Also in this section

48 Xi's Middle Eastern tour

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Family relationships

Divorce: a love story

CHONGQING

While the government talks up family values, marriage break-ups are soaring

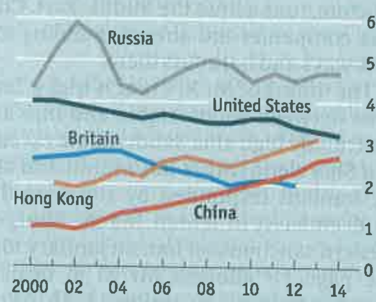
YANG YOURONG's wife kicks him as they walk upstairs and he falls back a few steps, then follows again at a distance up to the cramped offices of a district-government bureau handling divorces in Chongqing, a region in the south-east. After more than 20 years of marriage, Mr Yang's wife has had several affairs; she is "quick tempered", he says (she had slapped him earlier, he claims). At the bureau, divorce takes half an hour and costs 9 yuan ($1.40). It is administered a few steps away from where other couples get married and take celebratory photographs. Mr Yang and his wife have second thoughts, however; they return home, still arguing. Most couples hesitate less.

Divorce rates are rising quickly across China. This is a remarkable transformation in a society where for centuries marriage was universal and mostly permanent (though convention permitted men to take concubines). Under Communist rule, traditional values have retained a strong influence over family relationships: during much of the Mao era, divorce was very unusual. It became more common in the 1980s, but a marriage law adopted in 1994 still required a reference from an employer or community leader. Not until 2003 were restrictions removed.

The trend reflects profound economic and social change. In the past 35 years, the biggest internal migration experienced by any country in human history has been tearing families apart. Traditional values have been giving way to more liberal ones. Women are becoming better educated, and more aware of their marital rights (they now initiate over half of all divorce cases). Greater affluence has made it easier for many people to contemplate living alone—no longer is there such an incentive to stay married in order to pool resources.

Frayed knots

Divorces per '000 population



Sources: Eurostat; UN; national statistics

As long as both sides agree on terms, China is now among the easiest and cheapest places in the world to get a divorce. In many Western countries, including Britain, couples must separate for a period before dissolving a marriage; China has no such constraints. In 2014, the latest year for which such data exist, about 3.6m couples split up—more than double the number a decade earlier (they received a red certificate, pictured, to prove it). The divorce rate—the number of cases per thousand people—also doubled in that period. It now stands at 2.7, well above the rate in most of Europe and approaching that of America, the most divorce-prone Western country (see chart). Chongqing's rate, 4.4, is higher than America's.

Helped by the huge movement of people from the countryside into cities, and the rapid spread of social media, the availability of potential mates has grown with astonishing speed, both geographically and virtually. But many migrants marry in their home villages and often live apart from their spouses for lengthy periods. This has contributed to a big increase in extramarital liaisons. Married people previously had limited opportunities to meet members of the opposite sex in social situations, according to research by Li Xiaomin of Henan University. Peng Xiaobo, a divorce lawyer in Chongqing, reckons 60-70% of his clients have had affairs.

Such behaviour has led to much soul-searching. The notion that "chopsticks come in pairs" is still prevalent; propaganda posters preach Confucian-style family virtues using pictures of happy, multi-generation families. (President Xi Jinping is on his second marriage but this is rarely mentioned.) Many commentators in the official media talk of separation as a sign of moral failure; they fret that it signifies the decline of marriage, and of family as a social unit—a threat, as they see it, to social stability and even a cause of crime. The spread of "Western values" is often blamed.

But marriage is not losing its lustre. In most countries, rising divorce rates coincide with more births out of wedlock and a fall in marriage rates. China bucks both these trends. Remarriage is common too. The Chinese have not fallen out of love ▸▸

with marriage—only with each other.

It is tradition itself that is partly to blame for rising divorce rates. China's legal marriage age for men, 22, is the highest in the world. But conservative attitudes to premarital relationships result in Chinese youths having fewer of them than their counterparts in the West (they are urged to concentrate on their studies and careers, rather than socialise or explore). Living together before marriage is still rare, although that is changing among educated youngsters. People still face social pressure to marry in their 20s. Their inexperience makes it more than usually difficult for them to select a good partner.

Couples' ageing relatives are part of the problem too. Yan Yunxiang of the University of California, Los Angeles, says "parent-driven divorce" is becoming more common. As a result of China's one-child-per-couple policy (recently changed to a two-child one), many people have no siblings to share the burden of looking after parents and grandparents. Thus couples often find themselves living with, or being watched over by, several—often contending—elders. Mr Yan says the older ones' interference fuels conjugal conflict. Sometimes parents urge their children to divorce their partners as a way to deal with rifts.

Women are more likely to be the ones who suffer financially when this happens. Rising divorce rates reflect the spread of more tolerant, permissive values towards women, but legislation tends to favour men in divorce settlements. A legal interpretation issued in 2003 says that if a divorce is disputed, property bought for one partner by a spouse's parents before marriage can revert to the partner alone. That usually means the husband's family: they often try to increase their child's ability to attract a mate by buying him a home.

In 2011 the Supreme Court went further. It ruled that in contested cases (as about one-fifth of divorces are), the property would be considered that of one partner alone if that partner's parents had bought it for him or her after the couple had got married. In addition, if one partner (rather than his or her parents) had bought a home before the couple wed, that person could be awarded sole ownership by a divorce court. This ruling has put women at a disadvantage too: by convention they are less often named on deeds.

In practice, if the couple has children the person with custody often keeps the home—more often the mother. Yet the court's interpretation sets a worrying precedent for divorced women. Their difficulties may be compounded by the two-child policy, which came into effect on January 1st. If couples have two children and both partners want custody, judges often assign parents one child each. Marriage and the family are still strong in China—but children clearly lie in a different asset class. ■

China's foreign policy

Well-wishing

BEIJING

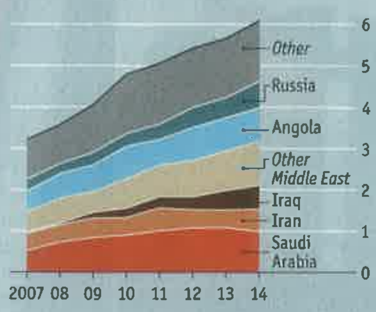
Xi Jinping's tour of the Middle East shows China's growing stake there

SINCE he took over as China's leader in 2012, Xi Jinping has been a busy globe-trotter. Last year he visited more countries than Barack Obama, America's president (14 against 11). Heedless of whether his hosts are powerful, puny or pariahs, he has flown everywhere from America to the Maldives and Zimbabwe. Mr Xi wants to project China's rising power—and his role in promoting that—to foreign and domestic audiences. But until this week, he had not set a presidential foot in the Middle East.

The trip, under way as *The Economist* went to press, began in Saudi Arabia (whose king, Salman bin Abdul Aziz, is pictured with Mr Xi). He then visited Egypt and was due to finish his tour in Iran. No Chinese president had toured the region since 2009. China's leaders had worried about getting embroiled in the region's intractable disputes. But China has a big stake in the Middle East. It is the world's largest oil importer and gets more than half of its crude from the region (see chart). Mr Xi's much ballyhooed "new Silk Route", aimed at linking China and Europe with the help of Chinese-funded infrastructure, runs across the Middle East. Chinese companies are already building expressways and harbours there.

Growing dependence

Chinese crude-oil imports by country, m b/d



Sources: China customs; *The Economist*

The timing of Mr Xi's tour is tricky. Tensions between Saudi Arabia and Iran are particularly high after Saudi Arabia executed a Shia cleric earlier this month and angry Iranians responded by storming the Saudi embassy in Tehran. But the lifting of Western sanctions on Iran on January 16th (see page 27) allowed Mr Xi to display even-handedness by visiting both countries, without upsetting Western powers. Mr Xi, like his predecessors, likes to present China as a non-interfering champion of peace. (Xinhua, China's state-run news agency, said this week that the West's "meddling hands" were "more of a mortal poison than of a magic potion" in the Middle East.) But Mr Xi is not keen to play a central role as peacemaker. China's first "Arab Policy Paper", released on January 13th, is a vague, waffly document. It talks of "building a new type of international relations", but is devoid of new ideas.

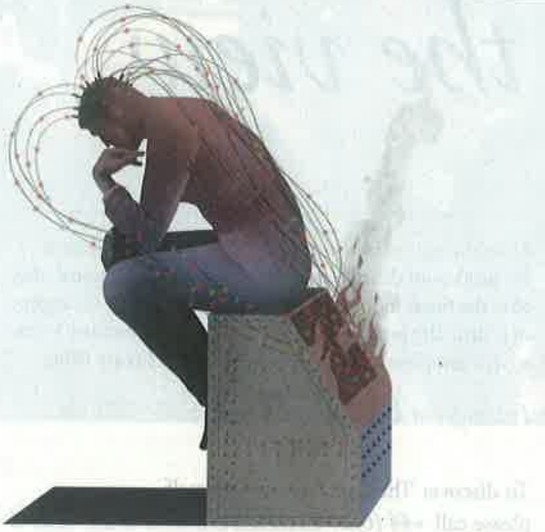
Zhang Ming, a vice-foreign minister, said this week that economic development was the "ultimate way out" of conflict in the region. By expanding its trade and investment links with the Middle East, China hopes discontent and conflict there will gradually dissipate. In addition to crushing dissent, it is trying a similar approach in Xinjiang, a province in western China with a large Muslim population—so far without success.

In the long run, China may find it hard to avoid taking sides. To some extent it has already done so in Syria: it talks to representatives from both the Syrian government and the opposition, but by vetoing UN resolutions on intervention it tilts, in effect, in the government's favour. The presence of a growing number of Chinese citizens in the Middle East may challenge China's non-interventionist approach. After a Chinese national was executed by Islamic State in November, China promised to strengthen protection of its citizens abroad. Its new rules of Middle Eastern diplomacy could end up resembling familiar Western meddling. ■

Walking a fine line

Schumpeter | The collaboration curse

The fashion for making employees collaborate has gone too far



IN MODERN business, collaboration is next to godliness. Firms shove their staff into open-plan offices to encourage serendipitous encounters. Managers oblige their underlings to add new collaborative tools such as Slack and Chatter to existing ones such as e-mail and telephones. Management thinkers urge workers to be good corporate citizens and help each other out all the time.

The fashion for collaboration makes some sense. The point of organisations is that people can achieve things collectively that they cannot achieve individually. Talking to your colleagues can spark valuable insights. Mixing with people from different departments can be useful. But this hardly justifies forcing people to share large noisy spaces or bombarding them with electronic messages. Oddly, the cult of collaboration has reached its apogee in the very arena where the value of uninterrupted concentration is at its height: knowledge work. Open-plan offices have become near-ubiquitous in knowledge-intensive companies. Facebook has built what is said to be the world's biggest such open space, of 430,000 square feet (40,000 square metres), for its workers.

Hitherto, knowledge workers have largely suffered in silence or grumbled in private because their chances of promotion have come to be influenced by their willingness to collaborate. But a backlash is setting in: the current *Harvard Business Review (HBR)* has a cover story on "collaborative overload"; and Cal Newport of Georgetown University has just brought out a book called "Deep Work: Rules for Focused Success in a Distracted World".

A growing body of academic evidence demonstrates just how serious the problem is. Gloria Mark of the University of California, Irvine, discovered that interruptions, even short ones, increase the total time required to complete a task by a significant amount. A succession of studies have shown that multitasking reduces the quality of work as well as dragging it out. Sophie Leroy of the University of Minnesota has added an interesting twist to this argument: jumping rapidly from one task to another also reduces efficiency because of something she calls "attention residue". The mind continues to think about the old task even as it jumps to a new one.

A second objection is that, whereas managers may notice the benefits of collaboration, they fail to measure its costs. Rob Cross and Peter Gray of the University of Virginia's business school estimate that knowledge workers spend 70-85% of their time attending meetings (virtual or face-to-face), dealing with e-mail, talking on the phone or otherwise dealing with an avalanche of requests for input or advice. Many employees are spending so much time interacting that they have to do much of their work when they get home at night. Tom Cochran, a former chief technology officer of Atlantic Media, calculated that the midsized firm was spending more than $1m a year on processing e-mails, with each one costing on average around 95 cents in labour costs. "A free and frictionless method of communication," he notes, has "soft costs equivalent to procuring a small company Learjet."

Mark Bolino of the University of Oklahoma points to a hidden cost of collaboration. Some employees are such enthusiastic collaborators that they are asked to weigh in on every issue. But it does not take long for top collaborators to become bottlenecks: nothing happens until they have had their say—and they have their say on lots of subjects that are outside their competence.

The biggest problem with collaboration is that it makes what Mr Newport calls "deep work" difficult, if not impossible. Deep work is the killer app of the knowledge economy: it is only by concentrating intensely that you can master a difficult discipline or solve a demanding problem. Many of the most productive knowledge workers go out of their way to avoid meetings and unplug electronic distractions. Peter Drucker, a management thinker, argued that you can do real work or go to meetings but you cannot do both. Jonathan Franzen, an author, unplugs from the internet when he is writing. Donald Knuth, a computer scientist, refuses to use e-mail on the ground that his job is to be "on the bottom of things" rather than "on top of things". Richard Feynman, a legendary physicist, extolled the virtues of "active irresponsibility" when it came to taking part in academic meetings.

What gets measured...

Why have organisations been so naive about collaboration? One reason is that collaboration is much easier to measure than "deep work": any fool can record how many people post messages on Slack or speak up in meetings, whereas it can take years to discover whether somebody who is sitting alone in an office is producing a breakthrough or twiddling his thumbs. The more junior the knowledge worker is, the more likely he is to spend his time doing things that are easy to measure rather than engaging in more demanding but nebulous work. A second reason is that managers often feel obliged to be seen to manage: left to their own devices they automatically fill everybody's days with meetings and memos rather than letting them get on with their work.

What can be done to restore balance in a world gone collaboration-mad? Few people have the freedom of a Franzen or a Feynman to unplug themselves from the world. But employees—particularly young ones—need to recognise the long-term costs of working in a constant state of distraction. The *HBR* article points out that there is an overlap of only 50% between "the top collaborative contributors in any organisation and those individuals deemed to be the top performers." About 20% of company stars keep themselves to themselves. So organisations need to do more to recognise that the amount of time workers have available is finite, that every request to attend a meeting or engage in an internet discussion leaves less time for focused work and that seemingly small demands on people's time can quickly compound into big demands. Helping people to collaborate is a wonderful thing. Giving them the time to think is even better. ■

from Afghanistan) has doubled in roubles over the past year.

In theory the 25% fall in the inflation-adjusted exchange rate in the past year provides a golden opportunity to diversify away from hydrocarbons. To a foreign buyer, labour is now cheaper in Russia than in China. However, foreign investment is wilting too. FDI inflows, which were sliding before the crisis, fell from a quarterly peak of $40 billion in early 2013 to $3 billion in the second quarter of 2015. Foreigners are likely to become net divestors soon. Small wonder that manufacturing production was down by 5% year on year in the first half of 2015; agricultural output is stagnant. The first, most dramatic phase of Russia's crisis may indeed be behind it, as Mr Putin claimed. But for ordinary Russians, phase two will not seem much better. ■

Investment fraud

The cockroaches of finance

Boiler-room scams remain common and are evolving

WHEN Thomas Guerriero came knocking, pulses quickened at Oxford City, a club in the sixth tier of English football. The snappily dressed American appeared to be building a thriving conglomerate that included sports teams and private universities. He bought a 50% stake and talked of propelling the club into the big time.

The tie-up appears to have been an own-goal. Mr Guerriero's stake has been frozen as he awaits trial in America on ten charges, including fraud and witness-tampering. (He denies wrongdoing.) Oxford City has lost face, but little money: its assets are safely parked with the charity that owns the other 50%. Others have fared worse: prosecutors allege that Mr Guerriero ran a "boiler room"—a brokerage that uses high-pressure tactics to sell shares and other investments of little or no value to unwary individuals over the phone—which bilked 150 American investors out of $6.5m.

Boiler rooms trade on coercion and intimidation, and this one was no exception, say prosecutors. Victims were told that their conversations had been recorded and were legally binding agreements to buy, and that if they reneged they would face late fees and property liens. It is alleged that one even liquidated an annuity to hand over $250,000.

The heyday for boiler rooms was the dotcom boom of the 1990s, when Jordan Belfort, the "Wolf of Wall Street", strutted his stuff. Today, online and e-mail-based fraud is seen as a bigger problem. But the steady stream of convictions suggests that old-style boilers remain common. The Guerriero case is one of dozens of its type brought by the SEC in recent years.

Crime-busters worry that scams are evolving. While stock fraud has waned, says a regulator, there has been a "significant rise" in boiler-room tactics being used to sell things like carbon credits, fine wine, rare earth metals and even bogus Ebola treatments.

America remains the world's investment-fraud capital, but police in Britain—where investors lost an estimated £1.7 billion ($2.8 billion) to such scams in the 12 months to September 2014—fret that the City of London could become infested with financial cockroaches. They are leading a multi-agency crackdown. Britain's Financial Conduct Authority runs a website, ScamSmart, that lists more than 1,000 dodgy operators.

The economic impact of refugees

For good or ill

Europe's new arrivals will probably dent public finances, but not wages

THE welcome accorded the 1.1m refugees arriving in Germany in 2015 is cooling fast. On January 19th 44 members of parliament in the governing coalition sent a cross letter to their boss, Angela Merkel, who is the refugees' chief advocate. "Our country is about to be overwhelmed," they complained. Yet more migrants may be on their way: there are 8m displaced people within Syria, and 4m more in neighbouring countries.

Humanity dictates that the rich world admit refugees, irrespective of the economic impact. But the economics of the influx still matters, not least because it colours perceptions of the new arrivals. One fear is that immigrants will compete for work and drag down wages. Another is that they will pinch the public purse.

Good for pensions

When it comes to their pay packets, Germans need not fret. Evidence suggests that immigration has only a small impact on employment or wages. Unskilled workers and existing migrants are most vulnerable, as they are the closest substitutes for the new arrivals. But the effects are still measly. For example, a recent paper by Stephen Nickell of Oxford University and Jumana Saleheen of the Bank of England found that a ten-percentage-point rise in the share of migrants working in menial jobs, such as cleaning, depressed wages for such positions by just 2%.

This wage-dampening can even have positive side-effects. Mette Foged and Giovanni Peri studied refugees arriving in Denmark between 1991 and 2008, and found that they did nudge low-educated natives out of lowly jobs. But rather than sulking on the dole, the displaced natives switched to jobs that involved less manual labour, sometimes with higher salaries.

The evidence on the likely fiscal impact of refugees is murkier, as adding up the tax paid and benefits received by any individual or group is tricky. Those who try tend to find only small differences between immigrants and natives. The OECD, a club of mostly rich countries, assessed the effect of immigrants on its members' finances in 2007-09. It found they made a net fiscal contribution of around 0.35% of GDP on average, with relatively little variation from country to country.

But the experience of past immigrants may not be much use in assessing the impact of the new lot. Immigrants were a fiscal burden in Germany in part because lots of them are pensioners, who tend to drain the public finances. The new arrivals, in contrast, are young, with a long working life ahead of them.

There are also differences between refugees and other legal migrants. A new paper from the IMF uses existing immigrants to Europe from Afghanistan, Eritrea, Iran, Iraq, Somalia, Syria and the former Yugoslavia as proxies for the latest wave of refugees, since most of them come from those countries. Relative to other immigrants, people from those countries who have been in Europe for less than six years are 17 percentage points more likely to rely on benefits as their main source of income ▸▸

and 15 percentage points less likely to be employed, even after controlling for things like age, education and gender. This gap does shrink the longer the migrants have been in Europe, but it is still there for refugees who have been in residence for more than 20 years.

These barriers suggest that it will be a while before refugees pay more in tax than they receive in state support. A study of Australian refugees found that they paid less tax than they received in benefits for their first 15-20 years of residency. Of course, the newest arrivals in Europe could be very different. Information on their education is scarce, but there are some glimmers of evidence that they are relatively skilled. Still, given that most European countries redistribute income from rich to poor, as long as they are poorer than the average native, they will probably receive net transfers.

The influx will not be bank-breaking, however. In the very short run, the IMF estimates that refugees will add around 0.19% of GDP to public expenditure in the European Union (0.35% in Germany) in 2016. This will add to public debt, and given higher joblessness among refugees, unemployment will rise. But looking only at their fiscal impact is too narrow a focus. Later on, as the new arrivals integrate into the workforce, they are expected to boost annual output by 0.1% for the EU as a whole, and 0.3% in Germany. They should also help (a little bit) to reverse the upward creep of the cost of state pensions as a share of GDP, given their relative youth.

Of course, these figures are highly uncertain, and depend on how many more refugees arrive, how quickly their asylum applications are processed and how soon they find jobs. Governments can make their impact more benign by accelerating all those steps. ■

Buttonwood | Watch what they pay

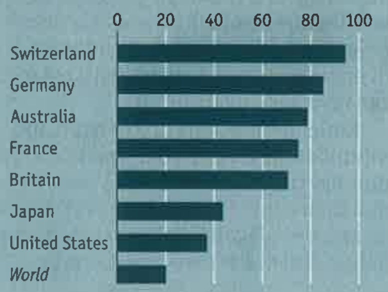
Dividend income has become harder to find

DIVIDENDS provide the vast bulk of long-term returns from equities. Work by Elroy Dimson, Paul Marsh and Mike Staunton of the London Business School shows that the real annual total return from American shares since 1900 has been 6.4%. Capital gains supplied just a third of that figure; reinvested dividends accounted for the rest.

So the outlook for dividends ought to be crucial for equity investors. They should be concerned that, in some markets, dividend income is concentrated in a small number of stocks (see chart). In Australia, Britain, France, Germany and Switzerland, more than 70% of the dividends come from just 20 companies.

A narrow base

Share of total dividends from 20 highest-paying stocks, latest 12 months available, %



Source: Société Générale

That leaves investors' income dependent on the fortunes of just a few industries. Banks were big dividend-payers until the financial crisis of 2008; energy and mining companies have been good sources of income since then. But falling commodity prices are leading energy companies to reduce their payouts. Last year 504 American companies cut their dividends, according to Standard & Poor's, a credit-rating agency, compared with 291 in 2014. Energy companies made up nearly half of the dividend-cutting group in the fourth quarter.

As a result of these cuts, dividends are growing more slowly than before. In the fourth quarter of 2015, dividends rose by \$3.6 billion in cash terms, compared with a \$12 billion increase in the same period of 2014. Investors who need income are now relying on the pharmaceutical and health-care sectors; research by Andrew Lapthorne of Société Générale, a bank, shows that the three largest stock holdings of global income funds are Pfizer, Roche and Johnson & Johnson.

The narrow base of dividend provision is important when it comes to judging the attractiveness of equities. In some markets, dividend yields are higher than government-bond yields; in Britain, for example, the FTSE All-Share index yields 4% whereas 10-year gilts offer just 1.7%. For some, this makes equities a bargain.

Until the 1950s it was the norm for equities to have a higher yield than bonds. Shares were perceived to be riskier than government bonds so investors demanded higher payouts for owning them. But opinion changed as the market began to be dominated by institutional investors—pension funds and insurance companies. Their size allowed them to own diversified portfolios, in which the consequences of the failure of an individual firm were much reduced. Thus hedged, they piled into equities to capitalise on the tendency of dividends to grow over time. Interest payments on bonds, in contrast, are fixed, which was a particular problem in the inflationary environment of the 1960s and 1970s. As a result the dividend yield dropped below the government-bond yield in most markets and stayed there.

Since the financial crisis of 2008, the ratio seems to have undergone another fundamental shift. Government bonds are valued for their safety, particularly in a world of low inflation. A high yield on an equity, meanwhile, may simply suggest that investors expect the dividend to be cut. Shares in BHP Billiton, a mining group, have plunged along with commodity prices. That makes their yield, calculated using last year's dividend, look extremely high, at 12%. But analysts expect the dividend to be cut in half this year. Investors may also be seeking a higher overall dividend yield on equities to reflect the riskier nature of the income stream now that dividends are more concentrated among fewer companies.

What about share buy-backs? They are an alternative source of income for investors; for some, they are a more tax-efficient way of receiving cash. But buy-backs are much more variable than dividends: the amount spent on them by non-financial companies in the S&P 500 index fell from over \$400 billion in 2007 to under \$70 billion in 2009, according to Deutsche Bank. Companies can quietly trim their buy-back programmes; a dividend cut is a public sign of trouble. And, of course, investors who sell their shares in a buy-back need to find some other asset to replace that source of income.

Investors ignore dividends at their peril. In more than a century of data, across 19 countries, the LBS academics found that annual returns from the markets with the highest dividend yields were eight percentage points higher than those from the lowest-yielding markets. So during the current reporting season, smart investors will be looking not just at notional earnings (which can be a highly subjective measure) but at the cold, hard cash that companies are shelling out.

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