



**On the cover**  
**In the euro zone, no news is bad news:** leader, page 11. **The long road to recovery, or decline:** Charlemagne, page 33. **The pain in Spain is likely to continue, despite promising reforms, unless new sources of growth emerge,** page 29. **François Hollande fails to measure up,** page 31. **How post-war peace turned into the euro crisis,** page 83

### The Economist online

Daily analysis and opinion from our 39 blogs, plus audio and video content, debates and a daily chart [Economist.com/blogs](http://Economist.com/blogs)

**E-mail:** newsletters and mobile edition [Economist.com/email](http://Economist.com/email)

**Print edition:** available online by 7pm London time each Thursday [Economist.com/print](http://Economist.com/print)

**Audio edition:** available online to download each Friday [Economist.com/audioedition](http://Economist.com/audioedition)



Volume 407 Number 8837

First published in September 1843 to take part in "a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."

**Editorial offices in London and also:** Atlanta, Beijing, Berlin, Brussels, Cairo, Chicago, Hong Kong, Johannesburg, Los Angeles, Mexico City, Moscow, New Delhi, New York, Paris, San Francisco, São Paulo, Singapore, Tokyo, Washington DC

## 8 The world this week

### Leaders

- 11 **The euro crisis**  
Sleepwalkers
- 12 **American politics**  
How to save Obama's second term
- 14 **Myanmar and America**  
The ultimate endorsement
- 14 **The World Bank**  
Stand up for "Doing Business"
- 16 **Corruption in India**  
Lessons from cricket

### Letters

- 20 **On Malaysia, Georgia, CME, Giulio Andreotti, the ECB, football, Microsoft**

### Briefing

- 25 **Entitlements in America**  
From: Shadow Council of Economic Advisers  
To: Barack Obama

### Europe

- 29 **The Spanish economy**  
On being propped up
- 30 **Spanish unemployment**  
Indignant, undignified
- 30 **Croatia's economy**  
Coming in
- 31 **François Hollande**  
Presidency by ambiguity
- 32 **Greece's government**  
Up, but not out
- 32 **German football**  
Tor, Tor, Tor
- 33 **Charlemagne**  
Hobbling behind America

### Britain

- 34 **An atrocity in London**  
Old-style terror
- 35 **The economy**  
Much obliged
- 35 **The Church of Scotland**  
A gay Rubicon
- 36 **Bagehot**  
Grassroots trouble

### Middle East and Africa

- 37 **Kenya, South Sudan and Uganda**  
Pipeline poker
- 38 **Nigeria's insurgency**  
A city under siege
- 38 **The Gulf of Guinea**  
Another Somalia?
- 39 **Strife in Iraq**  
Worse and worse
- 40 **Syria's war**  
How about diplomacy?

### United States

- 41 **The IRS scandal**  
Auditing the taxman
- 42 **A tornado in Oklahoma**  
A mile wide and howling
- 43 **Phones in prisons**  
Don't call home
- 43 **Intellectual property**  
Fighting China's hackers
- 44 **New York state politics**  
Riotous assembly
- 44 **Los Angeles's mayoral election**  
Who?
- 45 **Lexington**  
Rand Paul's dream

### The Americas

- 46 **The Caribbean**  
Treasure islands in trouble
- 47 **Business in Cuba**  
A new course
- 47 **Canada's scandals**  
Widening cracks
- 48 **Mexico's economy**  
Reality bites

### Special report: Myanmar

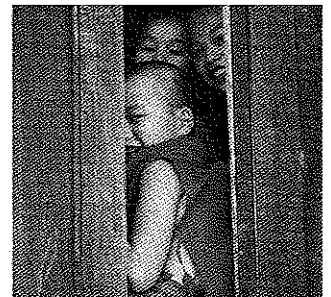
**A Burmese spring**  
After page 48



**Obama** Despite the rancour over scandals, big reforms are still possible: leader, page 12. How to reform entitlements, pages 25-28. The IRS has behaved badly, but the real villain is Congress, page 41



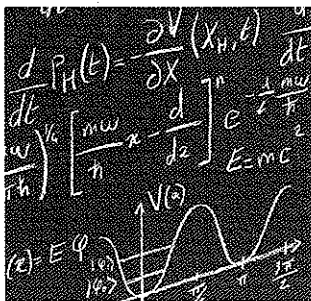
**India** The mismanagement of Indian cricket reveals the country's wider failings: leader, page 16. India is considering letting its business houses run banks. It should think twice, page 69



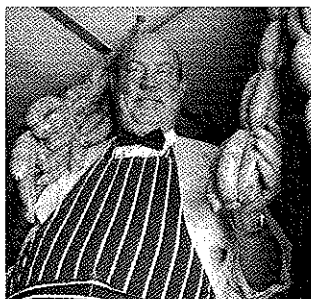
**Myanmar** Its commitment to reform has been impressive, but stern tests lie ahead: leader, page 14. The country needs to move fast to heal its ethnic divisions: special report after page 48



**Defence offsets** More governments are insisting that weapons-sellers invest in side deals to help them develop their industries. This is a bad idea, page 61



**Science** Fundamental physics has made important advances. Where does it go from here? A review of three new books, page 81. Quantum cryptography is about to make eavesdropping on secret communications harder, page 77



**Bill O'Hagan** Pioneer of Britain's sausage renaissance: our obituary, page 94

## Asia

- 49 **India and China**  
Parsnips unbuttered
- 50 **Indonesia's forests**  
Logging the good news
- 51 **Peacemaking in the Philippines**  
Bedevilled by the details
- 51 **The Pacific's colonies**  
Ends of empire
- 52 **Japan and North Korea**  
The frogman cometh
- 54 **Banyan**  
Backs to the sea in Karachi

## China

- 55 **Settlers in Xinjiang**  
Circling the wagons

## International

- 57 **Feminist protest**  
Breast-beating
- 58 **Industrial espionage**  
Unusual suspects
- 58 **Drug-law reform**  
Inching forward
- 59 **Halal business**  
Consuming passions

## Business

- 61 **The defence industry**  
Guns and sugar
- 63 **Companies and tax**  
Cook lightly grilled
- 64 **Internet mergers and takeovers**  
Platforms upon platforms
- 66 **Dairy deals in China**  
Uh-oh, Danone
- 66 **Football in America**  
City to city
- 67 **Video games**  
Battle of the boxes
- 68 **Schumpeter**  
The age of smart machines

## Finance and economics

- 69 **Indian banks**  
Lenders of the last resort
- 70 **Remittances**  
Channelling cash
- 70 **JPMorgan**  
Unbreakable Dimon

- 71 **Greek banks**  
System reboot
- 71 **Activist investors**  
Let's do it my way
- 72 **Buttonwood**  
Apocalypse, not yet
- 73 **Chasing debtors**  
Adnan Khashoggi, cashless billionaire?
- 74 **Free exchange**  
Making pay work

## Science and technology

- 77 **Cryptography**  
The solace of quantum
- 78 **Personality, social media and marketing**  
No hiding place
- 80 **Microbiomics**  
A virus shield
- 80 **Invasive species**  
Thorny questions

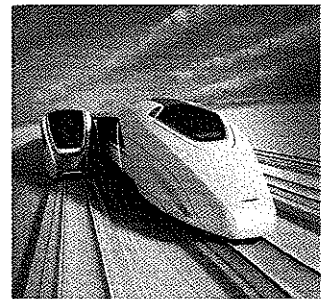
## Books and arts

- 81 **The future of physics**  
Beyond the numbers
- 82 **America, India and Pakistan**  
Infernal triangle
- 82 **British political history**  
Edmund Burke, the first Conservative
- 83 **The VW camper van**  
A bug's life
- 83 **The future of Europe**  
After the darkest hour
- 84 **The Blue Rider group**  
Eye music

- 92 **Economic and financial indicators**  
Statistics on 42 economies, plus a closer look at Mexico's economy

## Obituary

- 94 **Bill O'Hagan**  
The sausage king



**Next week**  
We publish our **Technology Quarterly**, with reports on innovations in train technology, hypersonic missiles, fixing distant space probes, microphones as sensors, space start-ups and red tape, solid-state lighting and much more

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

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

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

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

**Other commercial offices:**  
Chicago, Dubai, Frankfurt, Los Angeles, Paris, San Francisco and Singapore

## Subscription service

For our latest subscription offers, visit [economist.com/offers](http://economist.com/offers) or call the telephone number provided below: Telephone: +44 (0) 1444 475 647

When you subscribe, a tree will be planted for you in *The Economist* forest.

### Subscription for 1 year (51 issues)

**Euro-zone countries €185**

Czech Republic	CZK 5,365
Denmark	DKr 1,600
Hungary	HUF 58,850
Norway	Nkr 1,710
Poland	PLN 875
Sweden	SKr 1,780
Switzerland	Sfr 298

**Other Europe (ex UK) €185**

Middle East - GCC	US\$349
South Africa	Rand 2,040
Middle East + Africa	US\$285



PEFC certified  
This copy of *The Economist* is printed on paper sourced from sustainably managed forests certified by PEFC  
[www.pefc.org](http://www.pefc.org)

