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THE ECONOMIST – JUNE 7, 2025 – KEY TAKEAWAYS

1. THE COVER: PHEW, IT'S A GIRL! – THE STUNNING DECLINE OF BOY PREFERENCE

- Without fanfare, something remarkable has happened. The noxious practice of aborting girls simply for being girls has become dramatically less common. It first became widespread in the late 1980s, as cheap ultrasound machines made it easy to determine the sex of a fetus. Parents who were desperate for a boy but did not want a large family - or, in China were not allowed one - started routinely terminating females.
- Globally, among babies born in 2020, a staggering 1.6m girls were missing from the number you would expect, given the natural sex ratio at birth. This year that number is likely to be 200,000 – and is still falling.
- The fading of boy preference in regions where it was strongest has been astonishingly rapid. The natural ratio is about 105 boy babies for every 100 girls: because boys are slightly more likely to die young, this leads to rough parity at reproductive age.
- The sex ratio at birth, once widely skewed across Asia, has become more even. In China it fell from a peak of 117.8 boys per 100 girls in 2006 to 109.8 last year; and in India from 109.6 in 2010 to 106.8. In South Korea it is now completely back to normal, having been a shocking 115.7 in 1990.
- In 2010 an Economist cover called the mass abortion of girls “gendercide”. The global decline of this scourge is a blessing. First, it implies an ebbing of the traditions that underpinned it: the stark belief that men matter more and the expectation in some cultures that a daughter will grow up to serve her husband’s family, so parents need a son to look after them in old age. Such sexist ideas have not vanished, but evidence that they are fading is welcome.
- In some regions, meanwhile, a new preference is emerging: for girls. It is far milder. Parents are not aborting boys for being boys. No big country yet has a noticeable surplus of girls. Rather, girl preference can be seen on other measures, such as polls of fertility patterns. Among Japanese couples who want only one child, girls are strongly preferred. Across the world, parents typically want a mix. But in America and Scandinavia couples are likelier to have more children if their early ones are male, suggesting that more keep trying for a girl than do so for a boy.
- When seeking to adopt, couples pay extra for a girl. When undergoing in vitro fertilization (IVF) and other sex selection methods in countries where it is legal to choose the sex of an embryo, women increasingly opt for daughters.

2. GLOBAL GEO-POLITICS/REGIONAL COVERAGE

– Defence in Europe – Lessons from Ukraine

Britain’s strategic defence review highlights Europe’s challenge: lot of smart thinking, not enough money.

The Ukrainian drone strike on bombers far inside Russia on June 1st will be ranked among the greatest military raids in history. The operation, combining old-fashioned sabotage with the iconic weapon of the Ukraine war, illustrated two things. One is that new technology, deployed inventively, can be lethal. The other is that even major powers are vulnerable to attacks on critical infrastructure deep inside their own territory, overturning the assumptions of the 1990s and 2000s.

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Britain's defence review, published the next day, deserves praise for recognising these lessons. It also serves as an example of the new, more flexible thinking that will be needed in Europe and Asia to deal with the breakneck innovations that are transforming warfare. However, the review also points to the hardest problem in turning such thinking into reality – finding the money to pay for it.

– Myanmar – Asia's forgotten hellscape

A real-world demonstration of Western neglect and Chinese hegemony.

The world is not exactly short of crises. But one of the most alarming is also the most overlooked: **an escalating state of anarchy in Myanmar, in the heart of Asia.** The country is degenerating into a violent state of nature. Over 2m of its people are on the verge of starvation. The effects of crime, including drug-dealing, huge scam centres and human trafficking, spread far beyond its borders.

What is taking place inside Myanmar is humanitarian disaster, but it matters for another more abstract reason, too. **America and Europe have walked away from what was once an influential role in the country.** Instead, the hellscape is unfolding under the watch of China, which has become the dominant outside power. Its cynicism and indifference in Myanmar are a demonstration of its values-free foreign policy in action.

Myanmar has a desperate past. After a coup in 1962, it suffered 49 years of military rule. Between 2011 and 2021, the army relinquished some power, and for a while that allowed Aung San Suu Kyi, a liberal darling of the West, to front a government. Even in those years there were severe human-rights violations, including programs against the Rohingya minority. **In 2021 the army fully retook power in a coup.** Since then, a sinister junta has been engaged in a civil war with a swirling cast of dozens of armed-resistance groups, freedom fighters and bandits, turning a country the size of Ukraine into a bewildering and bloody mess.

– Rwanda – A strongman's gamble

Paul Kagame, Africa's chief exponent of realpolitik, may have overplayed his hand.

Back in the 1990s Paul Kagame grabbed global attention as the leader of a rebel group that halted the Rwandan genocide, the worst mass atrocity of the past four decades. In the 2000s and 2010s he became Africa's most admired dictator, turning Rwanda from a graveyard into a case study at Harvard Business School, with one of the fastest growth rates in the world. Those who pointed to his regime's brutal suppression of dissent and assassination of opponents were ignored. For Western donors, Mr Kagame was the leader who proved that aid could be spent well. For African elites starved of examples of well-run states, he was a role model.

More than three decades on, Mr Kagame has gone from the darling of donors to Africa's arch-exponent of realpolitik. He has turned to new friends abroad to gamble on state-running conflict. **But the Trump administration, with an eye on Congo's mineral wealth, says it wants Mr Kagame to stop meddling as part of a peace-for-investment deal.** Unintentionally, America might just save Rwanda's president from himself.

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– By invitation – Baiba Braze (Foreign Minister of Latvia)

There is nothing extreme about the Baltic states' hard-nosed view of Russia.

Those of us living around Baltic Sea, more than in any other European countries, have the most to gain from a friendly and stable Russia. We also have the most to lose if decision-makers are misled by the illusory prospect of détente with Kremlin. This is no time for wishful thinking.

The Economist's reporting on our region's security has been a journalistic loadstar, which is why many of us living-around the Baltic Sea were disappointed to read in these pages that our view of Russia is "extreme". It is realistic and evidence-based.

Today many admit that we in the Baltics were right in warning about Russia's trajectory towards militarism and autocracy, and about its imperialist objectives. Russian imperialism has deep roots. It predates Vladimir Putin – and will most likely outlast him. This is not an "incurable" belief. It is prudence.

Our most important message is that Russia is not just Ukraine's problem. It threatens the international order. Mr Putin's ambitions stretch far beyond Ukraine. He dreams of spheres of influence and dominance beyond Russia's borders. He seeks to divide America and Europe to split NATO. He is deepening the "no-limits" partnership with China. He is working closely with rogue states including Iran and North Korea, and ruthlessly exploiting Africa's natural resources via his Africa Corps.

Nothing suggests that Russia is ready for peace in Ukraine. Despite Mr Putin's "three-day campaign" turning into a three-year catastrophe, his war machine is still running. Any weakness only encourages him to continue with his aggression and seek at the negotiating table what he has failed to achieve on the battlefield.

Mr Putin is now following step-by-step Russia's well-worn negotiations manual: issue absurd maximalist demands and blame the other party for not accepting them, concede nothing; continuously delay the process; reset expectations; wait for others to present compromises or concessions; and exploit this as a weakness.

Meanwhile, Russia continues – and indeed is escalating – its missile and drone onslaught against civilian targets in Ukrainian cities; this may intensify further after Ukraine's brilliant, sophisticated drone operations inside Russia on June 1st. The Kremlin is also stepping up its non-conventional attacks against European countries, including cyber-attacks, disinformation, operations, sabotage of critical infrastructure and election interference. All these methods have been tested and honed across the continent over decades. We in the Baltics did warn about taking them seriously. Now we all see the consequences of not pushing back.

Against the backdrop, Latvia sees a clear path towards a durable peace in Ukraine that rests on three pillars strengthening our national and NATO's collective defence; weakening Russia's capacity to wage war; and sustaining Ukraine's ability to defend itself diplomatically, militarily and economically.

Rapidly increasing investment in hard deterrence and defence capabilities is a must. NATO allies should aim to raise defence and defence-related spending to 5% of GDP. We must focus on aligning military, intelligence and internal-security resources

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to respond to Russia's non-conventional attacks, overcoming irritants in transatlantic relations, and (belatedly) achieving full European Union energy independence from Russia.

This requires political will. The Baltic states show what is possible. We and Poland will spend 5% of GDP on defence by 2026. This year we have achieved energy independence from Russia, having previously relied on it for most of our natural gas.

Russia is clearly rearming and preparing for long-term confrontation with the West, and we must prepare accordingly.

– South Korean – Snap back

Lee Jae-myung wins a presidential mandate – and inherits big challenges.

Six months of turmoil in South Korea are over. Lee Jae-myung of the liberal Democratic Party won a commanding victory, with 49.4% of the vote, in the snap presidential elections held on June 3rd to replace Yoon Suk Yeol, who was impeached for declaring martial law last December.

Mr Lee's triumph serves as a resounding referendum on Mr Yoon's failed presidency: Mr Yoon's ally, Kim Moon-soo of the conservative People Power Party, came second with just 41.2%. Mr Lee will inherit a divided society and a battered economy, as well as big challenges from abroad, in particular Donald Trump, who has threatened South Korea with tariffs and called America's security commitments to its long-time ally into question.

Mr Lee's win caps an improbable journey. Born into poverty, he dropped out of school as a teenager to work in factories. He retrained as a lawyer, became a labour-rights activist, and, eventually, governor of South Korea's most populous province. In 2022 he narrowly lost the presidential elections to Mr Yoon. He survived after being stabbed in the neck last year by an extremist bent on preventing him from becoming president. Alleged election-law crimes threatened to derail his second presidency bid, but South Korean courts gave voters a chance to issue their own verdict.

In choosing Mr Lee, however, it is unclear exactly whom voters will get. Mr Lee made his name as a progressive populist. Yet in recent months he has recast himself as a sensible moderate. "Our guiding value is pragmatism," he told the *The Economist* in January. He pledged to boost South Korea's benchmark stock market index and to make big investments in artificial intelligence. He endorsed South Korea's alliance with America and closer co-operation with Japan.

Although he has called for stabilising relations with China, he pushed back against critics who label him pro-Chinese.

However Mr Lee decides to govern, he will enjoy a commanding position, with his party controlling a majority in parliament. His first priority will be domestic. He has called for constitutional amendments to allow presidents to serve two four-year terms instead of a single five-year term and also to make it harder to impose martial law. He also promised a fiscal stimulus package to boost the struggling economy.

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But the outside world will not give the new president much respite. Mr Trump imposed steep levies on industries in which South Korean firms excel, such as cars and steel, and threatened additional 25% tariffs on goods from South Korea (which has free trade agreement with America). A clash also looms over whether America should maintain its current troop levels on the Korean peninsula and continue to dedicate those forces to the defence of South Korea against its nuclear-armed northern neighbour – or divert them to broader regional goals, such as deterring China.

– **China – Real Estate – Bottoming Out**

China is waking up from its property nightmare.

China's economy has been through a stress test in the past six months with the trade war shredding nerves. Tensions over tariffs are not over yet. On May 29th Scott Bessent, America's treasury secretary, said that talks had "stalled". President Donald Trump then exchanged accusations with China's ministry of commerce about who had violated the agreement reached on May 12th to reduce duties. On June 4th, Mr Trump wrote on social media that President Xi Jinping was "extremely hard to deal with".

Yet even as the trade war staggers on, two things may be reassuring Mr Xi. One is that so far the economy has been resilient. Private sector growth estimates for 2025 remain in the 4-5% range. The other is that one of China's biggest economic nightmares seem to be ending: the savage property crunch.

– **Electric Vehicles – Race to the bottom**

An EV price war sparks serious government concerns.

China's ability to make electric vehicles (EVs) cheaply has caused angst in the countries with big car makers, prompting governments to investigate China's subsidies for the sector and to erect trade barriers. Now, though, it is China's own government that is worrying about how cheap its producers' EVs are. The race to the bottom shows no sign of letting up, and the industry has become emblematic of some of the broader problems facing the industry.

On May 23rd China's biggest EV manufacturer BYD, caused shockwaves when it slashed the cost of 22 electric and hybrid models. Now the starting price of its cheapest model, the Seagull, has fallen to a mere 55,800 yuan (\$7,700). The move came just two years after BYD had originally unveiled the electric hatchback, at a then astonishingly low cost of 73,800 yuan.

The latest move triggered official concern about how low prices could go in the world's largest car market. On May 31st China's industry ministry told Xinhua, the state-run news agency, that "there are no winners in the price war, let alone in future." The ministry vowed to curb cut-throat competition, which it said harmed investment in R&D, and could cause safety problems. On June 1st People's Daily, the Communist Party mouth piece, argued that low priced, low-quality products could harm the reputation of "made-in-China" goods.

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The backlash comes as leaders crack down on unproductive, self-harming competition between firms and local governments that has created overcapacity and lowered profits. Their moves are a broader effort to rebalance the economy. “Recent developments suggest the old supply-driven model remains intact,” Robin Xing, Morgan Stanley’s chief China economist wrote in the note.

BYD’s shares fell after the price cuts and the official pronouncements, amid concerns that the price war will be unsustainable. But to cling to market share, other car makers cut their own prices. Wei Jianjun, chairman of Greater Wall Motors, one of the largest, called the industry unhealthy and invoked the collapse of the property market as a cautionary tale. “Now, the Evergrande of the automobile industry already exists, but it just hasn’t exploded yet,” he told Sina Finance, a news outlet, referring to the world’s most-indebted developer. A BYD executive responded that Mr Wei’s comments were “alarmist”.

The situation is not helped by the fact that there are 115 Chinese EV brands, according to Jato Dynamics, a research firm. Only a few, including BYD, make any money and are expected to survive in the long run. Brutal price wars are a common affliction across Chinese industries. By the end of last year’s third quarter, nearly 25% of China’s listed firms were in the red, more than double the proportion five years ago.

Panic in Detroit – Consolidation will take time and will be painful. BYD is well positioned, given its scale and vertical integration. The firm controls everything from mining rights of minerals it needs to build its own batteries to cargo ships for transporting its cars to foreign markets.

In November it sparked fears of even fiercer competition when it pressed suppliers to cut prices by 10%. Suppliers may now be squeezed further. That could mean layoffs and less money for car workers to spend, at a time when the government is playing up the need to boost weak domestic demand to help absorb the shock of the trade war with America.

An increasing tough market at home will fuel Chinese car exports. Reuters reports that BYD plans to sell over half of its cars overseas, especially in Latin America and Europe, by 2030. That would be a big jump. China accounted for about 90% of the firm’s 4.3m car sales last year. But the higher prices that EVs command abroad could offset the ever-smaller margins in China. And it is making inroads in spite of stronger trade winds. In April, despite the EU’s increased tariffs on Chinese EVs, BYD sold more of them in Europe than Tesla, an American rival, for the first time.

Though the price war is at its worst in China, its ramifications will be felt world-wide. Cheaper EVs would be a silver lining, but that will be little comfort for governments already anxious about China exporting over capacity to their markets. More trade tensions are inevitable.

– Poland – Populist pugilist

A new hard-right president.

The presidential election in Poland on June 1st was a distillation of the political choice facing all Europe these days. Rafal Trzaskowski, the liberal mayor of Warsaw, was

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backed by the centrist, pro-European government, Karol Nawrocki, a nationalist historian and former amateur boxer, was nominated by Law and Justice (PiS), the hard-right opposition party, and supported by Donald Trump's administration and by populist abroad.

The campaign was bitter, and close enough that exit polls on the evening of the election had the mayor narrowly ahead. But when all the votes were counted it was Mr Nawrocki who had won, taking 50.9% of the vote to Mr Trzaskowski's 49.1%.

Mr Nawrocki presented himself as the candidate to hold the government of the prime minister, Donald Tusk, in check. "We will not allow Donald Tusk to consolidate power," he said at his post-election rally, denouncing the government for aiming to achieve a "monopoly". For supporters of Mr Trzaskowski or Mr Tusk, that has as ironic ring. Since coming to office in 2023 the prime minister has been trying to undo PiS's attempt at state capture while it was in power from 2015 to 2023, when it packed the courts and independent institutions with its cronies. Conflicts with European courts led the European Union to cut off aid for years.

3. GLOBAL BUSINESS/ ECONOMICS

– America's budget - Capital pains

Taxing foreign investors could do more damage than tariffs.

America needs foreign investors, and foreign investors need America. Yet clauses buried in the Republican budget bill in Congress are a threat to this crucial symbiosis. Under the obscure "Section 899", the treasury secretary will gain power to tax interest, dividends and rent flowing to foreigners in countries with tax systems that the law defines as "unfair".

The rate will start at 5% but could rise as high as 20%. That could mean lower returns for pension funds, governments and individual investors from the rest of the rich world. Companies with operations in America would also be caught in the net when they remit their profits. A separate clause taxes at 3.5% money sent out of the country by any non-citizen.

It is a worrying new front in the trade war. President Donald Trump's tariffs have been highly disruptive, but at least America's economy does not depend heavily on trade, which as a share of GDP is less than half the rich-world average. The same cannot be said for foreign investment, on which America is unusually reliant.

Foreigners own \$62 trillion worth of America's assets (including derivatives) compared with only \$36 trillion owned abroad by Americans. The balance, at -90% of GDP, is by far the lowest "net international investment position" of any big, rich economy. One third of America's government debt, amounting to \$9 trillion, is held by foreigners.

This is particularly bad time for America to become less attractive to foreign investors. The budget bill, by making past unfunded tax cuts permanent, will also make annual government borrowing worth 6-7% of GDP the norm. Treasuries will probably be exempted from Section 899, but that is not yet certain. Even if they are carved out, foreign buyers might reasonably wonder if the rules could change in the

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future. Scaring them when there is such a big deficit to finance is reckless, especially when foreign investors have already become skittish about American assets after Mr Trump's "Liberation Day" tariff announcement. Moreover, the bill works against the president's desire to have foreign companies build factories in America. Why would they, if they and their foreign staff must pay a steep price to send money home?

Capital protectionism will also badly hurt the rest of the world. Other countries could, ultimately, create their own trading arrangements and make do with restricted access to America's goods market, which accounts for only 15% of the final demand for imports. Being denied entry to Wall Street is another matter. **American stocks account for about 60% of global equities by value,** and the dollar is the world's reserve asset. Even if American investments no longer produce outsize returns, foreigners would love the benefits of diversification. The allocation of capital across the globe would be distorted making the world economy less efficient, and therefore poorer, over time.

Optimists contend that Section 899 is a negotiating tool and that the tax on remittances is small. And didn't other rich-world countries start the tax war by ganging up on America's technology giants with "digital services taxes" and other rules designated to extend their reach of their tax systems across borders? The proposed law specifically targets these rules; it does not give Mr Trump a free hand.

The trouble with these arguments is that new taxes tend to expand over time regardless of their scope and size. There is no constituency in Congress to defend the interests of foreigners, and the legislature's failure to avert tariffs shows how unwilling it is to challenge the president's self-harming protectionism. **The budget bill is a sign that the world could be entering an era of hostility towards foreign capital, not just foreign goods.** If that day arrives, the damage will be so great that who started the fight will be irrelevant.

– **Fox and News Corp – Keeping up with the Murdochs**

As the media's first family shred each other in court, their vast empire is unexpectedly thriving.

Nothing in Fox's television schedule last year was quite as exciting, as profane – as the drama that played out in a closed probate court in Reno, Nevada. Rupert Murdoch, the now 94-year-old founder and controlling shareholder of Fox Corporation and its sister company, News Corp, was trying to change the terms of a family trust in order to block three of his children from inheriting control of the companies on his death. The high-stakes legal manoeuvre was rejected.

An appeal – and thus a new season of morbid entertainment for media watchers – is in the works.

As the Murdochs continue their decades-long, multi-billion-dollar family feud, the empire they are fighting over is flourishing. This is doubly surprising. For one thing, succession crisis and legal uncertainty tend not to bolster investors' confidence in a company. What's more, the Murdoch firms are giants in linear television and print journalism, declining industries that markets have not been kind to. Why are a pair of legacy media companies controlled by a dysfunctional dynasty so popular with investors?

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Start with Fox, the largest of the two, with a market value of around \$24bn. Its business is concentrated in American broadcast and cable television, which in recent years have witnessed a bloodbath. Over the past decade and a half the share of homes with pay-TV has fallen from nearly 90% to barely 50%, as viewers have defected to streaming services such as Netflix. As for broadcast television, Americans today spend half as much time watching it as they do streaming, according to Nielson, a data company.

While other legacy media companies' values have stagnated or worse. Fox's has soared. The difference lies in the content mix. In 2019 Fox sold its general-entertainment assets to Disney for \$71bn, at what turned out to be the top market, deciding to focus on news and sport. It was the right call: streamers like Netflix have since grabbed the audience for general entertainment, while news and sport have mostly stayed on linear TV, and thus with Fox. "They were always the most entrepreneurial company – they could always see around corners," says Jessica Reif Ehrlich, a media analyst at Bank of America.

Despite streamers' growing interest in sport, Fox's audience is stable: its first showing of the Indianapolis 500 last month brought in 7.1m viewers, the most for the motor race since 2008. Fox News, meanwhile, recently recorded the most-watched quarter in the history of cable news, thanks in part to the chaos generated by the new occupant of the White House. Healthy audiences mean that, despite a shrinking cable market, Fox has seen modest growth in affiliate fees (the sums it charges cable providers for carrying its channels) from \$5.9bn in 2020 to \$7.3bn last year.

The return of Donald Trump has also helped Fox's advertising business, by normalising opinions which once made mainstream advertisers queasy about airing commercials on Fox News. Ads on the channel are no longer just for gold and magic pillows: in recent months the likes of Amazon, Netflix and GE have paid for spot on the network. "Because of the election results, many advertisers have sort of rethought their positioning in this country and understood that the Fox News viewer really does represent middle America" Lachlan Murdoch, Fox's chief executive said in March.

Having mostly sat out the ruinously expensive streaming wars, in which media companies lost billions trying to woo subscribers, Fox is now experimenting with the new medium. In 2020 it bought Tubi, an unglamorous free streaming service with adverts. Tubi has since overtaken rivals such as Pluto, owned by Paramount, and is on track to bring in more than \$1bn this year. In February Fox aired the Super Bowl on Tubi, drawing 8m new viewers to the platform. Some 40% of the audience was under 34 years old, a group that is hard to reach on cable.

Its latest streaming experiment is Fox One, combining all Fox's linear content, which will launch before the National Football League kicks off in September. Unlike other legacy media companies, which must reckon with the trade-off that putting their best stuff on streaming will undermine people's willingness to pay for a bigger bundle of entertainment content on cable, Fox faces no such dilemma. "The beauty of Fox is, because they don't have the long tail of crappy linear cable channel to protect, they're very nimble." Says Jason Bazinet of Citigroup, another bank. On the transition to streaming he notes, "They've sort of agnostic, and so from a strategic standpoint they're just in a very good position."

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News Corp, the other half of the Murdoch empire, which holds titles including the Wall Street Journal and the New York Post, is in favour with investors for different reasons. Print news looks no more promising than cable television, as circulations at many titles decline and the advertising business is swallowed by Google and Meta. By one estimate more than 3,000 newspapers have closed in America in the past 20 years – a third of country's total. Yet, like Fox, News Corp's stock is buoyant, rising by nearly 50% in the past 20 years.

One reason is the success of Dow Jones, the part of News Corp which hold the Journal. Whereas advertising-reliant titles like the New York Post are struggling with declines in web traffic, the globalised, subscription-focused Journal has thrived in the same way as rivals like the New York Times.

Dow Jones also has high-margin business supplying data to companies. Its revenue has risen by 40% since 2020, off-setting the decline among News Corp's other news businesses. Harper Collins, a book publisher owned by News Corp, has also contributed to growth, helped by the boom in the audio-books.

Yet the biggest driver of News Corp's share price has nothing to do with news. Among the company's eclectic assets is a 61% stake in REA Group, a publicly traded Australian property-listing platform.

The Murdochs invested in the company in 2001 when it was on the brink of bankruptcy after the dotcom crash. It proved to be an inspired bet: following a housing boom in Australia, REA's market value has grown to \$20bn, some \$4bn more than News Corp itself.

Shareholder's excitement about News Corp has little to do with newspaper or books argues Mr Bazinet of Citigroup. "The market's enthusiasm is for REA." He calculates that, between 2017 and 2024, there was atleast an 84% correlation between the movements in News Corp's share price and those of REA.

As the Murdoch empire ploughs successfully on, the family continues to feud. Rupert Murdoch is apparently determined to protect the leadership of his eldest son Lachlan – who as well as running Fox is chairman of News Corp – against a future challenge by three siblings. Prudence, Elison and James who disagree to varying extents with the right-wing politics of the Murdoch outlets. Under the terms of the family trust, the three will have enough votes to oust Lachlan after their father dies. Unless he can amend the trust, or buy out the rebel siblings, change could be on the way for Rupert Murdoch's companies.

Yet the prospect of such an upset seems to be stoking enthusiasm for the stocks in some quarters. Activist investors in News Corp have long lobbied for the company to spin off its stake in REA, arguing that the property company and the newspapers would fare better separately than they have as a bundle.

Fox has likewise benefitted from speculation that the company could become a target for acquisition, as Hollywood's studios rush to bulk up.

If the control of the companies passes to siblings who are unhappy with the status quo, the chances of a sale or break-up rise. Investor's enthusiasm for Fox and News

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Corp is partly explained by the fact that Mr Murdoch has run them so shrewdly. But it is also due to a sense that his time is drawing to a close.

– **Energy – Power brokers**

How managing energy demand got glamorous.

The Shed, a glittering cultural centre in Manhattan's Hudson Yards when Ralph Fiennes and Sir Kenneth Branagh have graced the stage, hosted an unlikely gathering of utility and technology bosses on May 29th. They were there not for Shakespeare, but for something as dramatic in its own way.

The event celebrated Mercury, a new effort led by the Electric Power Research Institute (EPRI), an industry body to create interoperability standards for "micropower" devices inspired by the Bluetooth technology that revolutionised consumer electronics.

It will allow such things as electric-vehicle (EV) chargers, heat pumps, solar panels, smart thermostats and residential batteries to communicate seamlessly with electric grid.

Day's earlier, NRG Energy, a big American utility, announced the purchase of CPower, a pioneer in "virtual power plants". Because VPPs aggregate and manage many small dispersed sources of electricity (like the micropower devices Mercury will connect) to act as one large power plant, they can help balance supply and demand remotely. CPower's micropower units together produce over 6 gigawatts (GW), as much peak power as six nuclear plants.

– **Imbalance of payments – Taking liberties**

Donald Trump thinks Americans consume too much. He has a point.

Rebalancing the global economy is Donald Trump's defining cause. China should produce less and consume more, the president thinks; meanwhile, America should produce more by reindustrialising. There is a final logical step to this equation: America should also consume less.

Such abstemiousness is unavoidable if MAGA-maths is to add up, as even the administration admits. Scott Bessent, the treasury secretary, calls for "less consumption"; more floridly, Mr Trump says his trade war might result in children having "two dolls instead of 30". As J.D. Vance, the vice-president, puts it: "A million cheap, knock-off toasters aren't worth the price of a single American manufacturing job."

The belief that America consumes too much has been building for decades. Left-wing types decry America's consumer culture. In the 2000s, before the global financial crisis, some economist characterised Americans as gorging themselves on low long-term interest rates. In 2010 Glenn Hubbard, a technocratic Republican, teamed up with an obscure Democrat called Peter Navarro to urge that "boosting the American saving rate should be part of our national economic overall trade policy." Mr Navarro would later switch parties; today, he is Mr Trump's trade guru.

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To see how over-consumption and trade are linked, consider what happens when a country consumes beyond its means: it must borrow from abroad. These financial flows are the flip side of the trade deficit, hated by Mr Trump. It is as if shipping containers arrive in America, unloading goods, and then sail back filled with Treasury bills or shares in S&P 500 companies. Mr Trump wants the trade deficit to close, meaning that the financial flows must slow, too. But he also wants America to enjoy an investment boom. The only way to make the equation add up is if America ponies up its own capital by saving more. In other words, it must cut its consumption.

It is not crazy to seek such a rebalancing. America's gross domestic savings are around 17% of GDP, compared with an average 23% in high-income countries. America invests about 22% of GDP, roughly in line with rich-world average. The difference between saving and investment is the capital the country must import, which last year amounted to \$1.3 trillion.

Meanwhile, America's consumption as a share of GDP – 81% once that by the government is included – is the highest in the G7 apart from Britain. Among the other five big rich economies, the consumption share is on average five percentage points lower.

Relying on net capital inflows has left America with deep financial obligations to foreigners. The difference between the assets that Americans own overseas and those foreigners own in America has fallen to -90% of GDP. This is the kind of "net international investment position" (NIIP) that would be hair-raising in almost any other country.

For years America could take solace from the fact that its income statement was healthy. Even as its NIIP worsened, the country earned more on its overseas assets than it paid out to foreign investors. **Foreigners own lots of low-yielding debt, including Treasuries;** American own more stocks and FDI, which have higher yields.

The stubborn positivity of the country's net foreign income has been part of the "exorbitant privilege" that comes from issuing the world's reserve currency.

Yet as the NIIP has launched into the red, this comfort has dissipated. **In the quarter of 2024, America paid more to owners of its assets than it earned on foreign investments for the first time this century, in part because of higher interest rates.**

This is the grain of truth to Mr Trump's claim that trade deficits transfer wealth overseas (the president also applies this logic, nonsensically, to bilateral trade with every foreign country).

In textbook economics, persistent large current-account deficits slowly make a country less wealthy, the way a spendthrift household eventually finds itself poorer than a neighbour who spends little. In the harsh reality of the global economy, excessive current-account deficits can bring about sudden currency crisis as foreign investors lose faith in a country's ability to pay its debts.

If America's thirst for consumption cannot go on for ever, how long can it last? There have been two previous waves of alarm about America's current account. In the 1980s, as the NIIP fell and in time turned negative, economists questioned how long it could go on. A very long time, it turned out. Then, in the early 2000s, when

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America's current-account deficit surged, Ben Bernanke, later chairman of the Federal Reserve, pointed to a "glut" of savings abroad that were flowing into America. Many economists blamed this for a consumption binge and housing bubble. But the subprime mortgage crisis that followed was not a current-account crisis for America. Instead, the dollar strengthened.

The country also benefits from some natural hedges. Because it borrows in its own currency, as the dollar declines – as it has this year – its NIIP improves. The same thing happens if its stock market falls. Indeed, one reason for NIIP has looked especially bad in recent years is Wall Street's incredible bull run, which has pushed up the value of American assets owned by foreigners. And to the extent that foreign investment enables higher economic growth, everybody wins – even if foreigners take a slice of the pay off.

At the same time, there are reasons to think that things may now be different, and the hedges may not be sufficient to prevent pain. Consider the views of economists outside the president's orbit. Maurice Obstfeld, former chief economist of the IMF, likens a country's trade balance to a government's primary budget balance. There has to be at least the expectation that it will eventually move towards surplus to maintain confidence in the country's ability to pay its foreign debts, he says. Peter Hooper of Deutsche Bank, a scholar of current account issues since the 1980s, describes America's persistent trade deficits as a chronic malaise, "like termites in the woodwork". Joseph Gagnon of the Peterson Institute for International Economics, a think-tank, points out that no advanced economy has sustained a foreign-liability position as America's. "That begins to be worrisome," he says.

Barbie barbecue - What would a current-account crisis look like? The \$62 trillion-worth of American capital owned by foreigners is distributed across tens of millions of balance-sheets belonging to firms and individuals. A third is debt instruments that cannot be marked down as seamlessly as equity prices or property values; of that debt, two-fifths is government-issued. Moreover, since America's debt liabilities are mostly denominated in dollars, it should always be able to honour them, at least in nominal terms.

But a loss of faith in America's ability to deliver the necessary real returns for foreign investors could cause a large depreciation in its asset prices, which have reached eye-watering highs. The country's bonds, properties and stocks, as well as the dollar itself, would come under intense selling pressure. A much lower dollar and lower prices for American bonds and stocks would force a rebalancing by reducing the size of America's external liabilities relative to its external assets. Tighter financial conditions would discourage consumption, whipping the current account into line no matter how uncomfortable such a sudden adjustment would prove.

The question for America, and indeed the global economy, is whether it can defuse its external liabilities without paying such a steep price. Mr Trump's solution is to pull up the drawbridge. Tariffs discourage consumption by raising prices and hurting living standards. Barriers to capital mobility, the first signs of which are buried in Mr Trump's tax bill force up domestic saving. But this solution is as bad as the disease. It makes Americans poorer, and by imperilling the returns earned by foreign investors, threatens to bring about the very crash rebalancing is supposed to prevent. The sharp but brief sell-off in April, after Mr Trump announced his global "reciprocal" tariffs, offered a preview of the possible dynamics of crisis, argues Mr Gagnon.

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A smoother adjustment – one that does not seek to make America a creditor nation overnight – should be possible. If faith in the country is maintained, its exorbitant privilege means it ought to be able to repay its foreign debts with smaller trade surpluses than other countries, says Menzie Chinn of the University of Wisconsin Madison. If America avoids sully its own assets, it can afford to be gradual in its transition towards a trade surplus.

To bring about an incremental transition, America must stop blaming foreigners. Mr Navarro thinks that other countries have fuelled America's trade deficit by keeping their currencies artificially weak, propping up their exporters and blocking American goods from their market. Stephen Miran, another adviser, points to America's position as a magnet for financial flows from overseas, which inflates the value of the dollar and so depresses American exports. It has become increasingly fashionable to believe that global imbalances – notably, China's excess savings – have forced over-consumption on America. One way they might do this is by artificially depressing global interest rates.

But in America, a country that accounts for over a quarter of global GDP at market exchange rates, domestic forces almost always matter more than the foreign winds around them. Nobody forces the country to consume too much. And though it is impractical and undesirable to alter the consumption and savings decisions of millions of American households, there is one obvious lever to pull: cutting the enormous budget deficit of the federal government.

It is this deficit – at 7% of GDP over the past year – that drives American over-consumption. When the government spends, it consumes, too; when it levies insufficient taxes, it encourages households to binge. Government debts soak up savings that could fund investments, helping produce the current-account deficit. In fact, America's private sector last year saved enough to fund all its investments and more. The government was the problem.

America's external vulnerabilities are therefore closely linked to its fiscal fragility. Cutting government borrowing would kill two birds with one stone. Mr Chinn estimates that a reduction of a percentage point in the budget deficit would cut the current-account deficit by about half a percentage point. For his part, Mr Obstfeld is blunt about the alternative to a fiscal rebalancing. "If the government keeps borrowing the way it is, it is quite unlikely that we will ever achieve a trade surplus."

Several potential paths to smaller budget deficits would have the additional benefit of encouraging consumers to save. For instance, if the government reformed health-insurance and pension programmes to make them less generous as the population ages, it would be rational for households to save more themselves. The government could also implement a well-designed consumption tax at the national level (the complete absence of such a levy makes America unusual). Unfortunately, the political reality is that no fiscal consolidation is in the offing. Mr Trump's tax bill, which is making its way through Congress, will prolong enormous deficits.

In this respect, Mr Trump is hardly unique: successive administrations have presided over wider budget deficits, endangering the country's fiscal health and accumulating external liabilities that threaten to amplify financial turmoil. The Trump administration does stand out, however, for its simultaneous insistence it is rebalancing the world economy. Its fiscal stance is more suitable for a crisis economy sucking in

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emergency imports than one attempting a move away from consumption. A simultaneous hatred of trade deficits and embrace of government borrowing is utterly contradictory – perfectly normal, in other words, for Trumponomics.

– Oil politics – Reality sheikh

How the UAE might break OPEC.

On May 31st the Organisation of the Petroleum Exporting Countries and its allies (OPEC+) said that it would pump 411,000 more barrels per day (b/d) of crude in July. The statement marked the third such rise in as many months. OPEC+'s increased production is equivalent to 1.2% of global demand, and represents a drastic acceleration from plans drawn up last year, when the group said that it would raise output by 122,000 b/d each month.

Big moves, if not enough to sink oil prices. You might, therefore, think that OPEC+ is in total control. **The cartel, which supplies half the world's oil, exists to keep prices high.** In reality, it faces a crisis that could mark the beginning of its end.

Over its 65 years of experience OPEC has navigated many crisis, from Gulf wars and America's shale boom to a pandemic-era oil bust. But today is different. Knowing oil demand could peak in the coming decade, members want to liquidate reserves.

That, together with the spending required for petrostates moving away from oil, means some are flouting the cartel's cardinal rule: to not supply more than agreed upon. Although Saudi Arabia, the group's enforcer, is trying to ensure obedience, one serial cheater is getting a free pass: the United Arab Emirates, OPEC's third-largest exporter, and its biggest menace.

To understand OPEC's problem, look at the justifications for its latest increases in output. The one broadcast by the group – "healthy fundamentals" mean the world needs more oil – does not pass muster. Analysts, OPEC's included, have revised down demand forecasts to account for damage of Donald Trump's trade wars. Non-OPEC countries, meanwhile, keep pumping more. The world is swimming in oil.

There are more credible explanations for the move. One is that the Gulf states are trying to please Mr Trump, who wants cheap petrol in America's forecourts. Another is that the group wants to recover lost market share. A third frames it as an effort by Saudi Arabia to punish members who are flouting their quotas.

It is possible that, at the margin, the second 411,000 b/d hike – announced days before Mr Trump started touring the Gulf – helped Saudi Arabia and the UAE obtain goodies from Uncle Sam, such as artificial – intelligence chips. But. "Saudi Arabia does not want to set too much of a precedent," says a former OPEC executive.

Clawing back market share will also prove hard. Demand is expected to jump by 1m b/d from May to August in OPEC countries alone, as extra-hot weather means more air-conditioning, which will help absorb the output hikes so far. Should the cartel opt to pump still more, however, prices could drop below \$50, at which point members may revolt. And OPEC+ remains far from recovering its market power. By June its target output will still be 5m b/d or so lower than in August 2022, when it began to announce cuts.

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Things will probably get still more fraught. The UAE cares less about low oil prices than Saudi Arabia. An economist at an Emirati bank says that the country needs them at just \$50 a barrel to balance its books, whereas its bigger neighbour, which is spending lavishly on real-estate projects, requires them at \$90 a barrel. In the five years to 2027 the UAE is slated to invest \$62bn in new production, bringing its capacity to 5m b/d, up from 3.6m b/d in 2021; ADNOC, which pumps most of the territory's oil, says that capacity has already almost hit its target for two years' time.

The UAE's OPEC quota has not kept up with its growth. Last year it negotiated a 300,000 b/d increase, to be phased in over 18 months. On May 28th OPEC+ postponed a more comprehensive revision of quotas – originally due this year – until 2027.

The Emiratis are unlikely to accept their straitjacket. One analyst with contacts in both governments says that it is only a matter of time before Saudi Arabia and the UAE openly clash. A descent into disorder, fuelled by conflict between OPEC+ largest and third-largest exporters, could then make the cartel unworkable.