

## **[Transcript] The Intelligence from The Economist / The Intelligence: America gets a House speaker**

Oh, wow. Oh my god. I'm so excited. Thank you.

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During the pandemic, the Chinese government gave small companies a break from repaying what they

owed to the banks. But this break lasted longer than expected, leaving banks with lots of bad debt.

How big is the problem? And is there a solution?

And I get my chance to make a case for bringing intermissions back to the cinema experience.

Our correspondent crunches the numbers on the growing lengths of films

and finds that moviegoers deserve a little break in the middle.

But first...

The political paralysis in America's House of Representatives is over at last.

For weeks, Republican lawmakers who have a whisper-thin majority in the House

had failed to come up with a candidate who could get the votes to become the Speaker.

Those who were put forward and how quickly they fell back seemed to reveal a party at war with itself. But yesterday, the impasse was broken. Mr. Speaker, the Speaker-elect Mike Johnson from

the state of Louisiana. Mike Johnson, a relatively low-profile representative from Louisiana,

took up the gavel. Mr. Johnson sounded like a lawmaker who's ready to get on with it.

And good thing, too, there's plenty to be done.

The House has had a three-week break from having to do any legislating,

as the Republicans fought amongst themselves and went through several Speaker candidates.

And now they have to get down to the business of debating and passing laws.

The first step is going to be passing some kind of bill to continue to fund the government

or have a government shutdown. And the second one will be to contend with the funding request

that President Biden has sent over to the House for funding for Ukraine, as well as Israel and other national security priorities. So before we get to talking about the new Speaker, Mike Johnson,

how did we get here? This was a process where a number of people came and then they went.

So it started out with Kevin McCarthy. And when they filed the motion to vacate, it was unclear

whether he would fight through this, like he did in January when he went through 15 rounds of voting.

But he surprised everybody and dropped out. The party coalesced around Steve Scalise.

Scalise figured out he didn't have the votes. And fairly quickly, he dropped out. I think he

lasted only a few days. Next was Jim Jordan, a total conservative fire brand who, if you had told

any of the Republicans that he would be the nominee to become Speaker for the House Republican Conference just six months ago, no one would have believed it. After a few rounds of voting,

it was clear he was never going to get it. No person having received a majority,

the whole number of votes cast by surname, a speaker has not been elected. And he dropped out.

It was an honor to be there, Speaker Designee, and that we need to come together and figure out

who our speaker is going to be. And then this week, Tom Emmer, who is the number three House

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Republican in a normal Congress, exactly the kind of person who would get this sort of job, after only four hours he gave up. And I think that's the point when Republicans really realized we can't keep doing this. And they moved quickly and coalesced around Mike Johnson. And the eventual speaker, Mike Johnson, what do we know about him?

Mike Johnson, the reason he got this job probably is because he had the fewest enemies. He's a constitutional lawyer. He won election to Congress in 2016 before he was a law professor, radio host. And unlike the previous people who were up for the job, he actually hasn't really served in a significant leadership role in Congress. He has been involved in trying to overturn the 2020 election. He objected to certifying election results, but he's also was sometimes willing to play ball. He voted to raise the debt ceiling over the summer, but he did not vote to avoid a government shutdown last month.

Well, I suppose the question is whether or not he has what it takes to unite what is clearly a very fractured Republican party. I don't think anybody has the ability to do that.

The question is whether they have the legislative skill to work with Democrats, whose votes frankly are going to be necessary to keep the government open to provide funding for Ukraine and other legislative priorities like that and not end up getting fired in the process, like Kevin McCarthy did. His advantage is he starts with goodwill and he doesn't have the same kind of baggage that McCarthy came into the job with. But I'm still kind of confused as to how it took so long to get here. Well, it's a unique problem to the Republican party.

Nancy Pelosi, when she was Speaker of the House in the previous Congress, she had the same size majority to contend with, but obviously she didn't face these problems. I think there were two issues. First was that Kevin McCarthy was personally hated by Matt Gates, who by himself, the Congressman from Florida Matt Gates was able to bring about a vote to remove him. And the second thing is a deeper philosophical difference between the Democrats and the Republicans. There is a lot of ideological diversity in the Democratic caucus. There are very far left Democratic socialists and more conservative Democrats, sort of Clinton era types, but they all come to Congress and want to pass bills and advance policy. There is a contingent within the House Republicans. And it's always been there of people who don't actually believe in compromise or trying to pass any legislation. That's not what they're there for. And when you have someone like that, you can't give them policy concessions to bring them together,

because they just want to burn the whole place down.

And what has all of this mess sort of cost the government in terms of perceptions at home and abroad?

It rattles allies a little bit. If you're a Ukrainian, you're certainly not thrilled to see that Congress can't pass bills. If you're an Israeli, you're probably puzzled knowing that there are such strong majorities in favor of sending aid to your country, yet they can't get it done because of this bizarre parliamentary issue that they're having.

What about at home, though? These House members who are going to be up for election next year, all of this could look like a liability for them at the polls.

When the government was shut down in 2013, people really did not like it. But a year later, Republicans had pretty decisive electoral victories. I think it's likely that the American people are going to forget about this. Of course, it could happen again in a few months,

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in which case that could be an electoral disaster. But I think people are just incredibly fed up with Washington and not particularly surprised that this is happening. As soon as the presidential election gets started, I'm pretty sure that Donald Trump will give people plenty of other things to look at and be worried about aside from this dysfunction.

And at the mention of Mr. Trump, he has popped up at various points along the way here. What's happened with his influence?

I think what we've learned about Donald Trump is that he can't get a speaker elected, but he sure can tank one. Jim Jordan, very conservative, a strong Trump supporter. Trump went all out in supporting him, and Jordan had to drop out after he couldn't get the votes. However, Tom Emmer, more of a moderate Republican from Minnesota, voted to certify the election, has done some things Trump didn't like. Trump went all out lobbying people to vote against him, and Emmer dropped out after just four hours.

I think what we've seen here is that moderate Republicans, certainly when Trump isn't president, don't mind standing up to him. Because a couple of dozen of them, despite Trump urgently requesting that people vote for Jim Jordan, they defied him, and there don't seem to be any serious consequences for them.

Okay, so we have a new speaker at last, but what next, given the state of the party, as you've laid it out here, could we end up in the same place in just a few weeks' time?

That is really the question. Mike Johnson comes in without Kevin McCarthy's baggage, and he's going to have some leeway to get things done. However, if he gets too much done, if he passes a long-term spending bill that's not to the liking of House conservatives, will they bring up another motion to vacate and restart this whole process?

Given the exhaustion and how horrible this process has been for them, it seems unlikely, but there have been no changes to the legislative rules that will prevent this from happening again, which is to say it only requires one member of Congress to call for a vote to get rid of a speaker.

You only need one person to raise the question, and that person only needs,

I think, four, maybe five people to come along with him, and we can be back where we started in just a couple of months from now. Adam, thanks very much for your time. Happy to join you.

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At the start of 2023, the end of COVID lockdowns in China held a great reopening.

For the first time since March 2020, China's lifted pandemic restrictions on foreign travel and reopened its borders to international visitors.

Many predicted that the country's economy would make a roaring comeback. Initially, it looked set to deliver, but growth slowed once more. Post-pandemic China has faced an array of challenges. Beijing is grappling with a mounting debt crisis as investors ramp up calls for fiscal stimulus to boost the economy. So far, the government's actions have been...

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And now, almost a year after restrictions ended, one bank's crisis may signal the start of a deepening COVID-era halover in the financial sector.

So, early this year, a mid-tier bank in northeast China suddenly had a big problem.

Don Weinland is our China Business and Finance Editor.

It halted its trading in Hong Kong, and it said that it was going to restructure.

But this bank, which is called Jinzhou Bank, didn't really say what its problems were.

The more analysts have looked into this, the more there is a worry

that whatever is going on with Jinzhou Bank could be happening at a lot of other banks around the country. So, before we get into the broader banking system, tell me a bit more about

Jinzhou Bank's recent problems. Jinzhou is kind of an interesting bank.

It was bailed out by the central government just a couple of years ago,

so it's not new to having big problems. It's connected to a Chinese billionaire named Li

He's quite famous. He was once very briefly China's richest man,

but the bank is known to have close ties to him.

Word of his arrest spread early this year, and not long after that,

Jinzhou Bank put out its restructuring notice.

People believed that there was some sort of tight connection between the fate of Mr. Li

and the fate of Jinzhou Bank. In terms of its finances, its most recent disclosure was made

in the first half of 2022. The bank's finances don't really look that bad.

What's non-performing loans are not very high. This puzzled a lot of people looking at what was wrong with Jinzhou Bank. So, don't tell us if the bank's finances don't look that bad.

What exactly is the issue here? No one's quite sure.

One potential problem with Jinzhou Bank is in its personal business loans and its small and micro enterprise loans. If we look at these types of loans, the personal business loans, about 50% of those have gone bad. The people that took them out are not repaying them in a timely manner, and the bank has had to declare those non-performing loans.

If you look at its small and micro enterprise loans, the non-performing loan ratio is very low.

It's just around 3%. So, these two types of loans look very different.

The point that some analysts have made is there's not really a structural difference

between these types of loans. So, they should be very similar in terms of their non-performing

loan ratio, but they're not. Why is that? The reason why these two loans look so different

is the personal business loans are not covered in a moratorium on corporate loans that China

issued in 2020 at the start of the pandemic. As China began to shut down entire provinces due

to the spread of COVID, the government realized that if small companies had to repay their loans on time in the beginning of that year, you would have a lot of companies going out of business.

It was probably a smart move to put a moratorium on these loans at that time. This meant that

companies didn't have to repay the principal or the interest on these loans, and banks didn't have

to say that they were accumulating lots of bad debt. The thing is, this moratorium was really

only supposed to last for the first couple months of 2020, but the pandemic went on much longer than

anybody anticipated, and the government continued to extend the loan moratorium up until the end

of June this year. The small and micro enterprise loans are covered by this policy. So, what that

means is banks around the country have had to disclose personal business loan problems.

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They don't need to disclose how many non-performing loans they have in their small and micro enterprise

loans. Well, this is quite technical, but what it all means in the eyes of the analysts that are looking at this is that a large part of Jinjo's loan book could actually be non-performing loans. They just haven't had to say it yet. I see. And Don, could this be happening elsewhere with other banks? It's almost certainly happening at many other banks in China, and that's because banks have not been required to disclose how many bad loans they have in this specific loan book. Chinese banks have lots and lots of problems. They have a lot of connection to the real estate sector. They have connection to local government companies that are also really struggling to repay their debts. This is just yet another problem for the Chinese banking sector, but it's one that really hasn't got a whole lot of attention. Nobody really knows how many loans are actually covered by this loan moratorium. There's one other part of this that is really worrying analysts, and that's that the government wants banks to lower interest rates on these types of loans. Now, in banking, the riskier the company, the higher interest rate you're going to want to charge on these loans. So really, the economic outlook is quite poor right now, and small businesses are some of the most risky businesses out there. Banks should be increasing their interest rates, not lowering them. Okay, but Don, we don't know exactly how bad this situation is.

No, we really don't. So part of the moratorium is really just not disclosing these types of problems. We've got a couple hints on how big this could actually be. So if we go back to 2022, there were a couple of banks kind of hinting at how big this could be. One of those is Mingsheng Bank, which is actually a very large bank in China. It said in the first half of 2022 that it had about 212 billion loans that it had been renewing and deferring payments on. That's a sizable amount. It's about 9%, at least at that period of time, of this bank's corporate loan book. Now the loan moratorium is over. Banks have not yet had to disclose these loans. They're going to have to do that early next year. I foresee a lot of problems with this type of lending that banks have been doing, and Jean Jo kind of shocked the market earlier this year. It's possible that more banks will have similar problems further down the line.

Don, thank you so much for coming on the show. Thank you.

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Ah, the magic of the silver screen. I don't get to the cinema as often as I'd like these days, leaving my problems at the door and immersing myself in a film. But when I do, there's a trend I've been noticing for a while, that immersion tends to really last. Like, maybe I need to order that really big box of popcorn. It's not just your imagination. Films have been getting longer. Claire McHugh writes about culture for the Economist.

This year, audiences have endured the longest installments yet in various movie franchises, such as Indiana Jones, John Wick, and Mission Impossible.

Another recent example of this is Killers of the Flower Moon.

That's a grisly Western from Martin Scorsese. And it's nearly three and a half hours long.



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That's almost double the length of the average film last year. Even film buffs struggle to concentrate that long. At the premiere of the Cannes Film Festival in May, some people even fell asleep. And obviously, there was a long queue for the toilets afterwards.

Right, so it's not just my impression. Films really are on balance, getting really long.

They are, yeah. And we looked at over 100,000 feature films released internationally since the 1930s. That's when Hollywood's Golden Age began. And we used data from IMDB, which is the Internet Movie Database. And what we found out is that the average length of productions has crept up from one hour, 21 minutes in the 1930s to one hour, 47 minutes in 2022. And blockbusters are the worst for it. So we looked at the 10 most popular titles on IMDB. And we found that the average film lengths stretched to around two and a half hours in 2022. That's nearly 50% higher than the 1930s. And has it been sort of one long growth period? I mean, the 1930s was a long time ago. No, it's not a new phenomenon. And this is what's interesting when you look at just the most popular movies. So you see that filmmakers began churning out these big protracted pictures in the early 1960s. This is when cinema was booming. And these auteurs really wanted to distinguish their art from the small screen of the television. And this was when you had these big epics gracing the silver screen. So some of your listeners might remember Lawrence of Arabia in 1962.

That surpassed the three and a half hour mark. And then the year after that, Cleopatra came out. And that was originally over four and a half hours and then was later cut down.

Octavian, when I am ready to die, I will die. But at least back then audiences could enjoy an intermission while the projectionist prepared the reels for the next act. Audiences today are not so lucky. And then in the subsequent decades, run times of popular films ebbed and flowed, but they have ballooned since 2018. I just want to say that for me, I think the intermission should come back. We should all have a break in the middle of the film, even if it's a relatively short one. But anyway, why is this happening? Why the ballooning? Well, I fully agree with that. I love an intermission. But I think one reason this is happening is franchises. So studios want to squeeze the most they can out of their costly intellectual property. But they're also competing with streaming platforms for eyeballs. So the hope is, is that these spectacular drawn out event movies will tempt people off their sofas and into the cinemas.

Well, what about for the viewers though? I mean, sometimes three hour long films feel like they could have been two and four hour long films. Well, I'm not sure I want to go.

I think many people can relate to that. Someone I spoke to described it as creative bloating, actually. And that implies that these lengths do detract from the viewing experience. I think another factor for these longer films persisting has to do with the growing clout of directors.

And I think that's because long films are associated with prestige. So if you think about Martin Scorsese, his shortest film was the first he ever made that was in 1967 called Who's That? Knocking on My Door. And then since then, he's just become less concise. And he's made films that are longer and longer and longer. So seven of his works are three hours or more.

And you know, who's going to stand up to Christopher Nolan and tell him he needs to trim his masterpieces? That would require a particularly bullsey editor. And then the final factor is that streaming services like Apple and Netflix, they don't need to worry about making these short, sharp movies because viewers can pause the film whenever they want using their remote.

And it's the streaming platforms that have increasingly been commissioning films that debut first in movie theaters, such as Killers of the Flower Moon, which was funded and released by

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Apple. And with all these long movies being so successful at the box office, for now, it does seem like the trend is set to continue, unfortunately, for you, Jason.

Just make sure you go to the loo first before you sit down in the cinema.

I absolutely will. Claire, thank you very much for your time.

Thanks, Jason.

That's all for this episode of The Intelligence. Don't forget to get in on our Half Price Economist Podcasts Plus subscription while the getting is good, just a few more days left. A couple of bucks a month, very well spent. Head to the show notes to find out more or just search Economist Podcasts. Thanks, and we'll see you back here tomorrow.

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