

FINANCIAL TIMES

MONDAY 5 DECEMBER 2022

INTERNATIONAL NEWSPAPER OF THE YEAR

ASIA



Is the four-day week the future of work?
THE BIG READ, PAGE 17

There were 'huge management failures'
EXCLUSIVE INTERVIEW WITH FT'S SAM BANKMAN-FRIED, PAGE 7

S Africa furore Ramaphosa's fate in balance

Cyril Ramaphosa cuts a cheerful figure as he leaves a committee meeting of the African National Congress in Johannesburg yesterday.

The South African president is fighting for his political life after a damning report into a scandal over a theft at his game farm. The findings have seriously damaged his reputation as a reformer who came to power in 2018 on a pledge to restore clean government.

The ANC's most senior body will today debate the report, which was produced by a panel chaired by South Africa's former chief justice. Over the weekend Ramaphosa's lawyers said they were preparing to stage a fightback by challenging its findings.

The row comes just weeks before the party holds a leadership vote in which he had been widely tipped to win re-election for a second five-year term.

ANC to decide on leader page 3



Reuters/Sumaya Hisham

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Traders in US government bonds are betting that the Federal Reserve will be forced to start cutting interest rates next year as the economy slows.— PAGE 6

Brussels promises help for companies to offset impact of US green subsidies

• Von der Leyen vows EU action • Shift in state aid rules pledged • \$369bn climate package risks trade war

**HENRY FOY — BRUSSELS
SAM FLEMING — LONDON**

The EU must "simplify and adapt" its rules on state aid to counteract the competitive effects of the new \$369bn climate package in the US, European Commission president Ursula von der Leyen said yesterday.

Europe should "adjust our own rules to make it easier for public investments", von der Leyen said in her first response to Washington's green energy subsidy scheme, which EU leaders say risks fracturing transatlantic unity by luring European companies to relocate.

The measures have soured ties between Washington and Brussels and triggered a chorus of demands from EU states for a competitive response, fueling fears of a trade war.

"The new assertive industrial policy of our competitors requires a structural answer", von der Leyen said.

The potentially far-reaching proposals from the head of the EU's executive underscore the scale of concern in Brussels over the US Inflation Reduction Act. EU and US officials are due to meet to discuss the topic today.

President Joe Biden has called the US legislation the most "aggressive action" his country has taken to confront the climate crisis.

Europe should 'adjust our own rules to make it easier for public investments'

Ursula von der Leyen

But European allies complain that measures such as tax credits and subsidies for products such as electric vehicles give US-based enterprises an unfair advantage and will encourage EU industries to relocate.

Von der Leyen said that in response the EU must overhaul its public investment regulations and reassess whether "new and additional funding at the EU level" was required. Brussels should go on demanding the US adjust the IRA to resolve contentious issues, she said.

"There is a risk that the IRA could lead to unfair competition, could close markets and fragment... critical supply chains", von der Leyen said.

The EU should "take action to rebalance the playing field... [and] improve our state aid frameworks".

In recent years the EU has taken steps to ease state aid rules, including in response to the Covid-19 pandemic and the energy crisis. But further changes would fuel concerns that extra spending by deep-pocketed countries led by Germany will skew the single market. Other capitals have largely exhausted their spare fiscal firepower.

Other key EU figures have also called for a collective response to the US move. European Council president Charles Michel, who represents the leaders of the EU's 27 member states, told the Financial Times that there should be a renewed debate on common financing.

The union's competitiveness is being hit by soaring energy prices caused by Russia's war against Ukraine and the IRA subsidies. Michel said that while

some member states had the firepower to support embattled industries, other capitals were stretched and were making legitimate demands for a discussion on new EU money.

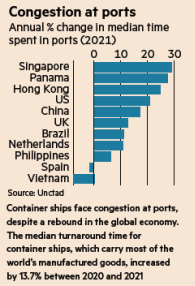
"It is good that some member states have the possibility to mobilise money to support economic development but it is very important to make sure it doesn't create distortions in the single market," he said.

The White House said there were "ways we can address Europe's concerns... through substantive consultations".

A spokesman said: "Both the United States and Europe can create good-paying jobs and tackle the climate crisis — and not at each other's expense."

EU energy supply risk page 2
Martin Sandbu page 19

Datwatch



Battle over Disney's tax status set to go nuclear

**ELEANOR OLCOTT — HONG KONG
TOM MITCHELL — SINGAPORE**

Chinese cities accelerated the loosening of zero-Covid restrictions over the weekend, raising expectations that Beijing could ditch the pandemic policy that has kept people isolated for nearly three years and battered the economy.

Several Chinese cities eased controls, even as Covid strains continue to circulate. China reported 31,824 infections yesterday for tests taken the previous day, a slight decline from Saturday as testing requirements were reduced.

Shenzhen and Shanghai scrapped the requirement for commuters to present PCR test results to travel on public transport, following similar moves by Tianjin, Chengdu and Chongqing. Some apartment complexes in Beijing indicated to residents over the weekend that

Beijing further relaxes Covid curbs in nod to growing public frustration

If they tested positive they could quarantine at home rather than at a centralised quarantine facility, marking a significant relaxation of the curbs.

China's top-level leadership body, the politburo standing committee, has not made a formal announcement on its stance. Even so, President Xi Jinping appears to be steering the policy shift, said those familiar with the matter.

During a closed-door meeting with European officials on Thursday, Xi acknowledged the protests that rocked cities across the country last weekend, according to two European officials with knowledge of the talks.

Xi told European Council President Charles Michel, the first western leader to visit China since the protests erupted, that "frustrated" students were driving the protests after three years of zero-Covid policy. Rising anger at China's

restrictions spilled over into a wave of nationwide discontent a week ago as residents in cities including Shanghai and Wuhan took to the streets.

Xi added that the Omicron strain driving the nationwide outbreak was less lethal than previous variants, but officials are worried about low vaccination rates among the elderly. Only about 40 per cent of people aged 80 or older have had three shots, the dosage required for Chinese vaccines Sinopharm and Sinovac to achieve high levels of protection against Omicron.

Economists warn that China's economy will not experience a fast rebound even if officials accelerate the reopening. Alicia Garcia-Herrero, chief economist for Asia Pacific at research firm Natixis, said the "factors behind China's structural deceleration are still intact".

Additional reporting by Ryan McMorrow

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World Markets			
STOCK MARKETS			
	Dec 2	Prev	%chg
S&P 500	4057.20	4076.57	-0.48
Nasdaq Composite	11401.26	11482.45	-0.71
Dow Jones Ind	34211.58	34398.01	-0.21
FTSE100	1751.99	1754.46	-0.14
Euro Stoxx 50	3977.28	3984.49	-0.18
FTSE 100	7556.23	7558.49	-0.03
FTSE All-Share	4138.81	4141.04	-0.05
CAC 40	6142.25	6153.37	-0.17
Xetra Dax	14528.88	14450.30	0.22
Nikkei	27777.90	28228.08	-1.59

CURRENCIES			
	Dec 2	Nov 25	%chg
\$/€	1.047	1.041	0.58%
\$/£	1.222	1.209	1.07%
\$/¥	0.857	0.861	-0.47%
\$/HK\$	135.475	138.250	-1.99%
\$/R\$	165.496	168.408	-1.72%
\$/S\$	0.986	0.985	0.10%
\$/C\$	1.150	1.145	0.44%

GOVERNMENT BONDS			
	Dec 2	Nov 25	Chg
US 2 yr	4.35	4.28	0.07
US 10 yr	3.58	3.57	0.01
US 30 yr	3.81	3.68	0.13
UK 2 yr	3.37	3.30	0.08
UK 10 yr	3.15	3.10	0.05
UK 30 yr	3.49	3.40	0.10
JPY 2 yr	-0.03	-0.03	0.00
JPY 10 yr	0.25	0.25	0.00
JPY 30 yr	1.49	1.51	-0.02
GER 2 yr	2.09	2.01	0.08

CRYPTO			
	Dec 2	Prev	%chg
Bitcoin (\$)	16910.85	16976.38	-0.39
Ethereum	1277.92	1278.08	0.10

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INTERNATIONAL

Negotiations Initiative

Kyiv and Baltics hit at Macron on Ukraine

French leader's critics reject suggestion of security guarantee for Russia

LEILA ABOUD — PARIS
HENRY FOY — BRUSSELS
ROMAN OLEARCHYK — KYIV
RICHARD MILNE — OSLO

French president Emmanuel Macron faced strong criticism from Kyiv and in Baltic nations yesterday after he suggested Russia would need to be given security guarantees as part of future negotiations to end the war in Ukraine.

The comments, in an interview with French television channel TF1, came after Macron held talks with US president Joe Biden during a state visit to Washington, in which they discussed

Russia's aggression in Ukraine and how they could continue to support Ukraine. Macron said the two leaders had talked about the need for the US and Europe to prepare a "security architecture for tomorrow" for the region.

"This means that one of the essential points we must address, as [Russian] president [Vladimir] Putin has always said, is the fear that Nato comes right up to its doors, and the deployment of weapons that could threaten Russia," Macron said. "That will be part of the topics for peace, so we need to prepare what we are ready to do, how we protect our allies and member states, and how to give guarantees to Russia the day it returns to the negotiating table."

The comments drew strong criticism in Kyiv yesterday. "Someone wants to

provide security guarantees to a terrorist and killer state?" Oleksiy Danilov, Ukrainian president Volodymyr Zelenskyy's national security chief, tweeted.

Referring to the post-second world war tribunals, he added: "Instead of Nuremberg, to sign an agreement with Russia and shake hands?"

Kyiv, which is itself seeking postwar security guarantees, has rejected any suggestion Putin should be granted concessions after the conflict, given that Russia was the aggressor.

Critics have previously accused Macron of being soft on Moscow after he asserted that the west "should not humiliate Russia" over the war as it would still be a neighbour once the conflict was over. Alexander Stubb, the former prime minister of Finland,

which has applied for Nato membership as a consequence of the Russian invasion of Ukraine, said he fundamentally disagreed with Macron.

"The only security guarantees we should focus on are essentially non-Russian," he tweeted. "Russia needs first to guarantee that it does not attack others. Only then can we begin discussions on [European security]."

Artis Pabriks, Latvia's deputy prime minister, added: "The idea that the Russian invasion [of] Ukraine can be ended by the west giving security guarantees to Russia is falling into the trap of Putin's narrative that the west and Ukraine are responsible for this war and Russia is [an] innocent victim."

Linas Linkevicius, former Lithuanian foreign minister, tweeted: "Russia has

all security guarantees if it doesn't attack, annex or occupy its neighbours. If anyone wants to create a new security architecture that allows a terrorist state to continue its methods of intimidation, they should think again."

A French official yesterday rejected the idea Macron was soft on Russia, pointing out he had condemned atrocities allegedly committed by the Russian military and sent French investigators to help war crimes probes. But a "new security architecture" was needed to help avert future wars, the official said.

Macron's comments also appeared to give credence to Putin's allegation that Nato had "expanded" towards Russia's borders and that this was a legitimate reason for the invasion. The alliance has robustly denied this claim.

Blackouts threat

Europe can withstand winter energy supply risk, says grid chief

SARAH WHITE — PARIS

The head of the French national grid has played down the risk of a breakdown in electricity flows and sweeping cuts to energy exports across Europe this winter, as the continent works to stave off power interruptions.

Xavier Piechaczyk said high gas storage levels, built up to bolster non-Russian reserves, had boosted power production capacity across the region, which should keep electricity supplies flowing as the system came under strain after a warm autumn.

However, the RTE chief acknowledged that falling temperatures and delays in repairing outages at France's fleet of nuclear power plants could still combine to trigger shortages and consequent power cuts, including in France.

That risk would be exacerbated if imports declined sharply, a scenario Piechaczyk said in an interview was "very, very improbable".

"The only thing that could threaten imports [by France] would be if our neighbouring countries produced less electricity from gas," Piechaczyk added.

Countries across Europe are struggling to address strains in their electricity networks as the region weans itself off Russian gas and are counting on each other to supply electricity at peak times.

France, normally a big power exporter, has become a net importer this year after a record number of outages at its nuclear plants, owing to maintenance work, unexpected corrosion issues, or cracking in the pipes of safety injection systems, that required repair.

Surges in demand from France to Germany and Britain usually occur at different times of day and countries have little incentive to cut each other off to prioritise their home market, Piechaczyk said, as they all need supplies from elsewhere. Grid operators across the region were working together to ensure fluid exchanges, he added.

France signed a deal with Germany last month to increase imports of electricity in exchange for Paris sending more gas to Berlin. That required Germany to raise the portion of interconnector capacity it uses for exports from about 30 per cent to 41 per cent, weeks earlier than it had planned, one sign of solidarity in the region, Piechaczyk said.

Britain has particularly relied on French nuclear power imports in recent years but has now become an exporter of electricity to France, putting strains on its own supplies. Britain and France have been urging households and businesses to cut their electricity usage to help reduce the threat of temporary blackouts. Grid operator, meanwhile, warned in October that its own exports to other countries might have to be curtailed if there were shortages.

By next year, repairs to France's nuclear plants should allow the country to go back to being a net exporter to the rest of Europe, Piechaczyk added.

Grid operators and governments are still bracing for possible targeted power cuts in the short term, however, especially in January and February are colder than expected, imports falter and the restart of French nuclear plants falls behind schedule.

Martin Sandhu See Opinion

Economy, Inflation

EU residents flock to food banks as poverty soars

Charities forced to close their doors to new applications even in bloc's richer nations

MARTIN ARNOLD AND ALEXANDER VLADKOV — FRANKFURT

With no job and speaking little of the language, Olena Vynykova has relied on her local food bank to cope with the "very hard" situation in which she finds herself since fleeing Ukraine for Germany seven months ago. If she had arrived any later, it could have been even worse.

Surging food and fuel prices mean millions more people in Germany are struggling to make ends meet, forcing many food banks to shut their doors to thousands of new applicants. That includes the one used by Vynykova in Friedberg, about 15 miles north of Frankfurt.

The former nurse, who left her husband and grown-up children in Bakhmut, now on the front line of Ukraine's war with Russia, asked the Financial Times to "say thank you" to the volunteers for their "amazing" work.

Across Europe food bank use is soaring as the highest inflation for a generation hits the region's poorest, with a greater proportion of their income on energy and food.

Charities from Spain to Latvia report 20-30 per cent higher demand than last year and expect a further increase this winter. In Bulgaria, one of the poorest countries in the EU, there was a three-quarter jump between September and October in people using the national food bank, according to the country's food bank director Zrinka Milanova.

More than a third of Germany's 962 food banks — called Tafel — have stopped taking new applicants beyond the 2m they already help. It is the first time many have taken such a drastic step, after demand rose more than 50 per cent this year for access to the fruit, vegetables, bread and other essentials they collect from shops and donors.

"We could double the number of customers if we took everyone who asks," said Peter Radl, chair of the Friedberg food bank, which provides a basket of supplies every two weeks to 700 families, of which about 130 come from



A food bank in Berlin. More than a third of Germany's food banks have stopped taking new applicants beyond the 2m they already help

Li Li/Westend/Reuters

Ukraine. "But space is limited, we have a total of 120 baskets, and there is only so much our volunteers can do," he added.

"It is surprising for a rich country like Germany to have so many people who cannot afford to feed themselves properly," said Katja Bernhard, a board member of the food bank association for the Hesse region.

Yet soaring energy prices, triggered by Russia's invasion of Ukraine, have pushed more than a quarter of the German population into "fuel poverty" — defined as spending more than 10 per cent of income on energy — up from 1.5 per cent last year, according to the country's council of economic experts.

More than a fifth of the EU population was already unable to heat their homes sufficiently last year, before the latest price surge, according to the latest data from Eurostat, the EU statistics agency.

In November, eurozone price growth slowed for the first time in 17 months, dipping from 10.6 per cent to 10 per cent. But this was little consolation for people struggling to make ends meet, especially when average wages have

risen only 4 per cent in the past year. Energy prices across the single currency area are still almost 35 per cent higher than a year ago, while food, alcohol and tobacco cost more than 15 per cent extra, according to Eurostat.

The price of some essentials has risen even faster. In the wider EU, milk prices have soared 45 per cent in the past year, while pork costs 55 per cent more and Japanese rice 68 per cent more.

In central and eastern Europe, the cost of staples has increased even more sharply. In Hungary, bread prices have risen by 80 per cent over the past year. There, the national food bank works via a network of charitable groups, which has expanded by almost a quarter to 530 this year. Its spokesman András Nagygyörgy estimates it helps 221,000 people, adding: "Since the start of the inflationary spiral, we have been witnessing an inflow of organisations."

Giovanni Bruno, president of the Italian food bank foundation, estimated an additional 85,000 people had sought his help this year.

Inflation has also led to a fall in the

'It is surprising for a rich country like Germany to have so many people who cannot afford to feed themselves properly'

amount of food and money donated in several EU countries in recent months. Volunteers and directors in food banks across Europe say supermarkets have become more aggressive in discounting food nearing its sell-by date, leaving less for food banks to collect.

Ofscarine Vonk, a volunteer at the Amsterdam food bank network, said it had benefited from a campaign appealing for wealthier people to donate the €190 the government is giving to all Dutch households to help with high energy bills in November and December.

Dutch food banks responded to the surge in inflation by increasing the limit on disposable income people can have to qualify as members to €300 per month and Vonk said they expected a 20 per cent rise in demand this winter.

"Groceries and electricity are much more expensive," said Adnan Ibrahim, who has been going with his wife to a food bank in southern Amsterdam for three years. "I have health problems — my wife too. I cannot work and we don't have enough money to pay the bills."

Transactions fight

Italy's new PM pushes back against shift to digital payments

AMY KAZMIN — ROME

Patrizia Flammini's café does brisk business selling coffee, pastries and sandwiches in the heart of Rome, with prices starting at €1.20 for an espresso.

But she said her heart sank every time a customer tried to buy small pick-me-ups using a payment card, which gives the banks a cut of the sale price. "It's almost offensive," she said. "I make the coffee, I wash the cups, but [the bank's cut] is more than I earn."

Small business owners such as Flammini may soon be spared from accepting low-value digital payments if Italy's new rightwing coalition government has its way.

In her draft budget for 2023, prime minister Giorgia Meloni has proposed giving Italian merchants the right to refuse digital payments for transactions

on small businesses and families. In the run-up to her victory in September's election she vowed to push back.

But while many small businesses have welcomed the move, it could meet resistance from Brussels, which advised Rome to promote greater use of digital payments as part of its €200bn, EU-funded Covid recovery plan, to accelerate growth and put its strained public finances on a stronger footing.

Within Italy, some analysts and opposition politicians have expressed dismay at what many see as a retrograde step. "It's a mistake that will increase taxation," Carlo Calenda, leader of the centrist Azione Party, said.

Italy is among the lowest adopters of digital payments in Europe: the average Italian consumer uses cards for 85 transactions a year, compared with the EU average of 155.9, according to the

refund to consumers on all such transactions. The programme was criticised by the European Central Bank and subsequently scrapped by the then prime minister Mario Draghi's government.

Businesses complain of the high costs involved in accepting digital payments. Transactions valued at under €5 usually do not carry any fee, but above that, they range widely. Bigger businesses pay 0.5-1.5 per cent of the transaction value to payment providers, while small businesses have to pay more.

So far, Brussels has not commented publicly on Meloni's plans. But in a statement last week the government said that "discussion with the [European] Commission are under way" and could influence the final policy.

Antonella Trocino, a lecturer in economics at Rome's Luiss University, believes concerns about fees should be



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INTERNATIONAL

Democrats have Georgia on their minds in fight to win Senate seat

US midterms run-off remains a close call and will set tone for 2024 election

JAMES POLITI — ATLANTA

At a revamped rail yard warehouse on the east side of Atlanta, former president Barack Obama delivered a jolt of his renowned campaign flair in an effort to help Democrats win the final contest of the US midterm elections.

Democrats performed far better than expected in congressional races across America last month as voters rejected many of the most extremist Republican candidates backed by former president Donald Trump.

But one pivotal contest in Georgia remains in limbo, pitting incumbent Democratic senator Raphael Warnock against Republican former American football star Herschel Walker, with a run-off election to be held tomorrow after neither candidate exceeded 50 per cent on November 8.

"Many of the most egregious, and potentially dangerous, and let's face it, somewhat crazy folks, election deniers, got beat, that's the good news," Obama told the crowd last Thursday. "I'm here to tell you we can't let up, we can't tune out, we can't be complacent."

A victory for Warnock, a pastor at the late Martin Luther King Jr's Ebenezer Baptist Church in Atlanta and who was

'We can't let up, we can't tune out, we can't be complacent'

Barack Obama

first elected to the Senate after winning a run-off in January 2021, would be of tremendous importance for Democrats in Congress and President Joe Biden.

It would give Democrats 51 out of the 100 Senate seats, compared with a 50-50 split that grants them a majority only because vice-president Kamala Harris can cast tiebreaking votes. The ability of any senator to block any of Biden's nominations or legislation would be limited, and Democrats would have an extra buffer heading into the 2024 elections.

But strategists from both parties say the race will still be close given Georgia is a politically even state. After being Republican terrain for years, victory for Democrats in the two Senate run-offs after the November 2020 election gave the party control of the upper house. Warnock prevailed in the first round this year by only 0.9 percentage points.

"There is an enormous level of energy and enthusiasm, and I think it's even greater than what we saw in November," said Abigail Collazo, a Democratic strategist who has worked in Georgia. "That said, run-offs are tricky, it's still going to be a very tight race. The Warnock campaign cannot afford to take anything for granted."

Brian Robinson, a Republican strategist in Georgia, said: "The Democrats have done a big push on early voting —

they have banked hundreds of thousands of votes — but Republicans are catching up."

Although Walker is a sporting legend in the state, he has been engulfed in scandals ranging from domestic violence allegations to revelations about secret children and payments for women to have abortions. He recently made a bizarre reference to wanting to be a vampire rather than a werewolf; he has also faced scrutiny over a tax break he claimed for a primary residence in Texas rather than Georgia.

"He's weird, he's dumb, he's unqualified, he's a joke, that's the message," one former Republican state aide said of the closing attacks on Walker coming from Warnock and his campaign.

Obama certainly mocked the werewolf comments during his rally. "Walker has been talking about issues that are of great importance to the people of Georgia, like whether it's better to be a vampire or a werewolf," the former president said. "This is a debate that I must confess I once had myself. When I was seven. Then I grew up."

Walker has been endorsed by Trump, but they have not campaigned together ahead of the run-off. Trump's interventions in the 2022 elections have been blamed by many Republicans for spoiling what should have been a much stronger set of results.

Trump's announcement that he is seeking another term in the White House in 2024 — as well as the furore over his dinner last month with white nationalist leader Nick Fuentes — have not helped Walker either.

"A lot of Democrats understood full well how shockingly unqualified the opposition is and are coming out in droves," said Nick Shimkin, an organizer who was helping to turn out voters for Warnock in Athens, a city 70 miles east of Atlanta, who attended last week's rally.

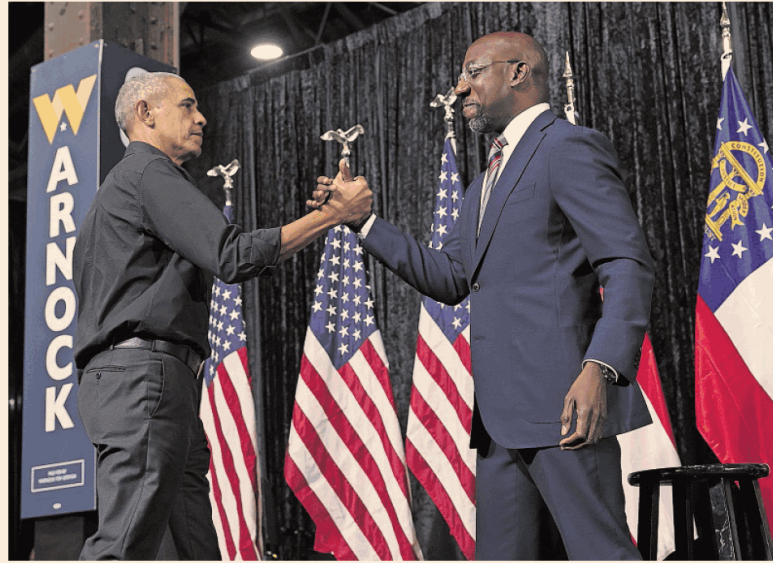
"I've canvassed, I personally phone-banked and donated money," said Metow Willingham, a hairstylist who was also at the campaign event. "So I know it's gonna be a win," she added hopefully.

Walker has gained the backing of Brian Kemp, the popular Republican governor of Georgia who was re-elected in the midterms.

As Warnock campaigned with Obama, Walker was joined by Mike Pompeo, the former US secretary of state under Trump, to attack compulsory Covid-19 vaccinations in the military.

"What Biden and Warnock are doing to our warriors is immoral and it is an act of treason," Walker said.

But perceptions of Walker not being up to the job have been getting harder to shake off. "I don't think he is the right choice for us, just in terms of experience, and, you know, just some of the character issues," said Katharine Kelley, a centrist Democrat.



'Run-offs are tricky. It's still going to be a very tight race. The Warnock campaign cannot afford to take anything for granted'

Former president Barack Obama greets Georgia Democratic Senate candidate Raphael Warnock at a campaign rally in Atlanta this month

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South Africa

ANC to decide Ramaphosa's fate after cash-theft scandal

JOSEPH COTTEBILL — JOHANNESBURG

South Africa's president Cyril Ramaphosa said the governing African National Congress would decide his fate this week, after he signalled he would fight back against a damning report into a scandal over a theft at his game farm.

The ANC's most senior body will today debate a report by a panel led by a former chief justice that suggested Ramaphosa might have committed serious misconduct in connection with the 2020 incident, even as his lawyers were preparing to challenge its findings.

"It is up to the national executive committee, to which I am accountable, to take whatever decision," Ramaphosa said yesterday, just weeks before the

kept half a million US dollars in cash stuffed inside a sofa at his Phala Phala game reserve before it was stolen.

The panel's findings have seriously damaged Ramaphosa's reputation as a reformer who came to power in 2018 on a pledge to restore clean government after years of looting of the state under his predecessor Jacob Zuma.

The parliamentary report said more cash appeared to have been stored unbanked at Ramaphosa's Phala Phala game reserve than the \$580,000 that was stolen, and that he might have failed to report the theft through the proper police channels.

A legal rebuttal to the report was being drafted, the president's spokesman said on Saturday.

Ramaphosa's supporters have been

INTERNATIONAL

Western restrictions

Opec+ ready to act as new Russia curbs start

Cartel vows to stabilise market ahead of sanctions prompted by Ukraine war

DAVID SHEPPARD AND TOM WILSON LONDON

Opec and its allies vowed yesterday to stabilise global oil markets a day ahead of the start of sweeping new western restrictions on Russia's oil exports.

Opec+, which is led by Saudi Arabia and Russia, decided not to make any immediate changes to production targets, but said the oil cartel was ready to "meet at any time" and could "take immediate additional measures".

The group's online meeting came a day ahead of what will be one of the most dramatic shifts in global oil markets in decades, when the EU will bar seaborne Russian oil imports in retaliation for Moscow's invasion of Ukraine.

At the same time G7 leaders have agreed to introduce a so-called price cap that aims to keep Russian oil flowing to countries such as India and China to avoid creating widespread shortages, but only if the crude is sold at less than \$60 a barrel to crimp Moscow's revenues.

Russia has repeatedly said that it will not sell any oil to countries utilising the cap, and has instead quietly set about acquiring more than 100 oil tankers to form a "shadow fleet" of vessels to try to

keep its oil flowing despite the western restrictions. But traders still expect Russia's oil exports to fall in the coming months as it may struggle to find enough new buyers outside the EU.

Russian deputy prime minister Alexander Novak reiterated yesterday that Moscow would not export oil that was subject to any western-imposed price cap, "even if we have to cut production somewhat".

The scale of the decline in Russian exports may determine whether oil prices soar or sink in 2023. Producers such as Opec+ are also worried about slowing demand if big economies fall into recession.

Analysts said it made sense for Opec+ to make no big changes to production

policy before the full impact of the western restrictions on Russian oil could be ascertained in the coming weeks.

Amrita Sen at Energy Aspects, a consultancy, said Opec+ was facing a challenging market as there was also huge uncertainty around China, the world's largest oil importer. That increases the likelihood that Opec+ will meet again early in 2023.

Beijing has begun to ease its latest round of demand-sapping lockdowns amid growing protests against the measures, which are expected to drag on economic output.

The next meeting of the Opec Joint Ministerial Monitoring Committee, which has the power to call a production meeting, is due to take place in early

February. Saudi Arabia's energy minister Prince Abdulaziz bin Salman al-Saud may have had one eye on the reaction of the White House, which in October accused Riyadh of aligning with Russia after leading Opec+ into a substantial cut in production targets of 2m barrels a day.

The cut came shortly before US midterm elections in which the Biden administration feared petrol prices would play a big role. Saudi Arabia has argued that the cuts were solely due to concerns about the impact of a possible future recession on oil demand, but the move damaged relations with the US.

Additional reporting by Polina Ivanova in Berlin and Derek Brower in New York
Martin Sandbu page 19

Islamic dress code

Iran disbands its morality police after two months of protests

NAJMEH BOZORGMEHR — TEHRAN

Iran has in effect disbanded its morality police, which monitored women's clothing, following two months of protests sparked by the death of a 22-year-old woman who had been arrested for allegedly failing to observe the Islamic dress code.

The country's newswires said on Saturday that Iran's prosecutor-general, Mohammad Jafar Montazeri, had confirmed last week that the same [organisation] which set up Guidance Patrol [the morality police] has now shut it down, although he did not identify the state body.

Although there has been no official announcement, the weekend report was the first time a senior regime figure has acknowledged that the force has been disbanded. In practice, the morality police have been absent from Iran's streets since the death of Mahsa Amini in mid-September.

Speaking in the holy city of Qom, Montazeri said that although the judiciary kept an eye on "public behaviour", it would not take a leading role in implementing the hijab law.

He said cultural activities had been "prioritised over other kinds of activities", seemingly distancing himself from the prosecution of women in connection with the Islamic dress code.

Street demonstrations erupted in September after the morality police stopped Amini, a Kurdish woman, in the capital Tehran for allegedly failing to properly wear the hijab.

Her death in police custody triggered protests in towns and cities across Iran that spiralled into the worst social unrest in years, and led to calls for the theocratic state to be overthrown and replaced with a secular government.

The legal obligation to wear the hijab — ratified after the 1979 Islamic revolution — remains in place, but an increasing number of women have appeared on streets, in restaurants and in universities in recent months without covering their hair and have not faced censure from the security forces.

In the wake of Amini's death many female protesters burnt their head scarves in the streets or cut their hair in a show of solidarity.

One 60-year-old man called Nima commented on returning to the country after two months abroad that Iran felt like "a different country", with women passing through passport checks without the hijab. "It already looks normal for all sides", he said, marvelling at the development.

Women have reported visiting state organisations without wearing the hijab, although state employees still have to adhere to the dress code.

Others remain more cautious owing to lingering fears of prosecution or because they feel uncomfortable. "It feels like being naked," said one woman. "I feel guilty that so many died for us to enjoy not wearing scarves," she said another. "We didn't want this freedom at such a huge cost."

The remarks by the prosecutor-general came after protests in some big cities such as Tehran had subsided.

The National Security Council, the body responsible for suppressing the protests has for the first time confirmed that about 200 people, including security forces, have been killed in the unrest since September.

Latin America. Energy supply

Biden shift on Venezuela unlikely to cut oil prices

US eases sanctions amid

Caracas negotiations with opposition and energy crunch

JUSTIN JACOBS — HOUSTON
JOE PARKIN DANIELS — BOGOTÁ

Ports on the US Gulf of Mexico coast will soon resume shipments that have been absent for more than three years: tankers of Venezuela's heavy crude oil.

The impending restart of deliveries to US oil refineries reflects a shift in Washington's policy towards Caracas and a changing political landscape inside the US, analysts said, which they expect will relieve tight global energy markets in less than a year.

Donald Trump, then president, cut off US imports of Venezuelan crude as part of a sweeping set of economic sanctions starting in 2019, aimed at dislodging leftwing Venezuelan president Nicolás Maduro from power in favour of opposition leader Juan Guaidó.

The US gave Chevron a licence to resume oil production through its joint ventures in Venezuela last week after Maduro's socialist government resumed political talks with the opposition in Mexico City. The Treasury department cited "concrete steps that alleviate the suffering of the Venezuelan people and support the restoration of democracy".

The move to ease restrictions on Venezuela's oil industry comes after the White House has spent months trying to find new sources of oil to help drive down fuel prices that soared after Russia's invasion of Ukraine. The talks are taking place as Maduro undergoes something of a rehabilitation in Latin America, which has recently elected a slate of leftist leaders — including in Colombia and Brazil, which were important backers of Guaidó in 2019.

In Mexico City, the Maduro government and the opposition signed an agreement allowing the release of foreign-held funds, believed to be close to \$3bn, to be spent on energy infrastructure, health, food and education in Venezuela.

A founding member of the Opec cartel, Venezuela was once one of the world's biggest oil exporters. A decade ago its production was close to 3m barrels a day, and exports flowed to US refineries designed to process its viscous crude grades. Billions of dollars flowed back into its economy.

The dilapidated Venezuelan oil industry's output has since declined to about 700,000 b/d. Last Tuesday, Chevron's



Pumping plans: Chevron and Venezuela's state oil company PDVSA (above) have touted deals to lift production

manager for Venezuela, Javier la Rosa, met Tarek el-Aissami, the head of state-run oil company Petróleos de Venezuela (PDVSA) and a close Maduro ally, where the two touted deals to lift production.

But any incremental volumes are not likely to be enough to sway global oil prices. Chevron's two producing projects in the country were pumping about 160,000 b/d before the sanctions were imposed, and their output had fallen to about 100,000 b/d now, said one person familiar with the group's operations.

With the sanctions lifted, "theoretically that can go up to 200,000 [b/d] fairly quickly, within a year or so", the person said, adding the company was redeploying local staff to their previous roles as it restarted operations.

Some analysts said Caracas could resist Chevron's efforts to resume shipments to the US because Washington's licence stipulates that the company must not pay taxes or royalties to the Venezuelan government.

"The issue with that is that it offers limited incentives for Maduro to allow

cargoes to the US because they mainly will serve to pay the debt down to Chevron," said Francisco Monaldi, Latin America director at the Baker Institute for Public Policy at Rice University.

Chevron has accumulated more than \$4bn in debt owed to it by PDVSA since sanctions came into force. A more substantial increase in output would require tens of billions of dollars in investment and years of repair and development at the country's oilfields, which have wilted after years of theft, under-investment, and an exodus of skilled workers. It would also require further loosening of US sanctions.

Maduro in a press conference last week called the steps from the administration of President Joe Biden "very positive" but said he wanted "the total lifting of criminal sanctions over the oil industry", indicating he wanted to resume oil exports to the US.

Biden has prodded the domestic oil and gas industry to lift output, pressed the Opec+ group of producers to add supply and released about 180m barrels from US emergency oil stockpiles.

The US Treasury department cited 'concrete steps that alleviate the suffering of the Venezuelan people'

The administration in June also eased sanctions on European oil producers Repsol and Eni, allowing them to resume shipments from Venezuela.

Some analysts said a recent rightward lurch in the politics of Florida, historically an electoral battleground with communities of Venezuelan and Cuban exiles who advocate hardline policies against those countries' leftist leaders, was a factor in Biden's shifting Latin American policy.

Kevin Book, managing director at ClearView Energy Partners, a Washington-based consultancy, said that after "decisive re-election victories by Florida Republicans" such as governor Ron DeSantis, Democrats would feel less political pressure to hold a hard line against Caracas, especially "when crude supplies are tight".

US officials have warned the sanctions could tighten once more if talks with the opposition falter or there are signs Maduro is not following through on promised democratic reforms. Venezuela is scheduled to hold presidential elections in 2024.

Property

New York's 'zombie' office towers teeter as rising interest rates add to pandemic pain

JOSHUA CHAFFIN — NEW YORK

During a prolonged bull market fuelled by historically low interest rates and nearly free money, Doug Harmon and his team presided over record-breaking sales for many of Manhattan's trophy office buildings.

No longer. These days, Harmon, the chair of capital markets at Cushman & Wakefield, a real estate services firm, spends much of his time performing "triage" as he puts it.

The world's largest office market has of late endured the departure of big-spending Chinese investors, the rise of remote working prompted by Covid-19 and the economic fallout from the Ukraine war. Now there is mounting

go, anywhere around the world now, anyone who owns offices says: 'I'd like to lighten my load.'

"We're going to see distress," said Adelaide Polinelli, a veteran broker at Compass. "We're seeing it already."

Since January, shares of SL Green and Vornado, two publicly traded real estate investment trusts that are among New York's biggest office owners, have fallen by half.

Fresh signs of strain came last week: Blackstone, the private equity firm, told investors it would restrict redemptions in a \$125bn commercial real estate fund. It also emerged that Meta, the parent company of Facebook, would be vacating about 250,000 square feet of space at the new Hudson Yards development to

working. According to Kastle Systems, an office security company, average weekday occupancy in New York City offices remains below 50 per cent. A particularly dire and oft-cited analysis by professors at Columbia and New York University estimated that the collective value of US office buildings could shrink by some \$500bn — more than a quarter — by 2029.

The sector has so far defied such predictions. Leases generally run for seven to 10 years, so tenants have still been paying rent even if few of their workers have been coming to the office. In the depths of the pandemic, lenders were also willing to show leniency or, as some put it, to "extend and pretend".

But the sharp rise in interest rates

The typical zombie may have been purchased generations ago and supplied monthly cheques to an ever-expanding roster of beneficiaries.

"Now the building is not competitive from a leasing perspective because it needs a new lobby and new elevators and windows and bathrooms," said Knaak.



If there is debt to roll over, lenders will require the owners to contribute more equity to make up for the building's declining value. "There's a reckoning that's going to come," said Knaak, "and I think it's going to be challenging for a lot of these folks to refinance."

That appears to be spurring a flurry of backroom discussions between borrowers, banks, private lenders and others.

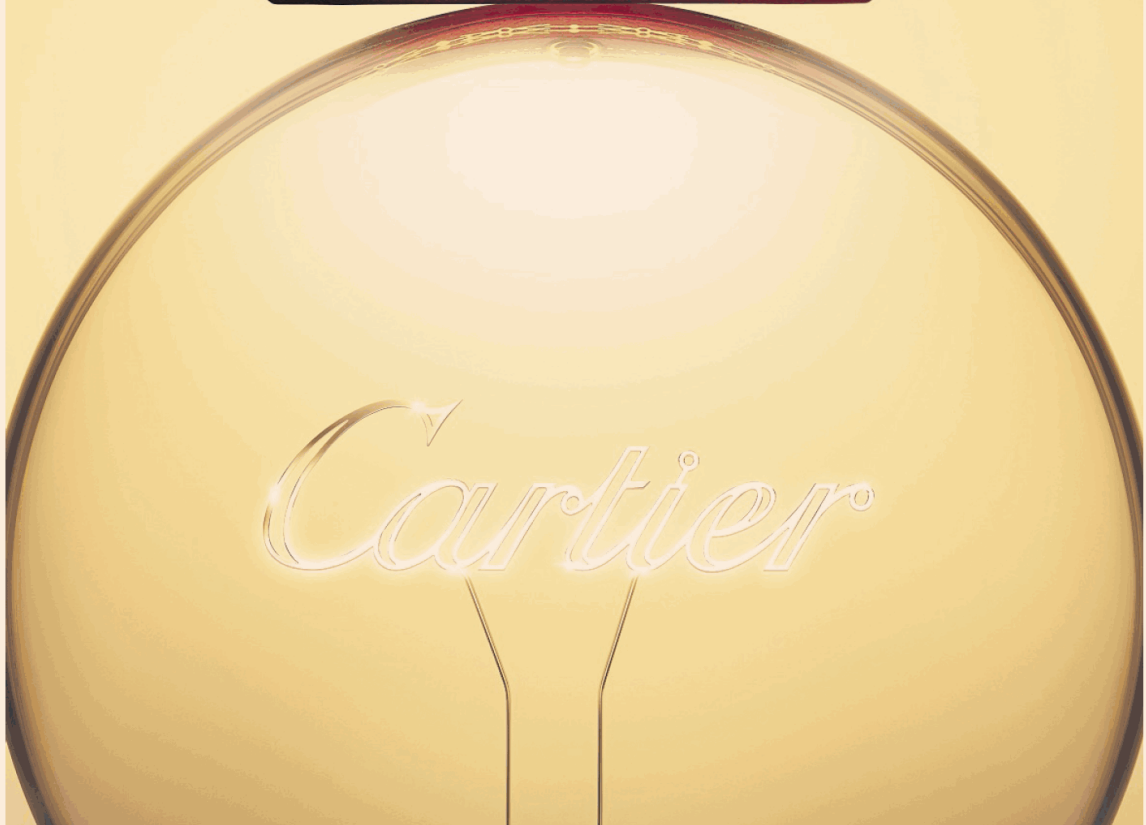
Manus Clancy, an analyst at Trepp, which monitors commercial mortgage-backed securities, likened the situation to that facing shopping malls five years ago as their prospects deteriorated. Many ultimately fell into foreclosure. Whether an office loan could be refinanced, he predicted, would depend on the newness of the building, its occupancy

for conversions — either because their floor plates are too large, or because their elevators are wrongly situated, their windows do not open or their neighbourhoods are unappealing. To make such projects worthwhile, owners would have to sell deep discounts.

That has not happened — at least not publicly. "Nobody wants to be the first one to dip their toe in this because nobody wants to set a new low unnecessarily," said David Stern, founder of Townhouse Partners, a consultancy that performs due diligence for commercial real estate underwriters.

In the meantime, some recent transactions have hinted at the market's shift. In July, RXR and Blackstone sold 1330 Sixth Avenue for \$325m, down

COLLECTION GRAIN DE CAFÉ



Companies & Markets

PwC partners urged to poach from EY to fuel US expansion

- Big Four firm to seek 500 new hires
- Move to exploit rival's potential split

STEPHEN FOLEY — NEW YORK
MICHAEL O'DWYER — LONDON

PwC plans to quadruple the pace of its partner hiring in the US and take advantage of uncertainty at EY by poaching some of its rival's senior executives.

Partners at the Big Four accounting and consulting firm have been told that the hiring spree could hold down their share of profits in the coming year but would bring a competitive edge over the long run, according to people familiar with the plan.

The PwC partners have been urged to help win over executives from rivals, with a particular focus on EY, which is in the middle of a tumultuous decision

over whether to split the firm. PwC's US leadership has told them it wants to attract EY partners with expertise in tax, cloud services, financial crime and environmental, social and governance advice among other areas, according to one of the people.

Although PwC had not set a target for the number of people it wanted to poach, it had said internally that there was "capacity" to bring in 500 at partner level in the US over the next 18 months, the people said.

Partners brought in from outside, rather than promoted internally, are known as "direct admit" partners.

PwC has hired 500 direct admit partners in the US over the past six years.

Notes by EY's 13,000 partners around the world on whether to split its consulting and audit businesses have been

pushed back to next year, and the firm is still wrestling with who will be allocated to which side of the business.

EY's audit partners will get cash payouts if the plan comes to fruition and consultants will be given shares in a new publicly listed company, but their potential value is uncertain and the shares are not expected to vest for several years. Partners being paid in shares would also receive significant cuts to their annual pay. The prospect of cash or share awards is likely to make many partners reluctant to leave EY, however, and the firm says both sides of the business will grow faster after the split.

"We are hiring more than ever and we are also targeting direct admit partners from other firms," including from PwC, an EY spokesperson said, adding that 20 US partners had come from PwC in the past 18 months. "Our partners are excited about being leaders of the profession and leaders of their sector, and we are seeing no attrition, period."

PwC had 3,658 partners and principals in the US at the end of May, according to its latest purpose report, up from 3,509 the year before in a workforce that swelled to 43,795 from 40,052.

One partner said the effort to poach staff from EY extended beyond the US to areas including Germany, France and the Middle East, and even if it failed, it could force EY to pay more to retain the partners that were approached.

"All's fair in love and war," the person said. "There's a concerted effort by us to unseat EY partners, and if we don't unseat them then at least we disrupt them and push up their cost base."

A PwC spokesperson said the firm's "commitment to the multidisciplinary model and quality, partnership structure... are what attract talented professionals to PwC".

Currency relief Yen stages recovery against the greenback following multi-decade lows



Japan's yen bounces back from 32-year low



LEO LEWIS — TOKYO

Japan's yen has bounced back from a 32-year low as foreign investors trim bets against the currency and signs emerge that domestic institutions may soon start pouring money back in to their home market.

The currency has jumped more than 13 per cent since late October, when expectations that the US central bank will continue to aggressively raise borrowing costs sent the yen sinking to its lowest level since 1990.

Japan's government has deployed ¥9tn (\$64bn) since September in an attempt to stabilise the yen, which has been among the world's worst-performing big currencies this year due to the bank of Japan standing firm on its ultra-loose monetary policies.

But economic reports beginning in mid-November showing a slowdown in US inflation has fuelled hopes that the Federal Reserve may soon slow its rate increases, providing a big boost

to currencies such as the yen. A growing number of FX analysts are now building the possibility of big yen pivots into their forecasts for next year.

Turning points that could reverse the trend of yen declines include a pause in US rate rises, a broad China reopening or a tweak in the BoJ's policy of pinning long-term borrowing costs at very low levels.

What had been striking during the extreme volatility this autumn, note analysts, had been the tendency of the yen's biggest moves against the dollar to occur during London or New York trading hours — a signal they were led by global funds playing the widening yield spread created as the US Fed increased rates and the BoJ stuck stubbornly to its ultra-loose policy.

But in this new phase, with just a few weeks left in 2022, the dynamics are very different. Certainly, say analysts, a part of the yen's recovery has been driven by global investors rapidly reducing their short yen positions

— large bets on the yen remaining weak while the risk of US recession seemed high, along with the prospect of continuing inflation. More dovish recent comments from the Fed have convinced some that the US rate rise cycle might pause in 2023.

But more eye-catching, say analysts at JPMorgan, has been evidence that Japanese institutional investors including life insurers and banks are heavy participants in the yen's recent surge. For the past week, the dollar-yen pair has been heavily traded during the Tokyo trading session while relatively stable in London and New York sessions.

If a big pivot is coming, said JPMorgan's Benjamin Shattil, head of Japan FX strategy, the more material change would be a shift in Japan investor flows, particularly if investors and the corporate sector began to accelerate their build-up of fresh currency hedges against yen strength and divestment of foreign assets.

Traders bet on rate cuts amid slowing US economy

KATE DUGUID — NEW YORK
COLBY SMITH — WASHINGTON

Investors predict the Federal Reserve will cut rates when faced with a slowing economy next year, betting the US central bank is far closer to ending its historic monetary tightening campaign than it has signalled.

Traders in the US government bond market are wagering that the Fed will be forced to cut interest rates twice in the fourth quarter of 2023. This is despite protestations from chair Jay Powell and other top officials last week that the central bank will not reverse course on its plans to keep borrowing costs elevated even as it slows the pace of its interest rate increases.

Treasuries futures markets point to the Fed's benchmark policy rate peaking in May at 4.9 per cent before falling back to 4.4 per cent by the end of 2023. That implies roughly 0.5 percentage points of cuts.

Bets on interest rate cuts next year accelerated after Powell laid the groundwork for the Fed to end its string of 0.75 percentage point interest rate increases and downshift to a half-point rate rise at its meeting in December. Investors also looked past a stronger than expected November jobs report, which suggested little reprieve in inflation.

"I think it's safe to say the committee is not expecting to cut rates next year. So how do we explain the difference between that outlook and what we're expecting?" said Matt Raskin, head of US rates research at Deutsche Bank, which has forecast that the Fed will be forced to cut interest rates by 0.5 percentage points in December 2023.

"I think it boils down to market participants expecting a recession next year while the committee still has a softish landing in its forecasts."

Raskin cited the inversion of the yield curve — a widely used predictor of recession — among other signals.

That view is in line with the traditional pattern of rate-rising cycles: in every cycle since 1980 with the exception of 2004-06, the Fed has made cuts within six months of hitting the peak in interest rates.

"Typically they overtighten until something breaks. That's likely to be the case in this cycle as well, so we wouldn't dismiss a tweak at some point later on next year," said Margaret Kerins, global head of fixed income strategy at BMO Capital Markets.

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Technology. Medicine

DeepMind spin-off to use AI in drug discovery

Isomorphic Labs will adapt its protein prediction scheme to help devise novel treatments

CRISTINA CRIDDLE AND IAN JOHNSTON LONDON

Alphabet-owned Isomorphic Labs is ramping up its operations by poaching pharmaceutical talent and opening a new office, as the artificial intelligence drug discovery start-up moves closer to securing its first commercial deal.

The UK-registered group was spun out of its sister company DeepMind, Google's AI unit, in November last year to focus on using AI technology to create new drugs to treat and prevent diseases.

Isomorphic is in talks with big pharmaceutical companies and is expected to announce a deal in the next few months, according to two people familiar with the plans. Its work capitalises on DeepMind's scientific breakthrough of its AlphaFold2 technology, which can be used to predict the shape of every protein in the human body with almost perfect accuracy.

Colin Murdoch, chief business officer at DeepMind, has been put in charge of setting up Isomorphic Labs — or "bootstrapping", according to his title on LinkedIn — working closely with Demis Hassabis, who is chief executive of both

said Murdoch in one of the company's first interviews on Isomorphic.

Isomorphic's expansion comes amid a surge in interest in start-ups promising to use AI to transform drug discovery, with funding in the UK and US in this area jumping to more than \$1.6bn this year, up from \$668.5m in 2017, according to data from PitchBook.

When the AlphaFold breakthrough was announced in November 2020, DeepMind said it would try to use the technology to find treatments for Chagas disease and Leishmaniasis, two of the most deadly diseases in the world.

Murdoch said Isomorphic had not focused on a specific drug or disease. "The goal is actually to build an underlying platform which is... agnostic to those therapeutic areas," he said.

There are a number of "almost AlphaFold-scale" AI advancements the team are working on that would provide the underlying engine for the platform, he added.

To lead its work in drug discovery, Isomorphic has hired several top executives and staff from both scientific and pharmaceutical backgrounds, including GSK and AstraZeneca, as well as in machine learning, developing computer systems that can learn through data.

The company is also expanding beyond its headquarters in London to a second office in Lausanne, Switzerland, home to a host of leading pharma companies including Roche, Novartis and Bayer — and Isomorphic's chief technology officer, Sergei Yakneen.

Yakneen has previously worked at Sophia Genetics, a company that uses machine learning to identify tumours and other health conditions, and Amazon. Another executive working on Isomorphic is Miles Congreve, chief scientific officer, who previously worked at Astex Pharmaceuticals and GSK. It has hired several staff from DeepMind, as well as from BenevolentAI, Google and AstraZeneca.

"The goal of Isomorphic is to produce drugs which we can then partner with pharma on to get them out through into the clinic and out to people with clinical need," Murdoch said.

He said it was "beginning to think about what the right commercial path is, so it's very much on the cards for Isomorphic Labs. We have an amazing leadership team up and running and making fantastic progress."

The company said it was in talks with "many of the world's leading pharmaceutical companies", without providing further details. It expects to embark on partnerships as it scales up. Murdoch said Isomorphic would hire more staff next year. Isomorphic's talent acquisition lead James Girling recently sought to attract tech workers fired by Twitter in a post on LinkedIn.

While the AI drug discovery market has experienced growing interest in recent years, investment in the sector is not immune to this year's tech rout. Venture capitalist funding has fallen 15 per cent from \$2bn last year, according to data from PitchBook.

Some in the medical sector are sceptical that AI drug discovery will fulfil its hype, pointing to the need to navigate strict regulations and integrate into dated healthcare systems. A recent Morgan Stanley report noted investors will need to see "solid evidence for real-world use cases for AI-enabled drug discovery". However, it added that this method of drug discovery could lead to an additional 50 novel therapies over the next 10 years, presenting a potential \$50bn opportunity.

Isomorphic reported a \$2.44m loss

COMPANIES & MARKETS

Bankman-Fried admits 'we kind of lost track'

Founder of collapsed FTX crypto exchange speaks of mistakes and his role in financial decisions that brought down his empire

JOSHUA OLIVER — LONDON

Speaking from his bed in Nassau at around 3am on Saturday, Sam Bankman-Fried grappled with one of the questions at the heart of the collapse of his \$32bn crypto empire.

The FTX founder insisted that he had walled himself off from trading and risk management at the Alameda Research trading firm, which he majority-owned, for "conflict of interest reasons" related to his role as guardian of customer assets as chief executive of the exchange FTX. But he also admitted, in an interview with the Financial Times, having had closer involvement in financial decisions at Alameda than he had previously disclosed.

The conversation, which the 30-year-old requested be held via video call in the small hours of the morning at his Bahamas residence, was part of a contrite media campaign that Bankman-Fried has launched in the past week.

The former mogul has freely admitted in several interviews to what he called "massive oversights", "huge fuck-ups" and a lack of "rigorous thinking".

The media blitz has puzzled many at a time when the circumstances of the collapse of FTX, one of the largest crypto exchanges, are still being scrutinised by at least 100 creditors, criminal investigators and civil litigators.

Bankman-Fried told the FT he reasoned that keeping quiet could be seen as "tacitly admitting the truth of a lot of theories" that have proliferated online about his alleged wrongdoing.

"To the extent that there's a tactical piece of it, I think it's basically that things have gotten to the point where, frankly, there were a lot of conspiracy theories floating around that had no validity," Bankman-Fried said. "And to be clear, at its core, I fucked up. I fucked up big, and people got hurt. And you didn't need a conspiracy theory to get there."

He faces accusations in a US lawsuit that his companies were a "Ponzi scheme". Executives running the company in bankruptcy have said in court filings that FTX appeared to have "conceal[ed] the misuse of customer funds".

Bankman-Fried has denied intentional wrongdoing, blamed his own "huge management failures" and said he did not fully realise the perilous financial state of FTX until days before it was forced into Chapter 11 bankruptcy in Delaware early last month.

He admitted that Alameda had been allowed to exceed normal borrowing limits on the FTX exchange since its early days. Core to Bankman-Fried's account of how FTX ended up with a



Mea culpa: Sam Bankman-Fried has sought to apologise for the collapse of FTX but his proactive media campaign has attracted criticism
Ting Swei/Bloomberg

roughly \$8bn shortfall of client assets was excessive lending by the exchange to Alameda, which ploughed the money into venture capital investments and doomed bets on digital tokens.

Bankman-Fried deflected the FT's questions about the excessive borrowing and soured investments that ultimately sank Alameda, blowing a hole in FTX's finances, and would not be drawn on the legal consequences he may face. He said he deliberately avoided getting involved in Alameda's trading and risk management to avoid conflicts with his position as chief executive of FTX, and neglected to monitor the risk they posed to the exchange.

But he said that in early summer he participated in conversations in which Alameda's financial health and borrowing were discussed. Previously he had suggested he only "fully realised" its perilous position last month.

"I do remember that there were some discussions around Alameda's positions. I don't remember numbers from those. I don't remember numbers being said, I'm not sure they weren't. I think Alameda did some recounting then, or some checking in on the health of its position," he said.

He recalled at least one meeting in

FTX's Nassau office following the crypto market crash in May where staff said that Alameda's access to third-party loans was being cut back and it might need to borrow more from FTX. He said he could not recall who participated.

"My sense of it at the time was something like people taking stock post-crash," he said.

"Alameda had a number of margin positions, open at various borrow-lending desks, generally net long positions," he said, and some fraction of these were transferred to FTX as other lenders withdrew credit, increasing Alameda's liabilities to FTX by around \$6bn.

Asked how the large increase in Alameda's borrowing from FTX was

approved by the exchange, he said: "I don't feel good about not knowing the answer."

He said the company did not have a chief risk officer monitoring its margin positions or rules about who needed to sign off on large changes in borrowing. "As a company, we kind of lost track of positional risk in a pretty big and pretty destructive way," he said.

Bankman-Fried also said he was involved in two of Alameda's largest uses of funds: the \$4bn it poured into venture capital and the \$3bn he says it spent buying out rival Binance's equity stake in FTX. "Those two add up to a pretty big number," he said, adding that the two uses of cash were "the least

unsatisfying answer that I have been able to come to" in answer to the question of how Alameda disbursed billions in FTX's money.

He said he did not know at the time exactly what funds came from borrowing rather than Alameda's trading profits. But he said the venture capital investments were "effectively, some of them, on margin". He added: "I regret that. I regret that quite a bit."

Bankman-Fried's attempt to account for what went wrong was laced with caveats and references to his incomplete memory. He cited lack of "confidence" in his answers at least a dozen times, calling other responses "idle speculation" or "shitty answers". At one point, he paused for half a minute with his head in his hands.

Some observers have interpreted his very public mea culpas as an honest attempt to recall a situation that rapidly spiralled out of control. Others find his explanations implausible.

Several former employees who spoke to the FT questioned his portrayal of FTX as a company that was led off a cliff by the well-intentioned bungling of its mostly youthful leadership team.

Ira Sorkin, the lawyer who defended fraudster Bernard Madoff, told Bloomberg that Bankman-Fried's media campaign was a mistake. "You're not going to sway the public. The only people that are going to listen to what you have to say are regulators and prosecutors."

But there are indications that it is having some effect. Hedge fund manager Bill Ackman this week tweeted: "Call me crazy, but I think [Bankman-Fried] is telling the truth."

Maxine Waters, who will preside over hearings on FTX in the US House of Representatives financial services committee later this month, said in a tweet that she "appreciates" Bankman-Fried's candour and "willingness to talk to the public".

But despite his public explanations, Bankman-Fried said he did not expect to win people over. "I'm not expecting positive sentiment at all," he said. "Like, I don't think I deserve that."

"To be clear, at its core, I fucked up big, and people got hurt"

Industrials

Strong dollar hitting profits, says Posco

SONG JUNG-A AND CHRISTIAN DAVIES
POHANG

Posco has warned that a strong dollar and weak Korean won are inflating the cost of imported raw materials and dragging down profitability, at the same time as the company, one of the world's largest steelmakers, is grappling with subdued steel demand from the global economic slowdown.

The dollar's surge to a 20-year high has raised concerns about depressed global economic growth. Despite rallying in recent weeks, South Korea's currency has depreciated nearly 10 per cent against the dollar in 2022.

A property market downturn in China, the world's biggest steel market, has also weighed on Posco's earnings.

"The exchange rate is having a big impact on us as we have to purchase raw materials in dollars," said Kim Hyeon-Dong, the company's chief executive, at its headquarters in Pohang on South Korea's south-east coast.

"Our margin has been squeezed as energy prices go up, but we can't raise our product prices because of weak market conditions."

The operating profit margin of the world's sixth-largest steelmaker dropped to 3.6 per cent in the third quarter of 2022 from 20.5 per cent a year earlier, hit by lower steel prices and

one-off losses from flood damage at its domestic plant following a typhoon in September.

"In the past, when the exchange rates rose, our export competitiveness was boosted. But now interest rates are also rising, so this hampers business activities, slashing demand," said Kim. "Higher raw material prices are also causing concern to us, along with the sluggish economy," he added.

The 63-year-old chief is an industry veteran who has spent more than 30

"The exchange rate is having a big impact on us as we have to purchase raw materials in dollars"

years between the company's two main steelworks and is now in charge of leading its green transition.

Kim said he was worried that global steel demand was not picking up, predicting a 1 per cent increase next year, mostly in India and south-east Asia. He added he expected the steel sector cycle to recover in the second half of next year after hitting the bottom in the first half.

"We hope that the Chinese market situation will improve as lockdowns are likely to ease now that Xi's third term has begun," he said. "The Chinese

property market downturn will have a big impact on us if the market deteriorates, but it is hard to predict how much worse the market will be."

The cautious optimism comes as Posco, South Korea's largest corporate emitter of carbon dioxide, accelerates its efforts to decarbonise in response to tougher regulations and customer demands.

Posco became Asia's first steelmaker to declare its ambition to go carbon neutral by 2050. It is working to use hydrogen instead of coking coal to melt iron ore and remove oxygen for steelmaking.

Kim said the use of green hydrogen for steelmaking could increase steel prices by as much as 40 per cent.

"I think low-carbon steelmaking will be possible in the long term," said Kim. "But production costs will rise in the process, so a consensus should be reached from investors and governments to end-use customers like automakers and shipbuilders to share the cost and responsibilities in order to make the transition possible."

Kim said the green transition was necessary to expand its market share in Europe, where steelmakers are more actively developing low-carbon technologies to meet tougher environmental regulations, while its US exports are restricted by import quotas.

"We've almost given up hope for US exports but we need to retain our foothold in the European market," he said. "If we don't reduce carbon emissions, we can't expand into Europe."

Kim added that Posco needed to build its presence in the US for its "many US customers like automakers" as Washington's regulation against steel imports

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Margin squeeze: Steel prices have fallen

COMPANIES & MARKETS

Financials

Asset managers aim to build tech platforms

State Street and Amundi look to take on BlackRock for outsourced IT services

BROOKE MASTERS — NEW YORK
HARRIET AGNEW — LONDON

Money managers including State Street, Pimco and Amundi are pouring money into digital investment platforms in the hope of emulating BlackRock's technology business, which is bringing in new revenue even as falling markets hit fees from their core investment clients.

BlackRock entered the business of software as a service more than two

decades ago. The world's largest money manager now makes nearly 8 per cent of its revenue from selling technology to rival asset managers and other financial institutions. Just as Amazon developed cloud technology for its own needs and then commercialised it, BlackRock built the Aladdin portfolio management system to manage its own holdings and started offering it to clients in 1999.

Now State Street and Amundi are trying to go head to head with Aladdin. All three platforms offer a package of services that can include allocating assets to the right portfolios, tracking changing values, measuring risk and linking investors to data and outside providers.

That appeals to money managers trying to simplify their IT and cut the time wasted on repetitive tasks.

"Over the past 10 years the top 100 asset managers have been coalescing around a smaller set of technology vendors," said Alex Heasman of consultancy Alpha FMC, which helps investment managers to purchase IT. "Aladdin was absolutely in the right place at the right time... but it's not the only choice out there."

But most asset managers, faced with shrinking margins and falling fees, are in no position to build innovative technology in house. French firm Amundi calculates that at least €1.6bn in annual

revenue is up for grabs just from banks and asset managers that need to replace their technology in the next few years.

For many years, BlackRock exploited the fact that it was the only big platform provider that also managed money. Its main rivals were Bloomberg, the US data company, and SimCorp, the Danish software group. So far this year, its tech division has brought in more than \$1bn from more than 950 clients.

State Street and Amundi think they can win business from asset managers that want to cut costs through outsourcing but are reluctant to entrust key functions to a platform controlled by the industry's most formidable competitor.

State Street, which is a custody bank and an asset manager, entered the arena in 2018 with the \$2.6bn purchase of Charles River, a technology firm with 300 asset management customers. Amundi's Alto system is smaller and newer, with just €26m in revenue last year, but it has 42 clients and the company has set a 2025 revenue target of €150m.

Gillaume Lesage, who heads Amundi Technology, said the bank believed it has two factors in its favour: its software was written specifically for cloud computing, rather than being moved there, and its European base appealed to financial groups that must comply with EU rules.

Mining

Canadian group triples forecast for lithium output

MICHAEL POOLER — SAO PAULO

A Canadian company building a lithium mine in Brazil will begin commercial production of high-quality material for electric vehicle batteries next year, amid a supply shortage that has sent prices for the metal rocketing.

Sigma Lithium said it would start commissioning the Grota do Cirilo project in Minas Gerais state this month and aims to have the product ready for shipping by the end of April. At the same time, the Toronto-listed group revealed plans to almost triple its targeted annual output to about 100,000 tonnes of lithium carbonate equivalent (LCE) by 2024.

Sigma said this would place it among the top four global producers, alongside US-based Albemarle, SQM of Chile, and Chinese group Ganfeng Lithium.

"We see all the demand is there, significantly unmet demand, for battery-grade lithium in the next three years," said co-chief executive Ana Cabral-Gardner.

Lithium prices have risen tenfold to \$75,000 a tonne since the start of 2021. A tight market has sparked a rush by carmakers to secure supplies of a commodity that, along with cobalt and nickel, is vital for making electric vehicles.

"With the advent of electromobility and all this excitement about lithium, the world needs new sources," said Daniel Jimenez, founding partner of

'Whoever is producing lithium in the coming years is going to make abnormally high margins'

consultancy ILMarkets. "Whoever is producing lithium in the coming three years is going to make abnormally high margins."

Investor enthusiasm has propelled a 275 per cent rise in Sigma's stock this year, giving the company a market valuation of \$4.7bn (\$5.5bn). Its Brazilian development is among the first of a next generation around the world, many from junior mining companies.

Sigma is uniquely positioned as one of really only three new greenfield lithium projects that are coming online in 2023, and into a record high pricing environment," said Katie Lachapelle, an analyst at Canaccord Genuity.

Most lithium is extracted from hard rock mines in Australia and turned into a concentrate that is then generally refined in China. In Chile and Argentina, the metal is separated from salty brines pumped from underground and evaporated in man-made ponds.

McKinsey has forecast global lithium production will increase from 540,000 tonnes of LCE in 2021 to as much as 3.2m tonnes annually by the end of the decade, depending on the pace of new project completion.

Sigma will have an initial capacity of 37,000 tonnes of LCE at its hard rock mine, which it calls the largest in the Americas and has 13 years of life.

Along with an upgraded estimate of "proven and probable" mineral reserves from 34m to 55m tonnes across its sites, Sigma also unveiled a \$100m debt facility provided by UAE-based shareholder Spyryng Capital to help fund expansion of a plant processing ore into high-purity lithium concentrate.

Market questions. Week ahead

China trade data to reveal pressures on economy

What will Chinese trade data tell us about the health of the economy?

Trade data due to be released on Wednesday will give markets a better read on how domestic and foreign demand have held up for the world's second-largest economy.

Economists polled by Bloomberg have forecast a year-on-year drop of 7 per cent in the dollar value of China's imports in November and a 4.4 per cent dip in exports, both of which would mark substantially sharper falls than in October.

Overshadowing the data is China's approach to managing the coronavirus. Chinese authorities have stopped short of any explicit changes to President Xi Jinping's zero-Covid approach but analysts say the language in official statements has eased following a wave of nationwide protests criticising top leaders for sticking with the economically disruptive policy when the rest of the world has long since moved on.

The outlook for exports in particular has darkened based on recent reports from both official and independent purchasing managers' indices in China, which revealed a marked decline in export orders last month as concerns mounted over growth in the US and in Europe.

"Weaker external demand is another headache for Chinese exporters," said Iris Pang, chief economist for Greater China at ING. "With even weaker external economic growth projected for 2023, it seems that there will be no immediate reversal of the weak trend for Chinese exporters any time soon."

Has US producer price inflation cooled further in November?

US producer price rises are expected to ease in November, providing fresh evidence that the Federal Reserve's drive to bring down inflation is working.

According to a survey of Bloomberg economists, the Bureau of Labor Statistics on Friday is forecast to report producer prices rose 7.1 per cent in November from the previous year, which would mark its slowest increase since May 2021. Excluding the volatile food and energy sectors, producer prices are expected to have risen by 5.8 per cent, a step down from 6.7 per cent in October, and the slowest pace since June 2021.

The producer price index measures what producers are paid for goods and services by wholesalers, showing trends



Tough rules: China has continued with its disruptive zero-Covid approach as other economies have moved on

In prices several stages before they reach the consumer. The consumer price index is more closely watched by investors and economists are looking at all data for any signs of changes in inflation.

The report will precede the Fed's next policy meeting, at which the central bank is widely expected to slow the pace of its interest rate increases, delivering a 0.5 percentage-point raise after a series of four consecutive 0.75 percentage-point increases. Kate Duguid

What will Turkey's CPI data show about efforts to control inflation?

Turkey's red-hot inflation may show signs of cooling when the statistics agency releases its latest data today, more than a year after the central bank began slashing interest rates and driving up prices.

Annual inflation is expected to have fallen to 84.7 per cent in November, according to a Reuters poll, from 85.5 per cent in October.

That would mark the first decline in consumer price inflation in 18 months, as month-on-month price rises begin to slow, economists said.

Turkey still has one of the highest inflation rates in the world after its central bank has repeatedly cut its benchmark this year under pressure from President Recep Tayyip Erdogan. The central bank has lowered rates by a cumulative 10 percentage points since late 2021 in an effort to boost the economy with cheap loans. The last cut came on November 24 and Turkey's benchmark rate now stands at 9 per cent.

"This is not disinflation once you remove the base effect," said Enver Erkan, chief economist at Tera Securities in Istanbul. "Disinflation would require the conviction to implement policies to fight inflation. Instead, we have loose monetary policy because the priority is growth, which means inflation will continue to be a problem."

Erdogan wants rapid economic growth to help his chances in an election

'We have loose monetary policy because the priority is growth, which means inflation will be a problem'

next year. He argues the unconventional view that high interest feeds inflation, rather than slows it, and has said a weaker currency will boost exports and create jobs.

The lira has lost almost 30 per cent of its value this year, hitting record lows against the dollar. But his experiment may be running out of steam.

Gross domestic product expanded 3.9 per cent in the third quarter, the statistics agency said last week, a sharp slowdown from a 7.7 per cent expansion in the previous quarter. And the cost of living crisis has driven support for Erdogan's ruling party to historical lows as more middle-class Turks see their income fall below the poverty line, which stands at an average of about \$1,300 a month for a family of four.

"Slower inflation does not mean that the income-eroding price increases will stop. When you go to the supermarket to cover your basic needs, you will continue to face higher costs," said Erkan.

Ayla Jean Tackley

Travel & leisure. Reedy Creek dispute

Disney battles to preserve the powers of its kingdom in Florida

Self-governing conglomerate still has bargaining chips in culture clash with DeSantis

CHRISTOPHER GRIMES — ORLANDO

When Walt and Roy Disney were dreaming up their plan to transform 25,000 acres of Florida swampland into a utopian city and theme park in the mid-1960s, they wanted none of the oversight they faced from California authorities when they built Disneyland.

By the end of a highly effective PR push, Disney had got its wish: Florida handed the company the powers to essentially run a private government. Among the extraordinary rights

seeks to preserve its 55-year-old "special taxing district" in Florida, known as the Reedy Creek Improvement District, which the state's governor wants dissolved.

This spring, Reedy Creek became an unlikely pawn in the culture wars as Florida governor Ron DeSantis battled with Disney, whose then chief executive Bob Chapek had criticised the state's law restricting discussion of LGBTQ issues in classrooms.

In what was widely seen as retaliation for Chapek's criticism of the legislation critics branded "Don't say Gay", DeSantis signed a hastily written bill into law that is scheduled to dissolve Reedy Creek in June.

The governor's office has not detailed what will replace it, although a spokesman for DeSantis said last week that a

fears surround the fate of its nearly \$1bn in municipal debt, which was downgraded by Fitch ratings after the law was signed.

Richard Foglesong, a historian and political scientist at Rollins College, said Florida law was clear: the tax paid by Disney would fall to residents of nearby Orange and Osceola counties if Reedy Creek goes away. "This is not going to come to fruition," he said. "This will be repealed and forgotten."

DeSantis's spokesman was clear that "Disney's debts will not fall on the taxpayers of Florida".

A focus of lawmakers' discussions can be found on page 295 of the 1967 law that granted Disney the expansive powers it has wielded for 50 years.

Disney, the law says, has the right to construct and operate "plants and facil-

ity plant or an airport could be part of a new replacement bill — along with allowing the governor to appoint two members of the Reedy Creek board.

A key question is whether barring Disney from investing in infrastructure it has no intention of building will be enough for DeSantis, whose decisive reelection in November has made him an early frontrunner in the race for the



2024 Republican presidential nomination. "He can't go away and just give in" on Reedy Creek, Stewart said. "He's going to have to get something out of it."

Another potential factor is Disney's firing last month of Chapek, who had been an object of DeSantis's scorn.

Bob Iger, who led Disney for 15 years has stepped back into the CEO role for the next two years and is known for having a deft political touch. This week Iger told employees he was "sorry to see us get dragged into [the] battle" over Reedy Creek, adding that "the state of Florida has been important to us for a long time and we have been very important to the state of Florida."

But DeSantis hardly sounded conciliatory last week when asked on Fox News about Iger's comments. "Yes, they're a big powerful company but we stand up

technocratic five-member board has few residents to answer to, allowing it to move quickly on decisions. "It's better that [Disney] runs it," Foglesong said. "They believe in expertise."

At a recent board meeting, a Reedy Creek official noted that the district led the state in solar energy production — with the help of an array of panels called Mickey — thanks in part to clean energy targets set by Disney.

Anna Eskamani, a progressive Democrat who represents Orlando in the Florida House, is a frequent Disney critic but agreed that it would be difficult for the public sector to maintain the standards of Reedy Creek. She noted that in addition to paying property taxes, Disney taxed itself at a rate that is higher than the nearby counties were allowed to charge. "When you go to Disney there

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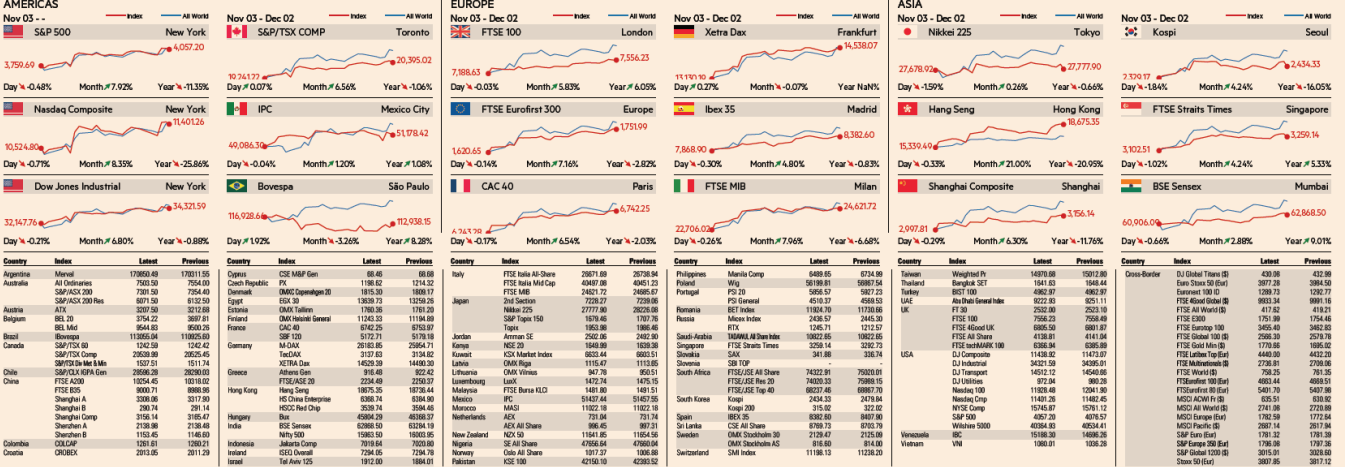
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MARKET DATA

WORLD MARKETS AT A GLANCE



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



AMERICA'S

Table listing American market indices such as S&P 500, Nasdaq Composite, Dow Jones Industrial Average, and their performance metrics.

EUROPE

Table listing European market indices such as FTSE 100, DAX, Nikkei, and their performance metrics.

ASIA

Table listing Asian market indices such as Nikkei 225, Hang Seng, and their performance metrics.

MARKET RISK: BIGGEST MOVERS

Table listing the biggest movers in the market, categorized by sector and stock, with columns for stock name, price, and change.

CURRENCIES

Table showing currency exchange rates for various global currencies against the US Dollar and other major currencies.

FTSE ACTIVITY

Table detailing FTSE activity, including share indices and their performance metrics.

FTSE 100 INDEX

Table providing a detailed breakdown of the FTSE 100 index components and their contributions.

FTSE GLOBAL EQUITY INDEX SERIES

Table showing performance metrics for various FTSE Global Equity Index Series.

FTSE SECTORS: LEADERS & LAGGARDS

Table identifying the leading and lagging sectors within the FTSE index.

FTSE 100 SUMMARY

Table summarizing key statistics and performance for the FTSE 100 index.

UK STOCK MARKET TRADING DATA

Table providing trading data for the UK stock market, including volume, value, and price changes.

MANAGING FUNDS SERVICE

SUMMARY

Table with columns: Winners - EAA Fund Japan Large-Cap Equity, Losers - EAA Fund Japan Large-Cap Equity, Morningstar Star Ratings, Global Broad Category Group - Allocation. Includes fund names, returns, and allocations.

Advertising Feature

McInroy & Wood Portfolios. Includes a line chart showing performance from Dec 2019 to Dec 2022, and a table of fund details.

Performance



Weights - As of 30/11/2022



Risk Measures - As of 30/11/2022

Table of risk measures including Alpha, Beta, Information Ratio, R Squared, Skewness, and Std Dev.

Top 10 Holdings - As of 31/10/2022

Table of top 10 holdings including Sector, Weighting, and Holding names.

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Table of fund performance data with columns: Fund, Bid, Offer, Yield, YTD, 3Yr, and Fund details.

Algebris Investments logo and branding.

Blue Whale Growth Fund logo and branding.

CP Global Asset Management logo and branding.

Dragon Capital logo and branding.

Fidelity Park Funds logo and branding.

Janus Henderson Investors logo and branding.

Table of fund performance data for Algebris Investments.

Table of fund performance data for Blue Whale Growth Fund.

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Table of fund performance data for Fidelity Investments International.

Table of fund performance data for Fundsmith Equity Fund.

Table of fund performance data for Lazard Asset Management.

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Fidelity Investments International logo and branding.

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Lazard Fund Managers logo and branding.

MANAGED FUNDS SERVICE

Table with columns: Fund, Bid, Offer, +/-, Yield, 1Yr, 3Yr. Includes entries for MNP Investment Management Limited and Multi-Manager Investment Programmes PCL Limited.



Table for Oasis Crescent Global Investment Funds (UK) ICVC (UK) Regulated. Lists various fund names and their performance metrics.

Table for Ram Active Investments SA Regulated. Lists various international funds and their performance metrics.

Table for Slater Investments Ltd Regulated. Lists various international funds and their performance metrics.

Table for Troy Asset Management Regulated. Lists various international funds and their performance metrics.

Table for Multi-Manager Investment Programmes PCL Limited Regulated. Lists various international funds and their performance metrics.

Table for Omnia Fund Ltd Other International Funds. Lists various international funds and their performance metrics.

Table for Royal London Regulated. Lists various international funds and their performance metrics.

Table for Stewart Investors Regulated. Lists various international funds and their performance metrics.

Table for Troy Asset Management Regulated. Lists various international funds and their performance metrics.

Table for NPIA - Third Party Funds. Lists various international funds and their performance metrics.

Table for Orlis Investments (UK) Limited Regulated. Lists various international funds and their performance metrics.

Table for Royal London US Growth Trust Regulated. Lists various international funds and their performance metrics.

Table for Stewart Investors Regulated. Lists various international funds and their performance metrics.

Table for Troy Asset Management Regulated. Lists various international funds and their performance metrics.

Table for Marwyns Asset Management Limited Regulated. Lists various international funds and their performance metrics.



Table for Ruffer LLP (1000)F Regulated. Lists various international funds and their performance metrics.

Table for Uniform Asset Management Ltd Regulated. Lists various international funds and their performance metrics.

Table for McLeroy & Wood Portfolios Limited Regulated. Lists various international funds and their performance metrics.

Table for Platinum Capital Management Ltd Other International Funds. Lists various international funds and their performance metrics.

Table for Ruffer LLP (1000)F Regulated. Lists various international funds and their performance metrics.

Table for Stonehage Fleming Global Best Ideas Equity Fund Regulated. Lists various international funds and their performance metrics.

Table for Zelig Gestion (Memon Fund) Regulated. Lists various international funds and their performance metrics.

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Table for Zelig Gestion (Memon Fund) Regulated. Lists various international funds and their performance metrics.

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Table for Zelig Gestion (Memon Fund) Regulated. Lists various international funds and their performance metrics.

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WORK & CAREERS

It is time for HR to go back to basics



Andrew Edgcliffe-Johnson
Corporate culture

Pity HR. From hybrid work to quiet quitting, there are few current management preoccupations that do not end up becoming the human resources team's problem.

"Human capital" is this decade's business buzzword; a rebranding of the "our people are our greatest asset" cliché for an age when financial capital has been easier to come by than skilled labour.

If tight employment markets have made HR's basic tasks of recruitment and retention more challenging, its job has been complicated further by the #MeToo and Black Lives Matter movements, which forced organisations to confront how little they had really valued some of their supposed assets.

Throw in a pandemic, a revival of labour unions and the arrival of a generation with more demanding expectations of management, and it is easy to understand why one recent survey of US and UK HR professionals found that 98 per cent of them felt burnt out. (Employee burnout, incidentally, is another of the problems that HR is supposed to be solving.)

Now a turn in the economic tide means that many HR departments are dealing with wage pressures from employees struggling with high

inflation while simultaneously having to manage lay-offs.

At Amazon and other Big Tech businesses that have led the way in shedding staff, the HR teams were among the first to be cut. By definition a company does not need as many people to do "onboarding" when it is trying to employ fewer people.

One analysis suggests that HR functions account for only 10 per cent of this year's tech industry lay-offs but because HR departments are relatively small, this means that half of the HR jobs in those companies may have been cut. Remember that these include groups such as Meta, whose corporate culture and generous benefits were once the envy of other workplaces. The owner of Facebook is now feeling less magnificent, reportedly cutting coveted perks such as free dry cleaning.

But if HR is overwhelmed, perhaps it is time for it to do less. The core functions of recruiting, engaging and developing the best employees are not about to become less important. That said, there have been too many instances of mission creep among these corporals in the war for talent.

As less exciting companies pursued the elusive goal of staff engagement by trying to make every office park a pastiche of the Google headquarters,

there has been a boom in the more superficial end of the corporate wellness industry.

It is something to be celebrated that two out of three US employers see their workers' wellbeing as one of their top health priorities over the coming years, according to a Willis Towers Watson survey.

But too many leaders have been tempted to think that a book club, a meditation app or a weekly yoga session will be enough to make their restive troops more loyal. And for all the investment in such supposed morale-boosters, Gallup reports that the percentage of employees who think that their organisation cares about their wellbeing has actually slumped below pre-pandemic levels. Just 21 per cent of the world's employees describe themselves as being engaged at work.

The toll of this disaffection is real. Gallup estimates that the lost productivity, absenteeism and workflow disruptions attributable to disengaged workers adds up to \$7.8tn, or 11 per cent of global gross domestic product.

The pollsters' recommendation is that leaders' response should be to "add wellbeing measurements to their executive dashboards [and] prioritise

Training managers to be better leaders could push the tasks overwhelming HR down to those with a better sense of what is right for their teams

employee wellbeing as part of their employer brand promise" Really? There may be a more back-to-basics alternative.

Most workers care first and foremost about whether they feel fairly rewarded for their efforts, whether their ideas and complaints will be heard, whether they are advancing in their careers, whether they are trusted to work flexibly and whether they will get the support they need in a crisis.

Most would like better paid leave, childcare and pensions. Staff suffering from burnout might find mindfulness sessions or advice on healthy eating helpful, but hiring an extra colleague to share the work with would probably help them more.

Training managers to be more effective leaders could push many of the tasks overwhelming HR departments down through the organisation, to people with a better sense of what is right for their teams than a centralised HR team could ever have.

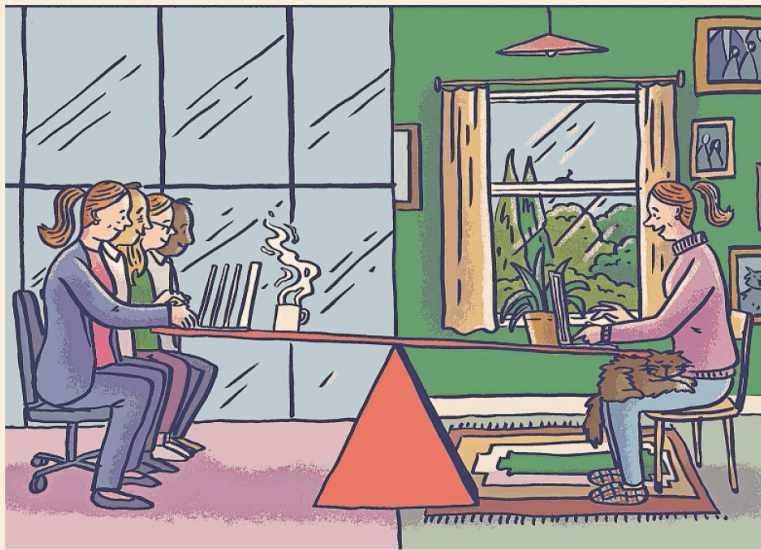
If HR gets these basics right, it might have to spend less time such energy on the hollow perks. The concierge services were nice while they lasted but most of us can do our own laundry.

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Mental health

Workplace wellbeing: how to make it better – and what makes it worse

New research shows work-related stress is rising, but flexibility and support from managers can help. By Andrew Jack



an Edwards has long sought to improve the wellbeing of employees at Nomura, but in the past few years he has observed new pressures on their physical and mental health, productivity and retention in the workforce.

As health and safety manager for the UK operations of the Japanese bank, he has seen a notable jump in stress linked to caring for family members during and since the outbreak of Covid-19, as well as growing financial worries and fear about climate change.

"We saw social anxiety increase," he says. "There are also a whole series of financial and environmental concerns affecting our employees. They are worrying about where their fish [in their diet] are coming from, whether the house will flood."

Fresh data from more than 8,500 employees in 65 organisations participating in Britain's Healthiest Workplace – a survey conducted by health insurer Vitality with partners including the Financial Times, and which has consistently rated Nomura as a strong performer – underscore his views.

It shows a surge in mental ill-health and anxiety compared with previous years, and a rise in sickness absences and "presenteeism", or unproductive working. It also highlights the effects of recent trends, including the sharp increase in remote working sparked by lockdowns and infection-control measures in response to Covid-19.

The survey suggests that employees who are able to adopt hybrid working patterns – balancing their time between office and home – have the highest levels of job satisfaction and the lowest levels of presenteeism and absenteeism. The least productive were those required to be away from home in workplaces other than an office – such as a factory or retail outlet.

Since the start of Covid-19 especially, employers have shown increased interest in staff wellbeing as they seek to support continued growth in their organisations. They have explored new approaches and tools, from mindfulness apps to restructuring roles and responsibilities. That has sparked a thriving wellness industry offering programmes that claim to improve health.

But experts who study the topic warn that there is a lack of rigorous research on cause and effect, and which interventions really work. Jan-Emmanuel De Neve, an economist at the Saïd Business

Staff with hybrid working patterns were found to have the highest job satisfaction. The least productive workers, meanwhile, were those who had to be away from home in settings such as factories or retail outlets

ning mental and physical health. That's not to say mindfulness is a bad thing, but it's not addressing the main structural causes."

He points to a rigorous analysis published in 2019 called the Illinois Workplace Wellness Study, which explored the effects over two years of a comprehensive workplace wellness programme called iThrive in Urbana-Champaign in the US. It concluded that while workers on the programme reported good health, there was a strong selection bias: participants tended to be wealthier and healthier, while the employees who could have gained most – including smokers and those who already had higher health costs – did not engage.

De Neve's own recent research at BT, the telecoms company, has shown a connection between the presence of windows in offices – providing call centre staff with visual exposure to the weather – and their mood and productivity levels, which rose when they were happier. Yet he is cautious of drawing any simple conclusions on the applicability of such findings in practice. He points to wider research on the importance for wellbeing of strong workplace social networks, supportive teams, mentoring, individual autonomy, flexibility and a sense of purpose.

Others share his views on the need to tackle these deeper structural issues linked to management style and work culture. Nancy Hey, executive director of the What Works Centre for Wellbeing, says: "Interesting work, relationships and flexibility are top drivers of employee wellbeing at work."

But she also stresses the difficulties for line managers, who are pivotal in trying to foster a more supportive work culture while not having full freedom to do so – and while they also struggle with the same problems as those they supervise. "They are often miserable and at an age of peak misery themselves."

Jeffrey Pfeffer, professor of organisational behaviour at Stanford's Graduate School of Business, and author of books on the topic including *Dying for a Paycheck*, points to a still more existential cause of poor employee wellbeing in the workplace: economic insecurity around pay and employment.

"Forty years of research on the effects of lay-offs show it led to increased suicide rates, overeating, drinking, smoking and drug use," he says. He argues that in the height of the pandemic,

"You can't yoga your way out of these more structural issues underpinning [ill] health"

dem, many employers embraced wellness programmes as they worried about recruitment and retention. But their commitment has waned rapidly since the more recent economic slowdown. Citing the recent job shake-out in the technology sector, he says: "A year ago they said they were concerned, but as soon as there is any change in the economy, all that goes out of the window and they let people go. If employers were

during the Great Recession of 2008-09 shared the pain by reducing salaries rather than cutting staff.

Bob Chapman, Barry-Wehmiller's chair and chief executive, has argued for the importance of empathetic management in contrast to what he described earlier this year as a more typical trend: "Traditional leadership or management conditions us to view people as functions, to get them to do what we want so we can be successful, not because we care about them."

For Sir Cary Cooper, professor of organisational psychology at Alliance Manchester Business School and co-founder of the National Forum for Health and Wellbeing at Work, the most effective measures to boost employee wellbeing would be to give equal weight to "people skills" and emotional intelligence alongside technical skills when recruiting or promoting line managers. He also says employers should appoint a non-executive director and a senior executive responsible for health and wellbeing; and to introduce regular surveys and reporting to measure the effects on the workforce.

Even for companies such as Nomura that have the resources and commitment to wellbeing, identifying the right policies and overcoming external pressures beyond their control remain significant constraints.

Nomura's Edwards points out that even while remote and hybrid working has simplified efforts to train its line managers, it has reduced the benefits of human contact in the office. "It is giving people more flexibility but they are not

Book review

Lifting the lid on Delaware – corporate America's tax haven

Hal Wetzman highlights the state's 'loophole' and other ways it raises money from companies registered there. By Alan Livsey

Most Americans know two things about the US state of Delaware. It is President Joe Biden's home and the state has something to do with how businesses are run.

But, as Hal Wetzman points out in his entertaining exploration of its history, *What's the Matter with Delaware?*, those living outside America's First State (to ratify the constitution) probably believe its laws have nothing to do with them. Reading this book will disabuse them. The state – a tax-sheltered, legal home to more than 1mn companies – matters not just in the US but to enterprises worldwide keen to draw a veil around their workings.

Wetzman, a former Financial Times journalist, breathes life into this dry topic. Early on, he reveals the frustrations of former US Treasury and Secret Service official John Cassara. For years he struggled to explain to foreign law enforcement counterparts why he could access so little information about Delaware-registered corporations. After all, in 1986 the US was the first nation to criminalise money laundering. Not that Delaware has done anything illegal. It has the backing of the US Constitution, which left the power to charter corporations in states' hands. Others such as Nevada also compete in this arena, but Delaware had first-mover advantage using a low-fee, high-volume business model.

Of the more than 2,000 books that Amazon lists on Delaware history, this one must make unpleasant reading for its state leaders. Wetzman does devote a fair portion to the history of the state, maybe a bit too much.

Two chapters mid-book offer context on its cooperative governance, known as the Delaware Way. They also include disturbing reports about race riots and lynchings. But neighbouring civil war Union states with unpleasant pasts, such as Maryland, will have similar stories. Instead, see this book as a business case study of the "Delaware loophole", whereby companies can legally pay very low taxes in this tiny state, while reducing taxable income in their home states.

State corporate tax as a share of total revenue has dwindled since 1980, down by about half to 2.5 per cent. Delaware itself earned only

Experts in the tax field will know about Delaware. Less understood are the other ways it raises money. A section about undervalued property may surprise readers. As an example, any retailer that has incorporated its gift card business in Delaware will have unspent balances on these cards. If the card has an expiration date, the state has the right to claim the cash, creating a nice little earner. Eschatement, as it's known, generated Delaware's third-largest source of funds, \$444mn, in 2020. Understandably this, as well as losing out on tax revenues to Delaware, rankles with some companies and states.

The state is mindful that if too many of its customers grow unhappy they can register elsewhere. Having usurped New Jersey, the early leader in corporate registrations back in 1913, Delaware fought off new entrants over the years. An efficient, low-cost registration system has developed, which requires little identification to

FFRICATE OF FORMATION ITTED LIABILITY COMPANY' please. Seeking to form limited liability company Act of the State of Delaware, hereby certified 2019 company. 'What's the Matter with Delaware?' e of the limited liability company in the State of Delaware. At each address upon whom process against this void is, seeking to form limited liability company. Act of the State of Delaware, hereby certified 2019 company.

Hal Wetzman
'What's the Matter with Delaware? How the First State Has Favored the Rich, Powerful and Criminal – and How It Costs US All' by Hal Wetzman Princeton, \$27.95/\$22

Incorporate an enterprise or partnership – a parcel from the UK's Royal Mail.

An important ancillary income for Delaware capital Wilmington is via its legal system. Bankruptcies round out the life cycle of Delaware companies, after registrations and mergers. The state leads the way on bankruptcy law, ensuring plenty of lawyers and journalists bring in money to the capital's hotels, not to mention Delaware's lawyers. Wetzman ties all this together in an easy-going style with good anecdotes that lighten the narrative. And he pulls no punches about Biden's long links to the Delaware corporate

FEATURES

The Henry Mance Interview

'I do wish our students were more resilient about nasty remarks'

LOUISE RICHARDSON

Before she steps down this month, the vice-chancellor of Oxford university talks about cancel culture, state schools and why universities should not be businesses



Charlie Bibby/FT

Britons have a love-hate relationship with Oxford university. It designed a Covid-19 vaccine, yet oozes academic feuds. It represents aspiration, yet the left see it as elitist and the right as woke. Its attempts to portray itself as a modern university – which needs more public support – jar with the medieval architecture and formal dinners.

Of the 13 postwar prime ministers who undertook higher education, only one did not go to Oxford. Yet Oxford's academics, who often lead the world, receive potshots from politicians, who usually do not.

Dame Louise Richardson has faced all of this with a direct style that some colleagues find no-nonsense, others find abrasive. When she steps down as vice-chancellor this month, she can claim to leave the university on a high. "We have exploded the myth that Oxford can't change," she says, seated in her imposing, impersonal office in the city centre.

Oxford has been named the world's top university by Times Higher Education in each of Richardson's seven years in charge. The vice-chancellor, whose academic influence is limited, can't take credit for that. But she has overseen a financial reset. Faced with a public funding squeeze, Oxford took advantage of low interest rates in 2017, raising £750m in 100-year bonds, yielding 2.54 per cent. It has also received its "largest gift since the Renaissance" – £185m from private equity billionaire Stephen Schwarzman – and created a new graduate college with £80m from the Reuben brothers. It has also struck a £4bn property deal with Legal & General.

'I regret the tendency to equate the value of an education with the size of the [graduate's] salary'

Meanwhile, state-school pupils now make up two-thirds of Oxford's undergraduate admissions, and ethnic minority students make up one-quarter. But controversy is never far away. Undergraduate applications to Oxford have increased by about a quarter since 2016, while the number accepted has remained around 5,300 a year. Private schools complain they are losing out.

Should wealthy parents now choose state schools, if they want the best chance of their children getting in? "The vast majority of people don't have that choice... My advice to parents is just to get the best education they can for their children, and to encourage their passion for their subject. And if they get into Oxford or Cambridge, that's wonderful, but there are many other great universities in the country." So parents shouldn't opt for state schools? "Having been state educated myself my entire career, I did send my children to private schools because I wanted them to have the best education they could get."

massacre, she'd have joined the IRA "in a heartbeat" if they'd have allowed her. She later changed her mind on violence, but still felt that the academic depiction of terrorists "as one-dimensional bad guys was so oversimplified that it couldn't be right".

Her 2006 book *What Terrorists Want* argued that George W Bush's war on terror was "doomed to failure", likening it to using "a tank to catch a field mouse". She argued the US should have flooded the Middle East with documentaries about Muslims who died on 9/11, and demanded that the Taliban hand Osama bin Laden to an international tribunal. Would today's geopolitics – including tensions between the US, Russia and China – be very different if the reaction to 9/11 had been smarter? "There's so many hypotheticals there, you couldn't possibly carry that out."

In 2009 Richardson became the first female principal at the University of St Andrews. She arrived at Oxford in January 2016, the first female vice-chancellor, warning soon after that the university faced "slow but definite decline" if it didn't centralise back-office functions of departments and colleges. She managed to implement only limited changes. "There's no doubt that we are administratively deeply inefficient, and that is a financial drag. But it's a price our academics and colleges want to pay for their own autonomy." Leadership is part patience, part impatience. "You ask academics to do something, they say: 'Why?'"

She once said that she was "embarrassed" that Oxford had educated the Brexit supporter Michael Gove. Why have so many British prime ministers, including Liz Truss and Rishi Sunak, gone to Oxford? "There's an element of self-selection. We attract ambitious students with an interest in public life." Once they arrive, their skills are honed by the tutorial system and debating societies like the Oxford Union. Critics say that Oxford's culture promotes bluffing over substance. Do would-be leaders get a serious education? "One can't generalise."

At St Andrews, Richardson was unable to join the local male-only golf club. At Oxford, she feared being shut out by her Irish nationality; before the EU referendum, she applied for British citizenship. Yet Brexit has so far brought less change than expected. "We haven't seen the mass movement of academics away from Oxford... We have seen a very significant drop in EU students [from 8 per cent to 4 per cent of undergraduate admissions]. Research funding is the area we've always been most worried about, and that remains a really deep concern."

"Twenty years from now, we'll look

back and see the results of this gradual erosion of our links with European research. Even though the impact hasn't been as great or as fast as I anticipated, I see it as entirely negative for us."

US rivals offer more funded research posts and higher salaries: in Richardson's time, Oxford has poached academics from Yale and Cornell, but not Harvard. Her own pay, £459,000 a year, has been criticised. Is it sustainable for administrators' pay to increase, while lecturers are striking over pensions? "I would really love to avoid talking about that," she sighs.

Politicians frame universities as economic drivers. Should British universities be educating fewer humanities students and more scientists? "I really regret the tendency to equate the value of an education with the size of the salary of the graduate. Our medics will figure out how to lengthen our lives, but it's the humanities that will make those longer lives worth living."

She rejects the idea of universities as businesses. "We lose money on every student we admit, and we lose money on almost every research tranche we take... The language of customers has no place in a university." Tuition fees paid by British undergraduates represent less than 5 per cent of the

'We lose money on every student we admit, and on almost every research tranche we take'

central university's income; they cover less than half the cost of those students' education.

Is this sustainable? "The question is, will we continue to have some of the best universities in the world in this country? That's an open question... The basic model of not adequately funding research or teaching is really a problem. And a very burdensome regulation that has no discernible impact on improving what we do."

Oxford depends on commercial partnerships and philanthropy. Richardson helped to negotiate with AstraZeneca the distribution of Oxford's Covid vaccine. Since AstraZeneca declared the end of the pandemic a year ago, Oxford has received some royalties from vaccine sales in wealthy countries. Are the royalties significant? "Not really, no." In its first year, the Oxford vaccine saved an estimated 6.3m lives worldwide. "What's interesting is that I don't think any company would ever gain do what AstraZeneca did, because they didn't get any credit whatsoever. I've been deeply disappointed in that. We could have done a deal with them where they charged ten times what they charged, and I don't think it would have sold very differently."

She has warned against the "cancellation" of benefactors, whether the colonialist Cecil Rhodes or the opioid-seller Mortimer Sackler. Oxford has not renamed its Sackler library. Is that

to engage with how recent the devastation caused by Sackler is, or the fact that Imperial College London, the Tate gallery group and others have removed the family name.

Richardson wants more free speech. "I worry that academics will be afraid to take public positions because they just don't want to submit themselves to the pillory that is social media... I do wish our students were more resilient about

not feeling undone by nasty remarks thrown at them."

At Oxford, Richardson, 64, has been apart from her husband, a doctor in Massachusetts. They have seen each other every month, less in the pandemic: "not optimal". Her advice to others in similar situations? "Make the most of it... [When together]." Her next job is in the US, at the Carnegie Corporation of New York.

Halfway through the interview, Richardson seems exasperated at the breadth of my questions. "This is not going the way I was expecting at all. I have to tell you!" When our time is up, she expresses bewilderment at what I'll make of her remarks. But after seven years, she surely knows how much of national life Oxford touches – how many of our collective insecurities it must bear.

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ARTS

A niche for audiobooks with ear appeal

The market is dominated by Audible, but Kate Bland is hoping her new company, Spiracle, will be a prime platform for literary fiction. By Harriet Fitch Little



Spiracle co-founder Kate Bland, photographed for the Financial Times by Alastair Levy

Kate Bland has described Spiracle as a “bookshop” so many times that people sometimes get confused and think she’s talking about a real place. In fact, the company operates from a basement office in north London and its product is digital: an audiobook subscription platform with an emphasis on indie titles.

Spiracle, which launched as a web app earlier this year, wants to act like an old-fashioned bookseller for audiobooks, the sort you might trust to sell you something unheard of and unusual. “There is an audience who want really good quality selected material,” Bland says when we sit down to talk in the recording studio, coffees perched carefully among the microphones. (Spiracle does not create the audiobooks itself but subcontracts production.)

For £12 a month (or £120 a year), users can choose two audiobooks from a list of six to 12 titles. The selection refreshes every month and is bolstered by podcasts, newsletters and author interviews introducing the books and the themes that bind them. Other titles are available to buy as one-off purchases but the selection is slim: a catalogue of 500 rather than the infinite scroll of Audible, Amazon’s market-leading audiobook platform.

What became Spiracle began as a 2019 collaboration between Bland and co-founder Leigh Wilson, a University of Westminster literature professor interested in contemporary small-press publishing. Bland, who runs the audio production company Cast Iron Radio, joined with Wilson to raise funds to subsidise the production of audiobooks too niche to be courted by the big players. Working with Fitzcarrald Editions

they recorded Claire-Louise Bennett’s *Pond* and Olga Tokarczuk’s *Drive Your Plow Over the Bones of the Dead*. “I think publishers were beginning to think, ‘Well, we’re crazy if we’re not making audiobooks,’” says Bland. Industry growth has been immense.

In the UK, audiobook income rose 71 per cent between 2019 and 2021 compared to 6 per cent for consumer print (albeit it’s still one-tenth the level of print). Spotify is rolling out a competitor to Audible; it launched in the US in September with a library of around 300,000 titles.

But Bland and Wilson soon realised that getting audiobooks made was only half the challenge. Literary fiction was not well suited to algorithm-governed platforms where genre fiction dominated and audiobooks were often left unfinished, treated less as books than as podcasts that wouldn’t run out on a long car journey. “With digital stuff, if you don’t want it you can have a bit of it and decide not to and move on,” says Bland. “That might be the consequence of having a sort of deluge.”

The two decided to build an audiobook subscription service that would do

better by readers and small publishers. Neither had a “hardcore” digital background, Bland says, so they found a third co-founder with tech expertise, Jon Wilkinson, who led development of the audioplayer.

This was helped by £70,000 in funding from Arts Council England but the founders have also paid in considerably; Bland estimates that software and design development alone has cost £200,000 to date. They are now seeking private investment for the first time. “We have to grow pretty quick,” says Bland. She points out that the less-but-better model has worked for film companies competing with the digital content giants.

She is not daunted by the entrepreneurial turn her life has taken. “It feels to me as if everything is breaking open and the corporate style of doing things has left people quite miserable,” she says. Anecdotally, she says many friends in their fifties are turning away from “soldierlike” salaried jobs in the pursuit of something a bit more interesting, even if it means they live on less. “I have a bit more courage because we have to do something to stop everything feeling the same and being run by the four horsemen of the internet.”

Bland agrees with many principles of what makes a good audiobook: strong voice, gripping narrative. One of the first books Spiracle promoted heavily was Graeme Macrae Burnet’s *His Bloody Project* – a murderous thriller, yes, but one that was shortlisted for the Man Booker Prize.

Central to Spiracle is the thought that challenging books work well in audio too. Every month the team co-publishes an audiobook with an independent publisher that would otherwise struggle to do so and promotes it heavily. In November it was poet Joseph Fausano’s debut novel *The Dark Heart of Every Wild Thing*, a parable about a man’s pursuit of a mountain lion from Platypus Press. This month it’s *The Mariner* from Banpal Books, a translation of Taleb Alrefai’s Kuwaiti history novel. These are chewy books designed for long walks rather than distracted commutes. “With Spiracle, the effect is to say, ‘Persevere, because this has got something,’” says Bland.

For small presses, having a company that’s willing to pull niche titles from their back catalogue and turn them into

audiobooks makes a daunting process seem easy. “There are barriers to entry,” says Sam Jordison, who co-founded publishing house Galley Beggar Press and has published two audiobooks with Spiracle: Alex Phibey’s *Playthings* and James Clammer’s *Insignificance*. The rough cost of producing an hour of finished audio is £250 and that doesn’t include paying the narrator. Given many literary novels sell hundreds of print copies, it’s not feasible for publishers to go DIY, and big production outfits aren’t interested.

While publishers are grateful for Spiracle, it won’t be right for every book. It is what Jordison describes, without malice, as a “walled garden”. Publishers convinced they are sitting on a surprise bestseller are unlikely to want to cordon it off to a subscriber base that still numbers in the hundreds.

Tamara Sampey-Jawad, associate publisher of Fitzcarrald Editions, says the best future for independent publishers is a diverse marketplace. “If you’ve only got one thing, then that’s never really good for the literary landscape,” she says. “Hopefully all these new platforms that are coming up are going to

‘I think publishers were beginning to think, ‘Well, we’re crazy if we’re not making audiobooks’”

mean that we’ll see more variety in the types of audiobooks being produced.”

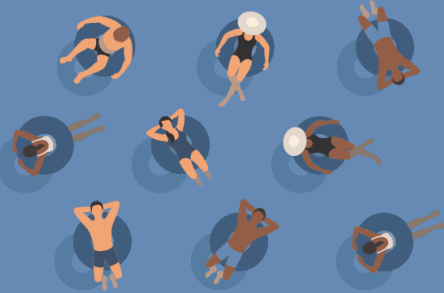
For Spiracle, the challenge now is to convince enough readers (or listeners, no one is quite sure what to call them) that its founders’ taste is worth investing in. People who love books mostly love books – their smell, the crack of the spine, the understated but sophisticated covers that indie presses seem to excel in.

Not much of this culture translates to audio. Instead, Spiracle will have to rely on the strength of the stories and “marketing, marketing, marketing,” says Bland. After all, she points out, despite all the bookshop analogies, “nobody is going to walk past you and think, ‘What a nice shop window!’”

spiracleaudiobooks.com



Two of the books Spiracle has turned into audio content



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Substandard smut makes superior listening

PODCASTS

Fiona Sturges



A bad porn must come to an end,” says Jamie Morton in the penultimate episode of *My Dad Wrote a Porno*, the podcast built around his father’s late-blooming career as a writer of substandard smut. The hit series, which launched in 2015, has been downloaded 430m times and spent much of its existence near the top of the podcast charts.

During this time, the formula has remained unchanged: in each episode, Morton reads out extracts of his dad’s erotica, self-published under the nom de plume Rocky Flintstone, charting the adventures of Belinda Blumenthal, a travelling pots and pans saleswoman who has a lot of sex in a lot of unusual places (highlighted in garden maze while handcuffed to a trellis). As Morton reads, his two best friends, former Radio 1 presenter Alice Levine and writer and producer James Cooper, provide gleefully horrified commentary.

[Belinda’s] skin like a non-contagious type of chickenpox” and her genitals began “whistling like a kettle”. As ever, practical questions abound: how exactly do genitals whistle? And can a woman really be hit in the eye by her breasts?

Much has changed since the series was launched – media giants including Amazon, Spotify and the BBC have muscled in on the podcasting game and the market is impossibly crowded. Would *My Dad Wrote a Porno* have the same impact were it launched today? Possibly not. Nonetheless, Morton, Levine and Cooper have shown the value of building a listening community – Elijah Wood, Michael Sheen and Emma Thompson are among the celebrity listeners to have appeared on their bonus “Footnotes” episodes.

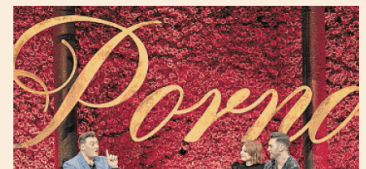
They have also provided a lesson in how to turn a simple idea into a money-spinning juggernaut, taking in not only

podcasts but books, live shows (they have played London’s Royal Albert Hall and Sydney Opera House) and an HBO TV special. Their series has shown us that it is not only true-crime podcasts that go stratospheric; done right, comedy is similarly a force to be reckoned with.

At the core of the series, besides the obvious filth, is the chemistry of the three presenters and the affection, rather than disdain, with which they poke fun at Morton’s father. Next week, the series will sign off with a bonus episode featuring a conversation with Rocky Flintstone himself – it will be the first time anyone has heard him speak. But for now, the trio sign off by thanking the “loyal gang of pervers” who have made *My Dad Wrote a Porno* what it is: a dirty little secret beloved by millions.

play.acast.com

From left: Jamie Morton, Alice Levine and James Cooper in the HBO special of ‘My Dad Wrote a Porno’



FT BIG READ. WORK-LIFE BALANCE

A UK trial to determine whether it's possible to do a week's work in fewer hours is drawing to a close after six months. Employers and employees at four companies who took part share what they learnt.

By Emma Jacobs

Five years ago, Wyatt Watts arrived for his first day of work at Platten's in Wells-next-the-Sea in Norfolk, eastern England. "It felt like a challenge," he reflects, dealing with the "fast pace" of a fish-and-chip shop packed with hungry day-trippers.

On a sunny morning this summer, Watts, now a team leader, was preparing for a new test. The 26-year-old was worried his work was about to become more intense and stressful. Yet he was determined to make it a success.

For if he could squeeze his 40-hour week into just 32 hours — cleaning the stainless steel kitchen, preparing mushy peas and the batter, while fulfilling his management responsibilities — he would receive full pay and more free time.

Platten's is one of 70 companies, encompassing 3,500 employees, who signed up to the UK trial of the four-day week, running from June to December 6. It is spearheaded by 4 Day Week Global, a non-profit organisation founded by Andrew Barnes, a New Zealand entrepreneur who implemented a four-day week in his own financial services company, Perpetual Guardian, after a trial in 2018.

Researchers at Cambridge university, Boston College and Oxford university will measure the impact of a shorter week on productivity and wellbeing. Parallel pilots running in Ireland and the US, comprising 33 companies and 905 employees, show signs of promise.

A report by 4 Day Week Global found that "physical and mental health ... work-life balance and satisfaction increased". While revenues rose about 8 per cent over the trial, "absenteeism was reduced and resignations declined slightly".

Interest in the four-day week has been gathering momentum. Last year, Unilever's New Zealand operations switched to four days, recently extending it to Australia. In the UK, Atom Bank last year introduced a 34-hour week. While in Belgium, workers won the right to compress five days into four.

The trial was forged in the aftermath of the pandemic, which forced largely white-collar workers to retreat to their homes and rippled through the five-office routine. Other experiments include a seven-day flexible week by Arup, the engineering company, and Airbnb's work-from-anywhere policy.

Joe O'Connor, chief executive of 4 Day Week Global, says: "This was something which, pre-pandemic, was a growing niche [but] still very much a fringe concept ... The impact of the pandemic has turbocharged the four-day week movement."

Yet since the trial started, the economy has deteriorated. Many wonder whether employers will now back on flexible working policies implemented in the pandemic. Snap, the tech company that earlier this year announced lay-offs, recently asked employees to come to the office four days a week.

Advocates for the four-day week point out that, unlike a season or a day, there is nothing natural about the working week. The two-day weekend — dispensing with working on Saturday morning — did not take off in the UK until after the second world war, quashing arguments that much leisure time could spur political activism among the working classes.

If the trial prompts widespread take-up of a four-day week, advocates say wider societal benefits could include increased gender equality, improved wellbeing, as well as a reduction in workers' carbon footprints. Detractors fear a loss of output, as well as burnout, erosion of workplace culture or the uptake of second jobs.

A series of interviews with employers and employees at four companies across sectors from fast food to financial services at the start and towards the end of the trial's span offers an inside view of the complexities of pulling off a significant organisational shift.

Prep for success

In a large meeting room with exposed brick walls, Shaun Rutland, chief executive at east London-based games designer Hutch, talks about his motives. "Coming out of the pandemic, people are quite burnt out," he says. "We had quite a few people leave." Some re-evaluated their purpose in life and changed careers, including becoming teachers.

Hutch needed to think how to retain and recruit staff when competitors were increasingly offering fully remote work. For Rutland, the four-day week arrived as an epiphany when a consultant friend



Making a four-day week work

'Before [Covid-19] this was still very much a fringe concept ... the impact of the pandemic has turbocharged the four-day week movement'

'It has shaken the business up ... There is a certain cost to it but the benefits outweigh the costs'

one of the trial's observers, says: "We know that one of the things that's particularly bad for people's mental health in organisations is constant time pressure, always having to work to tight deadlines ... at high speed."

A drive for efficiency might also mean less socialising at work, diminishing morale, preventing knowledge from being shared and harming organisational culture.

The planning period for a four-day week, says O'Connor, "determines the success or failure". It requires input from workers at all levels of the company, he says, because even "the most detail-oriented CEO in the world does not know the day-to-day intricacies of each of their employees' jobs".

At Hutch, leaders answered and publicly shared the answers to more than 140 anonymous questions and ran Q&A sessions with each team. Senior leadership likes to joke it took six months of six-day weeks to transition to four days.

Stellar Asset Management, a London-based financial services company, gave the challenge to its Leadership Development Programme, comprising a group of junior employees. They worked through the practicalities in advance and set out how to measure the effects through surveys on productivity and performance.

The companies each planned for handovers between staff, introduced sickness tracking data and refresher training for managers to set goals, and sought ways to increase efficiency through technology. Stellar introduced a database management tool and a new client portal to streamline communication. David Stein, Stellar's investment manager, says the process has been a spur to "interrogating how you were working".

Employees were encouraged to better plan their diaries and schedule shorter meetings, or only participate for parts to claw back time. Andy Bass, art director at Hutch, says he halved his weekly meetings to 10 hours, sometimes listening to recordings while doing admin.

For two hours every Wednesday, Hutch employees focus on so-called

deep work, uninterrupted by meetings or calls. The company also created a dedicated quiet area.

There was also task reallocation. In Hutch's art studio, jobs were given to the most suitable artists. The downside was that artists were not stretching themselves with projects that were outside their comfort zone, a particular issue for junior employees. "We don't have that luxury now," says Bass. "Because we need to hit our deadlines." It did lead to providing additional training.

At Platten's, the fish and chip shop, staff were handed cards at the start of their shifts setting out priority tasks so that they could hit the ground running.

There was initial "scepticism" when Platten's asked staff to keep a daily diary to gauge the productivity baseline for a standard working week and find efficiencies, says owner Luke Platten. Some employees resented the scrutiny of their working day, causing one to quit. "Building a culture of trust and being really open and honest ... is something that just takes time and a lot of reassurance," Platten adds.

The fourth business the Financial Times spoke to, Southampton-based Yo Telecoms, did not ultimately proceed with the four-day-week trial after finding difficulties in measuring performance for some departments, notably marketing. Extra engineers would also have been needed to cover staffing gaps.

When it transpired that a sizeable minority believed they were simply getting an extra day off without having to boost productivity on the other four days, it "raised alarm bells", says Nathan Hanslip, the chief executive. He says he will reassess when the economy improves.

Productivity pains

"The acid test," says Jon Boys, labour economist at the Chartered Institute of Personnel and Development, is whether companies can "boost productivity by 25 per cent" on the days they do work. "That is a whopper."

Some departments, such as sales, found it relatively easy to measure productivity, but others found it far harder. It was also tricky to distinguish the impact of the four-day week from the world coming out of lockdowns.

Charmaine Clavier-St John, head of people at Hutch, says at first they measured too much, adding to the workload, so scaled back. The "sprint velocity", a way of measuring productivity in their

the floor", says Platten, noting a 74 per cent increase in staff retention and seasonal workers wanting to return. Participation in voluntary training hit 94 per cent.

Daryl Hine, chief operating officer at Stellar Asset Management, focused on outcomes, such as delivering projects or reports by key dates, sales teams hitting targets, or investment teams doing deals, and is satisfied "we are achieving the same amount in fewer hours".

Platten's found a flexible approach worked best. In peak tourist season, for example, it paused the 32-hour week. But, because of efficiencies the company had introduced, Watts says the hours didn't seem as long. "I still felt like I had free time." In September, they returned to 32 hours, and in winter switched to 24 as compensation — on full salary.

At Stellar, two employees said they preferred the pace of a five-day week,



and many would take important calls or Zoom meetings on their day off. Hutch found 45 per cent worked above their contracted hours, though 71 per cent only added two hours.

One difficulty for all knowledge workers was distinguishing between leisure and work. Was golf with a client fun or duty? Some said they saw the time off as a opportunity to study for professional qualifications or attend public speaking classes.

Hutch's Rutland describes the experience as "at times challenging and tough", intensifying the pace of work and forcing him to make decisions more quickly. He wonders if his increased presence at home in the working week has made his kids miss him more on work trips. "I don't know if that's connected to the four-day week, but I had wondered if it's because I'm more there

Brave new world of work

Charmaine Clavier-St John of Hutch, Below, Daryl Hine, left, and David Stein of Stellar Asset Management. Below left, Nathan Hanslip of Yo Telecom. Photographs taken for the FT by Charlie Bilby

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The 4 Day Week trial will not publish its findings until February next year. But three of the four companies the FT spoke to plan to stick with it.

Stellar Asset Management's Hine says it has made a "massive difference" in terms of attracting hires and retaining staff. What was initially branded as a "gift day" will now become a "flexible working day", which it hopes will eliminate any paternalistic connotations of it seeming like a reward.

Rutland at Hutch says the experience has been "really energising" and plans to hold productivity boot camps every six months. "It's shaken the business up," he says. "There is a certain cost to it, but the benefits ... definitely outweigh the costs."

The future of work

Will the trial convince other employers to follow? Even among those enthusiastic about the results, there are concerns that once this becomes a standard work pattern, some of the efficiencies will be lost.

More broadly, as employers and employees grapple with high inflation and energy bills, the focus will turn to job preservation rather than perks.

According to the CIPD, only 1 per cent of employers anticipate cutting hours on the same pay over the next three years. Of those that have already reduced hours, about 30 per cent said they did not achieve the "same volume of work [or] output as before".

Recent data from LinkedIn found that 28 per cent of employers anticipate reducing flexible working and hybrid working roles.

For many workers, shortening the working week is also less of a priority than having flexible or predictable hours. The Living Wage group, which accredits employers who pay a salary covering living costs, earlier this year launched liveable hours, guaranteeing predictable shifts, amounting to at least 16 hours a week.

Some simply want to be able to work enough hours to get by. While some white-collar workers are happy to reduce working hours even if it reduced salary, according to the Social Market Foundation think-tank, "by contrast, care and hospitality staff are among those who would rather work for longer than they currently do".

Burchell at Cambridge sees the pilots not as scientific experiments but as a pathway to an alternative way of work-



The FT View



FINANCIAL TIMES
"Without fear and without favour"

ft.com/opinion

Anwar's ascent in Malaysia

Premier's capacity for political survival does not diminish the size of his task

Anwar Ibrahim's arrival as Malaysia's prime minister caps one of the world's most extraordinary political journeys. It also brings a crucial chance for the south-east Asian country to heal social and political divisions while recovering its credibility on the world stage. Anwar, 75, was widely seen as a future leader long ago as 1997 when, as deputy prime minister, he helped steer Malaysia through the Asian financial crisis. But after he was sacked in 1998 by his mentor-turned-nemesis Mahathir Mohamad, Anwar was jailed on trumped-up charges of sodomy and corruption. After that conviction was overturned in 2004 and Anwar returned as an opposition leader, his political ambitions were truncated by a second sentence for sodomy in 2015. He then ran,

from prison, in the 2018 election, rejoining Mahathir in a victorious new coalition. A royal pardon allowed him to resume political life. Such vicissitudes speak to Anwar's capacity for political survival. But they do not lessen the huge task he faces after a divisive election that returned Malaysia's first elected parliament. One of Anwar's biggest assignments is to restore Malaysia's reputation following a long-running corruption scandal that led to the sentencing this year of former prime minister Najib Razak to 12 years in prison. Najib was found guilty in 2020 of breach of trust, abuse of power and money laundering related to 1MDB, a state fund. A US attorney-general once described the embezzlement of billions of dollars from 1MDB as "kleptocracy at its worst". Anwar, who has also taken on the job of finance minister, has rightly pledged to fight corruption. He has, meanwhile, shown solidarity with many Malaysians struggling with rising living costs by saying he will take no salary. His promise to reinvestigate growth and tackle inflation has helped boost local market sentiment. Yet Anwar's most delicate balancing act is set to be political. His coalition, Pakatan Harapan (Alliance of Hope), won the most seats but fell short of a majority. That has led to an uneasy power-sharing arrangement, with a portion of his cabinet composed of members of opposition parties, including the former governing Barisan Nasional. The BN's worst ever performance in the latest election, in part because of the 1MDB scandal, was an emphatic rejection by voters of a coalition that had dominated Malaysia's politics since independence in 1957. Anwar's naming of the BN leader Ahmad Zahid Hamidi, who faces graft charges, as a deputy prime minister will not go down well with his voters. Striking a balance in representation for Malaysia's indigenous Malay majority and its ethnic Chinese and ethnic

Striking a balance in representation for the country's indigenous Malay majority and its ethnic Chinese and ethnic Indian minorities will be crucial

Indian minorities will also be crucial. Anwar, a Malay Muslim, is well aware that one of the reasons for the collapse of a previous governing coalition led by his party was losing the confidence of the Malays. Should Anwar be seen to fail, Malaysia could find itself at the mercy of unsettling political trends. The opposition Perikatan Nasional is dominated by an Islamist party that enjoyed explosive success in the latest election. Malay voters seemed undeterred by the party's enforcement of conservative laws in the states it controls. If reform stalls and staze persists, it stands a good chance of winning power at the next election. In foreign policy, the new prime minister will again require balancing skills. Anwar should try to recalibrate the tilt towards China that characterised Najib's leadership and foster stronger US and European ties. He could find an example in neighbouring Singapore, south-east Asia's expert at balancing rival interests.

Opinion Investing

Fomo is the new greed of market psychology

Maria Hergueta



Leo Lewis

If investors insist on trying to time their moves in stock markets, said Warren Buffett almost 20 years ago, they should be fearful when others are greedy, and greedy only when others are fearful. It is good contrarian stuff. And the time-honoured depiction of markets in the permanent push-pull grip of these two animal spirits has an enduring appeal because (nuance and caveats aside) it does actually explain a lot of market psychology quite neatly. The difficulty arises, as now, when greed and fear start defining themselves as the same thing. In the parsing of the FTX collapse – and a string of other recent debacles that seem ominously comparable as phenomena of the loose money era – fear of missing out, or Fomo, has repeatedly emerged as the critical ingredient in the investment build-up before the fall. Fear, in this usage of the word and in

With tech and crypto fears in limbo, a larger version now sits on the horizon in China

the context of the FTX and wider crypto run-up, was creating something that looked an awful lot like irrational exuberance. This exuberance, in turn, was fuelling something that behaved from a market standpoint an awful lot like greed does during its periodic stints at the wheel. As the Fomo narrative has it, investment money (much of it under the auspices of large, seemingly respectable funds) thunders collectively into particular assets (in many cases, with minimal due diligence) not because it necessarily believes in the underlying opportunity but because the rewards are presented as unmissable and the consequences of delay or scepticism are somewhat scary. The idea is not novel, even if the acronym is. Similar thought processes have featured before in earlier crises. In 2007, Citic's Chuck Prince famously stressed the need to keep dancing as long as the music was playing; a freely chosen indulgence presented as an unquestionable obligation.

few demands evidence that there is some price to be paid for missing out (of the sort shops experience, for example, during panic-buying prompted by public alarm). Self-recrimination for a bonanza skipped, or the wrath of a dissatisfied investor, do not quite count. During the past half decade of tech-centric investment, however, Masayoshi Son's SoftBank has led the way in instilling a more legitimate set of Fomo concerns for certain investors. When the first of his Vision Funds launched in 2017, the \$100bn vehicle was explicitly designed to create a new genre of tech investment. It did this (or planned to) by using its scale not just to identify potential winners but to shower them with enough funding to ensure that, on metrics such as market share, they probably would be. This implied guarantee of dominance, however flawed, set a tone that would resonate: if investment is not about prospects but sure things, then Fomo is not greedy but wise. With tech and crypto Fomo now in some limbo, a much larger and more complex version now sits on the horizon in China, and could dominate corporate and financial investment next year. A good number of fund managers say they are already positioning themselves for a short-term "Fomo event". A relatively quick reopening of China or a sharp relaxation of zero-Covid rules is a change that no global or Asia-focused investor can afford to miss. The feeding frenzy could ramp up very swiftly. But the longer-term Fomo trade relates to geopolitics, and to the way in which US and Chinese industrial policies have set themselves sufficiently at odds with one another to make some form of decoupling look more inevitable. Behind the rhetoric of the US Chips Act and the Made in China ambitions are geopolitical shifts that could eventually oblige more and more companies – in the US, Europe, Japan, South Korea and elsewhere – to make some kind of choice between the two blocs. In some cases, this might take the form of redesigned supply chains and other "friendshoring" investments to allow dual-track manufacturing and sales. For others, though, there may be serious pressure to rethink being in China at all. And business leaders and their investors should perhaps consider the gutter press in denouncing our judges as enemies of the people and

Letters

Japan's politicians play game of chicken on energy crisis

Leo Lewis's column on the increased need for Japanese to dress in turtle-necks as energy prices rise reflects the fact that the local approach has long been to heat the body, using kotatsu tables, under-desk heaters or hot water bottles tucked into fluffy futons, instead of heating homes or workplaces (Opinion, November 28). Most buildings in Japan found south of Hokkaido lack insulation in walls and roofs, or thermal breaks and double glazing in windows. These buildings are like refrigerators – or

workplaces this winter. But instead, politicians, in concert with the Keidanren business lobby, began the game of chicken we see playing out this winter. They chose to leave their citizens and consumers too cold in winter and hot in summer when crises throttled energy or raised costs. They have tilted the playing field to keep energy consumption high and support obsolete energy suppliers relying on nuclear plants. Japan started down the path to

energy efficiency in buildings – as well as developing gas-sipping cars – in the 1970s but lost its way in the bubble era, with only weak building regulations easily ignored. The knowhow is, nonetheless, seen even in Japan: in chilly Hokkaido. It's time for the nation to stop propping up an obsolete and unwanted energy infrastructure on the backs – and necks – of its citizens. Dana Buntrock, Professor Emerita, University of California, Berkeley, CA, US

'In Europe, not run by Europe', was a Tory slogan

In his letter "Britons deserve more than bland Brexit optimism" (November 29), Richard Wright asks for the subject to be addressed in a serious and grown-up manner. That is fine as long as those who would seek to reverse the decision to leave the EU would stop conducting the debate as though the EU was no more than a free trade organisation, focusing solely on the short-term economic impact of leaving. Brussels is determined to produce an organisation where more and more power is arrogated to the centre and away from democratically elected national governments (ever closer union, etc). The British, being free traders but keen on national identity for 47 years to modify this objective but to no avail. Since Britain does not support the EU's main aim, it has correctly decided to leave the organisation. Nonetheless, after less than two years outside this body Europhiles are already arguing, on purely economic grounds, that leaving has been a mistake and that we should go crawling back. Europhile Tories once had a slogan: "In Europe, not run by Europe." It seemed an admirable enough aim but proved to be a practical impossibility. The pivot away from Europe may take some time but it is still a necessity if we are not once again to be run by Europe. John Murray, Guildford, Surrey, UK

The dismal reality of Brexit is eroding the constitution

In response to Robert Shrimley's "Reforming democracy may be next Brexit" (Opinion, December 1) he understates the case for root-and-branch constitutional reform by treating it as a mere question of political expediency. The Westminster model of an unwritten constitution has been undermined by successive governments, but in the recent period the Conservatives have excelled themselves in cynically destroying the people's trust in our constitution and institutions, through the proroguing of parliament, and now the packing of the second chamber with placemen. When government ministers can suggest repealing the Human Rights Act and denouncing the European Convention – the people's protection against overweening and arbitrary executive power – while supporting the gutter press in denouncing our judges as enemies of the people and

Xi is unwilling to admit defeat in vaccines battle

When China introduced the zero-Covid policy, it was clear to many this was not just a health measure, it was also a way of sweeping under the rug their defeat in the political battle for vaccines with the rest of the world (Nov 30). Not willing to admit liberal democracies succeeded where the Communist party failed, Xi Jinping introduced the only measure that could prevent Covid-19 outbreaks: massive lockdowns. But this is where problems really started for China. The Communist party became quickly addicted to zero-Covid, and there is no easy way out. First, they ignored long-run damages: Xi seemed to forget that gross domestic product and productivity growth depend on the population's wellbeing, education and investment. Then came the illusion that short-run issues are as inevitable as they are bearable: protests will hurt the party's reputation, but they can be dealt with. Now, they will realise that the more they wait, the harder it is to quit due to the reputational costs of using the west's vaccines. China's policies today are being constrained by yesterday's decisions, creating a vicious circle – and a point of no return might soon be passed. Filippo Aloisi de Lardere, Rome, Italy

Cows cause climate change but it's not their fault

In a full-page ad in the FT Weekend, Lombard Odier rightly celebrated the earthworm as a hero. But in their next ad it blames the cow ("cut out the middle cow") for deforestation, biodiversity loss and climate change and falls into the same trap as the many journalists who illustrate their articles on climate change with a picture of a cow. In so doing they demean not only the cow, which since time immemorial has provided us with nutrient-dense food derived from otherwise indigestible cellulose and with manure that feeds the soil, but also the many people around the world who live at the margin and for whom the cow (and other ruminants) plays a vital role in their day-to-day survival. The cow is innocent. Such damage as may be caused by their industrialisation is caused by people, by the supermarkets who sell milk as a loss leader and force farmers to intensify, by those who speculate in food commodities and by the financial institutions who finance them all.

Drone warfare: more honoured in the breach

In your leader (FT View, November 12) you discuss the evolution of drones in combat. That they may be run by artificial intelligence in the future in massive numbers is probably a blip in time, however, due to the corresponding evolution of defensive measures against drones. In the last paragraph you bemoan the fact that "conventions in warfare are often honoured more in the breach than the observance", referring of course to the reality that armies quickly dispense with ideas of moral obligations once they are threatened with losing. Is this not the true human condition?

For years workplaces have been constantly evolving

Edwin Heathcote's article on "office scenes of domesticity" suggests that the post-pandemic workplace is designed to keep us all in the office for longer ("office scenes of domesticity mask a far more ruthless", Special Report, November 28). I have been working with some of the world's largest occupiers for the past 25 years, and the workplace is in fact constantly evolving. This is true not just for architecture and design but for working practices, office culture and management styles. While there is a move towards fewer desks and more task-led workstations being introduced, in many cases this has not impacted the overall real estate but simply makes better use of the existing space. It's also the case that not all of us are fortunate enough to have a designated office space at home and do benefit greatly from a workplace that supports all styles of work and collaboration. There will always be a balance between business needs and human needs, yet progressive organisations have always held conversations with their employees to ensure that their facilities captured the personality of teams and provided the resources and furniture that supported the functions they needed to create a productive work environment. Rachel Houghton, Managing Director Business Moves Group, Reading, Berkshire, UK

Fowler and Lady Susan's unfortunate question

Banx's cartoon (December 2) has two aristocrats suggesting that Lady Susan Hussey's unfortunate comment – "Where are you really from?" – is ungrammatical and it should have been phrased as: "Whence are you really from?" Unfortunately, the two toffs are wrong. "Whence", as Fowler reminds us in the first edition of his *Modern English Usage*, is a more elegant (and, in his opinion, in 1926, preferable) version of "where from". To add "from" to "whence" is simply tautological and, if you were to call on your inner pedant, Lady Susan should have asked: "Whence do you come?" – a sentence never uttered outside of a Wodehouse novel. We should cut Lady Susan some slack for her phrasing and save our concern for the content. Peter Rose, New York, NY, US

Opinion

Easy money era is over but world leaders have not got the memo

MARKETS
Ruchir Sharma



While global investors increasingly recognise that the easy money era is over, many world leaders do not – and the markets are punishing them for free spending in the new age of tight money.

In the 2010s, when interest rates hit historic lows, markets punished very few free spenders – Greece, Turkey and Argentina, most notably – for extreme fiscal or monetary irresponsibility. Now inflation is back, rates are rising and debt levels have been elevated worldwide, investors are targeting an expanding list of countries.

The markets have forced a shift in policy, or at least tone, this year on countries ranging from the UK to Brazil, Chile, Colombia, Ghana, Egypt, Paki-

stan, even defiantly populist Hungary. What these countries shared was relatively high debt and widening twin deficits – government and external – combined with unorthodox policies likely to make these burdens worse. But tight money is here to stay. The target list will grow. No country is likely to be immune, even the US, which has among the highest twin deficits in the developed world.

The new mood is often described as the return of “bond market vigilantes” as if it were confined to bond investors and “market fundamentalists”. But tight money is gripping all asset markets, including stocks and currencies, punishing governments of the right and left and posing a practical question about whether countries can pay their bills without easy money.

Conservative UK prime minister Liz Truss was forced out in October after markets reacted to her unfunded tax cuts by dumping the pound. Her successor scrapped her agenda. Soon after, the spending plans of leftist firebrand Lutz Inácio Lula da Silva, incoming president of Brazil, triggered a sell-off.

When Lula attributed this reaction to

“speculators” not “serious people”, the markets drove up Brazil’s real interest rates, which were already among the world’s highest. Lula’s aides scrambled to dilute his comments. His fellow socialists, on the rise across Latin America, are targets too.

Colombia’s first leftist president, Gustavo Petro, came in promising free higher education, a public job for every

Low rates made sovereign default so rare that many governments dared to live beyond their means

jobless person and to wean the economy off oil. Spectral that Petro can pay for new benefits with less oil revenue, investors offloaded the peso, forcing his finance minister to assure the market that he “will not do crazy things”.

Gabriel Boric became Chile’s president, promoting a new constitution packed with what many saw as “utopian” promises, including free health-

care, education and housing. Investors fled and the peso fell 30 per cent in just six weeks, inflaming opposition to the constitution, which voters overwhelmingly rejected in a September referendum. Boric was forced to turn his radical cabinet hard towards the centre.

In the past decade, low rates made borrowing so easy and sovereign default so rare, that many governments dared to live beyond their means. Now, as borrowing costs and default rates rise, change is being forced on them, starting in the less-developed nations most vulnerable to foreign creditors.

One is Egypt, ruled by Abdel Fattah el-Sisi. As markets pressed Egypt to devalue its currency and lower its twin deficit to secure IMF aid, national authorities hold out for months. When they relented, the devaluation was massive – more than 20 per cent. Ghana, too, resisted IMF aid and its conditions of financial discipline as insulting to this “proud nation”. But as markets battered the Ghanaian cedi, fuelling calls for President Nana Akufo-Addo to resign, he relented and asked for IMF help.

From Pakistan to Hungary, markets

have compelled central banks that thought they could get away with low real rates to return to economic orthodoxy, and resume raising rates. Hungary imposed an emergency rate rise and aides to rightwing prime minister Viktor Orbán, who built his base by defying Europe, promised spending cuts and tax increases to qualify for EU financial help.

Markets will reward discipline. Among those punished by them back in the 2010s, Argentina and Turkey clung to unorthodox policies, and still face punishingly high borrowing costs. Greece pursued orthodox reforms and is now a borrower in good global standing.

Only now, discipline has a stricter meaning. Whether it is the US running up trillions in liabilities for Medicare and social security, or Europe shovelling out energy subsidies, even superpowers are ill advised to borrow as if money were still free. In the new tight money era, markets can turn swiftly against free spenders, no matter how rich.

The writer is the chair of *Rockefeller International*

Starmer must plot a bold route back to Europe for Britain

Andrew Duff

The rest of Europe looks with amazement at the goings-on in Britain. Faced with a Brexit that has demonstrably failed, Rishi Sunak’s government seems hapless. But his putative successor, Labour leader Sir Keir Starmer, refuses to plot a bold way back to Europe, saying he wants to “make Brexit work”. Any radical reform of the UK’s relations with the EU is likely to be delayed until at least his second term – a position that would be both tardy and presumptuous.

Instead, Starmer should promise to forge an immediate customs union with the EU (not, note, to rejoin the EU customs union). The commission has already made useful preparations to modernise the EU’s customs association with Turkey, another troubled neighbour with a large economy, so long as all goods are included in its scope, and an accompanying agreement is struck on value added tax and on plant and animal health, the new customs union will eliminate practically all Brexit border checks – bringing instant relief to Northern Ireland. The UK will align with key aspects of EU trade policy for goods, including tariffs, allowing Starmer to ditch most of the Tories’ oversold free trade triumphs.

The next step would be to negotiate mutual access between the internal markets of the UK and EU, grounded in a new treaty aimed at boosting the flow and exchange of goods, capital, services and workers. As the UK reintegrates with the EU regulatory regime, it will be guaranteed participation in spending

Political engagement by the UK could give birth to a new category of EU affiliate state

programmes (notably the Horizon science scheme). It will participate in the agencies that manage and monitor EU policy – to the relief of overstretched domestic regulatory bodies. The EU-UK Trade and Cooperation Agreement will be replaced by fresh deals on competition, state aid and taxation policy and the elimination of non-tariff barriers.

The EU’s association agreement with Ukraine is a model for a comprehensive free trade area pitched at widening democratic alignment – including, unlike Switzerland, viable dispute procedures.

In a radical improvement on any of the EU’s current agreements with its neighbours, Britain should require voting rights in the European Council – without a veto – on all relevant single market legislation. This would include a vote on the revision of current laws, such as one on chemicals or Solvency II for insurance, as well as the extension of European integration into new fields such as climate policy and digital services. British ministers should participate in council negotiations on national laws as well as trade agreements with third countries. The UK will contribute to the EU budget consistent with its rights and obligations but it will not subscribe to the EU’s common agriculture, fishery or monetary policies.

Such unprecedented political engagement by the UK will give birth to a new constitutional category of EU affiliate state. This will require EU treaty change, which the wake of Brexit and Ukraine is in any case overdue. There is no post-Brexit solution that does not entail radical reform on the side of the EU as well as a bold change of gear in Britain. Only a more federal union can be a capable leader of the wider European neighbourhood.

Anglophobes will choke at this (as will Brexiters). But Britain’s geographic proximity, cultural ties, membership legacy, economic and security clout make it a special case. Both sides need a privileged partnership. By showing ingenuity, the EU can turn a potentially troublesome neighbour into a useful strategic partner. It can extend its own normative power and burnish its democratic credentials. Where UK affiliation leads, others, such as Norway and even Ukraine, seeking to upgrade their rela-

Wage inflation is a mirage for most workers

BUSINESS
Rana Foroohar



Economic policymakers and business leaders worry a great deal about wage inflation. Average workers, not so much. That’s because real global monthly wage growth – which reflects the purchasing power of wages once cost-of-living inflation is taken into account – actually fell to negative 0.9 per cent in the first half of 2022. That is the first time since 2008 that real global wage growth has been negative, according to a new report by the International Labour Organization.

While inflation in areas such as food and fuel hits the poor in every country hardest, the comparative decline in real versus nominal wages has actually been sharpest in the rich world. Among advanced G20 countries, real wage growth in the first half of 2022 declined to minus 2.2 per cent, whereas growth in emerging G20 countries slowed but remained positive at 0.8 per cent.

Among rich countries, North America has been particularly hard hit: average real wage growth in the US and Canada fell to minus 3.2 per cent in the first half of 2022. No wonder the hand-wringing about wage-price spirals among policymakers is so at odds with the actual

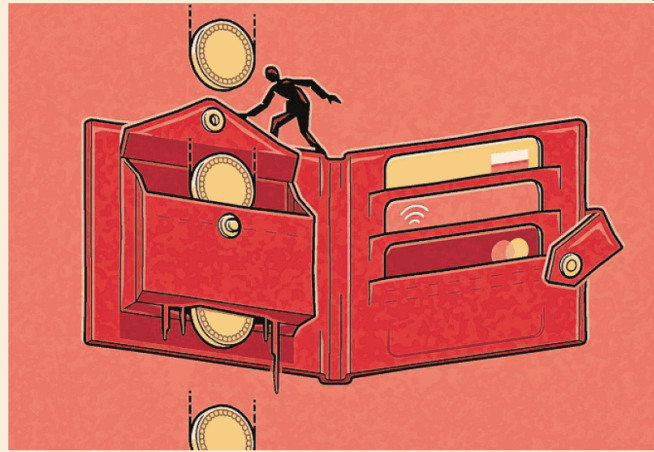
experience of most North American workers.

Although Federal Reserve chair Jay Powell acknowledged in a speech last week at the Brookings Institution that cost-of-living inflation was eating up a larger percentage of the average pay cheque, he also noted there were 1.7 job openings for every unemployed worker in the US.

While pandemic-related supply chain issues have mostly abated and energy markets are stabilising, “wage increases are probably going to be a very important part of the (inflation) story going forward,” said Powell. “What you see is a real imbalance between supply and demand,” he continued, with wage inflation still too far above the Fed’s 2 per cent inflation target rate for central bankers to relax.

Why is this? Certainly, the Covid-19 pandemic played a huge role: workforce participation plunged in 2021 and has yet to recover. Many people remain out of work because they continue to struggle with illness or are caring for dependants. But a bigger part of the story is a rise in retirement, which accounts for more than half the 3.5m-person labour shortfall in the US. Older people who lost jobs during the pandemic are having trouble finding work again, even in a tight market. Others are simply retiring early because of the wealth effect from housing and stock market gains of recent years.

Beyond this, Fed vice-chair Lael Brainard has questioned whether trends from deglobalisation to demo-



graphic shifts to climate disruption may also have changed labour market elasticity, creating more volatility and inflation.

Whatever the underlying causes of tightness in the labour market, the fact that pay rises simply aren’t keeping pace with other kinds of inflation creates a huge challenge for policymakers and business leaders. In response to rising inflation, companies are increasing prices for consumers, while imposing “shrinkflation”: reducing both product sizes and the quality of services in places such as hotels, restaurants and airports.

They are also investing in technology, some of it job-displacing, at faster than usual rates in an attempt to offset wage inflation. But in the most developed nations, such as the US, where con-

The fact that pay rises simply aren’t keeping pace with inflation creates a huge challenge

sumer spending makes up as much as two-thirds of gross domestic product, if people don’t have more money in their pay cheques, neither business nor the economy can grow strongly.

In the past, productivity gains made by workers have justified wage rises. But, according to the ILO, this year shows the largest gap recorded since 1989 between productivity growth and real wage growth in high-income countries. People are working harder and better. But they simply aren’t seeing as much monetary benefit from their efforts as they would have in the past.

Given the gap between productivity and wages, there is reason to think that companies, particularly those enjoying higher than average profit margins, have room to increase labour’s share of the pie. I would love to see various strategies deployed on this; incentives for companies that invest in worker training or other forms of productive capital expenditure that support labour, for example. Americans might also look to Europe, where job-retention schemes and wage subsidies kept real wage levels

higher than in the US, even when adjusted for energy inflation.

Americans are also struggling with a different kind of inflation created in large part by decades of expansionary monetary policy – asset price spikes. Housing services inflation is 7 per cent and rising. But even this number belies the real impact of the cost of housing. Between much higher interest rates and high prices, the average mortgage payment was 77 per cent higher in October than it would have been the previous year, according to the website Realtor.com.

This gets at an important truth. Goods and services inflation has only been rising for the past couple of years. But we have had plenty of inflation in other areas, including asset prices, over the past few decades. It is a bitter irony that while monetary policy fuelled the bubble in everything, and central bankers must now quash inflation, they have no tools to fix what’s truly broken in labour markets.

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Brussels should not protest too much on energy

ECONOMICS
Martin Sandbu



A siege mentality has taken hold of EU industries and their political friends. They feel kneecapped by how Vladimir Putin’s energy war makes gas and power so much more expensive than what competitors elsewhere pay. And the US’s belated conversion to green industrial policy adds insult to injury by luring investment with discriminatory subsidies.

Both concerns were channelled by

umes in the EU and eurozone are at record-high levels. In all EU countries but five, industrial production was higher in September than a year earlier. If Putin wanted to cause Europe-wide industrial death to force betrayal of the Ukrainians, he has failed. This resilience ought to be more celebrated.

So the region’s industrialists protest too much. It is too soon to declare victory. Price spikes are only gradually phased in. Some companies are protected by state subsidies or price caps. But there has rightly benefited households most and states cannot grant huge support packages forever. Current performance could still give way to decline. But this leads to a deeper point. The EU is not richly endowed in traditional energy resources. This has entailed two harsh economic consequences. One is

The cool-headed lesson to draw is that an economic structure built on production and exports of traditional energy-intensive goods is bad for Europe. The sensible policy for an energy-poor region is to import energy-intensive goods from those places where energy is abundant and sell products and services whose inputs contain less energy. The same can be said for industries whose productivity depends on

A high-skilled population should specialise in high-tech, knowledge-intensive production

plentiful hydrocarbons as feedstock.

guard Europe’s values and interests.

A second retort is that some energy-intensive industries are necessary for security reasons – as is energy itself. But most industries are not strategic. If Europe produces less fertilizer, ammonia and commodified glass, ceramic or paper products, so be it. A prosperous, high-skilled population should specialise in high-tech, knowledge-intensive production in such sectors and import the rest, stockpiling essentials in case of disrupted supply chains. An industrial restructuring in that direction will make the economy richer and safer from external shocks.

The best retort, however, is that a lack of fossil energy endowments does not doom Europe to energy dependence overall. With capacity to generate, transmit and store renewable electric-

knowledge. Industry should electrify everything that can be electrified and develop production methods best suited to renewable energy system.

Europe’s concern should be that it subsidises too little – especially in renewables and grid capacity – not that the US subsidises too much. More EU common spending is needed, and new fiscal rules must coax more investment out of national budgets. EU leaders have made welcome remarks in this direction in recent days. Carbon tariff plans must be expanded and coupled with tougher domestic carbon pricing.

On this, it should seek a US partnership. Washington is already interested in a pact keeping out “dirty” steel from China and others; Europe should embrace this interest and try to widen it to a broader carbon tariff deal. Donald



Workplace wellbeing
 'You can't yoga your way out of the issues creating ill health'
 WORK & CAREERS

Unexpected perils and opportunities of a sabbatical



Pilita Clark
 Business Life

What does the new chief financial officer of HSBC have in common with one of the world's top crime writers and a billionaire Silicon Valley tech titan? The answer is not obvious, because each is a member of an unusual club. They all took sabbatical leave from an enviable corporate job and returned to find themselves on a path to bigger, bolder success.

Georges Elhedery's story is the most surprising. He was in his late forties and co-head of investment banking at HSBC in January when he announced he was taking six months off for "personal development". This was a rare move for anyone in the remorseless world of investment banking, especially a senior banker. So was what happened next.

When Elhedery returned, having learnt some Mandarin, he was promoted to chief financial officer in a move that made him a contender for the top job of chief executive.

Here lie two important lessons, starting with the idea that a sabbatical is career suicide because anyone who takes one is visibly less committed to their career. Elhedery shows otherwise,



Kenneth Anderson

which leads to a second lesson: beware of mouthing off about a colleague heading to apparent career oblivion via extended leave. You might find them firmly back in the office — and your boss.

Different conclusions can be drawn from other members of the supercharged sabbatical club. Before he became a bestselling Norwegian crime writer, Jo Nesbo studied to be a financial analyst and was headhunted by a top brokerage firm, DNB Markets, to build up its options division.

He was also playing guitar in a band at night and, after a year, was so burnt out he told his boss and the band he needed six months off. "I hopped on a plane to Australia, to get as far away from Norway as I could," he once wrote.

On the long flight from Oslo to Sydney, he came up with the plot for a novel about a flawed but likeable

☞ Beware of mouthing off about a colleague heading to apparent career oblivion via extended leave ☞

detective named Harry Hole. By the time he got back home, Nesbo had almost finished the first of what would become the hugely popular Harry Hole thrillers and was on his way to becoming a publishing phenomenon worth millions of dollars.

Nesbo's story offers a different lesson about sabbaticals: they do not always deliver a tanned, rested worker fired up to do years more loyal work. They sometimes produce a competitor, such as Marc Benioff, co-founder of the Salesforce software company.

Benioff was earning a multimillion-dollar salary in what he described in a memoir as "the greatest job I could ever have imagined", at the software powerhouse Oracle, when he sank into a profound malaise. When he told his boss, Larry Ellison, Oracle's co-founder, the older man told him to take a three-month sabbatical. Benioff went to India, found guidance from a "hugging saint" and began to think about forming his own software business. Two years later, he left Oracle and set up Salesforce, sparking a sometimes tetchy rivalry with Ellison.

What does all this show? For one thing, easy assumptions are often wrong in corporate life, as they are in

much of life generally. The urge to have a rest from years of relentless work burns brightly in many people, including those with no desire to quit or slack off.

Equally, sabbaticals do not automatically guarantee company loyalty. Their popularity will inspire commitment in many workers, even if research shows the cheering effects of even six months off can fade soon after returning to work. But people such as Benioff and Nesbo are unlikely to be held in place by the lure of a long break, no matter how much they might want it at the time.

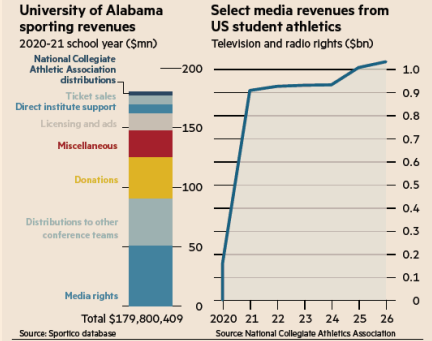
Ultimately though, if you work for a company that offers a sabbatical, you are exceedingly fortunate, especially in the US, just 5 per cent of employers offered paid sabbatical leave in 2019, according to a Society for Human Resource Management survey of its US-based members. A barely much better 11 per cent had an unpaid sabbatical programme.

For most of us, this type of leave is precious, so grab it if you can, even if it fails to deliver everything you, or your colleagues or bosses, are expecting.

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Lex.

US college football: beyond a jock



In 2035 or so, an economist may win a Nobel Prize for showing that post-pandemic inflation did not come from supply bottlenecks or stimulus payments but from an arms race in American college football.

Take Auburn University. The problem of this Alabama state institution is not that it is paying someone a lot to coach its high-profile football team. Instead, the college is currently paying two different men close to \$50m for the next few years not to coach its team.

College football coaches are demigods in America. Their names are emblazoned on town welcome signs. Their pay runs into millions and is largely guaranteed.

Auburn has sacked two disappointing team leaders since 2020. The pair had contracts with hefty buyout clauses. Schools such as Auburn are increasingly willing to sack coaches when teams lose a few games. Even hard-bitten Wall Street bankers may be shocked by the savage Darwinism of the profession. Moreover, it is manifesting itself mostly at tertiary education institutions theoretically run for state citizens.

College football has become a commercial juggernaut. Television rights for the top college football league, which includes Auburn, the University of Alabama and University of Georgia, are worth \$300m annually to Disney's ESPN sports broadcasting division. A separate package for national playoff games shown on ESPN goes for \$470m per year.

The highest payouts go to teams that make championship rounds. A top coach is seen as the sine qua non to recruiting new, non-remunerated talent. Salaries and buyouts are often paid for not by taxpayers but by non-profit "booster" clubs of wealthy superfans. Their fanaticism helps fuel the frenzy.

University bosses argue that most of the spoils go to athletic departments and universities in the form of alumni donations and goodwill. The dominant college football team of the past 15 years is at the University of Alabama. A majority of students there now enrol from out of state, paying tuition fees treble those of state residents.

Still, there is a jarring contrast between college football as a big money game and the Corinthian ideals of founders. It is just one facet of US universities where education now comes second to business. That is something for all Americans to mull over, not just would-be Nobel laureates.

NIKKEI Asia The voice of the Asian century

CROSSWORD
 No 17,269 Set by SLOMGMORM

ACROSS

- Pagan woman in Fife US cops get a lead on (7)
- Flipping embarrassed, having slipped by river (7)
- On the point of a fight (5)
- What corporation taxes changed in law site (9)
- Old paid employee nursing bishop's ailments (9)
- The First Lady books to see a sports meet (5)
- Weak and woozy (5)
- Inferior court ultimately employed no English judge (5-4)
- Karate student seen by strip of land around town (5-4)
- Clubs in contests without runs after first of matches (5)
- Man hugging foremost of pines in wood (5)
- A vet with a kilt flapping about's very gassy! (9)
- Duelists worried about a state of tiredness (9)
- Some seen inside bare national stadium (5)
- Official restricting E expresses hesitation for joints (7)
- Perhaps buy a meal for editor given medical care (7)

DOWN

- Set out reason deputy must take lead role? (4,3)
- Wretched existence seen in Lassie's biography? (14-4)
- One really dislikes milliner half the time (5)
- Recently-built Englishman's home in English city (9)
- Wander aimlessly around Germany and Split (5)
- Roughish type getting mother a port in Holland (9)
- Roofer possibly knocked over last of ice cream (5)
- House in which several acts might be looked at? (7)
- Fruit eaten in a sloppy manner with grin (9)
- Celt I lent pants is great thinker (9)
- One who plans travelling in the arctic (9)
- Better move slowly with heartless gangster around (7)
- One often seen waiting in jam on a road (7)
- Old hat of father's seen half moth-eaten! (5)
- Support the British prime minister (5)
- A possible vampire close to me? Cain down! (5)

JOTTER PAD

Solution 17,267

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