly

guardian.co.uk

1 March 2012

A controversial system of mobile euthanasia units that will travel around the country to respond to the wishes of sick people who wish to end their lives has been launched in the Netherlands. The scheme, which started on Thursday, will send teams of specially trained doctors and nurses to the homes of people whose own doctors have refused to carry out patients' requests to end their lives.

The launch of the so-called *Levensende*, or "Life End", house-call units – whose services are being offered to Dutch citizens free of charge – coincides with the opening of a clinic of the same name in The Hague, which will take patients with incurable illnesses as well as others who do not want to die at home.

The scheme is an initiative by the Dutch Association for a Voluntary End to Life (NVVE), a 130,000-member euthanasia organisation that is the biggest of its kind in the world. "From Thursday, the Life End clinic will have mobile teams where people who believe they are eligible for euthanasia can register," Walburg de Jong, a NVVE spokesman, said. "If they do comply, the teams will be able to carry out the euthanasia at patients' homes should their regular doctors be unable or refuse to help them," he added.

The Netherlands was the first country to legalise euthanasia in 2002 and its legislation on the right to die is considered to be the most liberal in the world. But doctors cannot be forced to comply with the wishes of patients who request the right to die and many do refuse, which was what prompted NVVE to develop a system to fill the gap.

Sick people or their relatives can submit their applications via telephone or email and if the patient's request fulfils a number of strict criteria, the team is then dispatched. Legal guidelines state that the person must be incurably sick, be suffering unbearable pain and have expressed the wish to die voluntarily, clearly and on several occasions.

According to De Jong, the team will make contact with the doctor who has refused to help the patient to die and ask what his or her reasons were. More often than not, he said, the motivations are religious or ethical, adding that sometimes doctors were simply not well enough informed about the law. If the team is satisfied that the patient's motives are genuine, they will contact another doctor with whom they will start the euthanasia process. "They will first give the patient an injection, which will put them into a deep sleep, then a second injection follows, which will stop their breathing and heart beat," De Jong said.

Every year 2,300 to 3,100 mercy killings are carried out in the Netherlands, although opponents of the practice claim the figure is much higher because many cases are not registered.

Jan Kuyper, of the Life End Clinic Foundation, said: "We're not trying to push any boundaries here." He said it was quite possible that the mobile teams would not end up carrying out a mercy killing, either due to medical questions about the case or if doubt is cast on the patient's motives.

Little is known about the Life End teams. But one of the team leaders is believed to be a 67-year-old retired doctor who carried out 20 mercy killings during his medical career.

In neighbouring Germany, where mercy killings are strictly illegal, euthanasia opponents were particularly vocal in expressing their outrage at the developments. "This is an inhumane proposal," said the German Hospice Foundation, while the group Life Rights for Everyone called it a "warped understanding of [the meaning of] autonomy".

India's dynastic politics

## Must it be a Gandhi?

Whatever the young heir's merits, modern India surely needs a broader choice for its effective ruler



she has not resumed full duties since receiving treatment abroad for an undisclosed illness, probably cancer. Her son, Rahul, has long been cultivated to take charge of the family firm. But there is a problem with the mild-mannered heir.

Mr Gandhi, a quietly clever 41-year-old free of the accusations of graft that dog so many Indian politicians, is popular. But he seems neither enthusiastic about the job of leading a billion people, nor especially well-equipped to manage India's feuding politicians (see page 59). He has spurned the front-line, preferring to confine himself in youth and rural politics. Two years ago he turned down the offer of a cabinet post from the prime minister, Manmohan Singh. He hardly ever speaks in India's boisterous parliament. When helping deal with a populist anti-corruption campaign this summer he seemed diffident. Some dream of one day persuading his sparkier sister, Priyanka, to come into politics instead, though she has ruled that out (and also comes with a somewhat controversial business-tycoon husband in tow).

To be fair to Rahul, the Gandhi clan has often produced slow starters. Even Indira was tongue-tied and bashful early in her career. The more timid of her two sons, Rajiv, Rahul's late father, was desperately reluctant to enter politics. His Italian-born widow, Sonia, took years of cajoling before becoming the force behind Congress and India's most powerful person. She has turned shyness into an art form, wielding power from the shadows. If Rahul brings a victory for Congress next year

in crucial regional elections in Uttar Pradesh, a vast state of 200m people, his critics would no doubt forget about his sister rapidly. He could then ascend to the prime ministerial job after elections in 2014.

But the apprentice's time is running short—and not just because of the worries about his mother's health. India's politics is also ailing. In the face of slowing growth, high inflation and awful corruption, the government is looking increasingly fossilised. No notable legislation has passed since the general election in 2009. Next year Mr Singh turns 80. He needs bright new talents to rediscover his sense of purpose. A big reshuffle is long overdue, yet Congress seems wary of promoting any young ministers, for fear of outshining the crown prince.

### There are a billion other people

Anyone who wants India to succeed should hope that Mr Gandhi turns into the leader the country so desperately needs. Yet for Congress and India, it is a sorry choice. The consequence of being in thrall to a bloodline is a weak party that lacks shared policies or common values. Promotions are made not on merit, but on closeness to the ruling family. Burgeoning India is hard enough to govern without disqualifying almost the entire population from becoming head of the country's biggest party. India needs the best possible Congress party, under the control of the best available leader.

As it happens, Mr Gandhi is a rare voice willing to admit some of this. He says he wants to change a system where "politics depends on who you know or are related to." As Indians shift to the cities and become more literate and informed, they will surely want to hold their government to account—over corruption, economic performance, social security and more. They will care ever less about bloodlines. Eventually dynastic rule will have to give way to something more openly contested and democratic. Let it be sooner rather than later. □

# Fun and games

## Not everyone loves the Olympics

LONDON'S leisure industry hopes for a bonanza next July and August, thanks to the Olympics. To lure hordes of visitors, a campaign marketing Britain abroad has been launched with the slogan "You're invited". But they may not come.

When Britain won the right to host the Olympics in 2005, ministers promised a windfall not just for sport but for tourism. Previous hosts held similar hopes, and were mostly disappointed. Since the 1992 Barcelona games, hosts have seen a fall in foreign guests during each Olympics, as well as in the months before and after, says the European Tour Operators Association (ETOA), a trade body. In Beijing, hotel bookings in August 2008 were 39% lower than they had been a year earlier.

The belief that a city will be expensive and chock-a-block with sports fans can deter visitors. Official advice this time reinforces that notion: Transport for London, which runs most of the capital's transit system, has asked locals to stockpile goods and stay at home to ease congestion.

Fully 4.2m foreign tourists came to London in the summer of 2010, as well as 3m British ones. The government has belatedly acknowledged that it would be a shame to lose them. Speaking at a trade fair for the tourism industry on November 7th, Jeremy Hunt, the culture secretary, expressed confidence that Britain could "defy the tourism dip" other hosts have experienced.

Early signs are not encouraging. A sample poll of tour operators by ETOA suggests 2012 bookings are a fifth lower than at this time last year; for the Olympic period they are even slower, in part because some hotels are demanding money up front. That does not mean the games will be a commercial disaster: Olympic organisers have already reserved a third of London's hotel rooms for athletes, officials, sponsors and the media. But hotels may not see the high demand -or high prices- they expect. Barcelona and Athens did not fill their 13,000-16,000 rooms. London has 125,000.

London's proximity to other destinations normally lifts its tourist trade: it is Europe's most-visited city. But this may be a disadvantage when it comes to hanging on to Olympic spectators. Of the past three games, people stayed for longer in Sydney and Beijing than they did in Athens, which, like London, is a short-haul trip for many international passengers.

In fact, most fans are likely to be local: British residents have bought 95% of the 3.5m tickets sold so far, reports the London 2012 Organising Committee. Since much of the population lives within a day's commute of the capital, many ticket-holders could bypass the city's other offerings. They are likely to spend money on some things, of course. "These people still have to eat," points out Miles Quest of the British Hospitality Association.

Sensing weakness in London, Scotland's tourist board has revved up its marketing operation. But it, too, may crash into a hurdle. In Greece, the Ionian Islands and other tourist hotspots suffered even more during the 2004 Olympic slump than did Athens, reckons ETOA.

Determined not to be judged by medal tables alone, London will stage a cultural extravaganza around the Olympics. Yet the city's routine cultural offerings are far from scant - and some question whether the city really needs to sell its brand. The 2008 Beijing Olympics was a chance for China to display its wealth and prowess. Britain, by contrast, already has one of the best-developed tourist markets in the world. Yet the long-term benefit of hosting a slick and beautiful games may become apparent in the long run. The nation's boosters must be hoping that, even if they do not come next year, prospective tourists are at least watching from afar.

## The cashier and the carpenter

### Men and women do different jobs for different pay

IN 1964 LADYBIRD BOOKS, a British publishing company, launched a series of small picture books to help young children learn to read. They featured Peter and Jane, their dog, their house, their toys and the rest of their little world. Their dad went out to work and their mum stayed at home and looked after Peter and Jane. By the late 1970s, after a couple of updates, their world had changed slightly: dad did more things around the house and Jane was wearing jeans rather than skirts. But she still spent a lot of her time at home playing with her doll or helping mum. Peter preferred to be out and about with dad.

The books are still available, but their charm is now of the vintage variety. When they were first published, families in most industrial countries were just like Peter's and Jane's. In America in the early 1970s more than half of all families with children consisted of a breadwinner husband, a stay-at-home wife and two or more kids; now only a fifth do. Instead there are lots of single-parent households, and even if couples live together they no longer necessarily marry. If they do, the wives are likely to go out to work, whether or not they have dependent children, and take only a short break for maternity. Life is too expensive for most families to be able to manage on one pay cheque. In most rich countries the dominant model now is the two-earner family, with both parents working full-time.

Men are still more likely than women to be in paid work. Across the OECD countries some 83% of men of working age are in the labour market, compared with 64% of women. But the share of women at work is still rising. In the Nordic countries the gap between men and women has almost gone and in most of the big rich countries it is only ten or 15 percentage points. In the emerging markets it is much wider, not least because women do a lot of unpaid work in family businesses and farms that do not show up in the figures. However, in China the gap, at about 12 percentage points, is smaller than in many Western countries.

Even in rich countries the numbers are not all they seem because women generally put in far fewer hours than men. Measured by how many full-time jobs those hours would add up to, the average employment gap between men and women in the OECD widens to around a third. That is because women, particularly if they have children, are much more likely than men to work part-time and even in full-time jobs they work shorter hours.

The main reason why women do not put in long hours at their jobs is that they work long hours at home. Housework and child care the world over, but particularly in poor countries, are still seen mainly as a woman's responsibility, whether or not she also has a formal job. Even in the rich world women spend at least twice as much time as men on unpaid work: an average of 33 hours a week, against 16 for men. Where working women are the norm, as in the Nordic countries, the gap between the unpaid hours put in by men and women are smaller, though not negligible; where more of them stay at home, as in southern Europe, and particularly Japan and South Korea, it is much larger.

It may be unfair, but by working shorter paid hours, women are managing to achieve a reasonable balance in their lives. In a regular survey produced by the European Foundation for the Improvement of Living and Working Conditions, only 16-18% of women (depending on whether they have young children) across Europe report dissatisfaction with their work-life balance, against 20-27% for men.

The most vexing gap between the sexes is in pay. Almost all rich countries have laws, passed mostly in the 1970s, that are meant to ensure equal pay for equal work, and the gap did narrow noticeably for a while when women first started to flood into the labour market. In America, for instance, it has halved since 1970, from 40% to 20%. But most of those gains came in the early years and have tailed off. Across the OECD the difference in male and female median hourly earnings now averages around 18%, but with large and sometimes surprising variations.

[...]

12 January 2012 – bbcnews.co.uk

## Nike agrees \$1m overtime payment for Indonesian workers

Sportswear group Nike has agreed compensation in a dispute with workers in Indonesia over unpaid overtime. Its Indonesian subsidiary will pay \$1m (£650,000) to about 4,500 workers at a PT Nikomas plant in Serang, Banten.

The workers union that brought the case to Nike said in a statement that 593,468 hours of overtime went unpaid over the last two years. The union said it hopes this will set a precedent for factories across the country. "This has the potential to send shock waves through the Indonesian labour movement," said Bambang Wirahyoso, the national chairman of the Serikat Pekerja National (SPN) trade union. "The leadership at SPN is gearing up to take on the fight for any workers who have been subjected to forced overtime without pay. We have only just begun."

The settlement comes after 11 months of negotiations between Nike and the union. Nike said in a statement: "Nike commends the factory on their action plan and efforts to correct inadequacies in current policies designed to protect the rights of workers. Nike will continue to monitor and support their efforts to remediate the situation." The company also said it would offer training programs, and set up a task force to address grievances.

However, despite the settlement, the issue is likely to remain a contentious one between the two parties. SPN said that while it was pleased with the result, the workers were owed much more. "The practise of forcing workers to do overtime without pay was actually happening for 18 years at Nikomas, but Indonesian law only allows redress for the past two years," SPN said in a statement.

The BBC's Jakarta correspondent, Karishma Vaswani, said that while the money being paid was not substantial, "the symbolism of this compensation will go a long way towards making workers here feel like they have won a significant victory". She added that even though the case was settled out of court, it was likely to make other international companies operating in Indonesia take note. "The fact that Nike had opted to handover this million dollars and an apparent admission of some wrong doing at their Indonesia plant, may serve as a warning to other companies here be a bit more mindful of what happens at their Indonesia subsidiary," she told the BBC's Asia Business Report.

The unions have said they are planning to take action against other multinational firms such as Adidas and Puma.

In 2011, sportswear maker Nike saw its second-quarter income rise, helped by strong demand for its branded products. The world's biggest sports clothing maker earned \$469m (£300m; 359m euros), up from \$457m for the same quarter a year ago. Revenue at Nike rose 18% to \$5.7bn, while futures orders were up by 13% to \$8.9bn in the quarter. Higher product costs again dented profit margins, which fell by 2.6 percentage points to 42.7%.



LV2 Aug38

(02-10 juillet)

## The Economist

### Animal-rights protests

## A beastly business

### Peaceful protests against animal testing are on the rise

Oct 22nd 2011 | from the print edition

A FOG of confusion shrouds British attitudes to animals. For a nation of pet-lovers, Britain has surprisingly few vegetarians—just 3% of the population—a point that Hugh Fearnley-Whittingstall, a celebrity chef, tried to make on October 11th when he described the distinction between a pet and a farm animal as “cultural” and suggested, to general outrage, that puppies could be reared for meat. Britain’s animal-experimentation laboratories boast higher welfare standards than many of its farms and abattoirs, yet provoke far more anger. That hostility is now being expressed more openly, as moderate protesters discover new causes to champion and reclaim their campaign from extremists.

The number of peaceful protests against institutions that perform research on animals has increased markedly of late (see chart), as memories of the violent attacks on the homes and cars of researchers have faded, according to information supplied by members of the Association of the British Pharmaceutical Industry, a lobby group that keeps tabs on such matters. It reckons that many moderate protesters were so appalled at the increasingly abhorrent tactics used by extremists—which culminated in a grave-robbing in 2004—that they abandoned the cause. Only after such attacks had all but halted in

2009 did they return to the barricades.

There is more for them to shout about. Despite a ban on the testing of cosmetics and household products on animals, the number of experiments performed in Britain rose by almost 40% between 2000 and 2010 to 3.7m, mainly because increasing numbers of genetically modified rodents were used. In France just 2.5m experiments were conducted in 2010 and the figure has been stable for many years.

Two aspects of European legislation may push the figure higher still. The REACH directive, an effort to identify whether chemicals that are already used in vast quantities could be toxic to people, requires that their safety be demonstrated scientifically. In some cases only animal tests are deemed sufficient. The European Commission has estimated that 9m animals may be used for such tests; some observers put the figure far higher. Second, changes to the strict laws that require British scientists to consider alternatives to animal tests may be partially relaxed as a result of European reforms. The Home Office is due to respond to a consultation on the subject within the next few weeks.

Emboldened by the rise of the moderates, new campaigns have begun. Animal Aid, for example, is targeting medical-research charities, which it sees as more amenable to influence than the remote laboratories in which the work is done. It plans to step up its protests.

For their part, scientists are beefing up their security on the advice of the police, lest animal-rights extremism return. The last of four people who were convicted of conspiracy to blackmail as part of their effort to intimidate a family who bred guinea pigs at Darley Oaks Farm was released from jail last month. The National Extremism Tactical Co-ordination Unit, which oversaw their arrest, has turned its attention to such matters once again.

Yet direct campaigns to eliminate animal experimentation by targeting institutions that facilitate it have so far relocated rather than removed the practice. In 1997, for example, protesters directed their anger at Consort Kennels, which bred beagles for animal-testing laboratories. It closed, but it sold much of its stock to the laboratory it supplied so that it could breed the animals needed in-house.

Any successful effort to eliminate animal experiments is more likely to come from within laboratories than outside them, argue researchers. Animal testing is expensive and can be of dubious value, and scientists would prefer cheaper and more reliable alternatives. Alas for lab rats everywhere, such alternatives are not yet sufficiently developed for animal experimentation to be relegated to the past.

CV2 Ang 40

(02.10 juillet)

# The Economist

## Global poverty

### A fall to cheer

**For the first time ever, the number of poor people is declining everywhere**

Mar 3rd 2012 | from the print edition



THE past four years have seen the worst economic crisis since the 1930s and the biggest food-price increases since the 1970s. That must surely have swollen the ranks of the poor.

Wrong. The best estimates for global poverty come from the World Bank's Development Research Group, which has just updated from 2005 its figures for those living in absolute poverty (not be confused with the relative measure commonly used in rich countries). The new estimates show that in 2008, the first year of the finance-and-food crisis, both the number and share of the population living on less than \$1.25 a day (at 2005 prices, the most commonly accepted poverty line) was falling in every part of the world. This was the first instance of declines across the board since the bank started collecting the figures in 1981 (see chart).

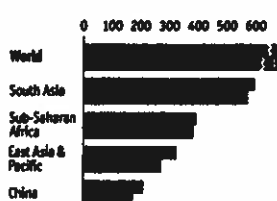
The estimates for 2010 are partial but, says the bank, they show global poverty that year was half its 1990 level. The world reached the UN's "millennium development goal" of halving world poverty between 1990 and 2015 five years early. This implies that the long-term rate of poverty reduction—slightly over one percentage point a year—continued unabated in 2008-10, despite the dual crisis.

A lot of the credit goes to China. Half the long-term rate of decline is attributable to that country

alone, which has taken 660m people out of poverty since 1981. China also accounts for most of the extraordinary progress in East Asia, which in the early 1980s had the highest incidence of poverty in the world, with 77% of the population below \$1.25 a day. In 2008 the share was just 14%. If you exclude China, the numbers are less impressive. Of the roughly 1.3 billion people living on less than \$1.25 a day in 2008, 1.1 billion of them were outside China. That number barely budged between 1981 and 2008, an outcome that Martin Ravallion, the director of the bank's Development Research Group, calls "sobering".

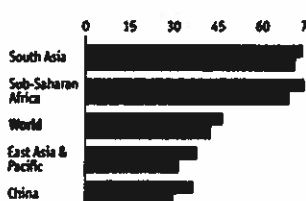
#### Drops of good news

Number of people living below \$1.25\* a day, m



Source: World Bank

Population living below \$2.00\* a day, % of total



\*At 2005 purchasing-power parity

If China accounts for the largest share of the long-term improvement, Africa has seen the largest recent turnaround. Its poverty headcount rose at every three-year interval between 1981 and 2005, the only continent where this happened. The number almost doubled from 205m in 1981 to 395m in 2005. But in 2008 it fell by 12m, or five percentage points, to 47%—the first time less than half of Africans have been below the poverty line. The number of poor people had also been rising (from much lower levels) in Latin America and in eastern Europe and Central Asia. These regions have reversed the trend since 2000.

All this is good news. It reflects the long-run success of China, the impact of social programmes in Latin America and recent economic growth in Africa. It is also a result of the counter-cyclical fiscal expansions that many developing countries, notably China, embarked on in

response to the 2007-08 crisis. Many economists (including some at the World Bank itself) were sceptical about these programmes, fearing they would prove inflationary, inefficient and ill-timed. In fact, the programmes helped make poor and middle-income countries more resilient.

The poverty data chime with other evidence. Estimates by the Food and Agriculture Organisation that the number of hungry people soared from 875m in 2005 to 1 billion in 2009 turned out to be wrong, and were quietly dropped. Derek Headey of the International Food Policy Research Institute has shown that despite the

world food-price spike, people's assessment of their own food situation in most poor and middle-income countries was better in 2008 than it had been in 2006.

Most of the progress has been concentrated among the poorest of the

poor—those who make less than \$1.25 a day. The bank's figures show only a small drop in the number of those who make less than \$2 a day, from 2.59 billion in 1981 to 2.44 billion in 2008 (though the fall from a peak of 2.92 billion in 1999 has been more impressive). According to Mr Ravallion, poverty-reduction policies seem to help most at the very bottom. In 1981, 645m people lived on between \$1.25 and \$2 a day. By 2008 that number had almost doubled to 1.16 billion. Even if many of these middling poor move up, their places are often taken by those who have just escaped from absolute poverty; population growth does the rest. The poorest of the poor seem to have escaped the worst of the post-2007 downturn. But the growth in the middling poor shows there is much to be done.