

Austria's presidential election

Disaster averted—for now

Europe's far right is no longer a fringe



Austria dodged a bullet this week. So did Europe. Norbert Hofer, a talented politician with a winning smile, nearly became the first far-right head of state in western Europe since the end of the second world war—but failed, by a nerve-jangling 0.6% of the vote (see page 45).

This is scant cause for relief. Mr Hofer has shown that well-packaged extremism is a vote-winner. He sounds so reasonable. Austria must maintain border controls for as long as the European Union cannot enforce its external frontiers, he says. Of course he supports the EU, but only on the basis of subsidiarity (“national where possible, European where necessary”). It is easy to forget that his Austrian Freedom Party (FPÖ) was partly founded by ex-Nazis, and that its manifesto—much of which Mr Hofer wrote—bangs on about Europe’s Christian culture and the German ethno-linguistic *Heimat*. Or that his party demonises “fake” asylum-seekers and vows to outlaw the distribution of free copies of the Koran.

The FPÖ’s popularity, like that of xenophobic parties across Europe, is in part an angry reaction to the recent influx of Middle Eastern refugees. Alexander Van der Bellen, the former Green Party leader who narrowly beat Mr Hofer, owes his victory to a broad alliance of voters trying to block the far right. Yet a fringe party that draws half the vote is no longer a fringe. And Austria is a harbinger: all over Europe, far-right parties are becoming too big to ignore (see chart).

In France Marine Le Pen will probably come first in the initial round of next year’s presidential election. In the Netherlands Geert Wilders is polling far ahead of any rival. Far-right parties in Denmark and Switzerland have been winning pluralities for years, and Sweden’s may soon. This is not the 1930s.

Ms Le Pen is unlikely to win the second round of the presidential election. In Denmark and the Netherlands, populists have quit or refused to join coalitions for fear of being blamed for unpopular decisions. But they still influence policy, and force the centre-right and -left into grand alliances, leaving the populists as voters’ only plausible alternative.

How can mainstream parties beat them? Not by peddling diluted versions of their Eurosceptic or anti-immigrant policies. Austria’s Social Democrats switched from welcoming asylum-seekers to tightening border controls, and were flattened for it. Voters prefer real populists to centrists who fake it. Besides, extreme policies fuel irrational fears rather than extinguish them. Look at France and eastern Europe: the far right is thriving, though few Syrian refugees have arrived.

Stick to your guns

Moderates cannot defeat extremists by abandoning their ideals. Rather, they must fight for them. Voters are deserting mainstream parties because they stand for so little. They are hungry for politicians with clear values. Radicals of the left have understood this: witness the passionate support aroused by Britain’s Jeremy Corbyn and Spain’s Pablo Iglesias. The world needs leaders who can make an equally rousing argument for moderation. The mushmouths that France’s mainstream parties appear set to nominate next year will not do.

Responsible parties must also bring results. As our special report this week makes clear, the task of integrating refugees, economically and socially, is more urgent than ever. And Mr Hofer is right about one thing: to open its internal borders, the EU must secure its external ones. Extreme nationalist parties cannot integrate new immigrants, nor build an effective Europe of shared asylum burdens and orderly borders. Only the parties of tolerance and liberal values can do that. They need to convince voters of it. ■

Online platforms

Nostrums for rostrums

["LEADER" (SUMMARY) OF FEATURE ARTICLE PUBLISHED 5/28/2016 IN RESPONSE TO ANDY'S LETTER TO THE EDITOR]

The growing power of online platforms is worrisome. But regulators should tread carefully



IN 1949 Frank McNamara, an executive at a struggling finance company, had the idea of a charge card to settle the tab at high-class eateries. First, he had to solve a tricky problem. Restaurants would not accept a charge card as payment unless customers wanted to use one; and diners would not carry a card unless restaurants accepted it. His solution was to give away his card to a few hundred well-heeled New Yorkers: once the elite of Manhattan’s gourmards were signed up, he could persuade a few upscale restaurants to accept his new charge

card and also to pay him a commission. Within a year, the Diners Club card was accepted in hundreds of places and carried by over 40,000 people.

The Diners Club may not seem to have much in common with digital giants like Facebook, Google, Uber and Amazon. But such businesses are all examples of “platforms”: they act as matchmakers between various entities and they typically charge different prices to different actors in the market. Google connects websites, consumers and advertisers, who foot the bill. Facebook does something similar for its members. Uber matches passengers and drivers, who pay the ride-hailing app a slice of the fare. Amazon brings together shoppers with retailers, who pay a fee.

▶ The growing clout of online platforms is a boon to society but a headache for trustbusters. Platforms benefit from the power of networks: the more potential matches there are on one side of a platform, the greater the number that flock to the other side. The consequence may be a monopoly. That is normally a red flag for trustbusters, who are scrambling to keep pace with the rise of platforms (see page 57). But they should tread carefully. The nature of platforms means established rules of regulation often do not apply.

Think different

In a conventional, “one-sided” market, prices are related to the cost of supplying goods and services. If a business can charge a big mark-up over its marginal cost of production, a wise regulator would strive to ensure there are enough firms vying for business or, where that is not possible, to set prices in line with the monopolist’s costs. Such precepts are little use in regulating platforms. Their prices are set with an eye to the widest participation. Often consumers pay nothing for platform services—or are even charged a negative price (think of the rewards systems run by some payment cards). Pushing down prices on one side of the platform may cause charges on the other side to rise, a bit like a waterbed. That in turn may drive some consumers away from the platform, leaving everyone worse off. Such uncertainties mean that regulators must not act precipitously.

But they are right to be thinking about the unique economics of platforms. Tech giants like to claim there is no need for special regulation. The winner-takes-all aspect of networks may mean there is less competition inside the market, but there is still fierce rivalry for the market, because countless startups are vying to be the next Google or Facebook. Unfortunately, incumbents may be able to subvert this rivalry.

One of their strategies is to use mergers. “Shoot-out” acquisitions is the name given to purchases of startups with the aim of eliminating a potential rival. Many claim that Facebook’s acquisition of WhatsApp was in this category. A recent parliamentary report in Britain noted that Google had made 187 purchases of other tech firms. Trustbusters tend to ignore mergers of businesses in unrelated markets and big firms hoovering up small fry. Buyers of firms with an EU-wide turnover of less than €100m do not have to notify the European Commission. Rules that take into account how markets may develop over longer periods will be fiendish to craft. But they are needed.

A second concern is talent. Tech firms are jealous of their secrets. When their best people leave, they take ideas with them. Yet clauses in job contracts that restrict what types of work employees can do once they leave a company are also a means of thwarting the emergence of rivals. California has shown the way by clamping down on such practices.

A third issue is the power of personal data. Google is such an effective search engine in part because its algorithms draw on vast logs of past queries. Amazon can use customers’ trading history to guide its marketing with greater precision. These data troves raise barriers to entry to the next Google or Amazon. There are no easy fixes, however. Even defining who owns information is complex; making data portable is tricky.

As Frank McNamara and his heirs have found, a successful platform company finds ways of balancing the interests of the parties it brings together. Regulators of online platforms face a similar balancing act—between the incentives for new firms to emerge and the benefits to consumers of large incumbents. That will require new ways of thinking and careful judgment. In the meantime, however, the priority for trustbusters must be to ensure they do no harm. ■

American elections

Voting wrongs

America’s electoral laws are a recipe for chaos



IT IS the morning of November 9th, the day after the election, and America is waking up to find out who is the new president. The result turns on the vote in North Carolina, where the ballot papers are being recounted. Even when the tally is in, the result will be in doubt.

North Carolina’s new voting laws are subject to a legal challenge, which could take weeks for the courts to resolve. Both sides complain that the election is being stolen; the acrimony, sharpened by allegations of racial discrimination, makes Florida’s hanging chads and the Supreme Court’s ruling in favour of George W. Bush in 2000 seem like a church picnic.

This is not as fanciful as it sounds. America organises its democracy differently from other rich countries. Each state writes its own voting laws, there is no national register of eligible voters and no form of ID that is both acceptable in all polling booths and held by everyone. Across the country, 17 states have new voting laws that, in November, will be tested for the first time in a presidential contest. In several states these laws

face legal challenges, which allege that they have been designed in order to discourage African-Americans and Latinos from voting. It is past time to start worrying about where these challenges might lead.

The X factor

The new laws date largely from a Supreme Court decision in 2013. Before then, many states in the South, and a couple elsewhere, that had spent much of the 20th century finding ingenious ways to prevent minorities from voting, had to clear any changes to their voting laws with the Justice Department or a federal court. Three years ago, the Supreme Court ruled the country had “changed dramatically” and that the formula for choosing which states were covered was outdated. That allowed all the states to write laws unsupervised.

Handed power over the rules for electing themselves, Republican politicians in southern statehouses have, unsurprisingly, tilted them in their own favour. Early voting, which non-whites (who lean Democratic) are keen on, has been restricted. Another change has been to limit the kinds of ID that are acceptable at a polling station. In Texas student IDs are out, handgun licences are in. ▶▶