Hello and welcome to The Intelligence from The Economist. I'm your host, Aura Ogumbi.
Every weekday, we provide a fresh perspective on the events shaping your world.
Australia's Indigenous people have been historically underrepresented in the country's politics. Now, Parliament has tabled a referendum that aims to give them more of a voice. But will it pass? And how have Birkenstocks become cool again? Well, think, Barbie. The corkbed sandal has had a bumper year. But could the brand be tripped up by unforgiving fashion cycles?
But first,
on day six of the conflict in Israel, the bombing campaign and the Gaza Strip has been ramping up. Israeli Defence Forces are trying to drive out Hamas, the militant group that launched a devastating surprise attack on the country last weekend. But Hamas is showing little sign of relenting.
And just this morning, another barrage of rockets landed in Israel.
More than 1,300 Israeli citizens have died since the war began. And at least 150 civilians have been taken hostage. Among the dead and captured are dozens of American citizens. The U.S. Secretary of State Antony Blinken has now arrived in the Israeli capital. And John Kirby, America's National Security Council spokesperson, told reporters, I think we all need to steal ourselves for the very distinct possibility that these numbers will keep increasing. And that we may, in fact, find out that more Americans are part of the hostage pool.
In Gaza, the humanitarian situation is worsening.
The Hamas-run Health Ministry says 1,203 Palestinians have been killed and 5,763 injured.
Egypt, which flanks the enclave on the south, has closed its border.
All eyes are now on a looming Israeli counter-offensive. And the military says hundreds of thousands of troops are already near the border. The state has already cut off Gaza's power, water and food supply. Now, Israel is preparing to up the ante.
A ground invasion of Gaza by Israel now seems inevitable and imminent.
Israel has invaded Gaza in substantial numbers on two occasions since it withdrew from the Strip in 2005. Once was Operation Cast Lead in 2009. The other occasion was Protective Edge in 2014. Those were 15 and 19-day operations, respectively. My feeling is that what we're about
to see in the days and weeks ahead of us is going to be bigger, much longer, and more violent and destructive than anything that came before it. So tell us, what are Israel's options here?
One option is a relatively shallow incursion that sought it did in 2014, which was basically going into the edges of Gaza, the outskirts of cities, and locating and destroying Hamas tunnels, because there's about 500 kilometers of tunnels underneath Gaza built by Hamas for its fighters and its equipment. The other option is a deeper incursion of the kind that occurred in 2009, where they went into cities. It was much more destructive. It was much more intrusive.
But even that was designed effectively to weaken Hamas. And what we're seeing now is that Israel's war aims appear to be much larger, much more ambitious. And I think those kind of limited incursions, I think that's going to seem inadequate to Israelis and to the Israeli political leadership, given the scale of the atrocities we've seen in the previous days.
Shashank, tell me a bit more about those aims. What has Israel been saying about its plans for an

invasion? Essentially, what they're saying is that they want to destroy Hamas, that the paradigm is changing. What we saw on Tuesday was Israel's military spokesman Richard Hecht telling reporters that the scope of this is going to be bigger than before and more severe. And he said it's not going to be clean. We saw Israel's envoy to the UN say the era of reasoning with these savages is over. And he said now is the time to obliterate Hamas's terror infrastructure to completely erase it. I think you're seeing some, I would say, slightly disturbing rhetoric after some Israeli officials. One of them told Israel's Channel 13, Gaza will eventually turn into a city of tents. There will be no buildings. And of course, that implies collective punishment. It implies sweeping destruction that is, in my opinion, simply not compatible with international law.
Okay. Wow. That is some very strong language. Shashank, can Israel destroy Hamas without destroying the whole of Gaza? It seems very unlikely to me. Hamas is deeply embedded in Gaza's political, social and economic infrastructure. It is controlling charities, schools, mosques. It uses civilian infrastructure for its military operations in a way that no Western military would be able to do. And I think that if Israel wants to root that out, it would really have to reoccupy Gaza completely. I think that's impossible. Gaza's in a place of two million people with lots of cities and Israel left it in 2005 in part because it was so costly to hold. They would suffer enormous casualties and it would tie down a significant proportion of the Israel Defense Forces, the IDF. The problem is the minute they leave Gaza, short of having, you know, stayed there for years, I think Hamas is going to be able to come back.
They can weaken it. They can destroy its leadership. But I'm not sure they can really go into every tunnel, every building, kill every senior leader. And ultimately, Hamas does have some political support in Gaza. Hamas is not Gaza. The civilians of Gaza should not be confused with the militants and the terrorist organization of Hamas. But nonetheless, they have support.
And so I think that the IDF has a big problem. They've mobilized 360,000 reservists. Not all of those are combat forces. Some of those are waiting for their armor to arrive. But I think we are going to see many of them really go in in the coming days.
And what might a large-scale invasion look like?
I think it'll probably involve one or two armored brigades, in other words with tanks, pushing six kilometers west in the middle of Gaza to sever the north from the south.
And then we'd see two or three other brigade units, that's a few thousand men each, in other words, focusing on the north, including around Gaza City, which seems to be the focus of lots of the preparatory action right now. And then maybe one or two other brigades on the southern part of Gaza around Khan Yunus or Rafa. And the aim, essentially, I think would be to target those bits of Hamas and Palestinian-Islamic jihad, which is an associated organization that's very close to Iran, by focusing on the leaders and the infrastructure that you can't easily find or strike from the air. And I think locating the tunnels where a lot of the hostages may be, where lots of the fighters may be located preparing for ambushes, I think that's going to be a real priority for Israel.
What is the likely outcome of urban warfare? How do you foresee that going?
We do have some previous examples of this. We saw fierce urban fighting, even in 2014, in the last major ground war. And Hamas equated itself pretty well. We saw small, very heavily armed assault squads, who had not just machine guns and grenades, but also things like anti-tank missiles, sometimes wearing IDF uniforms to cause confusion. And they were able to inflict casualties

even on some of the very best Israeli infantry and armored formations. And Hamas proved itself to be a learning organization. I think Israel has to be very, very cautious of that. Urban warfare is so difficult because you're in close quarters to buildings. You can't always see inside buildings. Israel has fantastic air coverage in drones, but that doesn't help you see in a basement or a bunker or a tunnel. And Hamas is going to take advantage of that. So Israeli casualties are going to be high, I would say. And I think the real concern that we have now is, does Hezbollah enter this war from Lebanon? Because Hezbollah is a very powerful Lebanese militant organization. It's very close to Iran, which is also supporting Hamas. And if Hezbollah enters the conflict, that is going to severely stretch Israel's military capabilities. What might victory look like for Israel?
This is the really important question. And it's unclear that Israel's political leadership have an answer to that question. Let's say Israel destroys Hamas. It isn't clear who takes over from Hamas. The Palestinian Authority in the West Bank is viewed as corrupt, ineffectual, they just wouldn't be able to take over. Israel used to have a whole group of administrators who ran the territory before they withdrew, but those people, they're not going to come back, they won't support another occupation. And I don't even think the Israeli leadership wants another occupation. So what happens? Is it chaos in Gaza? Do you see other Palestinian militant groups emerge in the way that Palestinian Islamic jihad has done? There's also the question of the hostages. You've got 100 plus Israeli and foreign hostages, many of them American, of course, in Gaza. How do they get them out? Who negotiates? The problem is that in the past, Israel has always ended its wars in Gaza after a few weeks of fighting with some kind of deal usually brokered by Israel's intelligence services who have aligned to Hamas. If you destroy Hamas, who do you do a deal with? I think that we're caught in a strange way between trying to grapple with the implausibility of Israel occupying Gaza again with the fact that the Israeli mentality has changed on October 7th, which of course was the bloodiest day for Jews since the Holocaust, this profound trauma on the Israeli state and on the Israeli people. And I think what it means is, as one expert said to me the other day, is that the Israel of October 8th, the day after these atrocities, is willing to do things it would not have dreamed of doing on October 6th.
Justice America after 9-11 was not the America the day before.
Shashank, thank you so much for joining us. Thank you for having me again.
Just a quick reminder from me that if you haven't signed up for Economist Podcast Plus yet, you don't have long to take advantage of our half price offer on a year-long subscription.
It will be the home for our brand new show, Boss Class,
a series on management from our most popular columnist.
Follow the link in our show notes to find out more.
On Saturday, Australians are going to the polls,
in a referendum that could grant increased recognition to Aboriginal groups.
Millions will vote on whether to change the country's constitution,
and enshrine what's known as the voice to parliament into law.
The voice would advise the government on laws affecting Indigenous peoples,
and its policy has been pushed heavily by Australia's Prime Minister, Anthony Albanese.
The idea for a voice came from the people, and it will be decided by the people.
Proponents say it will improve the lives of Aboriginal groups,
also known as First Nation peoples. And initially, a majority of Australians seemed supportive.

But days before the referendum, the voice could be facing defeat.
So this is a vote that Australia has been working towards for really a generation now,
on an issue which has plagued it for years.
Now, Whitehead is the Economist's Australia and New Zealand correspondent.
The centre-left government that's led by Anthony Albanese
wants to enshrine this voice to parliament, which is an advisory body within the Constitution.
So this was built by the government as a big, uniting moment for Australia,
but it's gone in a very different direction, and it's been very angry and divisive instead.
So what actually is the voice?
So the voice is basically an advisory group of Indigenous representatives
who would consult with the government on issues which affect Indigenous communities.
The government wouldn't be obliged to listen to any of its recommendations.
But the idea is that by entrenching this body in the Constitution,
that future governments can't get rid of it, as has happened with various Indigenous advisory groups in the past. The argument of the government and of the S campaigners is that this is going to help improve Indigenous lives by giving Indigenous people more of a say over their own affairs on the basis that policymaking in Canberra is far removed from their communities.
And so what's behind that? Why do Indigenous communities in particular need more help?
At the moment, things are not working well as far as Indigenous policymaking goes.
Across the board, Indigenous Australians are dying eight years younger still than the rest of the population. They're far more likely to commit suicide. They're 12 times more likely to go to jail. The equity and the equality in this country is so disgraceful that you can see that we are still homeless. We are landless. We are the most incarcerated in our own country.
So that is Gwenda Stanley, who's an Indigenous rights activist from the Gommeray people.
These are problems that need fixing. And Indigenous Australians are uniquely disadvantaged in the sense that, unlike New Zealand or Canada, Australian never struck treaties with First Nations people that recognised any of their rights. So, you know, the view of the government and of Anthony Albanese, the Prime Minister, is that creating this voice and enshrining it in the Constitution is helping to deal with issues that previous governments haven't been able to get right. Initially, most Australians did seem to agree. But since last year, support for the voice has really plummeted. It started out with polls suggesting that around 66% of Australians would vote yes for it. Now that number looks like less than 40%.
What's caused that change? Why has support plummeted?
So I think the most obvious factor is that there has been a vocal and well-organised no campaign. Conservative opposition parties have campaigned against it.
And the main complaint of no campaign is that this is an idea that would weaken Australia because it divides it along racial lines within its Constitution. They believe that no special constitutional rights should be given to any one group. And that's the argument of Warren Mundine, who is an Indigenous no campaigner. Now the Albanese government wants to put racial segregation back into our Constitution. There are a lot of other arguments against it as well.
I think there has been a lack of clarity on how exactly the voices members would be elected or held accountable. Some people question whether it would actually make much of a difference at all if it's just a bureaucratic body. And they say, look, anyway, Aboriginal people are represented

proportionally with a decent number of people in Parliament. So those are the kind of technical arguments. But at the same time, in some areas, the campaign has become really very unpleasant and angry. There has been a lot of disinformation online. Predictions of American style voter fraud claims that Aboriginal people are coming for your sovereignty, that they will take your land rights, that they'll tax your land. And some of those scare campaigns have been stoked by politicians as well, including a hard right Senator Pauline Hansen, who suggested that the voice could lead to the Northern Territory breaking away as an independent Aboriginal Black State. There's been a swirling of conspiracy theories and misinformation around it as well.
And you said that the most obvious factor here is this very vocal no campaign. What other factors are at play? So I think another problem that the government has is that the voice actually does have relatively few staunch advocates. The issue of Indigenous rights is really far down the list of things that voters care about. Even among Labour voters, this idea divides peoples, even on the progressive side of politics. And even among younger and more educated voters, it's still a fairly divisive question. There've been efforts by the government to enlist the support of celebrities and big businesses to try to convince people that this is a good idea.
And that has not seemed to help. The referendum is always hard to pass here, as well as needing a kind of high threshold to pass. Voting is compulsory here, and that does tend to make it difficult for referendums because people that otherwise wouldn't turn out to vote are more likely to stick with what they know. And that's definitely how it's looking now.
And if that does happen, if the proposal doesn't pass, what might that mean for the first peoples in Australia and the country more broadly? First off, it's bad news for the government because Anthony Albanese, the Prime Minister, really pitched his political fortunes to this referendum and support for him has been falling alongside support for the voice. I think, at the bottom of it, the campaign has raised a lot of really sensitive issues about how Australia sees itself and how, if at all, it wants to reconcile with its first people and try to heal some of the really open wounds that still plague the country. Well, at least as many Indigenous people in this country see it, it has set back the debate on reconciliation.
An Indigenous campaign is on both sides of this have been subject to a lot of very unpleasant and racist abuse. To many of them that I speak to, this feels like a sign that the sort of history of marginalisation and violence isn't over. What does it mean for politics? I think it's going to be a long time before another government wants to touch this issue again. It means more of the status quo. And unfortunately, for many Indigenous people, the status quo hasn't been working.
Now, thank you so much for coming on the show.
Thanks, Ori.
There's this moment in the Barbie movie where she has to make a very important decision.
What do I have to do? You have to go to the real world.
You can go back to your regular life or you can know the truth about the universe.
Will she stay in her perfect dream world represented by a shiny pink stiletto heel?
Or will she choose the real world, a drab, cork bed Birkenstock sandal?
At the end of the film, when Margot Robbie's character finally comes down from her lofty tiptoes, she's wearing the Birkenstocks, of course with a pink version of the hallmark double strap, as she walks into her brand new life, no longer a doll, but a woman ready to put her best foot forward.

The Barbie metaphor works so well because Birkenstock shoes aren't supposed to be beautiful or especially fancy in their design. They're supposed to embody the complete antithesis of that. The Arizona sandal, which is 50 years old this year and is one of their most common ones, it doesn't look too different from the kind of sandal you might have imagined that Jesus wore. But the thing is with Birkenstocks, they're made to be comfortable, they're decently priced and they're supposed to be good for your feet. And I was quite interested as to why a 250 year old company had suddenly become cool again. So I decided to have a look into it for the Economist.

The company traces its roots back to 1774 and the shoemaker up until just two years ago was actually family owned. But this year, Birkenstocks have had a really good year, actually a really good few years since. In the nine months up until this June, they made 1.12 billion euros of revenues. And yesterday, in an initial public offering, they listed on the New York Stock Exchange, valued at around $9 billion. Back in the 1980s, German children were forced to wear the orthopedic sandal to school. And they'd of course be embarrassed that their parents were forcing them to wear something so ugly. Birkenstocks master shoemakers have been dedicating themselves to foot health for generations. But the kids of nowadays are seeing them quite differently. Birkenstocks are cool now and the company's really hoping to capitalize on that. Almost half of the brand's customers are millennials and Gen Z, including myself. I bought a pink pair two weeks ago. A key factor for why Birkenstocks have become cool now is because with the pandemic, the idea of more casual, more comfortable clothing became more fashionable. Barbie wasn't the only one then swapping heels for contoured sandals. That particular product placement actually generated a lot of buzz for the brand. Their social media mentions reached a record high this July. And it's not just about comfort, but also functionality, which has helped solidify a core consumer base of people who work on their feet. Chefs love them, for example. Steve Jobs was a big fan. Actually, one of his old pairs sold for nearly $220,000 at an auction last year. But they're not just cool. Birkenstock have also managed to position themselves as a high fashion brand. The private equity firm who bought Birkenstock two years ago, they're called El Caterton, is backed by Bernard Arnault. That's the French billionaire, the luxury mogul behind LVMH, which is behind the big luxury brands like Louvertain, Dior, Fendi, Tiffany, those kinds of big dogs. And that partnership has helped Birkenstock really kind of make a mark in the fashion arena. They've now collaborated with Dior and they're selling mules for $1,100 a pair. And then you've got mid-sized luxury brands who are hoping to compete by making clog-like, cork bed shoes of their own. And this comfort chic phenomenon is also boosting sales for other brands like Ugg, who do the sheepskin lined boot, Teva, who do the dad sandal, and Crocs with the rubber clog. Going public presents Birkenstock with a bunch of opportunities.

Firstly, they're hoping that some of the money from the sale will go to paying off their debt. But I think shareholders will definitely be looking for much more. There's the largely untapped Asian market, who on the top end have very expensive tastes, so might also be interested in these Dior collaborations. But the challenge with this kind of expansion is, for Birkenstock in particular, there will be real bottleneck risks. The iconic contoured sole that makes Birkenstock the Birkenstock has almost solely been made in Germany since its inception. The brand really prides itself in that stamp. As they grow bigger, the question of whether or not they'll be able to keep up with the

demand
with such limited capacity is going to be a really crucial one. The luxury companies who don't have a problem with limited capacity, who actually thrive off of scarcity because their scarcity is what makes them profitable, you kind of can keep up this aura of exclusivity. That's a good thing. But it's a more challenging thing for Birkenstock, who sells shoes for as little as $35, and whose longevity has relied on hippies and blue collar workers. What will they do when the fashion cycle ends? It seems that investors themselves are already treading carefully. By the time markets closed, the brand's share price had slipped by 10%. The problem with trends is that they die, and while Birkenstocks will be hoping to keep their call, pulling off this reboot will be no small feat. Sorry, I couldn't resist.
That's all for this episode of The Intelligence. As you may have heard, we're launching a new subscription, Economist Podcast Plus, on October the 24th. Don't worry, we aren't going anywhere. Everyone still will be able to listen to our weekday episodes of The Intelligence, but to enjoy our full suite of podcasts, including our specialist weekly shows like Drum Tower or Chex & Balance, and our brand new weekend show, which I promise you don't want to miss, you'll need a subscription. If you're already an Economist subscriber, don't worry, you'll have full access to all of our shows. And if you're one of the thousands who have already signed up to our new service, thank you. But if you still haven't, we have a deal for you. If you subscribe to Economist Podcast Plus the 4 October 17th, you can get a year-long plan for half price, about $2 a month. So come on, follow the link in our show notes, or simply search for Economist Podcast Plus online to find out more. And we'll see you back here tomorrow.