FINANCIAL TIMES

WEDNESDAY 28 DECEMBER 2022 INTERNATIONAL NEWSPAPER OF THE YEAR ASIA

The power of climate change hogwash
PILITA CLARK, PAGE 16

Drama is the populist's most damaging trait
JANAN GANESH, PAGE 17

US big freeze
Deadly storm brings chaos

Lindsay DeDario/Reuters

Ice formed in a blizzard by the spray off Lake Erie encases a restaurant in Hamburg, New York.

President Joe Biden has declared an emergency in the state after the winter storm over the Christmas weekend.

The blizzard caused chaos across the US, leaving at least 49 people dead and tens of thousands without power. Meteorologists described the weather as a "bomb cyclone", denoting a storm that intensifies rapidly, with temperatures across the country plummeting to as low as minus 40C over the past few days.

As the ferocity of the cold blast abated yesterday, travel disruption hit the run-up to the New Year.

According to the flight-tracking site FlightAware, more than 2,800 US flights had been cancelled by yesterday morning, while nearly 1,000 more had been delayed.

Flights cancelled page 2

Beijing scraps travel quarantine rules in firm break with zero-Covid policy

● Coronavirus regime dismantled ● Fear of 1mn deaths as cases spiral ● Chinese equities boosted

THOMAS HALE — SHANGHAI

China will remove quarantine requirements for inbound travellers from January 8 as the country dismantles the remnants of a zero-Covid regime that closed it off from the rest of the world for almost three years.

The National Health Commission revealed the move as part of a wider announcement that downgraded the country's management of Covid-19 and definitively abandoned a host of other preventive measures.

The Chinese Center for Disease Control and Prevention said yesterday that under the downgraded classification, it would release Covid data only monthly.

China's data has ceased to reflect the situation on the ground as rules such as mass testing have ended. But computer modelling has estimated that the virus could lead to close to 1mn deaths.

The government, which this month also scrapped the requirement for positive cases to quarantine at centralised facilities, is battling a severe outbreak, with estimated cases spiralling into the hundreds of millions.

Announcing the relaxation, however, the NHC said that more than 90 per cent of cases of the Omicron variant were

> China is set to miss an annual 5.5% growth target that was already its lowest in decades

"mild or asymptomatic", a shift in tone as coronavirus rages across a country where until recently very few of the 1.4bn population had contracted it.

Chinese equities led rises across the Asia-Pacific region after the change in rules yesterday, with the CSI 300 of Shanghai and Shenzhen-listed stocks climbing 1.15 per cent, while the Shanghai Composite index gained 1 per cent. Hong Kong's exchange was closed.

China had pursued a strict zero-Covid policy since the pandemic emerged, locking down many of its largest cities and imposing quarantines on foreign arrivals in an attempt to eliminate the virus within its borders.

Late this year, the policy began to unravel as authorities struggled to contain outbreaks, including in the capital Beijing. Protesters took to the streets in November in a rare display of defiance against the central government, which dramatically relaxed its approach.

The quarantine announcement signalled the end of the zero-Covid system that transformed China's relationship with the outside world and which for long periods successfully limited the transmission of the virus.

At one point this year, inbound travellers were required to spend three weeks in a hotel room. After January 8, arrivals will be required only to have a negative Covid test result within 48 hours of departure and to wear masks on flights.

The immigration authority announced yesterday that it would resume granting visas for mainland residents to travel abroad from January 8. Authorities will also start issuing coveted Hong Kong entry permits.

Economic data highlight the costs of the policy. Retail sales, a gauge of consumer spending, fell 5.9 per cent year on year in November, worse than expectations, while the economy is set to miss an annual 5.5 per cent growth target that was already its lowest in decades.

But analysts have also warned over the economic and corporate costs as the virus sweeps China, with Apple among those vulnerable. Its shares slipped 1.9 per cent yesterday to below $130, striking their lowest level since June 2021 as investors worry over disruption to its China-based assembly operations.

Additional reporting by Cheng Leng

Health workers bear the brunt page 3
Apple faces earnings hit page 6

Briefing

▸ Cyber attacks to become uninsurable, warns Zurich
Zurich, one of Europe's biggest insurers, has said cyber attacks rather than natural catastrophes will become "uninsurable" as hacking disruption grows.— PAGE 6

▸ Putin imposes oil ban
Vladimir Putin has hit at the G7's moves to cap gains from Russia's oil revenues, by banning sales under contracts that comply with the $60 price ceiling.— PAGE 2

▸ Taiwan firms up defences
Two days after China's latest air drills around Taiwan, Taipei has pledged to beef up its defences with longer military service and more muscular training.— PAGE 4

▸ Covid hits iPhone output
Apple is under threat from a Covid-19 outbreak in China, with supply-chain experts warning of a risk of months-long disruption to iPhones' production.— PAGE 6

▸ S Korea leader pardoned
Lee Myung-bak, ex-president of South Korea, is to be pardoned, four years into a 17-year sentence for embezzlement, corruption and bribery.— PAGE 4

▸ India in ecommerce push
New Delhi is set to launch a state-backed ecommerce initiative to "democratise" online shopping and challenge the dominance of Amazon.— PAGE 6

Datawatch

Crypto investment surge
Number of FDI projects — $'000 per Bitcoin

Source: fDi Intelligence

Bitcoin hit a record high against the dollar in 2021, paving the way for a 2022 rise in crypto foreign direct investment projects. The United Arab Emirates has attracted the largest number of projects, having set up a conducive regulatory environment.

Crypto downturn forces NFT creators to diversify

Play for the real world ▸ PAGE 8

Australia	A$7.00(inc GST)
China	RMB30
Hong Kong	HK$33
India	Rup220
Indonesia	Rp45,000
Japan	¥650(inc JCT)
Korea	W4,500
Malaysia	RM11.50
Pakistan	Rupee 350
Philippines	Peso 140
Singapore	S$5.80(inc GST)
Taiwan	NT$140
Thailand	Bht140
Vietnam	US$4.50

Subscribe In print and online

www.ft.com/AsiaSubs
Tel: (852) 5803 3388
Fax: (852) 2905 5590
email: subseasia@ft.com

No: 41,207★

Printed in London, Liverpool, Glasgow, Dublin, Frankfurt Milan, Madrid, New York, Chicago, San Francisco, Tokyo, Hong Kong, Singapore, Seoul, Dubai

JPMorgan eyes $15bn of client money held in rival Morgan Stanley's tax fund

JOSHUA FRANKLIN — NEW YORK

JPMorgan Chase's army of private bankers are pushing rich clients to move billions of dollars from Morgan Stanley's tax strategy funds on to the bank's own platform, according to people familiar with the matter.

The initiative comes after JPMorgan announced an expansion in September of its "tax-smart" platform, which offers tax-loss harvesting — the process of selling securities at a loss that can then be used to offset taxable gains — and customised portfolios.

Tax-loss harvesting has boomed on Wall Street with Parametric, owned by Morgan Stanley, a leading provider.

JPMorgan's private bank this year identified about $15bn of client funds held with Parametric that could be migrated to its own platform, one of the people familiar with the matter said. JPMorgan would continue to offer Parametric funds to its clients.

JPMorgan and Morgan Stanley declined to comment.

Morgan Stanley acquired fund manager Parametric in 2021 through its $7bn acquisition of Eaton Vance. JPMorgan had also bid for Eaton Vance, the Financial Times has reported.

After missing out on Eaton Vance, JPMorgan bought Boston-based financial technology company 55ip in December 2020, which subsequently formed the cornerstone of the new tax platform being pitched to clients by the bank.

Direct indexing firms such as Parametric allow investors to create bespoke portfolios tailored to their personal preferences. This can range from creating a basket of investments to mimic the performance of an established index, to managing tax losses.

JPMorgan's bankers are tempting clients to consider a move from Parametric on the basis that their new product is cheaper and will provide more regular reports for investors, the people familiar with the matter said.

The bank can run its own service at a lower cost and in-house ownership prevents it becoming reliant on a rival, such as Morgan Stanley, should it ever try to raise prices or restrict access for its clients, say the same people.

JPMorgan has made 55ip available to outside investment advisers.

Since the bank acquired the company, the number of accounts on its platform has grown from 5,000 to 25,000 — about 95 per cent of which are from third party-registered advisers — one person familiar with the matter said.

World Markets

STOCK MARKETS

	Dec 27	Prev	%chg
S&P 500	3839.03	3844.82	-0.15
Nasdaq Composite	10403.50	10497.86	-0.90
Dow Jones Ind	33336.31	33203.93	0.40
FTSEurofirst 300	1691.10	1688.62	0.15
Euro Stoxx 50	3832.81	3817.01	0.41
FTSE 100	7473.01	7469.28	0.05
FTSE All-Share	4083.66	4079.25	0.11
CAC 40	6550.66	6504.90	0.70
Xetra Dax	13995.10	13940.93	0.39
Nikkei	26447.87	26405.87	0.16

CURRENCIES

Pair	Dec 27	Prev	Pair	Dec 27	Prev
$/€	1.065	1.061	€/$	0.939	0.942
$/£	1.202	1.206	£/$	0.832	0.829
£/€	0.886	0.880	€/£	1.129	1.136
¥/$	133.350	132.850	¥/€	142.011	141.000
¥/£	160.259	160.224	£ index	77.975	78.401
SFr/€	0.989	0.991	SFr/£	1.116	1.126

CRYPTO

	Dec 27	Prev	%chg
Bitcoin ($)	16774.71	16914.72	-0.83
Ethereum	1212.01	1226.97	-1.22

GOVERNMENT BONDS

Yield (%)	Dec 27	Prev	Chg
US 2 yr	4.42	4.31	0.11
US 10 yr	3.84	3.75	0.09
US 30 yr	3.93	3.82	0.11
UK 2 yr	3.66	3.66	0.00
UK 10 yr	3.62	3.62	0.00
UK 30 yr	3.89	3.89	0.00
JPN 2 yr	0.04	0.04	0.00
JPN 10 yr	0.46	0.44	0.02
JPN 30 yr	1.54	1.51	0.03
GER 2 yr	2.60	2.60	0.00

Deadly blizzard

Thousands of flights grounded in US storm

Disruption on Southwest Airlines 'unacceptable', say transport officials

JOSHUA FRANKLIN — MIAMI

US airline passengers are facing continued disruption following a deadly blizzard that swept across the country over the Christmas period, with thousands of flights still being cancelled yesterday.

According to the flight tracking site FlightAware, more than 2,800 US flights had been cancelled by yesterday morning, and nearly 1,000 more had been delayed.

The majority of axed flights were operated by Southwest Airlines, which accounted for 62 per cent of yesterday's cancellations, according to FlightAware.

On Monday, the US Department of Transportation wrote on Twitter: "USDOT is concerned by Southwest's unacceptable rate of cancellations and delays & reports of lack of prompt customer service."

Southwest said in a statement: "With consecutive days of extreme winter weather across our network behind us, continuing challenges are impacting our customers and employees in a significant way that is unacceptable."

The travel chaos follows a blizzard that left more than two dozen people dead and thousands without power, in what local officials described as the area's deadliest snowstorm in decades.

States across the US were struck by the storm, with the hardest-hit area being New York's Erie County, which includes Buffalo, the state's second-largest city.

Kathy Hochul, New York governor, said on Monday that visiting the area was like "going to a war zone".

2,800 Flights cancelled by yesterday morning, says FlightAware

62% Share of axed flights belonging to Southwest Airlines

The blizzard, which meteorologists have described as a "bomb cyclone", denoting a storm that intensifies rapidly, has caused temperatures across the US to plummet to as low as minus 40C over the Christmas period.

The US national weather service had warned last week more than 200mn people, or roughly 60 per cent of the US population, were under some form of winter weather warning or advisory.

US president Joe Biden late on Monday declared an emergency in New York, authorising the Federal Emergency Management Agency and Department of Homeland Security to co-ordinate relief efforts.

Mark Poloncarz, Erie County executive, said at a news conference on Monday the death count had risen overnight from 13 to 25. The overall number of fatalities from the storm in western New York was at least 28, with 49 deaths nationwide, The Associated Press reported.

Poloncarz said a number of the deaths were cardiac events related to snow shovelling and snow blowing, adding that this storm was potentially more deadly than New York's blizzard of 1977.

"The Blizzard of '77 lasted longer, three days of terrible conditions. This was two days of terrible conditions, but the ferocity of the storm was worse than the Blizzard of '77 and now it appears we've had more deaths countywide," said Poloncarz.

He added that as of yesterday, more than 13,000 people have had their electricity restored but over 12,000 were still without power.

In response to reports of looting in the area, Cooley said it was "unfortunate that there's some opportunistic criminals in our society", adding that Buffalo's police department had made an arrest.

Export revenues

Putin bans oil sales under contracts that comply with G7 price cap

ANASTASIA STOGNEI — RIGA

Russia has hit back at the G7's attempts to cap gains from the country's oil revenues, after Vladimir Putin signed a decree banning sales under contracts that comply with the $60 price ceiling imposed by Ukraine's western allies.

The decree, signed by Russia's president and published yesterday, said the Kremlin would ban the sale of the country's crude and crude-related products under contracts that "directly or indirectly imply a price cap mechanism".

However, the decree says Putin "may grant special permission" to sell oil and oil products in certain circumstances even if purchasers comply with the cap — a wording that potentially paves the way for Russia to continue to sell crude to producers in markets such as India and China.

The price cap, imposed in early December, aims to sap funding for the Kremlin's invasion of Ukraine by targeting the oil and gas revenues that make up nearly half of Russia's budget.

In practice, the cap is yet to apply with Urals, Russia's main crude blend, selling at prices below $60 a barrel.

Russia has shrugged off the G7's move, which primarily targets insurance for the oil shipments, and has assembled a "shadow fleet" of vessels

The Kremlin's move is less stringent than harsher options for retaliation floated by Russian media

that continue to ship its oil in response.

Putin's move is less stringent than harsher options for retaliation floated in the Russian media, such as a "bottom" oil price or a minimum discount level for its sales.

The Kremlin's decree comes into force on February 1 and will remain effective for five months, while the date for the similar measure on oil products is yet to be determined.

Putin labelled the G7's move "stupid and premature" earlier this month, noting that Urals was already being sold at a discount to Brent, the global benchmark.

After western nations moved to wind down their purchases of Russian oil and gas following the invasion of Ukraine in early February, Urals has commonly sold at levels below the cap.

Russia has offered generous discounts for the main importers of its oil, India and China.

At present, Russia sells almost 80 per cent of its crude to Asia and only 17 per cent to Europe, two-thirds of which are transported through the Druzhba pipeline, according to figures from Kpler, a data firm.

In the 10 months since Putin launched his invasion of Ukraine, the spread of Urals crude against Brent has widened from the prewar standard of between $1 and $2 to the current level of between $20 and $30 a barrel.

Even at $60, the cap is close to the $70 a barrel price on which Russia's 2023 budget is based, raising doubts about the cap's effectiveness in limiting the Kremlin's fossil-fuel revenues.

Ukraine invasion Russia puts new edge to a dated strategy

JOHN PAUL RATHBONE — LONDON

It was in the dead of winter when several hundred Russian paratroopers landed at a neighbouring country's main airfield with orders to capture the capital, kill the president and install a client regime. As tanks crossed the border, the Kremlin expected the country would quickly fall.

That was Moscow's plan for the Soviet Union's invasion of Afghanistan in 1979. Four decades later, Russian president Vladimir Putin used the same blueprint for his full-scale invasion of Ukraine, where he imagined a swift capture of Kyiv followed by national capitulation.

"There is a depressingly direct parallel between how a group of ageing men in the Kremlin made a bad decision to invade Afghanistan and how another group of ageing men in the Kremlin made a decision to invade Ukraine," said Mark Galeotti, a Russia expert and historian. "In both cases, the military thought the invasion a bad idea but were overruled."

Moscow's invasion of Afghanistan left 15,000 Soviet troops dead and led to a 10-year quagmire that ended only after withdrawal. In Ukraine, where an estimated 100,000 Russian troops have been killed or wounded in 10 months, the Kremlin arguably continues to misread the national mood.

Russian forces failed to take Kyiv, the capital, and Ukrainian troops have since evicted them from more than half the territory they had initially seized. Yet Moscow seems undeterred: Ukraine has warned repeatedly that Russia is planning another land attack on the capital in spite of its diminished ability to launch a large ground offensive.

What other lessons can be drawn from the Ukrainian conflict and how it could unfold in 2023? One insight, military officials and analysts said, is that "big war is back" and with that the need for the industrial capacity and massive weapons stocks to sustain high-intensity fighting.

Ukraine's supplies have been provided by what James Heappey, the UK's armed forces minister, called the "strategic depth" of its western allies, which have sent more than $40bn of military aid to Ukraine. The US will also send its Patriot air defence system as part of a new $1.85bn weapons package.

So far, though, the west, wary of escalating a conflict that could lead to direct confrontation between Nato countries and Russia, has resisted providing the modern tanks, long-range missiles and jets also requested by Kyiv.

Collateral damage: a Russian fighting for Ukraine surveys the wreckage of a monastery in Dolyna, near the Polish border, on Monday Sameer al-Doumy/AFP/Getty Images

"A key question for 2023 is how much military support the west will continue to provide Ukraine, and what kind," said Domitilla Sagramoso, a Russia security expert at King's College in London.

A third lesson for Moscow is the importance of quality over quantity. Good logistics, plentiful troop levels and adequate military hardware — whether drones or tanks — "are worth nothing if the force's intelligence, leadership . . . are inadequate", said Ben Barry, a former British army brigadier now at the International Institute for Strategic Studies think-tank.

Instead, Russian forces have continued to show "low morale and weak standards of combined arms tactics and battlefield leadership", Barry said.

In an effort to rectify that, Putin in October appointed General Sergey Surovikin to command Russia's forces in Ukraine. Surovikin, a veteran of the war in Syria, is "probably the most competent commander Russia has put in place", said Dara Massicot, a Russia military expert at the Rand Corporation think-tank.

Surovikin has reinforced Russia's front lines with recruits drawn from the recent draft of about 300,000 soldiers. He also engineered a successful withdrawal from around the strategic southern city of Kherson, where Russian forces were in danger of being captured.

These stronger defensive positions reduce the chances of a successful Ukrainian winter counter-offensive that cuts the land bridge that runs along the coast of the Sea of Azov and links Russia to Crimea, although a breakthrough is still regarded as possible by western military analysts.

"Ukrainian forces . . . certainly face their own problems. Their casualties have been high, many are not adequately trained, some units are clearly suffering from extreme fatigue and they need more weapons and ammunition," one western defence adviser said.

"But their morale and determination are still incomparably higher than their opponents', and they have been much more effective than the Russians in mobilising."

'Putin's message seems to be that the shooting will go on but I can continue this as long as I want'

A fourth lesson is the importance of civil society in sustaining the war effort. Ukrainian software programmers have designed apps to help their troops target Russian positions, chefs cook for Ukrainian soldiers on the front lines and volunteers continue to raise funds to buy military supplies such as first aid kits and night vision goggles.

"Much of Ukrainians' success on the battlefield depends on a heterogenous and self-confident civil society, capable of supporting soldiers," said Timothy Snyder, a Yale University historian.

An October Gallup poll showed 70 per cent of Ukrainians wanted to continue fighting until they achieved victory, and more than 90 per cent believed victory meant recapturing all of the territory seized by Russia, including Crimea, which Putin annexed in 2014.

By contrast, popular Russian support for the war halved between June and November to 27 per cent, according to an unverified internal Kremlin poll reported by Meduza, the exiled news outlet.

The fifth and perhaps biggest lesson from the war is that it is being fought on multiple fronts and not just with tanks, rockets and guns.

Putin has launched a relentless wave of missile and drone attacks on Ukraine's energy infrastructure to try to break the national will and unleash a wave of refugees into Europe.

He has threatened further cuts to western gas supplies as winter sets in, and while Ukraine is shipping grain under a deal brokered by Turkey and the UN, Russia's navy still controls the Black Sea, menacing much of Ukraine's food export routes.

"Putin's message seems to be the shooting will go on but I can continue this as long as I want," said Galeotti. "It's a political strategy that's designed to distance Ukraine from the west. How this war proceeds is not just about military equipment."

Even if both sides, exhausted by the fighting, agree a ceasefire in the coming year, Putin's aggression against Ukraine could still continue through these other means.

"The character of modern war may be changing but so has the nature of peace," Galeotti added. "That is something the west needs to think about."

FINANCIAL TIMES
6th Floor, Nan Fung Tower
Central, Hong Kong

Subscriptions and Customer Service
Tel: (852) 5803 3388, subsasia@ft.com

Advertising
Tel: (852) 2868 2863 asiaads@ft.com, www.ftasia.net

Letters to the editor
letters.editor@ft.com

Published by
The Financial Times (HK) Limited,
6th Floor, Nan Fung Tower, 88 Connaught Road
Central, Hong Kong

Japan: Nikkei Tokyo Newspaper Printing Center, Inc., 1-10-5, Shinonome, Koto-Ku, Tokyo 135-0062
Representative: Hiroko Hoshino; ISSN 0915-9460
South Korea: Maeil Business Newspaper, 30-1, 1-Ga, Pil-Dong, Jung-Ku, Seoul, 100-728
Singapore: SPH Media Limited, 2 Jurong Port Road, 619088
Representative, Anjali Mahindroo

Central banks

ECB only halfway through tightening cycle, says policymaker

MARTIN ARNOLD — AMSTERDAM

A veteran member of the European Central Bank's rate-setting council believes it has only just passed the halfway point of its tightening cycle and needs to be "in there for the long game" to tame high inflation.

After more than a decade of aggressive easing, 2022 was the year when many leading central banks began to raise rates in response to soaring prices. The ECB increased borrowing costs by 2.5 percentage points, capping the year with its fourth rise in a row to leave its benchmark deposit rate at 2 per cent.

Klaas Knot, head of the Dutch central bank and one of the governing council's more hawkish rate-setters, told the Financial Times that, with five policy meetings between now and July 2023, the ECB would achieve "quite a decent

the Netherlands, inflation has been higher still, peaking at 17.1 per cent in September.

But growth in the bloc is slowing, leaving central bankers facing a delicate balancing act between fighting inflation and exacerbating the slowdown.

"The risk of us doing too little is still the bigger risk," Knot said. "We are just at the beginning of the second half." Deciding when it had tightened policy enough would be the "main challenge" for the ECB next year.

Knot is the longest-serving member of the governing council and the only eurozone rate-setter who was part of the central bank's previous round of rate rises in 2011 — moves that were widely criticised after the bloc entered a sovereign debt crisis just months later.

Knot said financial stability risks were "much clearer on our radar screen

inflation — excluding more volatile energy and food costs — before raising rates in response to surging oil prices.

This time around, however, core measures are at a record high of 5 per cent and are forecast by ECB economists to stay above its 2 per cent target even by 2025. Persistence of price pressures is now Knot's "main concern".

The 55-year-old Knot, who joined the bank in 1995, said that it surprised governing council members when he sup-

Klaas Knot: Dutch central bank chief says surging eurozone inflation is a 'regressive tax nobody voted for'

ported a step down to a half-point rate rise at its latest meeting — after two

Many economists think the ECB is underestimating how quickly inflation will fall next year and how deep the recession could be. But Knot said recent data indicated any recession would be "short and shallow". In certain parts of the region, such as Germany, recent data showed "the worst . . . may already be behind us", he said.

Sharp wage rises would keep inflation high. The ECB expects pay growth to hit 5.2 per cent next year before falling back to just below 4 per cent in 2025.

Knot said he expected "lots of labour hoarding, even in a recession" would keep eurozone jobless levels near a recent record low of 6.6 per cent.

A record 6.4 per cent annual growth in Dutch wages in November "might happen in other countries with a certain delay", he predicted.

Politicians in Italy have criticised the

Health workers bear brunt of Beijing's virus policy flip-flop

Ill staff asked to stay at posts and retirees face recall as Covid spreads across China

A drip is administered to a patient at Beijing's China-Japan Friendship hospital yesterday. Patchy jab coverage among the elderly and low stocks of oxygen and fever medication have led to overcrowding at clinics China Daily/Reuters

CHENG LENG AND QIANER LIU
HONG KONG
ELEANOR OLCOTT — TOKYO

China's medical staff are being asked to work while sick, and retired workers are being recalled to duty, as frontline health professionals bear the brunt of Beijing's about-face on its Covid policy.

Experts have warned that the situation will deteriorate as the virus spreads from China's big cities to rural areas with more precarious healthcare systems, as the country struggles with one of the world's biggest Covid outbreaks.

"We can work hard, we can work overtime, but at the end of the day medical staff, like others, are made of flesh not iron," said one Beijing-based doctor. "No matter how dedicated we are, we have physical and mental limits."

Beijing's abrupt decision to abandon its zero-Covid containment strategy — which used mass testing, quarantines and lockdowns — has allowed the virus to proliferate through China's largest cities. After scrapping some restrictions this month, the National Health Commission on Monday announced that inbound travellers would not have to quarantine from January 8, as it downgraded its classification of the disease.

Patchy vaccination coverage among the elderly and low stocks of oxygen and fever medication have led to overcrowded emergency rooms in places such as Beijing, Shanghai and Guangdong, putting particular pressure on healthcare workers.

The Financial Times interviewed five doctors and nurses who reported that working conditions were deteriorating rapidly as Covid infected staff.

A doctor at one of Shanghai's biggest hospitals said: "The policy U-turn doesn't mean we are switching from the hard mode to an easy mode. Instead, we're entering a new hard mode. We have to postpone all non-emergency operations to secure the manpower of emergency rooms."

A doctor in southern Guangdong province said health authorities had requested that his clinic treat positive cases after designated Covid hospitals were overrun. But his clinic had yet to receive the necessary drugs and antigen testing kits to deal with coronavirus patients.

A group on messaging app WeChat that he had set up for patients had "multiplied a dozen times" in membership in the past week.

"I can't do much for our patients right now," he said. "I'm not sure how much longer we can carry on without medication and guidance from above."

Doctors from Shanghai's Huashan Hospital said its fever clinics in the city centre had experienced a fivefold increase in the number of patients, according to an interview with state media.

After closely monitoring the health of its citizens with mass testing, China has ceased providing comprehensive public data on the latest outbreak and sharply narrowed the official definition of Covid cases and deaths.

The country reported no new deaths on Christmas Day and Boxing Day and only a handful of fatalities since the outbreak began this month. Financial Times reporters, however, have found a sharp increase in activity at Beijing's crematoriums and have witnessed bodies in hospital Covid wards.

Internal estimates show that 250mn people might have caught the virus in the first 20 days of December.

Yanzhong Huang, a senior fellow for global health at the Council on Foreign Relations think-tank, said that local officials had adopted a laissez-faire approach and were pushing for "the population to achieve herd immunity as soon as possible".

The sudden removal of restrictions had caused "maximum virus spread" and "maximum pressure for hospitals".

Some hospitals in Beijing are seeking to enrol retired doctors and nurses to cope with the surge of patients, according to recruitment notices seen by the Financial Times, or have instructed staff to work as long as their temperature is under 38C.

Duan Xiaoqing, head nurse of the neurology department at Luoyang No. 3 Hospital in central China's Henan province, said all 38 of her staff had been infected but they had kept working through sore throats and high fevers.

"We have nowhere to go. It's our duty and obligation," she said in a widely spread video clip on WeChat and local TV.

But concerns have mounted over the safety of health professionals after the sudden death due to heart failure of a medical student surnamed Chen, who was working as a trainee at a hospital in Chengdu, south-western China.

He had been asked to continue working after testing positive days before he died, according to two of his classmates.

Experts have expressed fears that pressure on hospitals in coastal cities will be amplified in the country's poorer interior. China's western provinces have fewer doctors and nurses per head of population, provincial statistics show.

"Now we're seeing more people getting infected in rural areas," said Huang. "A lack of trust in the rural healthcare system will lead to an influx of people bypassing rural hospitals for urban centres, which will add to the stress."

'We are entering a new hard mode'

'We are made of flesh not iron'

In a town in Sichuan province with a population of fewer than 500,000, a doctor in the local hospital said that staff were feeling increasingly stressed as patients with fevers packed consulting rooms.

"It's the first time in three years for us to handle Covid cases directly," said a doctor. "We have little related experience and training . . . and medicines are in short supply."

They tested positive but was asked to continue working.

"More than half of the medical workers are sick but each hour more patients come here for treatment. [We] have no choice but to carry on working."

The Beijing-based doctor said one of the most stressful aspects for medical staff was that they were being blamed by the public for the difficult situation, with videos online accusing doctors of not treating Covid patients in a proper or timely manner.

He was also worried about the legal risks of working while infected because of the danger of exposing patients to Covid. "No matter which path we choose, medical staff are the frontier fighters taking the blow," he said.

Apple earnings hit see Companies

Asia tensions

Taiwan to bolster military readiness

More muscular training and longer mandatory service to counter China

KATHRIN HILLE — TAIPEI

Taiwan has pledged to beef up its armed forces with longer military service and more muscular training as President Tsai Ing-wen seeks to strengthen the country's defences against the threat of an attack from China.

"Nobody wants war — neither the Taiwanese people and government nor the international community. But peace will not fall from the sky," Tsai said when announcing the defence push yesterday, two days after Beijing staged its largest air manoeuvres around Taiwan in more than four months.

"Only preparing for war will help avoid war. Taiwan must strengthen its capability to defend itself."

From 2024, compulsory military service for men will be extended from the current four months to a year and conscripts' pay will be quadrupled to bring it in line with the minimum wage, said Tsai.

In addition, the defence ministry pledged to transform conscripts' training — currently ridiculed as a waste of time because of its lack of shooting practice and focus on menial tasks — into a rigorous programme featuring wartime scenario simulation.

Po Horng-huei, vice-minister of national defence, said the new training regime would also include Stinger missiles, Javelin anti-tank missiles and Kestrel anti-armour rockets. These are all weapons the US has long pushed Taiwan to use to build its capability to deter an invasion by a Chinese military that is vastly superior in both quantity and financial power.

The announcement marks a rare departure from Taiwanese politicians' reluctance to openly discuss the danger of Chinese military aggression out of fear of losing public support. Beijing claims sovereignty over Taiwan, although it has never ruled the island, and threatens to take it by force if Taipei resists unification indefinitely. A large majority of Taiwan's public opposes becoming part of China.

Under the plans, conscripts trained in the new regime will form a garrison force mainly in charge of defending the homeland and protecting key infrastructure, while the country's 210,000 soldiers will form the main battlefield force.

The conscription reform follows years of increasing US pressure on Taiwan to strengthen its defences. While Tsai started policy discussions on the plan shortly after her re-election in early 2020, the war in Ukraine acted as a strong catalyst to accelerate and strengthen reforms, said two Taiwanese national security officials.

Even after more than 300 days of war, "Ukraine has not fallen, the Ukrainians are still fighting hard and the Ukrainian people's firm will to protect their homeland has moved all people around the world who love freedom and democracy", Tsai said Taiwan needed to display the same determination and courage to defend itself in order to gain the world's support.

She added that tackling conscription was only the first pillar of broader defence reforms that would also look at civil defence and the role of women in the military. Women are not currently conscripted in Taiwan.

The US welcomed the reform announcement. It "underscores Taiwan's commitment to self-defence and strengthens deterrence", said the American Institute in Taiwan, the US's de facto embassy.

It said it would "continue to assist Taiwan in maintaining a sufficient self-defence capability in line with our commitments under the Taiwan Relations Act and our One China policy".

"The US will continue to support a peaceful resolution of cross-Strait issues, and oppose any unilateral changes in the status quo by either side."

Brazil. Economy

Growth outlook dims at start of Lula's return

Higher interest rates and inflation test leftist leader's promises of good times

BRYAN HARRIS — SÃO PAULO

Luiz Inácio Lula da Silva won the Brazilian presidency by promising voters that the good times of "steak and beer" would return to Latin America's largest country.

But as the leftwing leader prepares to take office on Sunday he faces a darkening economic outlook. Growth forecasts for 2023 have been revised down over concerns about the impact of high interest rates, fiscal uncertainty and the broader global slowdown.

"When you put all these elements together, external and domestic, we see a strong deceleration of the Brazilian economy next year," said Alessandra Ribeiro, an economist at consultancy Tendências.

Lula presided over a period of strong growth during his first stint in office from 2003 to 2010 when a boom in commodities exports powered expansion in output of 4 to 5 per cent a year. Wages rose, the middle class expanded and millions were lifted out of poverty.

But the incoming president now faces an entirely different environment. While the agribusiness sector remains strong and unemployment has fallen to about 9 per cent — the lowest level in seven years — the economy is having to digest a series of interest rate rises aimed at taming inflation. The rate rises to the current level of 13.75 per cent weigh on growth by limiting consumer consumption and business investment.

"There are clear signs that credit is becoming scarcer and more expensive," said Marcelo Fonseca, chief economist at asset manager Opportunity. "With very high interest rates we can expect consumption to slow down very quickly."

The economy also remains hamstrung by deep structural inefficiencies, low wages and a long-term trend towards deindustrialisation.

The government last month revised down its official 2023 growth forecast from 2.5 to 2.1 per cent. Independent economists, however, are more pessimistic, with a consensus survey pointing to growth of just 0.8 per cent.

"There is the context of the global slowdown, which affects us. But we also have the more pronounced effects of high interest rates and the exhaustion of the post-pandemic services recovery, which helped the economy a lot this year," said Ribeiro.

Fiscal test: Brazilian president-elect Luiz Inácio Lula da Silva faces a tougher task in his latest term
Ueslei Marcelino/Reuters

She predicted unemployment would fall over the next 12 months but at a slower pace than this year, probably ending 2023 at 8.2 per cent.

A key concern for Fonseca and other economists is how the Lula administration approaches fiscal policy. On the campaign trail, the former trade unionist pledged to lift spending on social assistance programmes, telling voters "the wheel of the economy will turn, with the poor being part of the budget".

Brazil's Congress this month passed a constitutional amendment that allows the incoming administration to maintain the flagship *Bolsa Família* cash handout, the main social welfare programme, at R$600 ($116) a month by circumventing the country's spending cap rule.

The move has sparked concerns that the incoming administration could abandon its professed commitment to fiscal responsibility.

Economists fear that investors will be moved to quit Brazil if the debt to gross domestic product ratio — now at almost 80 per cent — begins to soar next year, further weakening the exchange rate and stoking inflation. This, in turn, would force the central bank to keep rates higher for longer, further curbing growth.

"The outlook next year is very mediocre," said Fonseca. "And with a loose fiscal policy I don't see a stronger rebound in the years to come."

'The outlook next year is mediocre and, with a loose fiscal policy, I don't see a stronger rebound'

Gabriel Leal de Barros, partner at Ryo Asset Management, said a loose fiscal policy resulting in rising government expenditure would create multiple knock-on effects and could potentially jeopardise a long overdue and much-needed tax reform.

"We would have to raise some taxes or find some money to pay for expenditures. We won't have space or time to focus on the efficiency and structural problems of taxation in Brazil," he said.

"Even the green agenda, which is one of the best opportunities we have, depends on the guidelines for fiscal solvency and debt-to-GDP trajectory."

Yet economists also say there are reasons for optimism, despite the challenges facing Lula. Agribusiness, which accounts for almost 30 per cent of GDP, is expected to remain solid next year.

There is also demand among foreign investors for infrastructure concessions, such as roads and airports, which had boomed during Jair Bolsonaro's administration. "[This] could hold up investments for a little bit," according to Fonseca.

Ribeiro from Tendências said she believed Brazil could also receive a boost if Lula succeeded in smoothing diplomatic relations with key trading partners and approved the long-delayed EU-Mercosur trade deal.

"Improving our international relations, with the possibility of rescuing the EU-Mercosur deal, would greatly improve expectations, not only in the short term but in the medium term because of the expectation of more investments," she added.

Additional reporting by Carolina Ingizza in São Paulo

South Korea

Former leader Lee to be released early from 17-year graft sentence

SONG JUNG-A — SEOUL

Former South Korean president Lee Myung-bak will be pardoned after serving almost four years of a 17-year sentence for corruption, embezzlement and bribery.

President Yoon Suk-yeol said yesterday that Lee, 81, had been granted a special pardon in the interests of national unity, though many people oppose his release. Lee will be among more than 1,300 people to be pardoned today.

Lee led from 2008 to 2013 after serving as mayor of Seoul and at Hyundai Group's construction arm. He was the first president from a business background and the fourth leader jailed since the shift to democracy in 1987.

In 2018, Lee was convicted of seven charges including bribery, abuse of power and embezzlement, and fined $11mn in addition to an initial sentence of 15 years in prison.

He had been accused of receiving $10mn in bribes from politicians, institutions and companies, including the Samsung conglomerate.

His imprisonment was suspended in June at his request due to his deteriorating health. Park Geun-hye, his successor, who was jailed for a corruption scandal that led to her impeachment in 2017, was pardoned in late 2021 by Moon Jae-in, Yoon's liberal predecessor.

Every convicted former leader has been granted a pardon after serving some time in prison

Lee, who was once feted as a rags-to-riches symbol, headed Hyundai Engineering and Construction in the 1960s and won popularity while mayor for the restoration of the Cheonggyecheon stream across the downtown area.

But his five-year presidency was marred by protests and tensions with North Korea over his hawkish stance against the country's communist northern neighbour.

Numerous South Korean presidents have faced investigations for corruption and cronyism after leaving office. But every convicted former leader, including generals, has been granted a pardon after serving some time in prison.

Lee's reprieve had been widely expected. Many of Yoon's aides previously worked for Lee, though the current president, who is a former chief prosecutor, rose to national prominence on his successful prosecution of Park and Lee.

Yoon, who took office in May, has also taken a hard line against Pyongyang, which has been more active in its weapons programme. On Monday, North Korea sent five unmanned aerial vehicles into its southern neighbour's airspace for about five hours, flying over Seoul and other cities.

South Korea responded by dispatching its own drones into North Korea for the first time but its military was forced to apologise yesterday for failing to bring down any of the foreign vehicles. The aerial intrusion has raised concerns about Seoul's air defences amid the threat of Pyongyang's growing missile capabilities.

Yoon promised yesterday to strengthen South Korea's anti-drone strike capabilities and announced the establishment of a military unit specialising in the technology.

North Africa

Arrest of prominent journalist shuts down last avenue for free political debate in Algeria

HEBA SALEH — CAIRO

Algerian authorities have arrested journalist Ihsane El-Kadi and closed his Radio M internet station, seen as the last remaining space for free political debate in the country.

El-Kadi was arrested in the early hours of Saturday by six plainclothes officers at his home in a village east of Algiers, according to family members.

He was later taken in shackles to the offices of Radio M in the capital, where police removed computers, cameras and other equipment before sealing the premises.

"Radio M and its sister Maghreb Emergent website was basically the last remaining media space where people could still discuss politics and publish critical articles without censoring themselves," said Daikha Dridi, an Algerian journalist who once worked at the station. "The web radio had many programmes in which people could come together and debate freely what is happening in the country."

Reporters Without Borders, the international media freedom group, condemned El-Kadi's arrest and called on the authorities to "respect the work of the media in the country".

Algerian authorities have been cracking down on dissent since a leaderless protest movement that brought thousands of people on to the streets in cities across the country fizzled out with the onset of coronavirus in March 2020.

Algeria's military, who backed Bouteflika and control politics in the country, were forced to push him out after several months of demonstrations but they refused to bow to protesters' demands for a democratic overhaul of the political system.

"My father has been the target of legal harassment for the past two or three years since the Hirak," said Tin Hinane El-Kadi, the journalist's daughter.

"Since then they've been trying to crack down on the movement, but he's a fighter and he continued to write."

She said that although there have been several court cases involving her father in recent years, the family believed "this time it seems serious and we have this fear that they're determined this time to shut the site down and keep him in jail".

El-Kadi, who founded Radio M, was acquitted in two previous cases in relation to his writing. He was handed a six-month sentence earlier this year that was deferred until a higher court could hear an appeal. His family and lawyer say his arrest is not related to that case.

His family says this arrest may be

International Forum on the Super Aging Challenge

NIKKEI

The aging of societies around the world will continue to proceed rapidly over the next half century. Therefore, we have to provide and share ideas to tackle the dramatic social changes we are facing due to aging populations. To help solve the issue of "super aging," we will invite global experts from industry, academia and government to discuss how to achieve a more active aging society.

You can watch more content and archived video from here

SAAS The 4th Nikkei Super Active Ageing Society Conference https://channel.nikkei.co.jp/saas2022e/

WASS The 5th Well Aging Society Summit Asia-Japan https://channel.nikkei.co.jp/wass2022e/

The 4th Nikkei Super Active Ageing Society Conference (SAAS)

Special Message:

FUMIO KISHIDA
Prime Minister of Japan

Mr. Kishida explained his policy initiative of "new capitalism." He said "transforming" social issues faced by Japan "into growth engines and achieving strong growth" was the essence of his initiative. He showed his approval of the SAAS's intent to regard older people as key players in "new capitalism" and aim to realize a better society.

Opening Panel Session: Older People as Major Player of the New Capitalism

Panelist
TOMOYUKI SAISU
Councilor for the Minister (Health and Welfare for Elderly and Persons with Disabilities), Ministry of Health, Labour and Welfare

Panelist
YUMIKO MURAKAMI
General Partner, MPower partners

Panelist
HIROSHI YOSHIKAWA
Professor emeritus, University of Tokyo

Moderator
ATSUSHI SEIKE
President of Japanese Red Cross Society
Executive Advisor for Academic Affairs and Professor Emeritus, Keio University

There are more than 9 million elderly workers aged 65 or older in Japan, with more than 60% of financial assets held by people aged 60 or older. Older people have already become an indispensable player in the Japanese economy in terms of both production and consumption. While appreciating this trend, Mr. Yoshikawa said that sustainable social security programs were essential for a super-ageing society, and this would require "innovation-based economic growth."

Ms. Murakami questioned Japan's low labor productivity. She said that older people should receive training in line with the current trend of digitalization. She also expressed her opinion that higher liquidity in the labor market would create an incentive for upskilling, which in turn could help enhance labor productivity. Japanese older people are better at reading comprehension and mathematical thinking than those in other countries, meaning that they have greater potential to improve themselves.

Mr. Saisu took note of the buying power of older people. He said that stimulating consumption among older people, who had an average of 20 million yen or more in savings, would help keep the economy going. He suggested that measures to address Japan's aging population might be directly applicable to Western and Asian countries.

Finally, Mr. Seike concluded the session by noting the importance of changing the mindset that set young people up as supporters of society and older people as those to be supported, and of supporting and building our society across all generations.

Panel Session 1: HEALTH Health Promotion of Older People and Extending Healthy Life Expectancy

Panelist
YASUHIRO SUZUKI
President of IUHW

Panelist
JEAN WOO
Director, CUHK Jockey Club Institute of Ageing

Panelist
MY LINH KHA
Senior Vice President and General Manager, Japan Asia-Pacific, Amgen

Panelist
TADAYUKI MIZUTANI
Director, Division for the Coordination of Health Care and Long-term Care, Health Insurance Bureau, Ministry of Health, Labour and Welfare

Moderator
TAN CHORH CHUAN
Chief Health Scientist, Ministry of Health, Singapore
Former President of the National University of Singapore

Among several characteristics of Japan's aging process, Mr. Suzuki focused on "increased healthy life expectancy" and "rejuvenation." In fact, the physical activity test score for Japanese older people has improved by as much as five years over the past 18 years. Japan has more elderly workers aged 65 or older than other developed countries. Given this phenomenon, Mr. Suzuki said that even if our society became much grayer, we would still be able to retain a certain level of workforce.

Mr. Mizutani said that the effort to retain workforce was further accelerated by the MHLW's policy to "improve and enhance elderly reemployment support," and the policy encouraged their social participation, which would help enhance their health. And he also said that the ministry was also working on the prevention of fracture and frailty for older people, and it aimed to implement versatile policies to reduce medical and nursing care costs collectively.

Ms. Woo praised Japan's efforts as "a good combination of medical and social policies," which she said contributed to the rejuvenation of Japanese older people. She offered her view that unlike Eastern countries, Western countries tended to see aging negatively, adding that each country should try to find social and healthcare programs according to its own culture.

Ms. Kha shared her analysis that chronic diseases are the main cause that puts older people in a state requiring care. She said that such chronic diseases were preventable, treatable, and controllable with medical products and behavioral changes.

Finally, Mr. Chuan expressed his impression of the session, saying that healthy longevity would be achieved when healthcare and social programs, employment, innovation of pharmaceutical products, participation in communities and other various factors interacted with one another in a complex way.

Keynote Speech 1: For Cancer Patient-Centric Engagement - Ecosystem Supporting "100-Year Life" -

TOMOYA UTSUDE
Director, First Senior Vice President/EMO (Executive Medical Officer), Aflac Life Insurance Japan Ltd.

Previously known as an incurable disease, cancer is no longer incurable. However, coexistence with and complete recovery from cancer has caused another sort of worry. Mr. Utsude said that insurance companies must reduce economic burdens on patients through the payment of insurance benefits, and that they should be "side by side with patients and provide necessary information and opportunities for consultation." He also proposed a "cancer ecosystem" for comprehensive support for cancer patients from healthcare personnel, administrative agencies, companies, and other relevant institutions.

Lunch Time Session: Healthy Longevity Report by the National Academy of Medicine

Panelist
VICTOR J. DZAU
President of the National Academy of Medicine

Panelist
LINDA P. FRIED
Dean, Columbia University's Mailman School of Public Health
Director, Robert N Butler Columbia Aging Center

Panelist
JOHN EU-LI WONG
Senior Vice President, Health Innovation and Translation, National University of Singapore

Panelist
YUJI KUROIWA
Governor, Kanagawa Prefecture

Panelist
HARUKO NOGUCHI
Professor, Faculty of Political Science and Economics, Waseda University

Moderator
HIROKI NAKATANI
Visiting Professor, School of Medicine, Keio University, Special Advisor to the President of ERIA

The National Academy of Medicine (NAM) spent three years to compile the Healthy Longevity Roadmap Report. Mr. Dzau described the report as containing measures to overcome aging-related issues and enjoy benefits brought by older people. Ms. Fried explained the definition of healthy longevity in the report as "the state in which years in good health approach the biological life span, with physical, cognitive and social functioning, enabling well-being across populations." Mr. Wong said healthy longevity would "come from a complicated system with different factors intertwined." He cited such factors as "work and other forms of social participation," "a world without discrimination against older people," "economic stability," "housing and transportation," and "access to healthcare."

Mr. Kuroiwa responded by introducing the case of the Wakabadai housing complex in Yokohama. He noted that the percentage of the elderly population (aged 65 or older) there exceeded 50%, though there had been no increase in older people in need of care over the past decade. "Steady municipal activities and frequent multi-generation interchanges have sustained healthy longevity," he said.

Ms. Noguchi presented various data concerning healthy longevity in Japan. She said that a person who once got in a state requiring care would remain in that state, and concluded by stressing the importance of precautions.

Finally, Mr. Nakatani said that he wanted actual cases in Japan to be shared across the world and used to form a more affluent society.

Keynote Speech 2: Pharmaceutical Industry Initiatives and Recommendations for Health Challenges in an Aging Society

YASUKO MINAMIDA
Group Leader, Aging Group, International Affairs Committee (Global Health Committee), Japan Pharmaceutical Manufacturers Association

The aging of the world's population has brought about an increase in cancer, dementia, and other non-infectious diseases worldwide, giving rise to the problem of increased treatment cost. Ms. Minamida said that to reduce such burden, the pharmaceutical industry was "working not only on the development of new drugs, but also on the building of towns friendly to people with dementia, and the development of cancer-treatment-support applications." She also mentioned the recommendations from the pharmaceutical industry stating that "the Japanese government should set targets toward and discuss increased healthy life expectancy" for the G-7 summit to be held in Hiroshima next year.

Panel Session 2:FINANCIAL GERONTOLOGY/WORK-STYLE Older People as Workers, Consumers and Investors

Panelist
ANDREW SCOTT
Professor of Economics, Former Deputy Dean at London Business School, Research Fellow at the Centre for Economic Policy Research

Panelist
YUJI KOBAYASHI
Principal Researcher, PERSOL RESEARCH AND CONSULTING CO., LTD.

Panelist
HIROSHI WATANABE
President, Institute for International Monetary Affairs

Panelist
JOHN PIGGOTT
Director of the ARC Centre of Excellence in Population Ageing Research (CEPAR) and Scientia Professor of Economics at the University of New South Wales

Moderator
HIROKO OTA
President, National Graduate Institute for Policy Studies (GRIPS)

The term, "super-aging society" brings to mind a society that has lost liveliness with an increase in older people, and might prompt us to think how to deal with this situation. However, what is more important is to think about how life plans can be conceived for current young people, who will likely live a longer life than before, as life expectancy increases. In his keynote speech, Mr. Scott said young people should invest more in health, skills and human relationships, and prepare themselves to adapt to a longevity society.

Mr. Kobayashi noted that the biggest issue faced by Japan in relation to the employment of older people was their "low adaptability to change." This means a lack of self-efficacy, or a feeling that one can still be useful even if one's organization or surrounding environment changes. Mr. Kobayashi said this could be overcome by individual companies' efforts to "visualize the details of work and personal careers, and advance dialogue-based liquidation of internal human resources."

Meanwhile, how should older people manage their financial assets in a longevity society? Mr. Watanabe said that the best way was to spend all the assets when they die other than the inheritance deliberately set aside, and warned that judging capabilities necessary for asset management would decline due to aging. In support of this theory, Mr. Piggott expressed his view that in contrast to declining capabilities, older people tend to have greater confidence in themselves. However, older people have more opportunities to make decisions in relation to asset management. Mr. Piggott pointed to "the need for a policy to prevent exploitation of older people."

Finally, Ms. Ota said that young people must think of a life plan different from older generations' in order to take advantage of their anticipated longevity. She concluded the session by saying that it was important for the young to keep up their determination to make a change themselves.

Panel Session 3: SOCIAL PARTICIPATION Community and Social Participation of Older People

Panelist
TAKAKO SODEI
President, Japan Association for Age-Free Society

Panelist
KOJI ISHIZAKI
Executive Adviser, Mitsubishi UFJ Trust and Banking Corporation

Panelist
TETSURO ISHIHARA
Director, Ishihara Neurocognitive Clinic

Panelist
PAUL McGARRY
Head of the Greater Manchester Ageing Hub/Assistant Director Public Service Reform Directorate, Public Service Reform Directorate, Greater Manchester Combined Authority

Moderator
NANAKO TAMIYA
Professor, Department of Health Services Research, Faculty of Medicine and Director, Research & Development Center for Health Services, University of Tsukuba

At the beginning of the discussion, Ms. Tamiya said that social participation by older people would prove beneficial for both themselves and society. For older people, invigorating social activities may bring them healthy longevity more effectively than nutritious diet or exercise. Meanwhile, communities can draw on the elderly's experience and knowledge to help restore diluted connections within communities.

In response to this view, Ms. Sodei cited the case of Namie-machi, Fukushima Prefecture, a town which was severely affected by the 2011 Great East Japan Earthquake. In this town, older people played a central role in reviving an obsolete traditional festival. She said that this experience gave "people a stronger feeling of belonging to their community."

Mr. Ishizaki looked at how older people engaged with society through work. It is said that Japanese people's satisfaction with their work hits bottom at age 50, when they become conscious of retirement, and bounces back sharply after 60. He assumed that this was because older people tended to choose a new workplace which strikes the right balance between work and personal life or where they can realize their contribution to others.

As a physician, Mr. Ishihara conducts proof of concepts on home assistance for people with dementia living alone. He said he realized that not only people with dementia, but also "the whole residential area were becoming grayer." In this context, he said that it became clear that senior citizens in their 50s and 60s had increasingly engaged in activities to support residents in their 70s and 80s.

Mr. McGarry cited the case of Greater Manchester in the U.K., in which elderly citizens themselves advanced their views to the administration. He said that older people playing a leading role in their community could "enjoy a healthier, happier and more productive life."

Panel Session 4 : INNOVATION Innovation to Improve the Lives of a Super-Aging Society

Panelist
BRIAN KENNEDY
Distinguished Professor, Department of Biochemistry and Physiology, Yong Loo Lin School of Medicine, NUS, Singapore

Panelist
YASUKO AKUTSU
CEO, MThealthcare Design Research Inc.
Associate Professor, Patient Support Department, Chiba University Hospital

Panelist
YOSHIKI SAWA
Specially Appointed Professor Division of Health Science Osaka University Graduate School of Medicine, Director of Osaka Police Hospital

Panelist
YASUYUKI TAKI
Co-Deputy Director & Professor, Smart Ageing International Research Center/Institute of Development, Aging and Cancer, Tohoku University

Panelist
HITOMI MATSUI
Vice Leader, inochi WAKAZO Project

Moderator
FUMIAKI IKENO
Program Director (U.S.) of Japan Biodesign, Stanford Byers Center for Biodesign, Stanford University

Interventions for preventing stroke, cardiac disease, and dementia in a healthy state entail lower costs than treatments after symptoms appear. These diseases are also deeply related to advancing age. Mr. Kennedy said that the right exercise, diet and other measures to deal with aging would help prevent such diseases. He also mentioned recent studies on pharmaceutical products which might reverse the aging process, describing them as highly promising. Mr. Taki agreed on the importance of precautions. He performs an AI-based analysis of brain images for his study on a system that keeps the brain healthy. He said that if this technology allowed for prevention of dementia, healthy life expectancy would further increase.

Mr. Sawa is the director of the "inochi mirai project" aimed at building a country where people can live a long and healthy life. He focuses on human development among other initiatives. He said that young people who had sympathized with the project's philosophy had gathered. Ms. Matsui, one of those young people, has worked together with her fellows on healthcare issues we need to address in a super-aging society, including sudden cardiac death, dementia, and frail health. She said that the biggest feature of the project was the process of "heeding real opinions of people concerned, turning them into ideas and implementing them in society."

Ms. Akutsu said how useful it would be for older people to use digital devices. She questioned the general belief that older people are not good at technology. She went on to say that older people would be willing to use digital devices if they could enjoy changes in life brought by technology.

Mr. Ikeno concluded the session by expressing hope that Japan would create innovation as the first runner in the aging society, and that its outcomes would be disseminated throughout the world.

The 5th Well Aging Society Summit Asia-Japan (WASS)

Panel Session 1:PERSONAL HEALTH RECORD (PHR) Efforts to Promote the Utilization of PHRs

Panelist
KIMIYUKI NAGASHIMA
Executive Board Member, Japan Medical Association

Panelist
KAZUO NAKAMURA
Chairman and CEO, CMIC HOLDINGS CO., Ltd.

Panelist
TAKERU HIKI
CEO, Welby Inc.

Panelist
SHINICHI OGAWA
Assistant Counselor for Information Technology Promotion, Office of Counselor for Assistance for Development of Specified Drugs and Medical Information Management, Health Policy Bureau, Ministry of Health Labour and Welfare

Moderator
KAZUSHIGE TANAKA
Deputy Director-General, Ministry of Economy, Trade and Industry, Commerce and Service Industry Policy Group

Personal medical information has been saved and managed respectively by hospitals and pharmacies. Now, personal health records (PHRs), where medical information is digitally and centrally managed and used, are in the spotlight.

According to Mr. Nagashima, the greatest value of PHRs is that patients can share their own health information such as weight, blood pressure, and number of steps taken per day with their primary care physicians. In reality, the time allotted for patients to receive medical treatment and examination is very short. Consequently, learning about the daily lives of patients for doctors is significantly useful for prevention and medical treatment. In addition, subjective involvement in medical treatment by patients has a positive impact on medical treatment and maintaining health.

Mr. Nakamura focuses on the benefits of carrying PHR cards for seniors. He stated that learning about underlying illnesses and regular medications from the cards during emergencies will result in appropriate treatment at medical sites and good prognosis. According to Mr. Nakamura, creative ideas such as placing the cards in the pouches of good luck charms can help seniors who tend to struggle with digital devices become familiar with PHR cards. Mr. Hiki discussed the potential of PHRs as a medical treatment app. For example, diabetic patients can manage their daily blood sugar levels and weight with the app. According to Mr, Hiki, it was confirmed that the measure encouraged behavioral changes in patients and data including blood sugar levels was significantly improved.

On the other hand, the Japanese government has created a system that allows individual patients and medical institutions access to personal medical information by using Mynaportal. Mr. Ogawa said an online qualification check system is used as security infrastructure for the system. According to Mr. Ogawa, the communication of private PHRs with Mynaportal by using API realizes a user-friendly system with good security.

At the end of the panel session, Moderator Tanaka stated that medical data can be used as a secondary use of PHRs for drug development by pharmaceutical companies in addition to the primary use of PHRs, which is the health management of individuals, and concluded with his comment that the further potential of PHR should be pursued.

Panel Session 3: HEALTH PROMOTION THROUGH WORK International Promotion of Health and Productivity Management Based on Human Capital Formation

Panelist
MARK PEARSON
Deputy Director, OECD Directorate for Employment, Labour and Social Affairs

Panelist
SEIJI INAGAKI
Representative Director, President (Chief Executive Officer), Dai-ichi Life Holdings, Inc.

Panelist
LAURENT SCHEER
Vice-Chair, Health Committee, Business at OECD (BIAC), Vice-President, Global Public Affairs & Alcohol in Society, Pernod Ricard SA

Panelist
MARI KOGISO
Co-CEO of SDG Impact Japan

Moderator
KAORI TAKAHASHI
Senior Staff Writer, Nikkei Inc.
News Manager, Nikkei CNBC

Health management is promoting the health of employees from the management perspective by companies. In fact, poor employee health results in a loss for companies. For example, workers suffering from emotional distress are more likely to be absent from work by 56% compared to workers not suffering from emotional distress.

According to Mr. Pearson, every dollar invested in health promotion programs by companies suppresses medical costs by four dollars. Since companies can receive a fourfold return, companies should work on health management at all costs. Mr. Pearson added that investment in health management not only contributes to the health of employees but it also increases the company's possibility of receiving ESG (Environment, Society, Governance) investment. Mr. Inagaki introduced his company's initiative using a health enhancement App. As a result of events including a team walking event, the number of steps walked by employees doubled. Mr. Inagaki stated that his company is disseminating its initiatives to other companies, and that the points for success of such initiatives are digitalization, collaboration with other companies and passion.

Ms. Kogiso's investment firm gains returns by taking part in the management of companies that the firm invests in, promoting company initiatives for ESG and increasing corporate value. The ESG theme for the firm in investing is health and safety. If companies pay attention to health and safety, the risks of accidents at work and occupational injuries and falling productivity decrease and the corporate image improves. However, the impact of health and safety on corporate value and performance is unclear. Therefore, Ms. Kogiso stated that indicators to objectively demonstrate the impact of health management on companies are necessary for successful funding.

Mr. Scheer, who advocates the promotion of health management to OECD member states and corporations as a member of BIAC, is also vice president of an alcohol producer. He said his company has a responsibility in regards to the consequences of alcohol consumption. Therefore, he introduced the company's specific initiatives such as promotion of responsible drinking to employees and involvement in educational activities on the prevention of drinking and driving.

Moderator Takahashi said the promotion of health is beneficial for both employees and companies. She concluded the session by wishing for the success of the initiatives of each panelist.

Going down Tech stocks began 2022 with a rout and did little to redeem themselves as the year played out LEX, PAGE 18

Companies & Markets

Zurich warns cyber attacks set to become uninsurable

- Mounting risks stoke sector concern
- Underwriters seek to curb exposure

IAN SMITH — LONDON

The chief executive of one of Europe's biggest insurers has warned that cyber attacks, rather than natural catastrophes, will become uninsurable as disruption from hacks continues to grow.

Insurance executives have become more vocal in recent years about systemic risks, such as pandemics and climate change, that test the sector's ability to provide coverage. For the second year in a row, natural catastrophe-related claims are expected to top $100bn.

But Mario Greco, chief executive at insurer Zurich, told the Financial Times that cyber was the risk to watch.

> 'This is about civilisation. These people can severely disrupt our lives'
>
> Mario Greco, Zurich boss

"What will become uninsurable is going to be cyber," he said. "What if someone takes control of vital parts of our infrastructure, the consequences of that?"

Recent attacks that have disrupted hospitals, shut down pipelines and targeted government departments have fed concern over this expanding risk among industry executives.

Focusing on the privacy risk to individuals was missing the bigger picture, Greco said.

"First off, there must be a perception that this is not just data . . . This is about civilisation. These people can severely disrupt our lives."

Spiralling cyber losses have prompted emergency measures by underwriters to limit exposure. As well as pushing up prices, some insurers have responded by tweaking policies so that clients retain more losses. There are exemptions written into policies for certain types of attack.

In 2019, Zurich initially denied a $100mn claim from food group Mondelez, arising from the NotPetya attack, on the basis that the policy excluded a "warlike action". The two sides later settled.

In September, Lloyd's of London defended a move to limit systemic risk from cyber attacks by requesting that insurance policies written in the market had an exemption for state-backed attacks. At the time, a Lloyd's executive said the move was "responsible" and preferable to waiting until "after everything has gone wrong".

But the difficulty of identifying those behind attacks and their affiliations makes such exemptions legally fraught, and cyber experts have warned that rising prices and bigger exceptions could put people off buying any protection.

Greco said there was a limit to how much the private sector could absorb, in terms of underwriting all the losses from cyber attacks. He called on governments to "set up private-public schemes to handle systemic cyber risks that can't be quantified, similar to those that exist in some jurisdictions for earthquakes or terror attacks".

In September, the US government called for views on whether a federal insurance response to cyber was warranted, which could be part of or outside its current public-private insurance programme for acts of terrorism.

A report from the US Government Accountability Office in June highlighted the potential for cyber incidents to "spill over" to other linked firms.

It said examples such as the Colonial Pipeline hack, which created temporary petrol shortages in the US south-east, demonstrated "the possibility that a single cyber incident could ripple across critical infrastructure with catastrophic consequences".

Ecommerce push Challenge to Big Tech as New Delhi wheels out open-access network

The Indian government wants an alternative to Amazon and Walmart-owned Flipkart — Prashanth Vishwanathan/Bloomberg

BENJAMIN PARKIN — NEW DELHI

India is preparing to launch a government-backed ecommerce initiative to "democratise" online shopping.

The move is an attempt to challenge the dominance of businesses such as Amazon and Walmart-owned Flipkart in one of the fastest-growing markets.

Open Network for Digital Commerce, a non-profit company set up by the commerce ministry last year, is holding trials in more than 85 cities including the tech hub of Bangalore ahead of a nationwide launch next year.

While companies such as Amazon run proprietary services controlling everything from vendor registration and delivery to customer experience, ONDC is an "interoperable" network, where buyers and sellers can transact regardless of the apps or services they are using.

The open-source network would allow a customer using one app, such as fintech services provider Paytm, to find and order groceries from a vendor registered to another platform, such as small business hub eSamudaay. This can then be shipped by whichever alternative platform, such as delivery service Dunzo, is able to do it at the fastest and lowest rate.

Indian authorities argue that opening up transactions across platforms in this way will create a vastly larger pool of sellers and consumers and result in lower costs and turbo-charged ecommerce growth.

> 'The sector has grown as walled gardens. That has created serious concerns'
>
> Thampy Koshy, ONDC chief

Thampy Koshy, ONDC chief executive, also says it can provide an alternative to the oligopolistic tendencies of large ecommerce platforms, at a time when authorities around the world are looking to curb the power of Big Tech.

"Commerce across the world has grown as walled gardens," he said. "That has created serious concerns for developed and developing markets."

With ONDC, "everybody will have to compete on what they have to offer, not the captive user base that they have".

India has about 200mn ecommerce users, according to investment bank Jefferies, and international and domestic ecommerce companies have invested billions of dollars to grow their platforms there.

Yet the sector remained concentrated in relatively affluent urban pockets, with only 0.1 per cent of the country's 12mn retail outlets "digitally enabled", Jefferies said.

Authorities say the barriers to entry remain too high for small businesses, which are losing market share to large ecommerce participants as a result.

Indian authorities hope ONDC can encourage bricks-and-mortar shops to sell online. It has raised Rs1.8bn ($22mn) from a series of investors including the government-run State Bank of India and private lenders such as Kotak Mahindra Bank.

Apple faces earnings hit from China's Covid wave

PATRICK MCGEE — SAN FRANCISCO

Apple's business is under threat from a widespread coronavirus outbreak in China, with supply chain experts warning of the risk of a months-long disruption to the production of iPhones.

The US tech giant has had to contend with more than a month of chaos at its main assembler Foxconn's megafactory in Zhengzhou, China, known as "iPhone City", following a Covid-19 outbreak that started in October.

Foxconn has moved some of its production to other factories across China, while Apple has worked with components suppliers to alleviate unusually long waiting times — about 23 days for customers buying high-end iPhones in the US, according to research by Swiss bank UBS.

As the Chinese government reverses its zero-Covid policy, a longer-lasting risk now looms: the potential of worker shortages at component plants or assembly factories across the country.

Apple warned on November 6 of "significant" disruption ahead of the holiday season. The rare statement came less than two weeks after executives forecast subdued sales growth in the crucial period around Christmas, of less than 8 per cent.

The consensus among analysts is that company revenues this quarter will fall just below the record $123.9bn it achieved over the same period last year, with net profits projected to tumble more than 8 per cent, according to bank estimates pooled by Visible Alpha. That would break a 14-quarter revenue growth streak as Apple experiences a shortage of 5mn to 15mn iPhones.

Many analysts had initially raised forecasts for the following six months, assuming that unfulfilled orders would be postponed rather than cancelled.

But the risks to Apple's revenues for 2023 have increased as modelling has shown 1mn Chinese people are at risk of dying from Covid during the coming winter months after President Xi Jinping removed strict pandemic controls. One Apple store in Beijing's main shopping district had to cut hours last week because all of its workers were sick.

A fifth of Apple's revenue comes from sales in China, while more than 90 per cent of iPhones are assembled there. Smartphone rival Samsung exited China in 2019 and has diversified assembly in at least four countries.

Additional reporting by Ryan McMorrow

Fees of high-priced lawyers mount in crypto bankruptcies

INSIDE BUSINESS
FINANCE

Sujeet Indap

The investment bank, B Riley, is so determined to persuade the troubled bitcoin miner Core Scientific to avoid filing for bankruptcy that it has offered as much as $72mn in fresh financing to keep the company from seeking a court-supervised Chapter 11 restructuring.

"Bankruptcy is not the answer and would be a disservice to the Company's investors," B Riley wrote in a letter from early December. "It will destroy value for the Company's shareholders, reduce potential recoveries for the Company's lenders, deplete its limited resources and create massive uncertainty for all its stakeholders."

Core Scientific filed for bankruptcy anyway last week. Still, B Riley's aversion should be understandable. A series of players have succumbed to the ongoing crypto winter including FTX, BlockFi, Voyager Digital and Celsius with customer accounts largely frozen.

The novel legal issues about digital asset ownership, the continuing prob-

recently submitted detailed fee requests to the New York federal bankruptcy court totalling $53mn. Per US law, these official advisers will have these so-called "administrative expenses", subject to court approval, paid by the "estate" or the company that will naturally eat into the recoveries of account holders.

Law firms including Kirkland & Ellis and White & Case, which are powerhouses in corporate and private equity bankruptcies, are involved in Celsius and have top lawyers billing more than $1,800 per hour. (This may remain a bargain as top lawyers in the FTX bankruptcy at Sullivan & Cromwell are charging in excess of $2,000 per hour.)

Frustrated Celsius account holders are taking to Twitter to complain about the costs and slow progress. "It is a lot of money," conceded one top lawyer in the case.

> Crypto exchanges have almost no possibility of avoiding bankruptcy when facing a bank run among customer deposits

Celsius has said that it has slashed annual labour and operating costs by more than 60 per cent during the case or about $100mn but its liquidity remains challenged as the majority of its "traditional income sources have been eliminated", according to court papers.

A company consultant testified in the bankruptcy court hearing that selling $18mn worth of stablecoins would allow Celsius to survive another month past its March estimate of exhausted liquid-

creditors has also hired a consultant, Elementus, as "blockchain forensics adviser". The bankruptcy court has allowed an independent "examiner" to investigate the events leading up to the bankruptcy. The examiner herself hired a law firm and financial expert for which Celsius is picking up the tab.

Among the thorny legal issues for Celsius to be decided in court is resolving whether account holders who lent their crypto on the platform to earn high interest rates are simply in the pool of unsecured creditors or otherwise have specific claims on specific crypto assets.

A ruling on the matter will guide whether the company can sell the $18mn worth of stablecoins.

Crypto lenders and exchanges have almost no possibility of avoiding bankruptcy when facing a bank run among customer deposits. The court is uniquely positioned to bring order to the process of finding assets and determining a restructuring plan.

But there is little way for the process to move quickly, with all sides — company management, account holders, investors — getting a voice in court.

The continued chaos in the sector has not helped maintain cryptocurrency prices while accounts are frozen, further frustrating customers. Nancy Rapaport, a law professor at the University of Nevada, said players in bankruptcy are often inexperienced and reliant on the judgment of their expensive advisers.

Worries about fees have not gone totally unchallenged in the Celsius case.

Digital assets. Surviving the sell-off

NFT creators make a play for the real world

Crypto crash sees sector look to diversify, but repeating its earlier success will not be easy

CRISTINA CRIDDLE AND JOSHUA GABERT-DOYON — LONDON

Internet stars such as Yuga Labs' Bored Apes, Pudgy Penguins and Doodles are breaking out of their virtual realms — FT Montage

Creators of best-selling internet collectibles have responded to a crash in the value of crypto and digital assets by seeking new revenues, such as using cartoons to sell real-world products and create entertainment franchises.

Digital items known as non-fungible tokens burst into mainstream culture last year as people snapped up animal collections, including Bored Ape Yacht Club, Cool Cats and Pudgy Penguins.

Celebrity endorsements and social media hype helped encourage people to spend billions of dollars to acquire NFTs from marketplaces such as OpenSea.

But the market has plummeted since April after being hit by a sell-off in the broader cryptocurrency market, which has been rocked by a series of high-profile scandals, such as the collapse of crypto exchange FTX and the TerraUSD stablecoin in May.

Between January and March this year, more than $19bn was spent on NFTs — representing the majority of this year's $36bn worth of sales, according to Chainalysis. Since then, monthly spending has tumbled more than 87 per cent to just over $442mn in November.

The number of active NFT buyers and sellers is now down to just over a third of its peak in January 2022. NFTs are also being "minted" much less, with the number of new NFTs on the ethereum blockchain down by nearly 60 per cent, according to research group Nansen.

This has left makers of popular NFT collections looking at ways to expand their brands into real-world investments, such as selling products not linked to so-called blockchain technology, where records of transactions are stored on a decentralised digital ledger.

"If sales are not predictable, consistent [and] recurring revenue, [then] you have to figure out how are you going to diversify your revenue streams and expand," said Drew Austin, co-founder of Knights of Degen, a sports-themed NFT project and one of the investors behind crypto group WAGMI United, which bought English football club Crawley Town this year.

Some analysts are sceptical that NFT makers will create successful businesses beyond selling digital art. "The fundamental model of NFTs didn't work," said Claire Enders of Enders Analysis. "It was a bubble that has burst and is not going to happen again."

Doodles, a leading NFT project, recently hired musician and producer Pharrell Williams as its chief brand officer, who has used his music to produce live animations of the Doodles characters. The group is working on a video series and an album.

"We're going into . . . a little bit of a slower economic environment in the next couple of years, and the thing that really wins out in those times is entertainment," said Julian Holguin, chief executive at Doodles. "Although entertainment is extremely saturated and consumers' attention is very fragmented, we [can] build really great stories that connect with people and just put smiles on people's faces."

The former Billboard executive is using his contacts in the music industry to partner with high-profile talent, working to diversify the Doodles intellectual property into live events, music streaming and physical merchandise.

Pudgy Penguins is another project that has been making deals to produce cuddly toys and children's books based on its NFTs, returning some of the profits to holders of the tokens. It is one of the few collections that has seen the average price of its NFTs more than triple, to about $5,700 in December.

"Every generation has had its great penguin IP, from *Pingu* to *Club Penguin* to *Happy Feet* . . . there's a huge opportunity for the next great penguins to invade not only the metaverse but the real world," said Luca Schnetzler, chief executive of Pudgy Penguins.

Knights of Degen has taken a more scattershot approach to its investments, which include a minor league American football team, celebrity meet-and-greets, IPA beer and an upcoming line of vodka-based sauces.

The group said it had been inspired by Disney's business model. "Disney started with creating Mickey Mouse, and from there you have the amusement park, the shows, the movies, the merch, the toys and all these different things. We kind of want to take that similar trajectory," said Austin.

'Disney started with creating Mickey Mouse . . . We kind of want to take that similar trajectory'

Yuga Labs, the parent company of some of the most popular NFT collections such as Bored Ape Yacht Club, CryptoPunks and Meebits, has a host of products launching using content from its brands.

Yuga gives away IP rights with its tokens, which means the owners of the NFTs can use the images associated with the tokens however they like, without the company's knowledge or permission. This has led to a flood of businesses developing associated Yuga products: everything from a burger restaurant to custom-made Tiffany's pendants.

"From day one, the community has been empowered and encouraged to commercialise their Ape IP and, almost immediately, we started seeing Apes show up on hot sauces, food trucks, in music videos and more. Decentralisation of IP is a powerful tool for community building," said Yuga Labs.

Yuga Labs has been one of the biggest beneficiaries of last year's surge of interest in NFTs. The group raised $450mn in a funding round led by Andreessen Horowitz, which valued it at $4bn at the beginning of this year. Meanwhile, in April, it generated $300mn by selling NFT "deeds" for up to 55,000 plots of virtual land in the *Otherside*, its upcoming metaverse game.

The *Otherside* land collection remains one of the most traded on the NFT marketplace OpenSea, but the average price for a deed in the *Otherside* has almost halved to about $3,300.

Associated projects bearing Yuga images have allowed the brand to spread, as well as several celebrities, including Snoop Dogg, Justin Bieber and Madonna, posting their cartoon apes on social media.

Yuga is facing a class-action lawsuit accusing the start-up of partnering with celebrities to "artificially inflate and distort prices" of the NFTs. Yuga Labs has denied any wrongdoing.

However, with trust for crypto faltering and NFT values plummeting, some analysts are sceptical that the brands will be able to catch on in the real world.

"Once there has been a disconnect between the valuation and the product, they can never become a Disney-type brand," said Enders.

Lawyers play cat and mouse game on Covid policy payouts

Paws for thought: insurers are facing filings that refer to cases where policyholders were deprived of the use of their property without suffering its loss, including from a smell of cat urine
Svetlana Popova/Alamy

Business interruption claims start to draw on past cases involving pet urine and toxic gas

IAN SMITH
INSURANCE CORRESPONDENT

A series of legal cases in the US is focusing on whether Covid-19 can cause invisible damage to insured property — drawing on past cases involving cat urine and toxic gas — as lawyers and advocacy groups attempt to chip away at the industry's resistance to payouts.

Business interruption insurance during the pandemic has been a significant cost for parts of the global insurance industry. Disputes over who should pay for the cost of shuttered factories and empty restaurant tables continue to rumble through courts more than two years after the crisis began.

But whether this kind of insurance has paid out has varied by jurisdiction. Policyholders in the UK had a major win on their business interruption claims in a test case early last year, with £1.5bn since paid out by companies including Lloyd's of London insurers such as Hiscox. But in the US, insurers have been more successful at seeing off claims, which typically have different wording.

In many instances, US courts have dismissed cases in response to arguments by insurers that the pandemic did not create a "physical loss or damage" to property as required by policies. A large majority of insurers' motions to dismiss have been granted, according to a litigation tracker provided by the University of Pennsylvania.

Policyholders have fared better in some recent cases, however. In September, Baylor College of Medicine won a $48.5mn case against insurers, including Lloyd's of London, after a Texas judge decided to put the question of physical loss to a jury.

"Damage, it can be tangible, it can be intangible, it can be hidden, there are many ways to interpret [that]," said Robert Corrigan, the healthcare provider's general counsel. "Our view was ask the ordinary person." Virus particles landing on surfaces used for patient consultations damaged its property, the company argued in court.

In the same month as the Baylor verdict, Vermont's supreme court decided that a case brought by military shipbuilder HII could progress, and its argument on physical loss could be heard. That reversed an earlier decision in favour of its reinsurers.

In July, an appeal court in California overturned a lower court's decision to dismiss a claim from Marina Pacific Hotel & Suites, owner of a hotel and restaurant in Venice Beach, again determining the policyholders were entitled to at least present their case.

"[That decision] as well as similar decisions by courts since then vindicate the right of policyholders' to proceed on well-pleaded claims, and send a strong message that insurers cannot evade their coverage obligations without giving policyholders a fair opportunity to have their day in court and prove their claims," said David Schack, partner at Barnes & Thornburg, which is representing Marina Pacific.

"It's really starting to heat up," said Robin Cohen, chair of law firm Cohen Ziffer Frenchman & McKenna. She is representing restaurateurs Consolidated Restaurant Operations in a case that has reached New York's highest court. "It's a really big deal that they are hearing it," she added. There are thousands of policyholders across the country where New York law applies, she said.

The businesses are trying to overturn insurers' argument that a Covid outbreak is not a physical loss that can be claimed under property and business interruption policies.

One tack is to argue that premises are physically changed by Covid-19. Here, insurance cases are turning to medical science, with lawyers arguing that the virus adheres to surfaces, transforming them into "fomites", inanimate objects that can carry disease.

HII argued that this altered and impaired the functioning of its premises, requiring reconfiguration that reduced its capacity. Marina Pacific said it was required to dispose of property that was contaminated by the virus.

Another argument is that the extent of coronavirus particles impaired the property to a point where a claim is justified. Here, filings refer to previous cases that have deprived policyholders of the use of property, from an overwhelming smell of cat urine to the presence of toxic ammonia gas.

Insurers, however, do not fear any turning of the tide with these cases.

> 'Damage, it can be tangible, it can be intangible . . . Our view was ask the ordinary person'

Ken Stoller, assistant vice-president at the American Property Casualty Insurance Association, an industry body, highlighted the rejection of pandemic claims in many federal courts, in state high courts from Maryland to South Carolina, and other venues.

"The few outlier decisions have been on . . . procedural grounds and informed by very lenient pleading standards, or have espoused coverage theories that have been soundly and repeatedly rejected elsewhere," he said. "We do not expect the current trend to materially change."

Even in Vermont, the judges offering a minority opinion against the policyholders said fomites "demonstrably have no effect on the tangible, physical dimension of [the] insured's property. No reasonable person in [the] insured's position would think otherwise."

Policyholders are being helped in these efforts by campaign groups such as United Policyholders, a San Francisco-based non-profit organisation. United Policyholders has assisted in hundreds of cases across more than 40 states. It has also challenged industry arguments that allowing claims would push insurers into insolvency.

"Several appellate courts, including those in California and Vermont, have recently and correctly ruled that these types of cases should be decided by hearing evidence about the science of how Covid-19 causes physical loss and physical damage to property," said Andrew Hahn of law firm Covington & Burling, speaking on behalf of United Policyholders.

Insurers' success in many courts means the industry could end up with "different interpretations of . . physical loss in different jurisdictions," said Cohen. She added: "The insurance industry has used their pull in a way that has really hurt the little guy."

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
-0.15%	-0.90%	0.40%	0.05%	0.15%	0.16%	-0.44%	0.04%	0.377%	-0.332%	0.376%	0.682%	0.78%	-0.93%

Stock Market movements over last 30 days, with the FTSE All-World in the same currency as a comparison

Country	Index	Latest	Previous
Argentina	Merval	190798.47	192233.70
Australia	All Ordinaries	7297.80	7305.20
	S&P/ASX 200	7107.70	7152.50
	S&P/ASX 200 Res	5989.30	6005.50
Austria	ATX	3144.47	3139.08
Belgium	BEL 20	3717.67	3725.83
	BEL Mid	9569.54	9584.05
Brazil	Bovespa	108217.74	108737.75
Canada	S&P/TSX 60	1177.82	1168.65
	S&P/TSX Comp	19506.65	19349.66
	S&P/TSX Div Met & Min	1589.48	1571.06
Chile	S&P/CLX IGPA Gen	27373.59	27582.72
China	FTSE A200	10326.32	10283.16
	FTSE B35	9030.71	8988.86
	Shanghai A	3244.71	3213.28
	Shanghai B	281.43	278.34
	Shanghai Comp	3095.57	3065.56
	Shenzhen A	2085.27	2067.03
	Shenzhen B	1148.67	1140.77
Colombia	COLCAP	1281.61	1280.21
Croatia	CROBEX	2013.05	2011.29
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1205.58	1198.40
Denmark	OMXC Copenhagen 20	1831.80	1829.16
Egypt	EGX 30	14485.18	14560.41
Estonia	OMX Tallinn	1783.04	1782.09
Finland	OMX Helsinki General	10917.01	10912.68
France	CAC 40	6550.56	6504.90
	SBF 120	5028.78	4997.20
Germany	M-DAX	25285.05	25248.11
	TecDAX	2982.83	2980.57
	XETRA Dax	13995.10	[illegible]
Greece	Athens Gen	923.00	[illegible]
	FTSE/ASE 20	2232.08	[illegible]
Hong Kong	Hang Seng	19593.06	[illegible]
	HS China Enterprise	6642.98	[illegible]
	HSCC Red Chip	3615.25	[illegible]
Hungary	Bux	44220.76	[illegible]
India	BSE Sensex	60927.43	[illegible]
	Nifty 500	15418.35	[illegible]
Indonesia	Jakarta Comp	6923.03	[illegible]
Ireland	ISEQ Overall	7181.70	[illegible]
Israel	Tel Aviv 125	1784.00	[illegible]
Italy	FTSE Italia All-Share	25885.20	25888.12
	FTSE Italia Mid Cap	39571.60	39437.30
	FTSE MIB	23855.86	23877.56
Japan	2nd Section	7228.27	7238.06
	Nikkei 225	26447.87	26405.87
	S&P Topix 150	1634.57	1636.86
	Topix	1910.15	1902.52
Jordan	Amman SE	2487.10	2473.54
Kenya	NSE 20	1663.36	1654.71
Kuwait	KSX Market Index	6633.44	6603.51
Philippines	Manila Comp	6564.30	6541.03
Poland	Wig	56573.39	57036.51
Portugal	PSI 20	5756.08	5781.18
	PSI General	4451.98	4473.65
Romania	BET Index	12182.86	12147.12
Russia	Micex Index	2436.57	2445.30
	RTX	1246.71	1212.57
Saudi-Arabia	TADAWUL All Share Index	10358.25	10228.64
Singapore	FTSE Straits Times	3266.38	3251.70
Slovakia	SAX	338.60	338.60
Taiwan	Weighted Pr	14328.43	14285.13
Thailand	Bangkok SET	1643.16	1626.80
Turkey	BIST 100	5434.51	5484.51
UAE	Abu Dhabi General Index	9222.98	9251.11
UK	FT 30	2794.30	2776.60
	FTSE 100	7473.01	7469.28
	FTSE 4Good UK	6725.74	6720.65
	FTSE All Share	4083.66	4079.25
	FTSE techMARK 100	6308.11	6271.51
USA	DJ Composite	11057.58	11024.18
Cross-Border	DJ Global Titans ($)	404.19	405.91
	Euro Stoxx 50 (Eur)	3832.81	3817.01
	Euronext 100 ID	1247.72	1241.79
	FTSE 4Good Global ($)	9421.12	9438.50
	FTSE All World ($)	400.36	400.21
	FTSE E300	1691.10	1688.62
	FTSE Eurotop 100	3335.90	3330.59
	FTSE Global 100 ($)	2419.58	2428.19
	FTSE Gold Min ($)	1750.07	1759.07
	FTSE Latibex Top (Eur)	4440.88	4432.29

(c) Closed. (u) Unavailable. † Correction. ▼ Subject to official recalculation. For more index coverage please see www.ft.com/worldindices. A fuller version of this table is available on the ft.com research data archive.

STOCK MARKET: BIGGEST MOVERS

AMERICA — LONDON — EURO MARKETS — TOKYO

UK MARKET WINNERS AND LOSERS

CURRENCIES

FTSE ACTUARIES SHARE INDICES

FT 30 INDEX

FT WILSHIRE 5000 INDEX SERIES

FTSE GLOBAL EQUITY INDEX SERIES

FTSE SECTORS: LEADERS & LAGGARDS

FTSE 100 SUMMARY

UK STOCK MARKET TRADING DATA

Data provided by Morningstar | www.morningstar.co.uk

UK RIGHTS OFFERS

There are currently no rights offers by any companies listed on the LSE.

UK COMPANY RESULTS

UK RECENT EQUITY ISSUES

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

FT 500: TOP 20

FT 500: BOTTOM 20

BONDS: HIGH YIELD & EMERGING MARKET

BONDS: GLOBAL INVESTMENT GRADE

INTEREST RATES: OFFICIAL

INTEREST RATES: MARKET

BOND INDICES

VOLATILITY INDICES

BONDS: BENCHMARK GOVERNMENT

GILTS: UK CASH MARKET

GILTS: UK FTSE ACTUARIES INDICES

COMMODITIES

BONDS: INDEX-LINKED

BONDS: TEN YEAR GOVT SPREADS

Tradeweb

Data provided by Morningstar | www.morningstar.co.uk

Sites for sore eyes in 2023

Museums and galleries, a hotel, two quarries: Edwin Heathcote looks forward to next year's highlights in architecture

During the peculiar interlude of the pandemic, architecture was one of the least disrupted of the cultural industries. Construction carried on, yet in many cases there were few people around to see the results. Unable to hold off any longer and committed with staff and schedules, cultural institutions, hotels, stores and whole neighbourhoods opened with only local audiences to catch them. Here is my Christmas list of tantalising places I missed but hope to visit in the near future.

M+, Hong Kong
Hong Kong's massive museum of art and culture, this Herzog & de Meuron blockbuster opened to a deafening global silence in November 2021. Yet this might well be their finest building, a modernist plinth and slab set into the rock and against the water. Since its conception and design, the political and cultural situation in Hong Kong has radically shifted and the agenda with it, but I'm still very much looking forward to what promises to be Asia's most intriguing new museum.

Hotel Marcel, New Haven
Marcel Breuer's striking brutalist HQ for the Armstrong Rubber Company stood sentry at the entrance to New Haven, Connecticut, an empty, largely unloved monument, a modernist version of a ruined medieval castle. Latterly revived as a strange Ikea outlet, it has now been repurposed by architects Becker + Becker as a hotel. In its new incarnation as an exquisite example of adaptive reuse, it is paying penance for its years as an auto-parts manufacturer by being billed as a "net zero" building.

The unlikely success of Breuer's former Whitney Museum in New York as a temporary home for the Frick has shown just how adaptable these solid concrete landmarks can be and this is another stage in accepting the notion that we should be cherishing good modern buildings and not demolishing them. New Haven, despite the wealth of Yale, can be a down-on-its-luck kind of town, but this looks a terrific project.

Neue Nationalgalerie, Berlin
An exact contemporary of Breuer's late-1960s building, this museum by another Bauhaus émigré, Mies van der Rohe, remains a gallery after its extensive refurbishment by British architect David Chipperfield. Mies van der Rohe holds a special place in the hearts of architects and this building shows off both his brilliance and his obstinacy. A glass box of almost unimaginable clarity, its appearance might lead a visitor to say, yeah, great, but where's the art?

The insertion of art would, of course have sullied the transparency and the plan while all that natural light would have damaged the paintings, so Mies buried them in the basement. Problem solved. It is a building that perfectly encapsulates minimal modernism's paradoxes, its obsessions with exquisite detailing, with purity and the expression of openness. After half a century, it had begun to seriously deteriorate. Restored by Chipperfield (who remains more of a national treasure in Berlin, where he also revivified the ruin of the incredible, scarred Neues Museum), this is one of those buildings architects have always fetishised despite its obvious faults. I shall be fetishising as soon as I can.

Taipei Performing Arts Centre
Long anticipated, this radical-looking megastructure sitting alongside Taipei's buzzing night market looks like a kind of Death Star but is, in fact, a machine for expanding the city's cultural life. Designed by Rem Koolhaas and OMA, it is a flexible arts space of the kind envisioned, but never quite built, by the avant-garde architects of the 1960s and, arguably, by their Soviet constructivist forebears in the 1920s. With performance spaces able to expand and contract within the building and with public life able to spill out into the city, it looks a remarkable project.

Z33, Hasselt
The small Belgian city of Hasselt has managed what many bigger cities have attempted and failed to do: to become a cultural destination through architecture. The newest piece in its puzzle is Italian architect Francesca Torzo's incredible looking Kunsthalle for Z33, an institution that merges art, design and social concerns. Torzo has inserted a building between a former beguinage (complex for lay religious women) and an existing museum.

Ca'n Terra, Menorca
Spanish architects Ensamble seem to have done very little to this Menorcan former stone quarry. The forms were already there, carved out of the stone and, with only the lightest of touches, the architects have reimagined these cool subterranean spaces as a dwelling in the rocks. More ambitious and less light-touch, a network of abandoned quarries in China's Jinyun county have been repurposed as a cultural complex by architects DnA_. With narrow canyons and cavernous halls, these returns to the earth seem unsettlingly contemporary.

Rebuilding Beirut
The shocking explosion at Beirut's docks in 2020 hit just as the world was emerging from Covid lockdowns. But Beirut is nothing if not resilient and its rebuilding has been by turns shocking, corrupt, outrageous and brilliant. Architects including Lina Ghotmeh (designing next year's Serpentine Pavilion in London) and Youssef Tohme have been designing remarkable new buildings with an energy and approach that seem unique.

Sydney Modern
Japanese architects Sanaa have been responsible for some of the most sublime museums, including the radically minimal Louvre Lens, which sets out the history of art as a landscape to be surveyed in a glance. In Sydney their sprawling new gallery tumbles down a hillside overlooking the harbour. It looks mightily impressive, but also less controlled than their usual work.

Reshaping Paris
Mayor Anne Hidalgo is achieving remarkable things, not without controversy. Chief among them are plans to make the city more amenable to pedestrians and cyclists. The most ambitious is a plan to remake the Champs-Élysées as a long public space rather than a traffic artery.

She has also instigated a series of architectural hotspots around transport hubs, each containing significant elements of social housing. Jean-Christophe Quinton's scalloped social housing built in place of a demolished police station in the Sixth Arrondissement is an elegant throwback to Paris's historic blocks. Even the revered La Samaritaine on the Seine has been reimagined by architects Sanaa with subsidised housing as a part of it. Paris is often condemned as the archetypal doughnut city, forcing its poor to the edges, but at least it is trying.

Venice Architecture Biennale
After an odd Covid year with sparse crowds and no parties in 2021, the Biennale is bouncing back with Scottish-Ghanaian curator, architect and novelist Lesley Lokko, and promises an optimistic outlook with an emphasis on Africa. Venice seems the perfect venue for this global rethink and Lokko's energy should be a breath of fresh air.

Top: Hotel Marcel in New Haven, Connecticut, is the former HQ of the Armstrong Rubber Company, designed by Marcel Breuer. Above: Ca'n Terra, a converted quarry in Menorca
Saeed Payne

Berlin's Neue Nationalgalerie, refurbished by David Chipperfield — David von Becker

Why do so few video games feature children?

GAMING

Tom Faber

I don't have children, but I hope to one day. Sometimes when I'm playing a new game, such as this year's delightful *Kirby and the Forgotten Land*, I think: "This, *this* is the game I'll use to introduce my child to the world of gaming."

The question occupies me because the games we play as children hold a special place in our consciousness and often we remain as emotionally welded to them as the favourite albums of adolescence. Children have the wonderful, ephemeral gift of entering wholly into a game's fiction and, despite the fact that the average age of a gamer today is 33, much of society still associates games with kids.

This is partly a cultural hangover — it is only within the past decade that games have matured narratively — but also because games are a pure form of play, which is, unfortunately for adults, considered the domain of children. Given these strong associations, I was surprised to see recent research published in the journal Games Studies that said games very rarely feature child characters. Why should this be?

The obvious reason is that game developers don't want to deal with the possibility of players murdering kids. Games are often spaces that allow casual violence with few moral repercussions, which raises an obvious issue: if there were children in *Grand Theft Auto*, would you be allowed to run them over with your sports car? When game writers allow children to be hurt or killed, they need to handle it delicately. The superlative example of this is the poignant

fatherhood thematically. This has been called the great "daddening" of games (gaming has still offered vanishingly few complex mothers, a symptom of the industry's enduring sexism).

Father figures have become the hallmark of mature narrative gaming, particularly flawed dads Joel in *The Last of Us* and Kratos in *God of War*. This trend is indicative of today's ageing game designers and players, who are now old enough to be parents and want to reflect their experiences.

When parent-child relationships are presented with nuance, they can be both emotive and instructive. The

> Today's game designers and players are now old enough to be parents and want to reflect their experiences

recent *God of War* games show a broken relationship between a father and son being repaired slowly and deliberately. Titles such as *The Witcher 3* and *Dishonored* explore the ways parents influence their children as your player-actions determine the kind of person your daughter (or surrogate daughter) becomes. Meanwhile, in a thoughtful touch of wartime civilian simulator *This War of Mine*, you must prioritise not just young survivors' need for food and shelter, but also for play and laughter.

Games often place these relationships at their narrative core because they provide an easy shortcut to make the player invest emotionally. By asking the player to protect someone who is helpless, the game seeks to awaken something primal within them, to encourage them to become the hero they need to be. The generic objectives of gaining power or points are eschewed in favour of protecting, caring and building trust.

The dynamic also serves to humanise gaming protagonists, who are often so violent that they could easily be seen as callous monsters. Seeing them care for a child softens them. They're no longer killing for sport, they're just doing what they must to protect their family. This care is often portrayed as a redemption for a flawed character and, by extension, a fallen world. Thematically, parent-child relationships often dwell on the tensions that emerge when autonomy is transferred to the next generation, which entails an acceptance of change, mortality and the passage of time.

Playing *God of War* and *The Last of Us*, I've watched children grow and change. I've learnt that sometimes you need to guide them, to get them where they need to be. And then, at some point, you simply have to let them go. Maybe, when it comes to it, I'll let my kid choose their own games after all.

FT BIG READ. PROPERTY

While other markets have cooled off as interest rates rise, a shortage of homes is driving up the cost of renting or buying. Securing an affordable place to live is now the country's most urgent political issue.
By Jude Webber

Ireland's unyielding housing boom

"We've been saving for the last two years," says Criomhthann McCarthy, 32, a youth worker from County Tipperary in Ireland. He and his partner of four years, Aileen Sheehan, 35, each live with their parents while they try to save for a house. "We're racing against inflation in house prices while our savings are deflating against house price inflation," he says. "If you look too closely, it looks a little hopeless."

Ireland has traditionally been a nation of homeowners and property has made one in eight households a millionaire on paper. But getting on to the property ladder is out of reach for many now — and for an increasing number of people, simply securing a place to rent is getting harder.

Even by the standards of property markets in similar developed nations, Ireland has seen a surge in house prices over the past five years — just over a decade after a previous boom-bust cycle brought on an economic crisis.

But unlike other hot global property markets that are facing a rapid cooldown as interest rates rise and recession looms, Ireland's boom shows no signs of slowing: it is still facing a housing shortage that is driving up prices.

House prices rose nearly 10 per cent nationwide in the year to October, down a percentage point from the year to September, according to the Central Statistics Office, with the median price of a property in the year €300,000. In parts of the west of Ireland, property prices rocketed more than 16 per cent. Nationally, prices have increased 130 per cent since early 2013, the CSO says.

At the same time, Ireland has seen "an extraordinary collapse in the stock available to rent" in the past 18 months, according to Ronan Lyons, a Trinity College Dublin professor and housing expert, in a report for property site Daft.ie. He found just 495 homes available to rent in Dublin on July 1 and only 35,000 nationwide, virtually half the level available in 2016.

However, nationwide rents rose by an average of 14.1 per cent in the third quarter this year compared with the same period in 2021, according to Daft.ie — the highest increase since it began tracking rents in 2005.

The government says its €4bn a year housebuilding programme it launched in 2021, called Housing for All, is on course to exceed its construction target this year. But population figures suggest Ireland is going to need to double its ambition. The population has risen to 5.1mn, its highest level since 1841 and an increase of 7.6 per cent compared with the last census in 2016. Ireland has also taken in more than 62,000 Ukrainian refugees.

"Preliminary Census 2022 figures suggest that underlying housing need in Ireland over the coming three decades is likely to be in the range of 42,000 to 62,000 homes [per year], not far off twice the underlying level of 28,000 new homes per year that underpins Housing for All," wrote Lyons.

Ireland risks locking a generation out of home ownership and into unaffordable rentals, while condemning record numbers to homelessness. According to official figures, Ireland had an unprecedented 11,397 people in emergency shelters in October, but experts say rough-sleepers, couch-surfers and other "hidden homeless" are not included, meaning the true problem is even greater.

"We had accelerated house building from 1997-2009 and a massive drop back since," says Rebecca Moynihan, a Labour senator and the party's spokesperson on housing. "We don't have additional stock and we have an exploding young population . . . This will probably get worse before it gets better."

For a nation that has transformed itself in recent decades from a poor, rural, church-controlled backwater to a rich, socially progressive outward-looking state, the housing crisis is a chastening reality check that blights its open-for-business image.

Taoiseach Leo Varadkar admits multinational investors regularly raised the housing problem with him when he was trade minister, a role he held from 2020 to December 17, when he took over as premier for the second half of the coali-

Ireland risks locking a generation out of home ownership and into unaffordable rentals; right: Criomhthann McCarthy and his partner Aileen Sheehan say they are struggling to save fast enough for a deposit to keep up with rising house prices; below: with many Dublin workers unable to afford to live in the city, some are ending up in towns such as Greystones, 30km south of the capital

FT montage: Sopa/Getty Images/Dreamstime, Jude Webber/FT, Vitalii/Alamy

'We have an exploding young population . . . This will probably get worse before it gets better'

they say, tried to ensure workers could "have their best experience" in places such as Greystones or Balbriggan — quiet commuter towns on the coast, 30km south, and 45km north, of Dublin city centre, respectively.

Housing is an especially sore subject in Ireland because lending for property fuelled the country's Celtic Tiger boom from the mid-1990s. That ended up crashing the entire economy more than a decade later and requiring a €67.5bn IMF and EU bailout in 2010.

Now, a lack of housing is creating a new rift in society. In a country where people used to emigrate to escape poverty and seek work, as many as seven out of 10 young people are considering moving abroad because they cannot afford somewhere to live — an embarrassing failure for one of the EU's better-off nations. Stevie Wilson, a 23-year-old artist, is contemplating moving to Spain because of the problems her generation face in finding affordable housing. "I don't think that unless I move country I can ever hope to own [a home]," she says.

Seeds of a crisis

Up until the property crash of 2008, Ireland had one of Europe's highest rates of house completions. Indeed, in the early decades of the Irish Free State, formed in 1922, the government was the country's largest homebuilder, delivering 112,144 social homes between the early 1930s and mid-1950s. It helped clear people out of unsafe inner-city slums, according to Michelle Norris, a housing expert and professor of social policy at University College Dublin.

But the seeds of today's crisis were sown with the country's decision to sell off social housing to tenants without replacing it at the same rate, say experts who have studied the problem.

"We always had quite a strong tenant purchase policy. But in the 1950s, 1960s and 1970s, we were building enough council housing to replace it," says Rory Hearne, a lecturer in social policy at Maynooth University and author of *Gaffs*, a book on Ireland's housing crisis. "The problem was when we stopped replacing it."

As Dara Turnbull, research co-ordinator at Housing Europe, a federation of public, co-operative and social housing providers across the continent, put it: "About two-thirds of all the social housing that we built in the history of the state is now in private hands. That's it. That's the whole story."

Before the 1970s, Ireland did not have much in the way of private property development as the state was in the driving seat. But private financing then became "very effective" at creating supply, boosted by bank lending and fairly lax planning regulations, Norris said.

Housing output rose by 177 per cent between the boom years of 1996 and 2006, according to Norris, when house prices also rose nearly 300 per cent. The Celtic Tiger was driven by reckless lending and a property splurge; by its twilight, Ireland was building some 90,000 houses a year.

But in the austerity period that followed, social house building collapsed by 90 per cent to fewer than 760 units in 2013 and 2014, versus 8,763 in 2007.

Instead of the government leading the provision of low-cost housing for the worst off, private housing projects from 2000 were required to include 20 per cent of social housing within their developments. As social housing stock fell, people were placed in the costlier private rental sector. Hearne reckons about €1bn a year was going to private landlords to subsidise social housing.

Light-touch regulation of the short-stay market is compounding the problem, Hearne says, noting that Airbnb had more than 15,000 properties listed in Ireland, more than 10 times the number of long-term rental properties available.

Photos shared on social media in recent months capture the public's frustration: queues of would-be renters chasing overpriced properties snaking round an entire block in a Dublin street.

As demand has surged, so have rents. Between 2010 and the second quarter of this year, average rents rose by 82 per cent in Ireland, bank lobby group the Banking and Payments Federation Ireland noted in a recent report, far outstripping an EU average of 18 per cent.

"The idea that social and affordable housing is radical is bananas," says Sian Ní Mhuirí, 33, who earns an above average industrial wage in the children's animation industry. "Housing has become a source of investment, speculation or retirement, not a basic human right."

Political promises

The housing crisis has become the most urgent political issue in Ireland. Voters

they were doing very badly. Nationalist party Sinn Féin has become Ireland's most popular political force by zeroing in on the housing problem. It promises to dramatically accelerate homebuilding, cap bank rates and abolish local property tax.

Sinn Féin also wants to use a leasehold model. Eoin Ó Broin, housing spokesman for Sinn Féin, argues that the government could contract construction of homes on public land — eliminating site servicing and development costs, resulting in cheaper houses, with the state keeping ownership of the land.

But the condition would be if owners of those homes wanted to sell them, the properties would be offered only to other people who qualified for the housing scheme, rather than being put up for sale on the private market. That would create "a sub-market of privately owned, privately traded, permanently affordable homes," Ó Broin says.

Ireland also has nearly 170,000 vacant properties and Ó Broin says a

quarter of the 20,000 social, affordable homes needed could come from repurposing vacant and derelict properties.

Even voters turned off by Sinn Féin, a pro-Irish unity party that was once the political wing of the republican paramilitary IRA, acknowledge it has done its homework. "The success or failure of this government . . . of the next government will be on housing," Ó Broin says.

Varadkar has made clear housing is top of his to-do list, telling national broadcaster RTÉ he "genuinely" believed progress had been made in the government's first two-and-a-half years, "but it isn't enough".

He said he would sit down with experts to see how to accelerate implementation of Housing for All and try new tactics to "dramatically increase supply" and exceed 2023's targets.

"Of course there are ongoing chal-

'Housing has become a source of investment, speculation or retirement, not a basic human right'

let". But new approaches, such as state-backed "cost-rental" tenancies — rentals to people on middle incomes above the threshold for social housing that exclude building and maintenance costs and are at least 25 per cent cheaper with no profits for developers — "means prices are not driven by market movements, making it more affordable".

But the government also has to reckon with inflation that is driving up the cost of construction and higher interest rates pushing up the cost of finance. Dermot O'Leary, chief economist at stockbrokers Goodbody, says higher rates "are causing an issue for build-to-rent apartments which has really been the major driver of growth in supply in the last two years. That's under threat now".

Lorcan Sirr, a senior lecturer in housing, planning and development at Technological University Dublin, says Ireland has "engineered a situation whereby the provision of social housing and private housing is pretty much dependent on rising house prices".

Housing starts were 17 per cent lower in October compared with September, and a drop of 31 per cent compared with a year earlier and 63 per cent from the most recent peak, in May 2021. That will delay completions around the time, in the run-up to the next election, that Varadkar will be wanting to tout progress.

O'Leary says there was also a 41 per cent drop in planning permissions granted in the third quarter compared with June-September last year, driven by a 66 per cent plunge in approvals for apartments. "[The government] will overachieve in terms of their output targets this year, so they can argue we're going in the right direction. But I can see the difficulties coming down the tracks," O'Leary says.

The cabinet last week proposed a shake-up of the planning system that it says will help speed up housing construction, but O'Leary says that was "not a panacea to the supply problems . . . particularly in the short term".

For Sirr, a social contract based on home ownership — the model Varadkar calls Ireland's "homeowning democracy" — is under threat. The country's home ownership rate is at 1971 levels, according to official data.

"It's a financial reality that if you want to get anywhere in Ireland or be safe and secure in your dotage, you need to own property," Sirr says. "[The government] has a huge plan to turn us all into renters, it looks like."

Whereas once people would have paid off a mortgage by the time they retired, more people will face the challenge of

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

Time for new investors to take an old approach

Losing money should not lead young people to lose faith in investing

Burnt by big tech, let down by meme stocks and left shivering in the depths of the crypto winter: many new investors, particularly young people, are now sitting on sizeable losses. Losing money should not mean losing faith in investing. It should mean turning to steadier and more proven, if less flash and get-rich-quick, investment strategies.

Anyone who bought the pandemic dip could be forgiven for thinking investing was easy. Rising inflation and interest rates have since spoiled the party. Regulators did not intervene as traders piled into unregulated cryptocurrencies, and were late in bewailing the gamification of the investment industry. UK watchdogs warned trading apps to avoid the use of points and celebratory messages to goad punters into making risky bets.

All of this short-term speculation has more in common with gambling than investing. Attempting to get rich quick rarely pays off. But low levels of financial literacy, the paucity of investment education and a growing "advice gap" make it harder to find an alternative.

Fintech may help nudge people into making better financial decisions in future. But this will take time. So this holiday season is a good time to make the case for "getting rich slow": practised investors should strike up conversations with less experienced relatives, friends and colleagues about their investment journeys. They may have rushed into investing, but at least they have overcome the biggest barrier — getting started. If they have regrets about losing money, reassure them that every investor makes mistakes.

The trick is learning from these. Single-stock exposure will probably have already taught new investors painful lessons about the need to diversify, an adequate cash emergency fund and finding a comfortable level of risk.

But a shift from chasing short-term gains to building long-term wealth requires a multipronged approach. Few people on TikTok extol the virtues of making the most of "free money" from matched company pension or 401k contributions. Trading apps are well and good, but more significant are the huge tax advantages of investing using stocks and shares Isas in the UK, or Individual Retirement Accounts (Iras) in the US.

As for what to put in these, single stocks have their place but limiting them in portfolios makes sense. Eschew online stock tips, and invest time learning about the basics of valuation, the power of compound interest and reinvesting dividend income.

Funds can offer a more balanced approach. Automating a regular monthly investment into a plain old global equities index fund might sound boring — but boring can be good. Making regular contributions to investments beats trying to time the market.

> Regulators did not intervene as traders piled into unregulated cryptos, and were late in bewailing the gamification of the industry

Taking a long-term buy-and-hold approach using cheap trackers could save a fortune in fees, which act like a tax on investment growth. Plus a growing body of research shows the majority of actively managed funds underperform their nearest passive equivalent.

Now for a reality check. While 2022 was a challenging year for investors, there is every possibility 2023 could be even worse. That ought not to spark panic. The financial odds are stacked against the young in many ways, but as investors, the greatest advantage they have is time. If markets fall, they will be buying stocks at lower prices, and their long-term returns are going to be higher decades into the future.

That is worth remembering when the temptation strikes to sell up or abandon investing altogether, which would mean missing out on the rebound — whenever it happens. The new year could be the time to learn about a new way of investing. Have faith that the long-term rewards will be worth it.

Opinion Environment

Don't underestimate the power of climate bullshit

Andy Carter

Pilita Clark

Floods in Pakistan killed more than 1,700 people this year. China had its longest heatwave since national records began. The UK sweltered in 40C heat and the past eight years are set to be the planet's warmest on record.

What a relief it would be if none of this had anything to do with climate change. Imagine if scientists had got it wrong and there was no need to stop burning coal, or build more wind farms, or reduce carbon emissions to net zero.

As it happens, some people say this is actually the case. They may be in a minority but in a year of spiralling energy costs, there are signs their guff is hitting home. It is to them that my 2022 climate bullshit awards are dedicated.

Canada produced an early contender in January, when writer and psychologist Jordan Peterson claimed the climate models that underpin our understanding of global warming were bedevilled by serious defects.

> Pairing net zero advocates with war appeasers is high-grade nonsense. But it may be effective

Speaking on the Joe Rogan Experience podcast, Peterson said trying to model something as complicated as the climate posed a "big problem" and "as you stretch out the models across time, the errors increase radically".

That might be the case for weather forecasts but it's different for climate, which is average weather over time. And in fact, climate modelling published as far back as the 1970s has done a remarkably good job of predicting future warming patterns.

Not every warming estimate has been 100 per cent spot on, but the overall record shows the models are more than capable of simplifying a highly complex world usefully.

None of this has deterred Christopher Monckton, a veteran climate bullshitter who deserves a lifetime achievement award this year for his efforts. The British hereditary peer ... fact, it is possible to see a "pause" in warming, or indeed an acceleration, if you just look at temperature data over a relatively brief period. That's because there are times when warming is slower or faster than average.

Unfortunately, the long-term warming trend that took off as humans started burning fossil fuels in earnest after the industrial revolution is inescapably evident.

Monckton's claims are mostly ignored in mainstream news outlets and swiftly rebutted by scientists if they ever surface. But it has been harder to contain a whole new level of climate misinformation that erupted as energy costs began soaring this year. Gas prices surged to more than 10 times their normal levels after economies rebounding from Covid-fuelled demand and Russia squeezed supplies to those supporting Ukraine in Vladimir Putin's war against the country.

Imported supplies of gas lay at the heart of the energy crisis. But you might have thought climate policies, particularly net zero, were the chief culprits if you only read the rubbish.

First, Nigel Farage, the former Brexit party leader, demanded a referendum on "ruinous" net zero policies he called a "scandal of epic proportions". Then, some UK newspapers claimed green levies accounted for as much as 25 per cent of household fuel bills. The figure was closer to 8 per cent at the time, as they later clarified.

But the gold net zero bullshit prize goes to former Brexit minister Lord David Frost. "The choice by net zero proponents to rely on renewables and interconnectors, and to run down storage, means we face blackouts, hideous business-crushing costs, and people shivering and dying in the cold," he wrote in August. "The people responsible for this are as culpable as the 'guilty men' whose policies ended up with German tanks at the Channel coast in 1940."

Equating net zero advocates with second world war appeasers is high-grade bullshit. But it may be effective.

Recent adverts posted by the Reform UK party, which grew out of the Brexit party, echo Lord Frost and claim that: "The Tories' net zero obsession, backed by Labour, is making us colder and poorer."

A YouGov poll last month found 44 per cent of British adults support a net zero referendum, two percentage points higher than in October last year. Another 27 per cent were opposed and 29 per cent did not know.

Letters

Email: letters.editor@ft.com
Include daytime telephone number and full address
Corrections: corrections@ft.com
If you are not satisfied with the FT's response to your complaint, you can appeal to the FT Editorial Complaints Commissioner: complaints.commissioner@ft.com

Fusion energy breakthrough is not all it's cracked up to be

Comparing the press release from the Lawrence Livermore National Laboratory in California with your report ("US scientists boost clean power hopes with breakthrough in fusion energy", December 12) one sees the release twice lists the value of the work to the US national nuclear stockpile programme before any mention of the "future of clean energy". This is because Livermore's National Ignition Facility (NIF) is funded primarily to maintain both the US nuclear stockpile and the critical scientists who understand the fusion physics behind it. While the reported energy break-even was long sought, it is not a breakthrough in the critical struggle against climate change. Livermore generated roughly 3 megajoules (MJ) of fusion energy from 2MJ of laser optical energy, an excess corresponding to about 0.3 kilowatt hours.

Unfortunately, the electrical energy expended to pump the lasers was 100-fold greater than the useful optical energy. Also, the firing rate at the NIF is roughly once per day. Were the NIF configured as a power plant, its "breakthrough" output could partially charge one electric vehicle in half a year. A glance at the sheer size and complexity of the NIF laser system clarifies that this is no scalable technology. The FT's interest in the immense technical challenge of transition to a low carbon future is laudable, so please cover some of the newly built utility-scale wind and solar installations which are already cost competitive with existing coal plants.

There is a crying need for innovation in energy storage technologies, but the US could realise a 50 per cent renewable electric grid without significant scientific advances. Research on 100 per cent renewable power generation and storage on the global scale is well under way.

I am an advocate for hard science research and also count on the FT for solid business intelligence. While I also enjoy science fiction, I strongly encourage the FT to focus more on technology that is ready to fix the climate today.

Richard Sonnenfeld
Professor of Physics, New Mexico Institute of Mining and Technology, Socorro, US

Fall in real wages is an issue that also stokes extremism

Sarah O'Connor (Opinion, December 20) points to a real problem related to the years of falling real wages in many developed economies. But the fall of labour share in global income has declined also in 2022, as she says, but this is mainly due to the spike in energy costs as income is being transferred from energy-consuming to energy-producing countries with very unequal income distribution. In addition to the trend decline in real wages in the developed world, the drivers of the high-tech revolution are, as in previous industrial revolutions, reaping very high profits at the expense of wages, which also are depressed in many sectors due to disruptions in the supply chain due to Covid. And the fall in real wages is not only an economic and human problem as it feeds social discontent stoking extremist parties.

Panayotis Thomopoulos
President of Institute of Industrial and Economic Research (Greece)
Former Deputy Governor Bank of Greece
Athens, Greece

Do public sector workers undervalue their pensions?

Martin Wolf writes that "the UK government's policy on public sector pay is foolish" (Opinion, December 12), highlighting lower wage growth in the public versus private sector as a driver of staff shortages. However, Wolf also notes that higher pension contributions in the public sector lead to compensation overall being 6 per cent better than the private sector in 2021 but doesn't assess the implications. Does this mean that relatively generous public sector pension schemes are undervalued by potential employees? Should the mix of wages and pension awards be changed to better attract workers while still managing overall costs?

Colin Evans
London W9, UK

How state can target aid to UK's vulnerable businesses

The UK government's potential backtracking on giving targeted aid to vulnerable businesses is a costly cop-out (Report, December 15). It will create unnecessary overspend and take money out of the pockets of those who really need it.

While it's an undoubtedly hard problem, it is not impossible, and we have three months to get it right.

The government must consult with experts, businesses and energy providers to agree which industries will be classified as "vulnerable". These categories must be harmonised with already-in-use Standard Industrial Classification (SIC), a five-digit code that classifies a business's main area of economic activity and is used for sorting companies into categories, and other data sources to make targeted aid easier to administer. There must be a public information campaign to make businesses aware of the help on offer and which industries it applies to. Finally, energy suppliers have a duty to ensure they are being proactive in identifying vulnerable businesses and communicating what support is available.

Anita Dougall
Chief Executive, Sagacity Solutions, London EC1, UK

Crypto and the language that ought to raise alarm

Daniel Aronoff's letter "Look beyond the domain of exchanges for crypto's real promise" (December 20) uses the kind of language from which red flags should wave violently. Here is just one quote: "Algorithmic smart contracts with zero-knowledge proofs on blockchains open possibilities for improvements in auctions . . ." etc.

From this kind of word use has come the FTX debacle and will come many more disastrous financial tsunamis.

Cryptocurrency is a sham. Something cannot be created from nothing. Setting up monstrous computer systems to "mine" and create wealth is the perfect system for only one kind of person.

These people are called conmen.

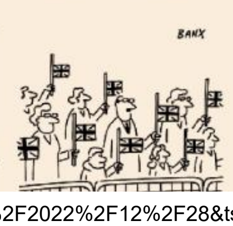
Jon Johannessen
Venice, CA, US

OPINION ON FT.COM
Treasuries don't need Japan
The BoJ's monpol tightening shouldn't spell doom, writes Alexandra Scaggs
www.ft.com/alphaville

Best of Banx

"THEY'RE TRAINING A DOCTOR FOR YOU"

"IT'S TRICKLE DOWN"



Opinion

Drama has cost populists more votes than incompetence

POLITICS

Janan Ganesh

Consider, in this month of goodwill, the loneliness of Giorgia Meloni. The Italian prime minister is the only head of government in a G7 country who can be described without lurid exaggeration as a populist. She has seen the British swap Boris Johnson for a slightly bloodless Goldman Sachs alumnus. She has seen Americans give a Beltway insider of half a century's standing good midterm election results for a sitting president. Outside the richest democracies, she sees a Brazil without Jair Bolsonaro on top of it.

And Meloni, don't forget, is herself a kind of apostate of the right. To get and hold power, she has had to curb her Euroscepticism, cheer Ukraine on against Russia and put various respectables at the upper end of her cabinet.

That populism is on the retreat has been said often enough of late. Exactly why, hasn't.

Let us not pretend that elites have "read the room" and answered the "legitimate concerns" of angry voters in recent years. Net immigration in the UK has gone up, not down, since Brexit. The US has as much a problem as ever with people crossing its southern border. Some economic trends in rich countries can be seen as sops to the raging heartlands, such as the growing industrial protectionism. Others, namely higher interest rates, can't. (Donald Trump used to bash the Federal Reserve for its monetary tightness, remember.)

No, populism has suffered a far crueller fate than being argued against or competed with or given ground to. It has been allowed to burn itself out.

Before it is anything else — divisive, inept, sometimes perceptive and necessary — populism is exhausting. It generates too much noise and scandal in government for all but the most news-hungry citizens to bear for long. Think of how Johnson and Donald Trump made their names as public figures. The weekly television show. The guest appearances. The occasional book or eye-catching business deal. These men were never meant for the round-the-clock, 52-weeks-a-year exposure that even a normal national leader gets, much less a wild one. What is fun in controlled doses grates when it is the ambient noise of the age.

Supposedly of the people, demagogues tend to underestimate how much the average voter, between elections, wants a quiet life. What ultimately did for Johnson was not his handling of one parliamentary sex scandal but the sense that, were he to survive it, there would be another fiasco, then another. What did for Trump was not his record on the pandemic (he was unpopular long before that) but the endless commotion of public life under him. It would be nice to think that Americans were making a Jeffersonian statement about the importance of civic standards when they evicted him from the White House in 2020. "Enough, already," was more like it.

> Demagogues tend to underestimate how much the average voter, between elections, wants a quiet life

Drama, more than governmental incompetence, is what stops populists holding power for long. It wasn't Trump who invaded Iraq. It wasn't Johnson who made a farce of Britain in the financial markets a few months ago. Had each man been more circumspect in style, but no different in their administrative performance, he might be in office yet.

But that drama is innate to populism. It can't be fixed. Bored out of its mind by the technical act of governing, this is a movement that lives on spectacle. This is why, among other reasons, it was always daft to compare the likes of Johnson and Trump with the strongmen of the 1930s. What obsessed Mussolini and Franco was control of the governmental machine (with a view to, you know, doing things), not just the circus of politics. Whatever an interwar dictator was upon attaining power, he wasn't the dog that caught the car. He had all too clear a plan for the vehicle.

Put another way, fascism is about winning and doing. Populism is about losing, and cocking a snook at the winners. As a movement, it is at its happiest as a large minority of the electorate: enough to sustain its own media ecosystem, provide earning opportunities for grifters and perhaps sway the official policy of the day. But not enough to have to govern. What happened circa 2016 was the loss of that equilibrium. Voters were given the chance to grow sick of these people.

The parable of Nigel Farage is instructive. He has stood for the UK parliament seven times. He has failed seven times. But is "failed" the right verb? So much of his appeal and influence hinges on that distance from the centre of things. Were he to get in, or even serve in government one day, he would be too ubiquitous and powerful to keep the audience he built as a charismatic spoiler. Yet that, in miniature, is the fate that befell populism as a whole when it made its electoral breakthrough in the last decade. It is a victory from which it is still recovering.

janan.ganesh@ft.com

Space race could turn science fiction into reality

BUSINESS

Rana Foroohar

Matt Kenyon

The last few years have been marked by trade wars and hot wars. This year may bring with it star wars, as space — the "final economic frontier" — becomes the focus of a global race for dominance by both public and private actors.

Elon Musk's SpaceX, Jeff Bezos' Blue Origin, Orbital ATK, ViaSat, SES, OneWeb and more than 10,000 other commercial space companies have grown over the past two decades into a burgeoning sector known as "new space," dedicated to growing private space access and space station servicing to satellite operations, defence technology, data analytics and even more speculative areas like space tourism, manufacturing and asteroid mining.

SpaceX is the best known new space player, having launched thousands of satellites for both public and private use. Musk's Starlink service has kept the Ukrainian internet up and running even as Russian forces shut down other telecommunications. But it has also become a potential target for Moscow's military, even as Musk haggled with the Pentagon over the cost of keeping the Ukrainians online.

This underscores a growing debate over who should control the space economy, which was worth $469bn in 2021, according to the non-profit Space Foundation, and is predicted by the Bank of America to be a $1.4tn industry by 2030.

Revenues in the commercial space sector were up 6.4 per cent from 2020, according to the Space Foundation's 2022 Space Report, with much of the growth driven by a 19 per cent increase in government spending on military and civilian space programmes (India's spending was up 36 per cent, followed by China's at 23 per cent and 18 per cent in the US).

While space exploration used to be about state-backed programmes focused on national security, national pride and scientific research, the US started pulling back on centralised government control of space after two fatal space shuttle accidents (the Challenger in 1986 and Columbia in 2003). This led a presidential commission on US space exploration policy to conclude in 2004 that "Nasa's role must be limited to only those areas where there is irrefutable demonstration that only government can perform the proposed activity."

While public-private satellite programmes had existed since the 1960s, it wasn't until the shuttle programme began winding down (and was ultimately cancelled in 2011) that the new crop of commercial space companies began to take off. Congress shifted funding incentives and created a new policy (the Commercial Orbital Transportation Services programme) to encourage privatisation. Nasa and other government agencies became customers of private space contractors, rather than creators or even supervisors of new technologies.

> Taxpayers who funded the basic research got no stake in the wealth being created by billionaires

As with all privatisation, the idea was to drive down costs and increase innovation. Nasa data from 2014 shows that SpaceX was able to deliver 1kg of cargo to the International Space Station at about a third of the price of the Space Shuttle. Private flights now conduct the majority of resupply missions for the space station, and even transport some crew.

But as Harvard Business School professor Matthew Weinzierl has argued, while costs decreased and innovation in the reuse of materials and equipment increased, so did monopoly power. A handful of new space companies could piggyback on Nasa technologies that took decades to develop, while the established contractors which helped build them lost out. Taxpayers who funded the basic research got no stake in the wealth being created by billionaires in space, the largest public commons of all.

In many ways, this mirrors the public/private asymmetries of power seen in the building of 19th century railroad fortunes (which led to the last great era of US trustbusting in the 1930s) or in the commercialisation of the internet, in which a handful of big tech companies profited above all others.

But the new space race is far more complex, because of the scale and the potential for damage. Space debris — including defunct satellites, spacecraft parts and the junk created by collisions between them — are becoming a major risk factor in space travel. But there is no consensus on who should pay for, clean up, or arbitrate the fallout from collisions. The main law governing space commons is still the cold war-era Outer Space Treaty of 1967, which has little to say about modern space technologies. It simply prohibits putting nukes or other weapons of mass destruction into space.

Optimists would argue that the potential profits from commercialising space will more than pay for debris clean-up, or that better regulation will naturally follow innovation. But it's all too easy to imagine any number of sci-fi style disasters, from the creation of off-world colonies where the rich are able to escape the problems of this planet (for a price), to evil billionaires hoarding rare earth minerals in space. Amazingly, Weinzierl suggests, Luxembourg is already positioning itself to be for space companies what Delaware is for US corporations looking to avoid taxes.

This is unacceptable. But tackling these and myriad other issues posed by the commercialisation of space will require the sort of global co-operation currently lacking on Earth.

rana.foroohar@ft.com

2022 A year in a word / *n.*

Crypto winter
(noun) a period of low or falling cryptocurrency prices, alternating with bull markets

The crypto world calls it "winter". Others might call it a meltdown. Whichever you prefer, 2022 has been the year of crypto catastrophe. More than $2tn in notional value has vanished into thin air as the total market capitalisation of crypto tokens has plunged 70 per cent from its peak in November 2021. The timing of the downturn points to what many view as its cause: the Federal Reserve.

It took just about six months from when Fed chair Jay Powell raised interest rates, and thus turned off the flow of cheap money that had buoyed the global economy and fuelled Covid-era speculation, for crypto to reach full-blown crisis. By May, the plummeting price of bitcoin and other currencies had strained crypto business models to breaking point and exposed fraud and mismanagement.

The first major crack appeared when stablecoin terra and linked token luna collapsed almost overnight in what was called "the largest destruction of wealth in this amount of time in . . . crypto's history". That record would soon be tested. Hedge fund Three Arrows, lenders Celsius, Voyager Digital and BlockFi, and the FTX empire have all now filed for bankruptcy.

But for crypto believers, these events are part of a natural cycle of renewal. Bull markets lure gamblers and scammers. Crypto winters thin the herd. In the cult of crypto, the profits of the next boomtime are sown during the fallow period.

But for critics, this year's crash and billions in losses for everyday investors have laid bare the faults in the lawless, self-governing cryptosphere. The question is whether any semblance of crypto's vision for decentralised finance will survive the change of the seasons.

joshua.oliver@ft.com

Happy holidays, America — make the most of your scanty allowance

SOCIETY

Andrew Edgecliffe-Johnson

Christmas is a time for traditions and certain corners of the US media have not let down those who celebrate it. The "War on Christmas" headlines have returned this month, unpacked like the baubles, nutcrackers and shelvable elves that had been

when it comes to fighting for holidays, or vacations, as most Americans call them, the country is scandalously behind the rest of the world.

The US stands alone among OECD nations in having no minimum statutory amount of annual paid leave. Granted, not all large economies guarantee the five weeks a year off that full-time workers can expect in France. But four weeks is standard in the UK and under the EU's Working Time Directive; Japan and Canada insist on two weeks or more; and even Mexico requires at least six days, the OECD's tally shows.

(The Paris-based group has itself shown Gallic leadership on this matter,

the US trails behind global peers, with an average employee enjoying just 10 vacation days and six public holidays, a 2019 report for the Center for Economic and Policy Research found. As so often, America's lowest-wage workers typically miss out on even those paltry average benefits.

To put that figure in context, just 9 per cent of US workers get four weeks or more of paid annual vacation after their first year with an employer, according to the Bureau of Labor Statistics. Even those who stay with the same employer for 20 years or more have only a one in four chance of getting the five weeks that is the baseline in France.

Work-related stress, depression and anxiety surged during the pandemic. In a tight labour market, businesses are scrambling to improve their employees' fragile mental health.

But the mental health days, meditation apps and four-day weeks that human resources teams are experi-

> When it comes to fighting for vacations, the country is scandalously behind the rest of the world

to support the mental health of their workforce.

Society for Human Resource Management polling suggests that US employees value leave more highly than they do any other benefit bar health insurance and pensions. Plenty of other research suggests that a real vacation is good for everything from your heart to your productivity. The US Travel Association has warned about the economic impact on its industry of Americans not getting enough holiday and not taking all the leave they are entitled to.

There are reasons to hope that such arguments might be heard now. Paid time off is rising up the labour agenda

Lines has joined a growing list of companies offering more generous parental leave.

Yet holidays — those restorative weeks uninterrupted by work, illness or a new baby — are still rarely on the negotiating table. It is time for that to change, and the conditions might now be ripe to do so. As economists warn of a possible recession, few businesses are offering pay rises to match this year's decades-high inflation rates; that could make this the best moment in years for workers to ask for a less costly benefit.

Employers who claim to take their underlings' mental health seriously should take a hard look at how often

Lex.

Twitter: @FTLex

Hits and misses 2022

Stocks/bonds: bear calls vindicated

Lex thought stocks were riding for a fall in 2022. We were right. Any complacency is balanced by the fact we made a similar call two years before. Shares motored upward after that.

We keep a beady eye on how our prophecies are performing and this is the subject of today's column. The caveat is that our outlook is medium-term. That could yet turn some hits into misses and vice versa.

We made our bear call on stocks in late November 2021. Our view was that overblown earnings estimates were pointing to a market peak. We judged that inflation, contrary to the comments of Federal Reserve boss Jay Powell, would not be "transitory". The S&P 500 has since fallen 16 per cent.

A few weeks before our prediction, we said that cryptos, far from being uncorrelated to conventional assets, "would stay glued to the linoleum through a prolonged bear market". Bitcoin has retreated by 72 per cent to date. In February, we judged that a rout in emerging markets bonds had further to go as the US tightened rates. The JPMorgan emerging markets bond index later dropped about 20 per cent.

But if you have a wooden spoon to award, Lex would be a candidate for some of our calls on tech stocks.

We have always seen automation as a big secular trend. Cyclical ups and downs in asset prices add or subtract from the implicit value that creates.

We failed to foresee the scale of the walloping tech stocks would take in the rotation from growth to value equities.

The flood of tech listings we forecast in January, therefore, did not materialise. We compounded the error with the advice "Don't tune out just yet" regarding Netflix. The shares are down 26 per cent. By the time we turned bearish, we were chasing momentum rather than predicting it.

Our view that Apple could hit a market capitalisation of $4tn with help from sales of metaverse goggles now seems myopic. Its worth has slipped from $3tn to $2.1tn. It may get to $4tn — but even in the medium term, that is unlikely. We remain bearish on equities into the new year, having correctly dismissed August's flurry as a sucker's rally. But opportunities to buy the dip should become more plentiful.

Consumer/retail: dicing with vice

As the cost of living crisis squeezed the consumer sector, Lex urged investors to turn to sin. Sometimes the Devil has the best themes in investment as in music, we argued in February. Alcohol, tobacco and gambling stocks tend to perform well in downturns.

That principle proved an imperfect guide. Shares in FTSE 100-listed Diageo moved sideways as investors worried that belt-tightening may well prompt people to trade down to cheaper drinks. The value of gambling software supplier Playtech, another contender for Lex's vice stock portfolio, fell by over a fifth, dragged down by a takeover battle fizzling out in July.

However, shares in British American Tobacco outperformed. That is partly due to the cigarette maker's prodigious cash-generating abilities. Its earnings have also been flattered by this year's dollar strength. The currency shifts should deliver a 6 per cent lift to this year's earnings, it said in July.

Currency moves also had a big impact elsewhere. Spanish retailer Inditex proved more resilient to the greenback's rise than peers. Analysts estimate it uses the dollar for 40 per cent of inventory purchases compared with about two-thirds for European rivals. That partly explains why Lex's March "sell" call was a bad one. The shares are up by 18 per cent since then.

Similarly, defensive heavyweight Unilever has proved a better investment than projected in January. But Lex was probably correct to caution against buying GSK's consumer brand arm. It has underperformed since its July float.

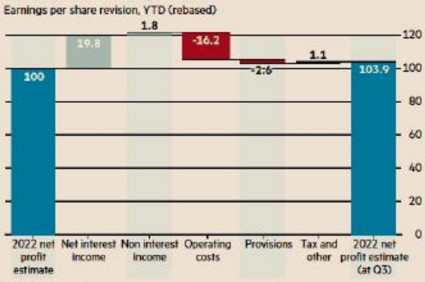
An accurate, if not particularly daring, forecast was that appetite for Deliveroo would wane with higher interest rates and the end of its pandemic boom. Since that mid-March call, shares in the food delivery service have fallen a third. Another tip the same day — for low-cost US retail chain Dollar General — also paid off. Its strong share price performance reflects good demand for cheaper goods: a dismal, if predictable, sign of the times.

Financial services: rate stuff, guys

Bank earnings have outperformed this year as the benefits of interest rate rises have outweighed any cost increases. Shares in Irish and Spanish banks are some of those that have performed best. Asset managers, meanwhile, have suffered as valuations have fallen

European bank earnings 2022

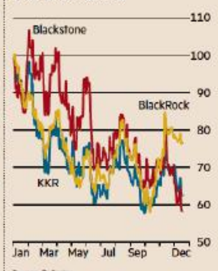
Earnings per share revision, YTD (rebased)



FT graphic Source: Citi

US asset managers

Share prices (rebased)



Source: Refinitiv

Working for a financial publication does not grant you special powers when it comes to predicting the machinations of money markets.

JK Galbraith had a point when he divided forecasters into two groups: those who do not know and those who do not know they do not know.

Nonetheless, the prospect of higher interest rates gave us confidence in hailing a turnround in the European banking sector.

Lex was broadly correct in forecasting that revenues would rise with the caveat that fees would be put at risk. The biggest gainers were the Irish and Spanish banks, which have been some of the biggest beneficiaries of higher rates. Lex tipped AIB when Ireland's government announced that it would start reducing its holding at the start of the year. The bank is also benefiting from NatWest's exit from the Irish market, reducing competition.

NatWest has itself outperformed. The bailed-out British bank has been buying back shares from the state, cutting the share count and overhang.

Consolidation and larger amounts of variable rate lending are aiding bank earnings in Spain, too. Nimble operator Bankinter caught our eye in January with its focus on wealthier customers.

Our projections about Ukraine were accurate, regrettably. We thought UniCredit was wise to swerve a deal for Otkritie to boost its Russian exposure in January. For Austria's Raiffeisen Bank, holding 20 per cent of its equity in the region was a clear risk. Rising rates have not helped everyone. We misjudged the impact on asset managers. Morgan Stanley and Amundi were successful at asset-gathering. But that did not stop fees, earnings and shares all drifting lower with the value of managed assets.

Alternatives groups such as Blackstone and EQT have had a great run providing yield-generating assets to pension funds. But higher bond yields make that proposition far less sturdy.

Fund manager readers should not write us off yet though. We thought UBS was wildly overpaying for robo adviser Wealthfront at $1.4bn in January. A reversal in September shows we were probably right.

Commodities: barrel of gaffes

Lex writers, like pigeons, only have 340-degree vision. We have small blind spots on anything approaching from behind. Early this year, Lex ignored the possibility that Russia would launch a full-scale invasion of Ukraine. Its aftermath led to further surges in energy prices. But economically sensitive industrial metals such as aluminium eventually fell sharply.

Writing in February, Lex might have noted that the metal price had more than doubled to nearly £3,200 per tonne since May 2020. Yet no contrarian twitches were registered in that column. We concluded that readers should "expect it to remain well bid in months to come". Instead, London Metal Exchange aluminium prices stuttered after the invasion and then fell by a third.

Also questionable was the advice to stick with wind turbine makers. In January, we made fun of hedge funds shorting groups such as Vestas, assuming incorrectly that the worst had passed. Instead, supply chain disturbances brought added costs.

Earnings per share for 2022 flipped from profit to loss in the space of several months. By October, the shares had fallen by a fifth, though they have rallied since.

While soaring energy prices post-invasion set the bear among the pigeons for some commodities, not many believed oil prices could fall. Lex did. But frankly, having questioned the bull market in crude for much of last year, our credibility was low.

Still, we hammered on and on. From late February, Lex pointed out the risk of soaring petrol prices hitting consumers' wallets, especially in the US. Oil traders grappled with low crude stocks and the imminent slowdown of petrol consumption, the largest single component of demand. Eventually, oil peaked in June and then dropped by nearly a third.

Lex is not afraid to defend its positions. But we do admit when we get it wrong. This year, commodities have given us plenty of opportunity for that.

Tech sector: clout to rout

If only there were a technology that predicted the future. That would be a venture worth backing. Deprived of that, Lex writers nevertheless took their customary firm views on the outlook for the tech industry early this year. So far, we have been about half right.

Tech stocks started 2022 with a rout. We reckoned — rightly — that the retreat would continue. One factor was the reliance on debt-funded growth. Another was the priciness of stocks, evident when comparing prices to inflation-adjusted earnings over the past decade.

We also had reasons to question the wisdom of Elliott's return for a second bite at Citrix. When Elliott's bankers later tried to offload the debt that fuelled the deal, one of them called it a "bloodbath". We were just as sceptical of Intel's ability to spend its way back to relevance. The chipmaker's shares rose on the release of its investment plans in March but then lost half their value in six months before a slight recovery.

On a more positive note, we thought Microsoft's $75bn acquisition of game maker Activision Blizzard would prompt rivals Sony and Nintendo to follow suit. Sony made its first move within days and more have followed.

Elsewhere, our futurology has fallen flat. Soon after calling for the tech rout to continue, we said a 26 per cent slump in PayPal's share price was overdone. It had far further to fall.

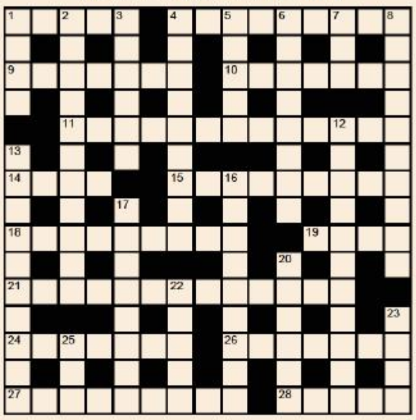
In late January, we thought Bill Ackman was right to take a $1.1bn bet that subscriber growth would resume at Netflix. Subscribers have ticked up. But Ackman's bet has yet to deliver.

Anyone sharing our positive view on cyber crime fighter Darktrace in January would have lost over a third of their stake this year. The company has moved into the black but many investors remain sceptical and the shares dived in September when hopes of a takeover by specialist private equity group Thoma Bravo failed to materialise.

FT Lex on the web
For notes on today's stories go to www.ft.com/lex

CROSSWORD

No 17,290 Set by SLORMGORM



ACROSS

1 Old French bread (5)
4 Girl at bar plays rock here? (9)
9 Fancy Slormgorm's a spirit with energy (7)
10 Drop of Malbec flipping weary editor deserved (7)
11 US theatre I promote or nag about (9,4)
14 Husband loves pinching bishop's bum (4)
15 Criminal losing it by north London borough (9)
18 Tory stupid to get NHS department in pickle? (9)
19 Woman finally made two grand? Ace! (4)
21 Isn't Pole struggling with Sting LP? (9,4)
24 People who flog old comic actor (7)
26 Touchy jazz fan upset one roofer laid (7)
27 Old maids in DJs, might one say? (9)
28 Gag poor fellow in hearing (5)

DOWN

1 A way around isle that's passable (4)
2 Skinny doctor's first aid kit? (1,3,2,5)
3 Wound up Conservative gets lubricated (6)
4 Grandee in ridiculous syrup (9)
5 Film graduate on motorway touring Britain (5)
6 A bishop shot up by soldier with a big head? (8)
7 Needleworker's work is tasteless stuff (3)
8 Basic training needed for adult miner (10)
12 I'll supply you with contacts at work (11)
13 Those ticked off by inspection on Rolls (10)
16 Literature one software mogul contests in court (9)
17 Loch overlooked by resort has pleasant quality (8)
20 Prisoner must get dog...agree? (6)
22 Congressional results matter (5)
23 You old? That's awful, right? (4)
25 One after the heart of Alex Garland (3)

JOTTER PAD

Solution 17,285

R	H	U	B	A	R	B			O	U	N	C	E	S
A		N		R		R				X		A		N
T	A	I	L	O	R	E	D		J	O	U	R	N	O
I		F		M		A		A		R		I		G
F	L	O	R	A		D	O	G	G	I	E	B	A	G
Y		R				T		O		C				I
	S	M	U	T	C	H		G	O	I	N	G	O	N
P		E		A						D		R		G
S	O	D	S	L	A	W		N	E	E	N	A	H	
Y				I		H		O				P		H
C	H	E	E	S	I	E	S	T		M	Y	E	Y	E
H		A		M		Y		E		A		S		R
I	N	R	O	A	D		S	L	E	I	G	H	E	D
C		L		N				E		N		O		E
S	H	Y	E	S	T			T	W	E	E	T	E	D

You can now solve our crosswords in the new FT crossword app at ft.com/crosswordapp