

ular with the teachers' union, whose fiery boss, Karen Lewis, was one of his most plausible challengers in the mayoral election until she had to pull out of the race for health reasons. But many of the privately run, publicly funded charter schools have worked well in Chicago, with lower drop-out rates and better results on the ACT, a college-readiness test, than public schools.

Another feather in Mr Emanuel's cap is an expanding job market, largely because downtown is booming. Demand for office space is growing and tech companies such as Groupon, a firm that offers online coupons for bargains at shops and restaurants, and Morningstar, an investment researcher, are based in Chicago. Under Mr Emanuel, Chicago has attracted more tourists. Arrivals rose 23% between 2010 and 2013, to 48.5m; Mr Emanuel has tirelessly promoted Chicago as a good place for conferences.

Mr Emanuel, who briefly worked as an investment banker, has cut red tape, in particular for small firms, and created a business-friendly environment. "Rahm thinks like a businessman, which is rare in a politician," says Kimbal Musk, who opened a fancy restaurant in downtown Chicago a few months ago. David Miniati, president of Ed Miniati, a meat-processing firm, says that when he recently decided to expand his firm's operations in Chicago, the necessary paperwork was done within weeks.

### Criminals and pensioners

These successes are largely confined to downtown and the north side. In the poorer districts on the south and west side, unemployment is high and crime widespread. Of the 456 homicides last year, 49 happened in Englewood, a poor neighbourhood that is home to only 2% of Chicagoans. African-Americans, who are around 30% of the city's population, are 80% of murder victims. Michael Pflieger, a Catholic priest and activist, laments that too little is done to break the cycle of violence that is the scourge of his parish, which is close to Englewood.

Yet even Father Pflieger recently endorsed Mr Emanuel, who he says is fighting for tougher gun laws. Chicago already has one of the strongest gun laws in the country, but is surrounded by states with some of the laxest. This infuriates Mr Emanuel. At one point he offered to drive *The Economist's* correspondents 30 miles to Gary, Indiana to show them how easy it is to buy a gun there.

Mr Emanuel's biggest headache in his second term will be the looming public-

### The long arm of the IRS

## An Englishman's home

LONDON

The mayor of London renounces his American citizenship

**B**ORIS JOHNSON, the mayor of London, is British-American by birth—and by temperament. He mixes the can-do frontier spirit with self-deprecating wit. After being sacked as a shadow cabinet minister, he said: "There are no disasters, only opportunities. And, indeed, opportunities for fresh disasters." He is relentlessly optimistic. "Voting Tory will cause your wife to have bigger breasts and increase your chances of owning a BMW M3," he once promised.

Yet Mr Johnson (pictured) is so fed up with the Internal Revenue Service (IRS) that he is renouncing his US citizenship. He says he wants to affirm his commitment to Britain—a wise move for a man who hopes to be prime minister some

day. But he has also talked of "getting a divorce from America" because of its "incredible doctrine of global taxation". He became American by "an accident of birth": his father was studying in New York. Half a century later this made Johnson junior liable for American capital-gains tax on the sale of his primary home, in north London; Britain levies no such tax. He harrumphed last year that this was "absolutely outrageous" and said he wouldn't pay. (He later settled for an undisclosed sum.)

The number of Americans giving up their passports has shot up, from less than 1,000 a year in the late 2000s to a record 3,415 in 2014. A new spur is the Foreign Account Tax Compliance Act (FATCA) of 2010, which makes it a lot harder for Americans overseas to get (or keep) bank accounts, pensions and mortgages, because foreign financial firms don't want the administrative hassles that FATCA throws up. The law also increases filing requirements for citizens—and thus stokes fears that honest mistakes will be punished.

A neighbour of this correspondent, who was born in America but moved to Britain as a child, recently received a huge bill from the IRS, out of the blue, for many years of unfiled taxes. He had not realised that he owed anything; he had always paid taxes promptly in Britain. The IRS was so aggressive that he feared he might lose his technology business; he even discussed divorce with his wife as a way to shield their assets. In the end, he settled for a six-figure sum. He, too, has since renounced his citizenship.



Crikey! Hands off my assets!

pension crisis. Public-worker pensions are only 37% funded—a total shortfall of \$22 billion for a city with an annual budget of \$73 billion. Chicago has the worst credit rating of any major American city except Detroit. And with a \$550m payment into the pension funds for police and firemen due at the end of this year, he will have little time to find a solution.

Mr Emanuel refuses to say whether he will raise property taxes or sales taxes, though he admits that the shortfall will need to be plugged with "revenue". According to Laurence Msall of the Civic Federation, a watchdog, the mayor has balanced the budget and reduced "scoop and toss" whereby the city pushes its debt-repayment schedule into the future, but Chicago is "far from out of the financial woods" because of the pension time-

bomb. Mr Emanuel will need to work with Illinois state legislators, who created the pension funds and set the rules that govern them; the mayor needs lawmakers' consent for any serious reform.

Dick Simpson of the University of Illinois at Chicago says Mr Emanuel has been a fine economic steward, but has disappointed voters on crime and schools. Mr Simpson's biggest gripe is the mayor's tendency to act without consulting and then ask the city council to rubber-stamp his decisions. "Our experience with long-serving mayors is that they tend to get more tyrannical the longer they are in power," he says. Chicago under Mr Emanuel relies less on patronage and more on data than ever before. But fixing its finances and curbing crime are such knotty tasks that even the man they call "Rahmbo" will need help. ■

**Editor:** we are looking for a US news editor, based in Washington, DC, to oversee daily news coverage. The job involves commissioning and editing articles and supervising the distribution of *Economist* content on digital channels. Excellent writing skills and an interest in world affairs are a must. To apply, please send a CV and an article suitable for publication in *The Economist* to jobs2015@economist.com, with the subject line "US news editor".