

The Economist

FEBRUARY 9TH-15TH 2013

Economist.com

America's looming sequester

The meritocracy paradox

Who will profit from online IDs?

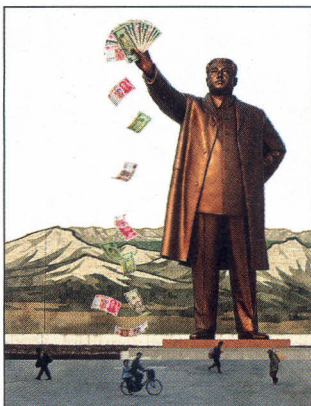
Business lessons from the Bolshoi

Richard III: our obituary

Change in North Korea

Richer, freer,
scarier...





On the cover

Even as another nuclear provocation looms, there is a glint of hope for the world's most oppressed people: leader, page 11. North Korea is changing beneath Kim Jong Un in ways he may not be able to control, pages 24-26. Tensions rise over the Senkakus, page 41

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 406 Number 8822

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

8 The world this week

Leaders

- 11 **North Korea**
The new capitalists
- 12 **Spain**
Awkward questions for Rajoy
- 12 **Social mobility in America**
Repairing the rungs on the ladder
- 14 **China's currency**
Yuan for the money
- 16 **Online identity**
Not a dog

Letters

- 18 **On the Senkaku Islands, Guatemala's politics, Oxfam, interest rates, abortion, carbon paper, the EU and football**

Briefing

- 24 **North Korea**
Rumblings from below

United States

- 29 **The economy**
Deficit-reduction disorder
- 30 **The sequester and defence**
Thinking the unthinkable
- 31 **Presidential voting**
Moving the goalposts
- 31 **The census**
Some other race
- 32 **Ed Koch**
Farewell to the cheerleader
- 33 **Murder rates**
Feeling the heat
- 33 **Hillary Clinton bows out**
A legacy at Foggy Bottom
- 34 **Lexington**
Death in Little Rock

The Americas

- 37 **Ecuador's election**
Man with a microphone
- 38 **Paraguay**
The last caudillo
- 38 **The IMF and Argentina**
Motion of censure
- 40 **Venezuela's economy**
Out of stock

Asia

- 41 **China and Japan**
Locked on
- 42 **South-East Asia and China**
All change at ASEAN
- 42 **Politics in Australia**
Advantage lost
- 43 **Pakistani security**
Rogue prisons
- 44 **Banyan**
Af-Pak relations: a decent interval

China

- 45 **Desalination**
Costly drops
- 46 **Economic reforms**
A house divided
- 46 **Modern martial arts**
A kick in the head

Middle East and Africa

- 47 **Crisis in Tunisia**
Murder most foul
- 48 **War and peace in Mali**
Move to the mountains
- 49 **Algeria's oil and gas**
Not so jolly
- 49 **Infighting in Iran**
Family feud
- 50 **Trains in Nigeria**
A new chug
- 50 **Central African Republic**
A shaky accord

Europe

- 51 **Corruption in Spain**
Another blow
- 52 **Germany's energy reform**
Troubled turn
- 52 **German politics**
Schavan-freude
- 53 **French foreign policy**
The Bamako effect
- 53 **Greece**
Is a Grexit off the table?
- 54 **EU and migration**
The next wave?
- 56 **Charlemagne**
Europe à l'Hollandaise



America's sequester

The deficit is falling, but at a high price to the economy and with little progress on entitlements, page 29. Hopes of a reprieve for the Pentagon from \$55 billion a year in cuts are fading, page 30



Spain's corruption scandal

If democracy is to retain Spaniards' trust, the country's political parties must be reformed: leader, page 12. The scandal shaking the ruling party, page 51



Online identity Businesses, not just governments, have a role to play in helping web users prove who they are: leader, page 16. Which firms will profit from proving your identity online? Page 60



Business and the Bolshoi

Lessons for managers from the vicious attack on the ballet's artistic director. Schumpeter, page 68



Meritocracy How to prevent a virtuous elite from entrenching itself at the top: leader, page 12. Surnames offer depressing clues to the extent of social mobility over generations: Free exchange, page 75. Early education can mean better school results later, page 62. China acts against inequality, page 46



Richard III England's most controversial king was officially rediscovered on February 4th: obituary, page 90

Britain

- 57 **The export drought**
Better out than in
- 58 **Selling conflict resolution**
The peace progress
- 59 **Bagehot**
The new-look Balls

International

- 60 **Identity providers**
The voucher business
- 61 **Food and religion**
A meaty question
- 62 **Learning for the youngest**
Little steps

Business

- 63 **Dell goes private**
Into the dark
- 64 **Shops that spy on you**
We snoop to conquer
- 65 **Mergers and acquisitions**
The mating season
- 66 **The Deepwater Horizon disaster**
Spills and bills
- 66 **Fast food in China**
Yucky Kentucky
- 67 **Television**
Counting couch potatoes
- 68 **Schumpeter**
Of businessmen and ballerinas

Finance and economics

- 69 **The offshore yuan**
A fresh course
- 70 **Buttonwood**
Survivorship bias
- 71 **Ratings agencies**
The SQP lawsuit
- 71 **RBS and Libor**
The wrong stuff
- 72 **South Africa's currency**
VIX inhaler no more
- 72 **The euro-area economy**
Race against time

- 73 **The Bank of Japan**
Regime change
- 74 **Credit scores**
The use of social media
- 75 **Free exchange**
Social mobility

Science and technology

- 76 **The Arctic**
Tequila sunset
- 77 **It came from outer space**
Asteroids
- 78 **Meteorology**
Counting raindrops
- 78 **HIV and AIDS**
Till death do us part

Books and arts

- 79 **The Church of Scientology**
In search of answers
- 80 **New Indonesian fiction**
Getting schooled
- 80 **The future of the world**
Floating hope
- 81 **Harold Pinter's "Old Times"**
Ah yes, I remember it well
- 81 **James Wood's essays**
Head of the class
- 82 **"Sleeping Eros" at the Met**
Master of mischief
- 88 **Economic and financial indicators**
Statistics on 42 economies, plus our poll of forecasters

Obituary

- 90 **Richard III**
Monster and man



Next week

We publish a special report on offshore financial centres. They have taken a battering recently, but have shown remarkable resilience, says Matthew Valencia

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 Plaza
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, 1 636 449 5702)

Facsimile: 1 866 856 8075 (from outside the US and Canada, 1 636 449 5703)

Web: Economistsubs.com

E-mail: customerhelp@economist.com

Post: 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	CNS189
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

