The Economist

OCTOBER 13TH-19TH 2012

Economist.com

American business ♥ Mitt Romney

Cleaning up China's stockmarkets

Fake Pharma's golden age

Vietnam's Solzhenitsyn

The charms of Chilecon Valley

True Progressivism

The new politics of capitalism and inequality





On the cover

A new form of radical centrist politics is needed to tackle inequality without hurting economic growth: leader, page 13. The growing gap between rich and poor in many countries is one of the biggest challenges of our time. But it is not inevitable, says our special report, after page 58. A new look at Hayek, Friedman and the birth of neoliberal politics, page 100

The Economist online

Daily analysis and opinion from our 19 blogs, plus audio and video content, debates and a daily chart Economist.com/blogs

E-mail: newsletters and mobile edition Economist.com/email

Print edition: available online by 7pm London time each Thursday Economist.com/print

Audio edition: available online to download each Friday Economist.com/audioedition

The **Economist**

Volume 405 Number 8806

First published in September 1843

to take part in "a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress.

Editorial offices in London and also:

Atlanta, Beijing, Berlin, Brussels, Cairo, Chicago, Hong Kong, Johannesburg, Los Angeles, Mexico City, Moscow, New Delhi, New York, Paris, San Francisco, São Paulo, Singapore, Tokyo, Washington DC

9 The world this week

Leaders

- 13 Inequality and the world economy True Progressivism
- 14 EADS and BAE Systems Nein, danke
- 17 Immigrant entrepreneurs The Chilecon Valley challenge
- 17 Making peace in the **Philippines** Jam to Moros
- 18 American finance The prosecutorial maze

Letters

22 On Chile, productivity, Vietnam, savings, parenting, cancer, Barack **Obama**

Briefing

29 Textbooks round the world It ain't necessarily so

United States

- 35 Latinos and the election Throwing votes away
- 36 Predicting re-elections Follow the data
- 36 The economy A little help from the invisible hand
- 38 Moderates under pressure Excluded middle
- 40 The campaign Heard on the trail
- 42 The swing states: Wisconsin Crossing the line
- 43 Lexington Hope and change, four years on

The Americas

- 45 Venezuela's election Stuck with him
- 46 Argentina's debt default Caught napping
- 46 Brazilian politics Local action

Asia

- 49 Presidential politics in South Korea Bashing the big guys
- 50 Politics in Australia Handbagged
- 50 Sri Lanka's judiciary Enter the goons
- 51 Pakistan's politics The love tour
- 52 The Philippines It could be peace

China

- 55 The stockmarkets Like it's 1999
- 56 Tibet Strangers in a strange land
- 58 Banyan Tensions in Hong Kong

Special report: World economy

For richer, for poorer After page 58

Middle East and Africa

- 61 Jordan and its king As beleaquered as ever
- 62 Syria's crisis No side set to win soon
- 62 Bahrain's police How to recruit radicals
- 63 Iran's currency crisis A comeback for reformers?
- 64 Israel's election The incumbent sits pretty
- 64 Kenya's parliamentarians Vultures and hyenas

Europe

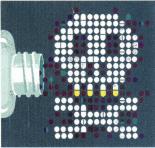
- 65 Italian politics The next prime minister?
- 66 Greece and Germany Angela's Athens
- 67 Homelessness in France Down and out in Paris
- 67 French politics Angry pigeons
- 68 Germany's army No shooting, please
- 70 Charlemagne No more Grexit



Italy's next prime minister As Silvio Berlusconi seems to be standing aside, the spotlight is on Mario Monti and the candidates of the Left, page 65



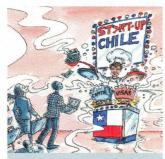
China's stockmarket Why does the world's most dynamic economy have such a moribund stockmarket? Page 55. Two Chinese giants face problems overseas, page 78



Fake Pharma The world's drug supply is global. Governments have failed to keep up, page 74



American business Corporate America's support for Mitt Romney is the love that dare not speak its name: Schumpeter, page 81. Banks in America have a lot to answer for, but that is no reason to let litigation run out of control: leader, page 18. The prosecutorial maze, page 83



Chilecon Valley In the war for talent, America can learn a lot from Chile: leader, page 17. As the United States shuts out immigrant entrepreneurs, a Latin American country welcomes them, page 79



BAE Systems and EADS Germany was wrong to stand in the way of a more integrated European defence and aerospace industry: leader, page 14. The collapse of the merger leaves both firms damaged, page 77

Britain

- 71 Politics Tribes of Tories
- 72 Innovation centres Roger, West Wales
- 73 Bagehot The Boris and Dave show

International

- 74 Fake pharmaceuticals Bad medicine
- 75 Butlers Very good, sir
- 75 Link rot Cut short?

Business

- 77 BAE Systems and EADS Kaputt
- 78 Huawei and ZTE Congress puts China on hold
- 78 Working from home Out of sight, out of mind
- 79 Entrepreneurs in Latin America The lure of Chilecon Valley
- 80 Start-up Chile Shut down Cumplo
- 81 Schumpeter The silence of the suits

Finance and economics

- 83 America's financial system Law and disorder
- 84 Buttonwood Gold prices
- 86 The IMF's annual meetings Time for a rethink
- 86 India's credit rating Don't call me junk
- 88 Italian banking Monte to climb
- 89 Iron ore The lore of ore
- 90 Free exchange Cities and productivity

Science and technology

- 93 The 2012 Nobel prizes Good eggs
- 94 SpaceX goes to the ISS And this time it means business
- 96 Reptilian micturition That's a relief

Books and arts

- 99 The spread of disease Germs and money
- 100 New fiction Mr Penumbra
- 100 Creating neoliberalism Masters of the universe
- 101 Francesco Guardi's Venice Poetry in paint

Business books quarterly

- 102 Start-ups Take the plunge
- 103 Power networks Hands across the world
- 103 The innovation race Don't get left behind
- 104 The financial crisis Robert Peston's solutions

112 Economic and financial indicators

Statistics on 42 economies, plus a closer look at global non-cash payments

Obituary

114 Nguyen Chi Thien Vietnam's Solzhenitsyn



Vietnam's Solzhenitsyn Our obituary of Nguyen Chi Thien—poet, prisoner and passionate anti-communist, page 114

Principal commercial offices:

25 St James's Street, London SW1A 1HG Tel: 020 7830 7000

Rue de l'Athénée 32 1206 Geneva, Switzerland Tel: 41 22 566 2470

750 3rd Avenue, 5th Floor, New York, NY 10017 Tel: 1 212 541 0500

60/F Central Paza 18 Harbour Road, Wanchai, Hong Kong Tel: 852 2585 3888

Other commercial offices:

Chicago, Dubai, Frankfurt, Los Angeles, Paris, San Francisco and Singapore

Subscription service

For our latest subscription offers, visit Economist.com/offers For subscription service, please contact by

telephone, fax, web or mail at the details provided below:

Telephone: 1 800 456 6086 (from outside the US and Canada, 1 314 447 8091) 1 866 856 8075 (from outside the US and Canada, 1 314 447 8065) Economistsubs.com

E-mail: customerhelp@economist.com The Economist Subscription Services, P.O. Box 46978, St. Louis, MO 63146-6978, USA

Subscription for 1 year (51 issues)

United States US\$138 Canada CN\$189 Latin America US\$270

An Economist Group business



PEFC certified

This copy of The Economist is printed on paper sourced from sustainably managed forests certified by PEFC www.pefc.org

