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U.S. News: BLS Pick Has Forged Partisan Path --- Nominee has praised Trump's policies but lacks the experience of his predecessors

Kiernan, Paul . Kiernan, Paul.

ProQuest document link

FULL TEXT

Conservative economist Erwin John "E.J." Antoni sometimes jokes on social media that the "L" in BLS is silent.
President Trump this week tapped Antoni to run the Bureau of Labor Statistics, the agency whose data and methodologies he has long criticized, especially when it produces numbers that Trump doesn't like. Antoni recently proposed suspending the monthly jobs report, one of the most important data releases for the economy and markets. On Tuesday, a White House official noted that Antoni made the comment before he knew he was going to be chosen and that his comments don't reflect official BLS policy.
If confirmed by the Senate, Antoni would run a 141-year-old agency staffed by around 2,000 economists, statisticians and other officials. The BLS has a long record of independence and nonpartisanship that economists and investors say is critical to the credibility of U.S. economic data.
According to a commencement program from Northern Illinois University, Antoni earned a master's and Ph.D. in economics from that school in 2018 and 2020, respectively, and a bachelor of arts from St. Charles Borromeo Seminary. Antoni's LinkedIn profile says he attended Lansdale Catholic High School outside Philadelphia from 2002 to 2006.
According to the profile, Antoni went to work in 2021 as an economist at the Texas Public Policy Foundation, a conservative think tank in Austin that has sued the federal government to overturn climate-change regulations. The following year, he joined the conservative Heritage Foundation as a research fellow studying regional economics. He is now the foundation's chief economist and an adviser to the Committee to Unleash Prosperity, a group of conservative economic commentators.
Past BLS commissioners have had extensive research experience, and many have climbed the agency's ranks. Antoni doesn't fit that profile. He doesn't appear to have published any formal academic research since his dissertation, according to queries of National Bureau of Economic Research working papers and Google Scholar. Much of his commentary on the Heritage website praises Trump's policies and economic record. He frequently posts on X and appears on right-wing podcasts such as former Trump adviser Steve Bannon's "War Room," where he criticized the economy under President Joe Biden and lauds Trump's economy.
The Heritage Foundation declined to make Antoni available for an interview and didn't respond to questions about his background.
While Antoni's LinkedIn profile says his Ph.D. concentration was in fiscal policy and labor economics, the dissertation on file at Northern Illinois principally analyzes fiscal policy: the "crowding out" effect of deficit spending, the effect of state taxes on domestic migration, and what he called the irrelevance of credit ratings on municipal debt yields.
According to Google Scholar, Antoni's paper has earned one citation, by the Texas Public Policy Foundation in 2021, while he worked there. Publications by Erika McEntarfer -- the BLS commissioner whom Trump ousted on Aug. 1, midway through her term -- have been cited 1,327 times.
Trump fired McEntarfer after a report showing significant downward revisions to prior months' job growth.

"It's not a matter of making the numbers look good, it's a matter of them being accurate," Antoni said on Bannon's Aug. 1 show after McEntarfer's dismissal. "The models and the methodologies need to be revised."

Antoni told Fox News Digital in an interview on Aug. 4 that "BLS should suspend issuing the monthly job reports" until it changed methodologies. Such a move would be unprecedented, leaving the public and markets without a vital source of information on the economy's health.

His commentary on the data has been partisan. During Biden's final year in office, Antoni argued the consumer-price index was understating inflation. In July 2024, he said its monthly rent data was "stale" and the real costs wouldn't show up until after the election. In fact, while BLS data showed rents rising more slowly than private data in 2021-22, by 2024 the reverse was true: It showed rents up 5.2% that June from a year earlier, compared with 3.2% for Zillow.

On Bannon's Aug. 1 show, he wrongly said that Biden had removed McEntarfer's predecessor, Bill Beach, whom Trump appointed in 2019. In fact, Beach remained in the job until his four-year term expired in 2023, something Beach has said he was "very grateful" for.

Conservatives praised Trump's choice. "EJ Antoni is one of the sharpest economic minds in the nation -- a fearless truth-teller who grasps that sound economics must serve the interests of American families, not globalist elites," Heritage Foundation President Kevin Roberts said in a statement.

But several independent economists said he is unqualified. "There are a lot of competent conservative economists that could do this job," said Kyle Pomerleau, a senior fellow at the right-of-center American Enterprise Institute, in a social-media post. "E.J. is not one of them."

Sen. Bill Cassidy (R., La.), chairman of the Senate Committee on Health, Education, Labor and Pensions said in a statement, "We need a BLS Commissioner committed to producing accurate, unbiased economic information to the American people. Chairman Cassidy looks forward to meeting with Dr. Antoni to discuss how he will accomplish this."

Move Could Backfire If Data Are Seen as Unreliable

Installing a partisan as the commissioner of the Bureau of Labor Statistics could prove counterproductive to President Trump, said Renaissance Macro Research economist Neil Dutta.

If E.J. Antoni prods the agency into producing statistics that flatter the administration, the data would either not be seen as credible or would likely delay interest-rate cuts by the Federal Reserve.

"Neither of those scenarios actually works to the president's benefit," Dutta said.

Bill Beach, the BLS commissioner appointed during Trump's first term, said Antoni's suggestion of suspending publication of the monthly jobs report would be a bad idea for shoring up trust in the data.

"I think you fix these things while you're also publishing and make that extremely transparent," Beach said. Antoni, he said, "has to be the buffer between the White House and the agency."

By Paul Kiernan

DETAILS

Subject:	Conservatism; Fiscal policy; Presidents; Economists; Public policy; Economics; Congressional committees
Business indexing term:	Subject: Fiscal policy Economists Economics; Corporation: LinkedIn Corp; Industry: 92111 : Executive Offices 92112 : Legislative Bodies
Location:	Texas; United States--US
People:	Trump, Donald J; Antoni, Erwin John III

Company / organization:	Name: LinkedIn Corp; NAICS: 518210; Name: Bureau of Labor Statistics; NAICS: 921110, 923110; Name: Texas Public Policy Foundation; NAICS: 813211; Name: Heritage Foundation-Washington DC; NAICS: 541720
Classification:	92111: Executive Offices; 92112: Legislative Bodies
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A2
Publication year:	2025
Publication date:	Aug 14, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3239236707
Document URL:	https://www.proquest.com/newspapers/u-s-news-bls-pick-has-forged-partisan-path/docview/3239236707/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-08-14
Database:	ProQuest Central

LINKS

BLS Fights to Stay Afloat in High Seas

Grossman, Matt; Schwartz, Brian; Ensign, Rachel Louise . Grossman, Matt; Schwartz, Brian; Ensign, Rachel Louise.

FULL TEXT

Erika McEntarfer, commissioner of the Bureau of Labor Statistics, was having a routine morning a couple of weeks ago at the new BLS headquarters in Suitland, Md.

The federal agency had just published the monthly jobs report, a release that business executives, Wall Street traders and Federal Reserve officials spend weeks anticipating. The figures showed that July hiring was below forecast. But the more striking news: BLS said it had overestimated May and June job creation by 258,000, revealing that the U.S. labor market was much weaker than previously thought.

McEntarfer went on with her day, Aug. 1, mingling with staff and complaining to one colleague that construction on Washington's Metrorail was going to disrupt her commute. She didn't know then that her trip home that evening would be the final leg of a two-decade career in the federal statistics system.

At the White House, Trump's economic advisers had briefed him the day before about the jobs report, disclosing the revisions that upended what the president and his team had previously promoted as political wins. The president wasn't happy.

Trump privately aired one of his longstanding complaints that the federal agency producing the data was dysfunctional, according to a senior administration official. A White House official said the president was upset about the revisions and alleged data inaccuracies but declined to comment on Trump's private discussions.

"President Trump believes businesses, households and policymakers deserve accurate data when making major policy decisions, and he will restore America's trust in this key data," White House spokeswoman Taylor Rogers said.

After the BLS released the number, Trump's aides appeared on financial cable channels to voice a positive spin. The president wrote on social media that the agency's numbers had been rigged for years and people there were out to damage him politically. Trump demanded his staff fire McEntarfer.

At 1:36 p.m. that day, the agency leader became another labor statistic, one of the nation's unemployed. At 2:09 p.m., the president announced the firing on social media.

Trump offered no concrete evidence the BLS had manipulated the jobs numbers, either by mistake or design. The agency performs one of the government's least political tasks: collecting data and compiling statistics. The president and his aides said in interviews that the proof of wrongdoing was the significant change from previous jobs reports.

Economists defended McEntarfer and said that revisions, even large ones, are evidence of the system's integrity.

Trump said on Monday he planned to nominate E.J. Antoni, the chief economist at the Heritage Foundation and a longtime critic of the agency's handling of jobs data, to lead BLS. The position requires Senate confirmation.

The BLS, part of the Labor Department, and its partner agencies in the Commerce Department operate largely out of public view. Yet the weekly and monthly cadence of reports is practically sanctified by business executives and investors who depend on government data that tracks inflation, hiring and other economic metrics to steer companies and capital through America's $30 trillion economy.

Despite its importance, the agency has struggled to modernize a system that relies on phone calls and in-person visits. A federal hiring freeze has made it more difficult to keep pace with staff losses while collecting comprehensive economic statistics.

Dozens of well-known economists sent a letter to Congress on July 29, warning that the government's statistics system was approaching a breaking point. They said the responsible agencies needed a budget that supports new

data techniques in parallel with current practices.
"Without focused and funded efforts to modernize how these essential statistics are collected and produced, the quality and quantity of the system's output are at risk," the economists wrote.
During a budget squeeze last year, the BLS narrowly avoided cutting the number of households it calls for the survey that sets the unemployment rate. The agency this year struggled with its most labor-intensive survey -- gathering tens of thousands of prices each month to calculate its main inflation measure. Staff shortages forced the BLS to skip price checks in three of 75 cities.
BLS acting commissioner William Wiatrowski sent an email to the agency's staff, assuring them that the agency's mission was unchanged.
On Thursday evening, Trump met with Stephen Moore, an economist at the right-leaning Heritage Foundation, who presented his own, more upbeat economic statistics.
As Trump looked on, Moore flashed a set of charts in front of TV cameras and told reporters that he had used yet-to-be-published Census Bureau data to determine that household income had risen by more than $1,000 during Trump's second term so far.
There isn't yet any official data on household income during Trump's second term because of the lengthy time it takes to collect surveys from 75,000 American households.
"I called the president up because I had some very good news from some new data that we've been able to put together that no one has ever seen before," said Moore, who didn't reveal how he obtained the unpublished data. Trump had briefly nominated Moore to the Federal Reserve Board during his first term, before broad opposition led Moore to withdraw his name.
Those who have worked for the BLS in recent decades share a common memory. Early in their training, they were shown a video recounting how in 1971, former President Richard Nixon grew paranoid that a group of BLS employees sought to undermine him by presenting falsely unfavorable labor-market figures. Nixon ordered them demoted.
The message was that BLS employees must maintain unimpeachable integrity because elected officials unhappy with statistical findings might accuse the agency of malfeasance, said Andrew Cohen, a former BLS employee who saw the film in 2003. "It was, 'Watch your words, because people out there will sometimes try to twist your words and accuse you of fraud,'" Cohen said.
BLS operations have changed little over the past decades, relying on some of the world's largest surveys to ask people and businesses about their economic lives. The agency tabulates the unemployment rate, for example, by calling 60,000 households and asking job questions over the phone. The agency has looked into switching to an internet survey, but accuracy and reliability are seen as so critical that its stodgy workhorse of a system still appeals to many experts and data users more than a modern, untested replacement.
Commerce Secretary Howard Lutnick, a newcomer to politics after a career running a Wall Street brokerage, swept into Washington this year ready to shake up the statistics system. Two weeks after his confirmation, Lutnick mused publicly that the Commerce Department's Bureau of Economic Analysis would remove government spending from the calculation of the size of the U.S. economy -- known as gross domestic product or GDP. Such a change to the nearly century-old measure of the nation's economic health would be about as drastic as taking sugar out of a cookie recipe.
Like many outside of government, Lutnick also expressed astonishment about the timeworn, analog fashion that BLS workers collect data. They "literally call to Lincoln, Nebraska, and ask what the price of cargo pants is," Lutnick said in a magazine interview last month.
The truth is, there isn't anyone checking prices in Lincoln anymore.
Lincoln is one of 75 locales in the U.S. where the BLS checks prices in person to calculate inflation, a job that until recently was chiefly handled by two local agency employees, Deborah LaPlante and LynnAnn Scharf.
The two women spent their days working independently, driving to auto dealers, medical offices and clothing stores around Lincoln, where they recorded the prices of various goods and services including SUVs, doctor's visits, shirts and pants. Over the years, Scharf befriended store managers on her rounds and taught one how to use published BLS

data to learn about the economy. She and LaPlante always tried to meet for lunch, she said, but it was hard to find time.
Scharf left the BLS in June last year, and now, in her 60s, works as a horticulturist for the local parks department, a lower-stress job. LaPlante died in September, Scharf said. The BLS would typically have hired replacements. But on the first day of his second term, Trump ordered a government hiring freeze. By June, price checks ground to a halt in Lincoln, Provo, Utah, and Buffalo, N.Y.
The BLS's other 72 price-checking zones also face staffing shortages. In those places, the agency is missing about 15% of the prices it would normally aim to collect, the agency said. The BLS is now getting only about 80% of the price data it used to, according to Omair Sharif, founder of analysis firm Inflation Insights.
Turnover is high among front-line agency price-checkers, who earn, on average, about $45,000 a year. In the past, the BLS hired roughly the same number of price checkers as those who left, according to records reviewed by The Wall Street Journal. Yet between October of last year -- the start of the government's fiscal year -- and mid-June, the agency's inflation-data staff lost substantially more workers than it added.
The BLS recently said it planned to discontinue 350 data series from the producer-price index, eliminating data on wholesale prices for such items as leather goods, lawn furniture and candles.
The resource squeeze has been under way for more than a decade. In inflation-adjusted terms, the agency's spending power -- based on annual budgets of around $650 million -- fell by about a fifth over the past 15 years, according to The Friends of the Bureau of Labor Statistics, a BLS advocacy group.
For the coming fiscal year, the Trump administration asked Congress to reduce the BLS budget by about 10%, saying the cuts would be made up from cost savings in its plans to merge the BLS into the Commerce Department. The economists who wrote to Congress warning of a crisis -- who included former BLS commissioner Erica Groshen, former Federal Reserve Vice Chairman Alan Blinder and Nobel winner Paul Romer -- begged lawmakers to, at worst, keep funding unchanged.
While the number of workers shrinks, the task of asking individuals and businesses to volunteer their data has become a tough sell.
The response rate for the monthly survey used for unemployment statistics has dropped below 70% from nearly 90% a decade ago. When businesses are asked how many workers they employ, more are late to reply. That means the BLS's initial report on monthly job creation, on the first Friday of the following month, is more of a guess than ever, and big revisions are more likely as tardy data trickles in during the next weeks and months.
Last year, while McEntarfer was commissioner, the BLS published one batch of stats about a half-hour late and on another occasion published a set of figures a half-hour early -- high-stakes mistakes given that traders collectively bet billions on what they predict the reports will say.
Carson Markley joined the BLS in Dallas in 2022, shortly after finishing a master's degree in international relations. He was assigned to survey companies for the producer-price index, the key gauge of inflation for wholesale prices.
The job was sometimes frustrating because of a limited staff and a large workload, said Markley, who had to get company managers on the phone or catch them in person. Many businesses were reluctant to participate, worried about the time spent or that the government would leak or misuse private data, Markley said. Some he contacted thought it was a scam.
"From what my older colleagues told me, they used to be able to get data easily. They could get dozens of companies a week to sign up" to join surveys, Markley said. "Nowadays, everything's so politically divisive that we weren't able to."
Markley said he was glad when he landed a new job in Chicago outside the federal government.
At a news conference last month, before McEntarfer was fired, Fed Chair Jerome Powell said the central bank was still getting the data it needed to make sound decisions on interest rates but emphasized the need to keep the stats system healthy.
"People in the economy, they use this data a lot," Powell said. "It's very hard to accurately capture in real time the output of a 20-plus-trillion-dollar economy. And the United States has been a leader in that for 100 years, and we

really need to continue that."
On Tuesday, the BLS published its most closely followed inflation measure, the consumer-price index, for July.
By Matt Grossman, Brian Schwartz and Rachel Louise Ensign

DETAILS

Subject:	Government agencies; Hiring; Employees; Economic conditions; Social networks; Economic statistics; Prices; Presidents; Modernization; Gross Domestic Product--GDP; Inflation; Family income; Unemployment; Economists; Economic growth; Households
Business indexing term:	Subject: Hiring Employees Economic conditions Social networks Economic statistics Gross Domestic Produ ct--GDP Inflation Unemployment Economists Economic growth; Industry: 92111 : Executive Offices
Location:	United States--US
People:	Trump, Donald J; McEntarfer, Erika
Company / organization:	Name: Heritage Foundation-Washington DC; NAICS: 541720; Name: Bureau of Labor Statistics; NAICS: 921110, 923110
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Aug 13, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3238853083

Document URL:	https://www.proquest.com/newspapers/bls-fights-stay-afloat-high-seas/docview/3238853083/se-2?accountid=14681
Copyright:	
Full text availability:	
Last updated:	2025-08-13
Database:	ProQuest Central

LINKS

Markets: OPEC Lifts Oil-Demand Outlook As It Continues to Boost Output

Petroni, Giulia . Petroni, Giulia.

FULL TEXT

The Organization of the Petroleum Exporting Countries raised its oil-demand forecast for next year after agreeing to another bumper production increase in a push for market share.

The Vienna-based cartel now expects global oil demand to grow by 1.38 million barrels a day in 2026, up from 1.28 million previously, driven by stronger economic activity across key regions. This year's demand growth is still seen at 1.29 million barrels a day.

Global economic growth estimates were also slightly lifted. While trade uncertainties persist and might contribute to inflationary pressures, fiscal-stimulus measures and monetary policy support are expected to offset some of these effects, OPEC said.

The global economy is now projected to grow 3% this year, up from a previous estimate of 2.9%, while next year's forecast remains unchanged at 3.1%.

U.S. economic growth is seen at 1.8% in 2025 and 2.1% in 2026, while the eurozone forecasts were raised to 1.2% for both years.

Oil prices have traded within a narrow range in recent months amid concerns over the impact of President Trump's tariffs on the global economic outlook and an anticipated supply glut in the coming months, when seasonal demand typically weakens.

In afternoon trade in Europe, Brent crude stood above $66 a barrel, while the U.S. oil gauge West Texas Intermediate hovered around $64 a barrel, following Trump's decision to extend a deadline for higher tariffs on China.

The move helped ease fears of an escalating trade war that could weigh on the economy and curb demand for crude.

Traders are now awaiting Friday's meeting between Trump and Russian President Vladimir Putin, as any resolution for a peace deal in Ukraine would likely pave the way for looser sanctions and increased oil supply.

In July, overall OPEC crude-oil production rose by 263,000 barrels a day to 27.54 million barrels a day, while the total production of OPEC+ members increased by 335,000 barrels a day to 41.94 million barrels a day. Output from Kazakhstan -- which has repeatedly created tensions within the group -- fell by 36,000 barrels a day to 1.83 million, but remained above the country's quota of 1.5 million.

This month, OPEC+ members agreed to add 547,000 barrels a day in September, completing the reversal of 2.2 million barrels a day of voluntary cuts a full year ahead of schedule. Physical oil indicators suggest seasonal demand could absorb the additional supply, but traders remain wary that these extra barrels might flood a market already facing a sizable surplus.

The group's primary goal is to regain market share lost to U.S. shale producers during years of output cuts, according to market watchers. However, lower prices pose a challenge for producers' fiscal budgets, complicating OPEC's balancing act.

Eight key members of the OPEC+ alliance are now scheduled to meet on Sept. 7 to discuss their next steps, with investors expecting the group to hold production policy steady.

Meanwhile, supply from producers outside of the wider OPEC+ alliance is expected to rise by 810,000 barrels a day this year and 630,000 barrels a day the next, driven by the U.S., Canada, Brazil and Argentina, the cartel said in its latest report.

By Giulia Petroni

DETAILS

Subject:	Economic growth; Global economy; Market shares; Tariffs; Petroleum production
Business indexing term:	Subject: Economic growth Global economy Market shares Tariffs Petroleum production
Location:	United States--US
Company / organization:	Name: Organization of Petroleum Exporting Countries--OPEC; NAICS: 813910
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B12
Publication year:	2025
Publication date:	Aug 13, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business A nd Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper

Language of publication:	English
Document type:	News
ProQuest document ID:	3238849695
Document URL:	https://www.proquest.com/newspapers/markets-opec-lifts-oil-demand-outlook-as/docview/3238849695/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-08-13
Database:	ProQuest Central

LINKS

EXCHANGE --- Jaguar Land Rover Reaffirms Guidance

Chopping, Dominic . Chopping, Dominic.

ProQuest document link

FULL TEXT

Jaguar Land Rover backed guidance for the current fiscal year despite President Trump's trade policies and the transition of its Jaguar brand leading to a slump in revenue and earnings.

The British automaker, owned by India's Tata Motors, said revenue in its fiscal first quarter fell 9.2% to 6.6 billion pounds, equivalent to $8.87 billion, while profit after tax fell 51% on year to GBP 248 million.

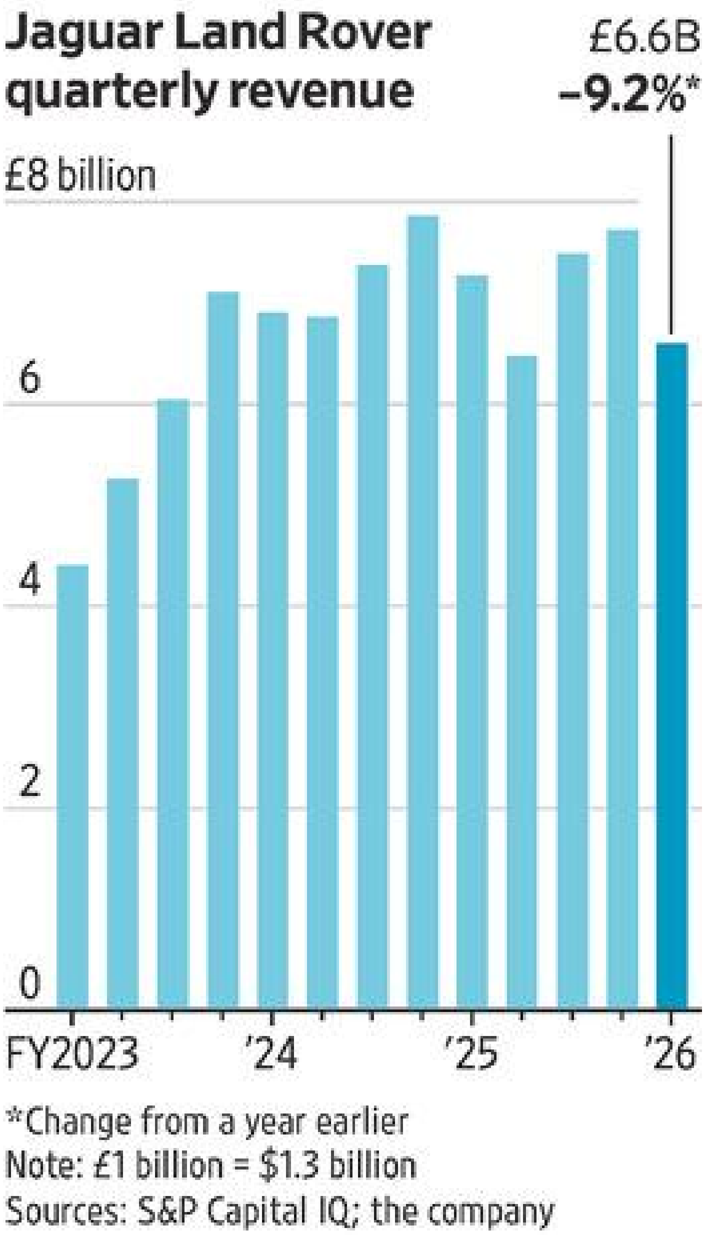
The results were hit by new U.S. trade tariffs, after Trump slapped a 25% tariff on top of an existing 2.5% duty on U.K. and EU-made vehicles exported to the U.S. in April.

The exact financial cost of tariffs wasn't disclosed, but JLR said they had a "direct and material impact." The U.S. accounts for around a quarter of global sales and JLR doesn't have any production in the country. It paused shipments to the U.S. during April after the initial tariffs were implemented. Most of its production is in the U.K., but it also manufactures its Land Rover Discovery and Land Rover Defender models in Slovakia.

The U.K. has since secured a deal that sees the tariff rate dropping to 10% for the first 100,000 British-made cars imported into the U.S., while the European Union has agreed a blanket 15% rate.

JLR has stopped selling Jaguar models as part of its move to transition the brand to an all-electric marque, which further dented earnings, while currency effects also weighed, it said.

Guidance for fiscal 2026 remains unchanged, with the company targeting an earnings before interest and taxes margin of 5% to 7%.



Enlarge this image.

By Dominic Chopping

DETAILS

Subject:	Tariffs; Financial performance
Business indexing term:	Subject: Tariffs Financial performance; Corporation: Jaguar Land Rover Automotive PLC
Location:	United States--US; United Kingdom--UK
Company / organization:	Name: Jaguar Land Rover Automotive PLC; NAICS: 336110; Name: Land Rover Group Ltd; NAICS: 336110, 336211

Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B10
Publication year:	2025
Publication date:	Aug 9, 202 5
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3237878296
Document URL:	https://www.proquest.com/newspapers/exchange-jaguar-land-rover-reaffirms-guidance/docview/3237878296/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-08-11
Database:	ProQuest Central

LINKS

Document 5 of 222

In U.S.-China Trade Rivalry, Apple's Bet on India Pays Off --- CEO Tim Cook looked beyond China to assemble iPhones

Lahiri, Tripti; Yang, Jie; Winkler, Rolfe . Lahiri, Tripti; Yang, Jie; Winkler, Rolfe.

FULL TEXT

SRIPERUMBUDUR, India -- Dozens of women wearing ID badges streamed from their rooms in a year-old dormitory for Foxconn workers and headed to a company cafeteria on a recent day for a menu of lentil-and-vegetable stew, beetroot and rice.

White buses waited outside to ferry them to a factory where the Apple contractor builds iPhones.

Women working on assembly lines in India form the backbone of a strategy Apple Chief Executive Tim Cook set in motion years ago. He first looked to boost Apple's position in India's growing smartphone market after sales in China slowed. Those early steps now leave Apple well-positioned for the intensifying trade rivalry between the U.S. and China.

A year after a 2016 meeting between Indian Prime Minister Narendra Modi and Cook, the company began assembling iPhones in India on a relatively small scale. Apple next pushed suppliers to develop India as an alternative manufacturing hub when President Trump in his first term threatened tariffs on Chinese-made iPhones and, later, when the pandemic slowed iPhone production in China.

The company saw India as the only country outside of China that could assemble iPhones at adequate scale and competitive cost. India's iPhone production capacity is expected to more than double when two new production centers gear up in the next two years. That will allow Apple to increasingly rely on India, instead of China, to supply iPhones to the U.S.

Cook said last week that most iPhones sold in the U.S. came from India during the April-to-June quarter. He didn't elaborate on Apple's long-term plans for supplying the U.S. The company, which declined to comment, reported iPhone revenue in the last fiscal year at $201 billion.

For years, Apple's iPhone gold mine depended largely on Chinese manufacturing and sales. The creation of China's iPhone supply chain over the span of two decades is widely seen as Cook's greatest business achievement. It helped the company wring trillions of dollars of value from its most popular device.

Yet Apple's lucrative position in, and its dependence on, the authoritarian nation -- America's most pressing economic and geopolitical rival -- has become the company's Achilles' heel.

On Wednesday, Cook's skill at navigating treacherous trade waters surfaced at the Oval Office, where Trump announced that Apple and other companies making U.S. investments would be exempt from new tariffs. Cook, who stood beside Trump, pledged a company investment of $100 billion in the U.S.

Apple's commitment falls short of Trump's prior demand that it make iPhones in the U.S. Yet it proved enough to afford protection for now. Apple investors showed their appreciation Wednesday, driving up its market capitalization more than $200 billion. Cook's India strategy had looked increasingly risky after Trump publicly criticized it and then announced steep tariffs on the country.

The result of the president's announcement appears to be that Apple will continue to pay a 20% tariff on iPhones imported from China and none on ones from India.

Over the past nine years, India went from producing zero iPhones to as much as 14% of Apple's worldwide total, according to estimates provided by Abhilash Kumar, a senior analyst at TechInsights. The technology analysis firm expects that share to double in 2025.

Even so, India will need to up its game to catch China. When Apple unveiled the first iPhone in 2007, China already had a dense ecosystem of manufacturing supply chains, talent and infrastructure. In less than a decade after the iPhone's release, China was building more than 200 million of them a year.

In India, Apple faces a snarl of government regulations, spotty infrastructure and inexperience with precision

manufacturing of complex components inside iPhones.
China, which still accounts for about 80% of all iPhones assembled, has applied pressure behind the scenes on suppliers to slow Cook's plans. India has seen reductions in the number of Chinese training personnel, as well as delays in machinery shipments, according to people familiar with the matter; suppliers indicate they are navigating those hurdles.
Apple continues to diversify its supply chain, such as making metal smartphone frames in Vietnam, camera components in Malaysia as well as some of its more basic iPhone chips in the U.S.
In the race for iPhone proficiency, India has shown a unity of purpose rare for its fractious political system. It has a better educated, tech-savvy workforce compared with a decade ago. India's iPhone exports reached more than $17 billion for the 12 months that ended in March, said Ashwini Vaishnaw, India's minister for electronics, information and technology.
Parts of India are starting to mirror the productivity of Zhengzhou, China's so-called iPhone City, where hundreds of thousands of workers make the devices.
At the Foxconn plant in Sriperumbudur, around 40,000 workers, more than 80% of them women, work in three eight-hour shifts. For entry-level assembly workers, monthly earnings start at around $200 a month, lower than in China. Entry-level workers there can earn $700 to $1,000 a month for the same job and sometimes more.
After the completion of two new production centers, the iPhone manufacturing hubs in India's south are slated to employ some 150,000 workers screwing together Apple's most ubiquitous device. The expansion predates Trump's second-term tariffs by years.
"The ramping up is the result of fairly long-term planning," said Arun Roy, secretary of industry in the Tamil Nadu government. "It's not a sudden decision."
India has upgraded its infrastructure and unveiled a program of manufacturing subsidies that have successfully promoted smartphone manufacturing. States offered their own inducements to draw Apple suppliers and other tech manufacturers.
In an industrial park in southern India, 13 newly painted gray-and-white 10-story dormitory buildings are part of a 20-acre neighborhood built by the Tamil Nadu government to house iPhone workers. More than 6,500 people live there, and there is room for 12,000 more.
An 18-year-old woman eating lunch at the dorm traveled nearly 1,000 miles from rural eastern India for an assembly line job. "I looked on Google," she said.
The high-school graduate started work this year for Foxconn, the Taiwanese firm that is one of Apple's biggest manufacturing suppliers.
When Foxconn's chairman Young Liu came to India last August, India's Prime Minister Narendra Modi presented him a bouquet of roses before the two men discussed Foxconn's future investment plans.
In Tamil Nadu, state industries minister T.R.B. Rajaa picked up Liu from the airport, draped a silk scarf around his neck, a mark of respect, and drove him to the site of the new dormitory. On the trip, he pitched investment ideas, including new factories to make smartphone components now imported.
Tamil Nadu is acquiring land for an airport near the Foxconn facilities for passenger and cargo flights. Elsewhere in the state, Indian conglomerate Tata Group, which has taken control of two smaller Taiwanese suppliers with Apple's blessing, is building its own factory to assemble iPhones, making it the firm's first domestic supplier.
In the neighboring state of Karnataka, Foxconn is investing $2.5 billion in new manufacturing on 300 acres. A state official previously said that more than half the company's investment would go toward a new iPhone assembly facility. The overall development qualifies Foxconn for an $800 million incentive payment, a state official said.
Foxconn and Tata declined to comment.
Technology analysts say India has made strides in final assembly, the lowest-value piece of iPhone production. What comes next -- making the precision components inside iPhones, such as cameras -- will be more difficult.
China-headquartered firms maintain a dominant share of precision manufacturing, according to an examination of Apple supplier disclosures from Tufts University professor Chris Miller and Vishnu Venugopalan, who previously

headed Tamil Nadu's investment promotion agency. Of Apple's 187 top suppliers, more than 150 of them have facilities in China, compared with 14 in India, as of fiscal year 2023.

"China is about 20 years ahead of the U.S. and India in terms of the scale, volume, or infrastructure they can churn out for Apple or any high-tech company," said Navkendar Singh, analyst at tech researcher IDC Asia/Pacific.

Apple and its suppliers in India require new infrastructure, workforce training and policy support to reach the level of industrial coordination China achieved over past decades. Most smartphone components are imported to India and many face tariffs. Manufacturers in India are allowed to bypass the tariffs if the parts they import are for phones that will be exported.

An effort in Tamil Nadu to allow 12-hour shifts was dropped after Indian labor activists and workers complained. In the first years after Apple's Taiwanese suppliers moved to India, the firms were hit by labor unrest, often over food and accommodations. In one instance, hundreds of workers fell ill with food poisoning and staged a mass protest, drawing headlines worldwide.

Foxconn has hired mostly female factory workers in India, which is uncommon in many parts of the country where women seldom work outside the home. The new dorm for Foxconn workers, where women sleep six to a room, has rules similar to those at university hostels -- no men on the premises, for one -- intended to reassure parents in the socially conservative country.

The dorms have a grocery and a clothing store, as well as ping-pong tables and badminton courts. Workers can order birthday cakes at a ground-floor bakery.

When Apple began manufacturing iPhones in India, its smartphones had higher rejection rates compared with China's. Foxconn's chairman last year said India's rates were nearly on par. India has started making the iPhone Pros, the higher-end models that make up a large share of U.S. demand. "That shows a certain amount of confidence," said Singh, of IDC.

Translating a new iPhone blueprint into a system for tens of thousands of workers to follow is a task that still largely takes place in China. Apple is experimenting with doing part of that work in India for the base model of the iPhone 17, said people familiar with the matter.

Indian officials believe a significant increase in the number of iPhones produced in the next year or two will make it more practical for some foreign suppliers to consider setting up shop in India.

In March, India announced manufacturing subsidies of $2.7 billion for smartphone and other electronic components, including machinery. A month later, Tamil Nadu announced matching grants.

In May, Foxconn said it was investing $1.5 billion in a new plant, which, according to a person familiar with the matter, will employ around 14,000 workers in Tamil Nadu.

Apple might be able to reproduce key components of its Chinese supply chain in India in as little as five years, said Kevin O'Marah, founder of supply chain research firm Zero100. "It's not the next China. Nothing is the next China," O'Marah said. "But it will be a meaningful production center for Apple and other device-makers."

By Tripti Lahiri, Yang Jie and Rolfe Winkler

DETAILS

Subject:	Smartphones; Infrastructure; Dormitories; Tariffs; Manufacturers; Supply chains; Manufacturing; Prime ministers; Suppliers; Factories; Industrial parks
Business indexing term:	Subject: Smartphones Infrastructure Tariffs Manufacturers Supply chains Manufacturing Suppliers Factories; Corporation: Apple Inc; Industry: 33422 : Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing 42369 : Other Electronic Parts and Equipment Merchant Wholesalers
Location:	United States--US; India; China; Tamil Nadu India

People:	Modi, Narendra; Cook, Timothy D
Classification:	33422: Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing; 42369: Other Electronic Parts and Equipment Merchant Wholesalers
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Aug 9, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3237867670
Document URL:	https://www.proquest.com/newspapers/u-s-china-trade-rivalry-apples-bet-on-india-pays/docview/3237867670/se-2?accountid=14681
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Last updated:	2025-08-11
Database:	ProQuest Central

LINKS

Autos Take $12 Billion Hit From Trade War

Wilmot, Stephen . Wilmot, Stephen.

FULL TEXT

President Trump's tariff war has inflicted almost $12 billion of losses on global automakers, the biggest hit they have faced since the pandemic. The scary reality: This may be just the beginning.

Beyond the continuing cost of tariffs, automakers in the U.S., Japan, South Korea and Europe face years of retooling and supply-chain tweaks to adjust to the new realities. This comes after they spent heavily to reshape factories for electric vehicles.

The obvious responses to tariffs are to raise prices and move production to the U.S. But both are hard for carmakers to do quickly, potentially saddling them for years to come.

Skeptics say the tariffs will change the industry only at the margins, with global automakers investing in the U.S. because of its healthy consumer economy, not its politics.

Still, White House trade policy may be accelerating an industry trend toward making cars closer to where they are sold. The big auto markets of North America, Europe and China are increasingly divided by different regulations, technologies and consumer preferences, encouraging automakers to design and manufacture locally.

"The era with globalization and global cars, everything equal -- that I think we are going to leave and have a world a bit more regionalized," said Hakan Samuelsson, chief executive officer of Volvo Cars.

Toyota on Thursday said steeper tariffs reduced its operating profit by around $3 billion -- the largest bill reported by an automaker to date.

The total hit from higher import duties reported by the big listed players now stands at $11.8 billion, according to a Wall Street Journal tally.

And the hits will keep coming: Toyota forecast tariffs will create a $9.5 billion burden through its fiscal year that ends next March, leading to an anticipated 44% decline in net profit.

For the world's 10 largest automakers, not including those in China, net profit is forecast to fall by roughly a quarter this calendar year to its lowest level since 2020, when the pandemic led to cash-draining factory shutdowns.

When President Trump announced his 25% auto tariff in March, many analysts assumed that carmakers would increase prices to recoup the cost. It hasn't happened yet: The incentives typically used to clear inventory have thinned out, but most carmakers haven't rolled out headline price increases. Manufacturers need to balance the urge to protect their margins against the risk of lower sales if they deter consumers -- or of becoming a social-media target.

"Nobody is in a rush to make a move before anyone else moves," Jefferies analyst Philippe Houchois said. "They're all afraid of getting a nasty tweet from Trump."

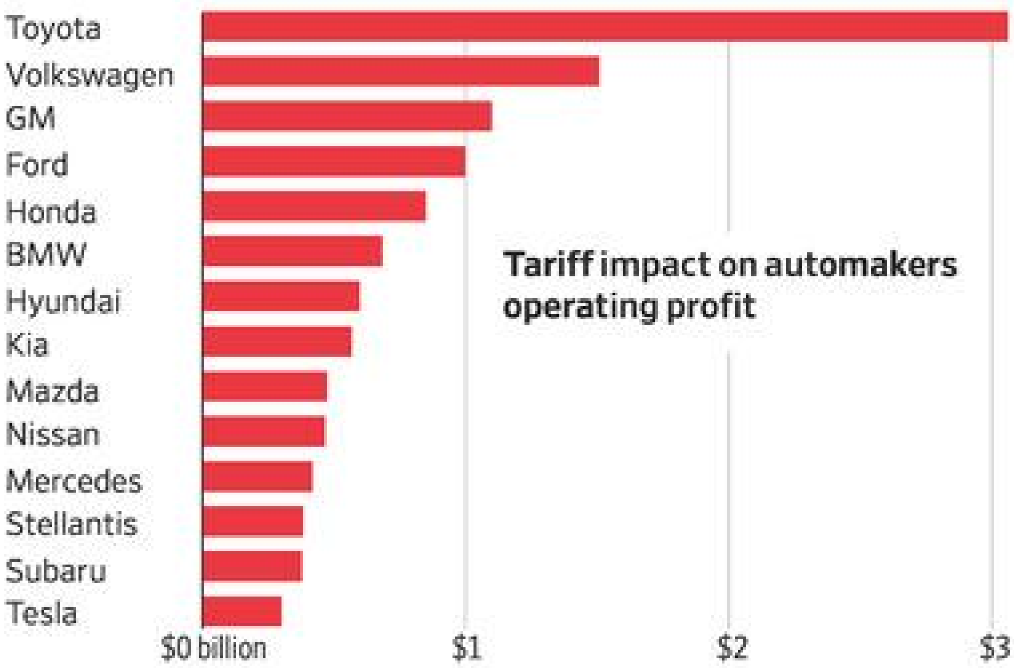
General Motors said it expects "consistent pricing" to offset around 10% of its tariff costs this year, which it estimates at $4 billion to $5 billion, the largest of any auto manufacturer after Toyota.

"At the end, it's about what will be the price that the customers will want the product at," Toyota Head of Finance Takanori Azuma said.

The White House has also introduced policies that partly make up for the hit to profits, giving automakers further reasons to prolong the waiting game.

Moves to unwind climate regulations spare Detroit the cost of increasing unprofitable EV sales or buying emissions credits -- at the expense of Tesla and Rivian, which profited from selling credits -- while giving the industry license to sell as many lucrative pickup trucks as it can. Ford said last week that it had already scaled back its purchases of regulatory credits by $1.5 billion.

Trump's "Big Beautiful Bill" also allows many buyers of U.S.-made vehicles to deduct up to $10,000 in loan interest payments from their taxes, starting next year.
The tariff response that Trump has made clear he wants to see from automakers is more U.S. production.
Among the early responders, GM -- historically the top U.S. car importer -- is increasing production of its Chevrolet Silverado and GMC Sierra pickup trucks in Fort Wayne, Ind., and dialing down output in Canada. The company expects manufacturing adjustments to offset an additional 10th of its tariff costs for 2025.
Nissan is boosting output of Rogue sport-utility vehicles in Smyrna, Tenn., instead of importing them from Japan.
Honda might add an extra shift at its U.S. factories "so that we can increase the production volume without spending too much on the capital investment," Chief Financial Officer Eiji Fujimura said.
In most cases, though, manufacturers don't make the same model in two locations. That limits their room to maneuver without large retooling investments that would only bear fruit years later -- in a potentially different political environment.
"I think what you'll see is carmakers squeezing the existing capacity they have," said HSBC analyst Mike Tyndall.
GM has already gone a step further: In June it said it would invest $4 billion in boosting U.S. production, bringing its Chevrolet Equinox and Blazer models, which are currently produced in Mexico, to U.S. factories in 2027.
Working with suppliers to bring more parts production to the U.S. is another priority. Honda said it is trying to localize production of key parts for its hybrids that currently come from Japan.
For many global automakers, higher tariffs are another reason to do what they were doing anyway: build where the growth is. The U.S. economy has been stronger than most peers since the 2008 financial crisis, making it a priority for investments.
Trump's tariffs may push some long-gestating projects over the line, such as a factory for Audi. Volkswagen, which owns the brand, has said it is in talks with the White House about an investment package.
Beyond cutting logistics and tariff costs and hedging currency risks, the business case for building cars locally is about staying close to regulators and consumers, who increasingly want different products in different regions.
"Particularly in the premium market, there used to be something like a global taste: one car that suited buyers around the world," said Fabian Brandt, who leads the automotive practice for consultant Oliver Wyman. "I personally believe this is falling apart."



Note: For the second-quarter 2025, includes first-quarter impact where disclosed
Source: the companies

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By Stephen Wilmot

DETAILS

Subject:	Trade policy; Consumers; Costs; Pandemics; Profits; Trucks; Tariffs; Manufacturers; Automobile industry; Losses; Manufacturing; Trade relations; Factories
Business indexing term:	Subject: Trade policy Consumers Costs Profits Tariffs Manufacturers Automobile industry Manufacturing Trade relations Factories; Industry: 33612 : Heavy Duty Truck Manufacturing 33611 : Automobile and Light Duty Motor Vehicle Manufacturing
Location:	United States--US; China; Japan; Europe
People:	Trump, Donald J
Classification:	33612: Heavy Duty Truck Manufacturing; 33611: Automobile and Light Duty Motor Vehicle Manufacturing
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Aug 8, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3237590440
Document URL:	https://www.proquest.com/newspapers/autos-take-12-billion-hit-trade-war/docview/3237590440/se-2?accountid=14681
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Last updated:	2025-08-08
Database:	ProQuest Central

LINKS

Palantir's Bold Moves Pay Off In White House, on Wall Street --- Data-driven firm is power player in D.C. and most expensive stock in the S&P 500

Somerville, Heather; Bergengruen, Vera; Schectman, Joel . Somerville, Heather; Bergengruen, Vera; Schectman, Joel.

FULL TEXT

In early 2023, Palantir Chief Executive Alex Karp publicly announced the company had a new artificial-intelligence product that was "currently under development."

Palantir engineers were stunned. They weren't building any such product. But Karp recognized where the world was going and, as he had done before, he put Palantir Technologies in the white-hot center of the latest trend reshaping the global order. His engineers, he assumed, would figure out how to build it. They did.

The blind run into AI is one of a series of decisions by Palantir that have positioned the company today as a power player in the Trump administration, an integral tool for national security and the most expensive stock in the S&P 500.

On Monday, it reported its best-ever earnings with more than $1 billion in revenue in the second quarter, 53% growth in earnings from U.S. government contracts and total booked contracts valued at $2.3 billion.

Its stock, already at a record and up more than 600% from a year ago, soared 7.9% on Tuesday.

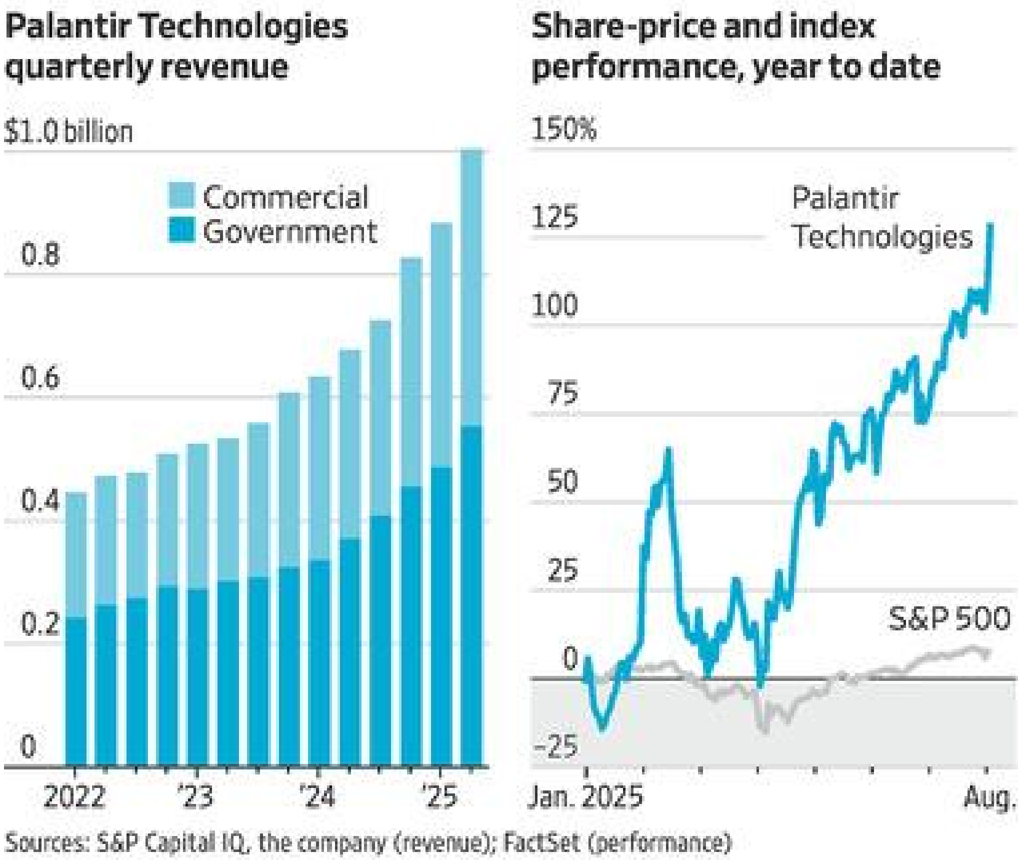
The company's transformation from an awkward Silicon Valley upstart trying to make it as a government contractor has also emboldened it. Some of its recent and prospective deals skirt the lines of what even some of the company's current and former employees consider a violation of ethical applications of AI and moral uses of software by government -- and Palantir is unapologetic.

As it has ascended, Palantir's leadership has adopted a persona not unlike President Trump himself: taunting its critics, lambasting the media, and showing contempt for the departed employees who have sounded alarms about Palantir's recent work. In particular, some former employees have said they viewed the company's assistance on Trump's aggressive immigration enforcement as potentially eroding the company's own civil-liberties policies.

"We are sorry that our haters are disappointed, but there are many more quarters to be disappointed and we are working on that too," Karp said Monday on a call with investors.

The company has taken a similar approach overseas, where it brings in about a quarter of its revenue. Last week, after Palantir received inquiries from German media outlets, the company put out a statement in German blasting

journalists for "tendentious questions" based on ignorance.
Palantir builds data-management software that can centralize and analyze large and disparate data sets. Its platform can help soldiers determine the locations of enemy drones, sailors keep tabs on ship parts, immigration officials find unauthorized immigrants or health officials process and track drug approvals.
Since its founding by Karp and Peter Thiel -- a crucial supporter of Trump's first presidential campaign and longtime patron of Vice President JD Vance -- in the aftermath of the 9/11 attacks, the company has placed the government, and particularly the U.S. national-security apparatus, as its most important customer. It has leaned hard into the president's agenda by providing software used in the deportations of immigrants, boosting manufacturing and shipbuilding, making a bid to build out the planned missile-defense shield called Golden Dome, and chasing AI deals in the Gulf states.
At an AI summit in Washington last month, Trump thanked tech leaders, including Palantir's chief technology officer, Shyam Sankar. "We buy a lot of things from Palantir," Trump said.
Palantir received more than $322 million from government contracts in the first six months of 2025, a 12% increase from the same period two years earlier.
It has won over the Army in particular, which Palantir once sued for unfair contracting practices. Sankar was commissioned in the U.S. Army Reserve in June, in another high-profile moment that burnished the company's patriotic image.
The Army re-upped Palantir's work on the artificial-intelligence platform Maven Smart System, which bumped the value of the contract to potentially more than $1 billion; awarded the company a contract worth potentially $100 million to help defense technology company Anduril Industries develop a new command-and-control center; and last week announced a $10 billion contract that represents a consolidation of existing software contracts.
The company has become so deeply embedded in the Defense Department that some current and former Pentagon officials said they worried about becoming overdependent on a single contractor for their data-processing needs, not unlike how the government has come to rely on Elon Musk's SpaceX for most of its space-launch needs. There is a lot of money to go around -- the Defense Department spent more than $58 billion on software in the last fiscal year.
Karp said on Monday that he expected the company's U.S. earnings would grow 10-fold in the next five years -- an astonishing prediction that bullish analysts say isn't far-fetched. His prescient decisions to leverage geopolitical crises and Washington connections, and put his company in a position to respond to any crisis within 24 to 36 hours, have helped drive the company's ascendance, according to people close to the company.
At the start of the Covid-19 pandemic, Palantir secured contracts to track the virus and vaccine production and distribution. After Russia invaded Ukraine, Karp personally traveled to Kyiv to meet with President Volodymyr Zelensky, which led to Palantir technology being integrated into more than half a dozen Ukrainian government and military agencies. In the days after the Oct. 7, 2023, Hamas-led attack on Israel, Palantir leadership was on a plane to Israel. Karp, who is Jewish, later reveled in the pro-Palestinian protests he faced in the U.S. When Trump rolled out his mass deportation agenda, Palantir was there to help.
This spring, it secured its most controversial contract: a six-month pilot to build out an app that integrates data from across the government to assist with immigration enforcement. The company and Immigration and Customs Enforcement will assess after the pilot whether to continue the work, which has rankled some current and former employees, who see it as an unwelcome extension of Palantir's work helping the Department of Homeland Security combat crimes such as human trafficking that began under President Barack Obama.
Palantir said in a statement that it hasn't backpedaled any of its policies, and only a tiny fraction of its more than 4,000 former employees have raised concerns. Palantir leadership has said the company assesses the risks of every contract for potential violations of its principles on civil liberties and privacy. Ultimately, though, the government decides how the data is used.
Divisive business moves aren't new for Karp, who has long courted controversy as part of Palantir's DNA and shrugged off the backlash even from his rank and file. "We are not everyone's cup of tea," he said in 2023. "You may not agree with that, and bless you. Don't work here."



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By Heather Somerville, Vera Bergengruen and Joel Schectman

DETAILS

Subject:	Immigration policy; Software; Stock prices; Defense contracts; Artificial intelligence; Enforcement; Employees; Leadership; Presidents; Government contracts
Business indexing term:	Subject: Stock prices Artificial intelligence Employees Leadership; Industry: 92111 : Executive Offices
Location:	United States--US; Israel
Company / organization:	Name: Department of Defense; NAICS: 928110; Name: Palantir Technologies; NAICS: 513210
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Aug 6, 2025

Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3236810644
Document URL:	https://www.proquest.com/newspapers/palantirs-bold-moves-pay-off-white-house-on-wall/docview/3236810644/se-2?accountid=14681
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Last updated:	2025-08-06
Database:	ProQuest Central

LINKS

Business &Finance

ProQuest document link

FULL TEXT

The departure of Fed governor Adriana Kugler gives Trump the chance to install a loyalist on the rate-setting committee and to position the appointee as a successor to Powell months before the chairman's term expires.

The National Football League struck a deal with Disney to take a 10% stake in ESPN in return for control of media assets that include NFL Network.

U.S. services-sector activity expanded marginally in July as employment contracted at a faster pace and trade policy continued to cause concern for businesses.
The ISM data knocked U.S. stock indexes, with the S&P 500, Nasdaq and Dow industrials losing 0.5%, 0.7% and 0.1%, respectively.

Linda Yaccarino will become chief executive of privately held health-management company eMed weeks after stepping down from social-media platform X.

Pfizer raised its profit outlook for the year after reporting higher quarterly revenue and earnings, saying the guidance accounts for potential price changes based on Trump's letter to drugmakers.

News Corp reported revenue and profit increases for its fiscal fourth quarter, driven by growth at its Dow Jones and Digital Real Estate Services divisions.

Diageo raised its cost-savings target and forecast stable sales growth as the British spirits maker seeks to navigate trade disputes and a slowdown in alcohol consumption.

DETAILS

Subject:	Profits
Business indexing term:	Subject: Profits
Location:	United States--US
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Aug 6, 2025
Section:	What's News / Business &Finance
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English

Document type:	News
ProQuest document ID:	3236810390
Document URL:	https://www.proquest.com/newspapers/business-amp-finance/docview/3236810390/se-2?accountid=14681
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Last updated:	2025-08-06
Database:	ProQuest Central

LINKS

U.S. News: Hegseth's Latest Battle: Infighting Inside the Pentagon

Seligman, Lara; Ward, Alexander; Wise, Lindsay . Seligman, Lara; Ward, Alexander; Wise, Lindsay.

FULL TEXT

Defense Secretary Pete Hegseth's string of missteps has spurred infighting inside the Pentagon and raised concerns among some Republicans on Capitol Hill about his ability to run the department.

The problems are rooted in Hegseth's lack of managerial experience in overseeing an entity as large as the Pentagon, which employs around 3.4 million people on a budget now approaching $1 trillion, according to current and former officials.

White House officials were frustrated by Hegseth's refusal to part with his acting chief of staff despite their misgivings about the aide's qualifications, according to current and former administration officials. Some blame poor Pentagon staffwork for leaving Trump in the dark about a pause in some weapons deliveries for Ukraine, some of these people said. Hegseth has feuded with top generals and fired three senior aides that were well-liked at the White House.

Last Thursday, Senate Republicans led by Mitch McConnell attempted to rescue the Pentagon from what they considered an insufficient budget request that they blame, in part, on Hegseth. Some Republican lawmakers are concerned that Hegseth's loss of top aides has left him especially ill-equipped to run the Defense Department.

"If you just look at the broader turnover and the lack of consistency there in terms of executive management, I think it's a red flag," said Sen. Thom Tillis, the North Carolina Republican who cast the decisive 50th vote to confirm Hegseth in January and recently announced he wouldn't run for re-election.

There is no indication Hegseth's job is in jeopardy. Trump and Vice President JD Vance have stuck by him after

expending immense personal energy and political capital to see him confirmed. The president likes Hegseth personally and was particularly pleased by the successful U.S. strikes on Iran's nuclear sites, officials said.
"President Trump has full confidence in Secretary Hegseth, who is doing an incredible job leading the DOD," said White House spokeswoman Anna Kelly. Chief Pentagon spokesman Sean Parnell said, "These anonymous sources have no idea what they're talking about and are just plain wrong."
Hegseth after his grueling confirmation process quickly surrounded himself with a small group of trusted advisers. They include Ricky Buria, a retired Marine Corps colonel whom Hegseth promoted to acting chief of staff; Tim Parlatore, Hegseth's personal lawyer and a naval reservist; and Justin Fulcher, a member of the Department of Government Efficiency team at the Pentagon whom Hegseth promoted to senior adviser. Fulcher left his post in July.
From the start, Hegseth didn't keep the schedule of a typical defense secretary. He did away with the regular "stand up" touchpoint with top Pentagon officials, preferring to meet daily with his inner circle and delegate to them, according to former and current officials. Hegseth and his wife, Jennifer Hegseth, became particularly close with Buria, who served as the junior military aide to Hegseth's predecessor Lloyd Austin.
Hegseth's troubles began in March, when then-national security adviser Mike Waltz inadvertently included journalist Jeffrey Goldberg in a group Signal chat with the Pentagon chief, Vance and other top national security advisers to discuss the military campaign against the Yemen-based Houthi rebels. Buria, using Hegseth's personal phone, shared sensitive information about the operation on the chat and another with Jennifer Hegseth and Parlatore, The Wall Street Journal previously reported.
That incident is now the subject of a Pentagon watchdog review.
In April, Hegseth abruptly suspended three senior advisers suspected of leaking: Dan Caldwell, a senior policy adviser; Darin Selnick, a senior Veterans Affairs official during Trump's first administration and Hegseth's deputy chief of staff; and Colin Carroll, chief of staff to Deputy Defense Secretary Steve Feinberg. To date, no evidence has become public to support the leaking claims.
Around that time, Hegseth sought to elevate Buria to chief of staff after his first chief of staff stepped down. But the White House has pushed back against keeping Buria in the role on a permanent basis, according to current and former officials. Some White House officials are suspicious of Buria because of his ties to Austin and media reports that he has bad-mouthed Trump and Vance, the people said.
The White House tried to oust Buria but struggled to find a replacement who wanted the job and would be the right fit for Hegseth, according to current and former officials. Buria's detractors eventually gave up trying to replace him as chief of staff. The White House didn't make space for him to accompany Hegseth on two separate trips with Trump on Air Force One, according to current and former officials.
Kelly praised Buria as "playing a critical role" in Hegseth's team, and some officials said tensions over Buria have more recently eased.
Hegseth became increasingly distrustful of top military leadership over the course of the spring, blaming the Pentagon's top brass for media leaks, according to current and former officials. After reports emerged that Hegseth had invited Elon Musk to a meeting with the Joint Chiefs in the Pentagon, Hegseth shifted the meeting to a small sit-down in his office, but deliberately didn't inform the top brass of the change, two former officials said.
While the Joint Chiefs filed into the secure "tank" for what they thought was a briefing with Musk, the tech billionaire rode in Hegseth's private elevator to his office. The officers didn't realize Musk wasn't coming until halfway through their gathering in the tank.
Hegseth's management of the Pentagon's trillion-dollar budget request to Congress has also come under scrutiny. In May, Republican members of Congress and staff were irked when the Trump administration unveiled a fiscal 2026 budget proposal that would maintain military spending at current budget levels of $892.6 billion -- a number that GOP defense hawks decried as inadequate.
McConnell, the former Senate Republican leader who now chairs the subcommittee that funds the defense department, complained -- along with other top Republicans -- that the request would effectively be a cut.
On Thursday, the Republican-led Senate Appropriations Committee voted to advance its own version of the military-

spending bill that would allocate $21.7 billion over the Trump administration's request.
By Lara Seligman, Alexander Ward and Lindsay Wise

DETAILS

Subject:	Leadership; Federal budget; Work environment; National security; Defense; Scandals
Business indexing term:	Subject: Leadership Federal budget Work environment
Location:	United States--US
People:	Hegseth, Pete
Company / organization:	Name: Department of Defense; NAICS: 928110; Name: Joint Chiefs of Staff; NAICS: 921110
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A5
Publication year:	2025
Publication date:	Aug 5, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3236330303
Document URL:	https://www.proquest.com/newspapers/u-s-news-hegseths-latest-battle-infighting-inside/docview/3236330303/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.

Last updated:	2025-08-05
Database:	ProQuest Central

LINKS

U.S. News: Trump, Bessent Tout a New Tack on Debt --- Leaders said they would wait for rates to fall before issuing longer-term bonds

Goldfarb, Sam . Goldfarb, Sam.

ProQuest document link

FULL TEXT

The Trump administration is making government borrowing exciting again.
For decades, the Treasury Department's choice of what mix of bonds to sell investors has been boring by design. Officials stressed they weren't trying to get the best rate by market timing, worried that could invite speculation and uncertainty, eventually driving rates higher.
The Trump administration is sending a different message. Calling himself "the nation's top bond salesman," Treasury Secretary Scott Bessent has talked openly about waiting for interest rates to come down before considering the increases in longer-term debt issuance that he had hinted would be necessary before joining the government.
Also loath to lock in borrowing costs that he thinks are too high, President Trump has suggested that Treasury should only issue debt that matures in about six to nine months until Federal Reserve Chair Jerome Powell is replaced next year.
"What I'm going to do is I'm going to go very short-term," he said in June. "Wait until this guy gets out, get the rates way down and then go long-term."
Exactly how the government borrows has become a bigger issue recently because of how much it is borrowing. The federal budget deficit is currently running at roughly $2 trillion annually. The government fills that gap by selling debt of varying maturities, from bills that mature in a year or less to bonds that mature in 30 years.
The Trump administration will provide a formal update about its borrowing plans on Wednesday with the release of its quarterly refunding announcement. Most analysts expect Treasury to keep suggesting that it will issue notes and bonds that mature in two to 30 years at the current pace "for at least the next several quarters." Following through on that guidance will likely soon require heavier issuance of bills to meet the government's growing funding needs, analysts say.
Deputy Treasury Secretary Michael Faulkender said in a written statement that the agency remains committed to its usual practice of issuing debt in a regular and predictable manner, as informed by input from market participants.
"It is disingenuous to suggest this Administration is deviating from longstanding debt management practices when Treasury's auction sizes and market guidance have not changed since the last Administration," he said.
Choosing what debt to issue involves trade-offs. Short-term borrowing is generally cheaper for the government, because investors tend to demand a premium to hold bonds for a longer period. But it also translates to more volatile

funding costs, creating the risk of a jump in expenses if inflation rebounds and the Fed raises rates aggressively. Longer-term borrowing offers the opposite: more predictable, but typically higher, costs.

Investors have generally welcomed the signals from the administration because they fear that an increased supply of longer-term Treasurys could cause further problems for bonds, which are already facing a variety of challenges. Concerns about inflation, tariffs, the independence of the Fed and the longer-run fiscal outlook have all caused investors to lately demand higher yields on debt that matures in about a decade or more.

Because borrowing costs for consumers and businesses are linked closely to yields on longer-term Treasurys, many say that an increase in short-term debt would be less disruptive to the markets and economy.

Still, some argue that the administration could lean too heavily on short-term debt. Others worry that the talk of market timing could backfire for reasons that past administrations have feared, raising the stakes of the government's borrowing decisions and risking a selloff if investors don't get what they expect.

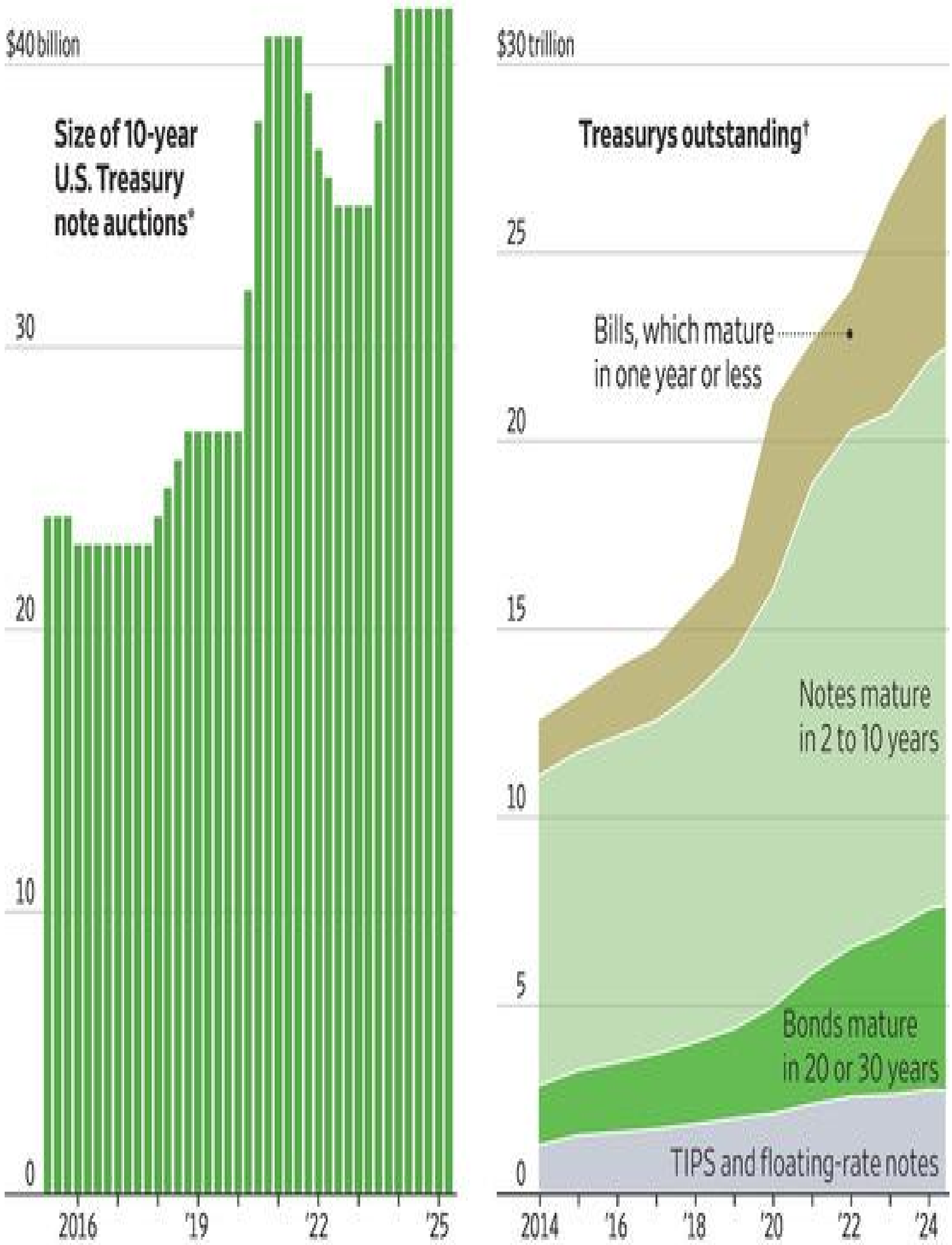
"The secretary has the right to communicate policy as he sees fit -- it's a question of whether or not it's helpful to his end goals," said Amar Reganti, a fixed-income strategist at Hartford Funds who worked in the Treasury Department's office of debt management during the Obama administration.

The U.S. government wasn't always so particular about how it issued bonds.

In the 1920s, then-Treasury Secretary Andrew Mellon was celebrated for his market timing. Mellon issued longer-term bonds, "interest rates subsequently went up and people would say, 'That guy knows when to bring a bond offering,' " said Kenneth Garbade, a retired former economist at the Federal Reserve Bank of New York, who has written extensively on the history of U.S. borrowing.

A shift occurred in the 1970s when Treasury started issuing longer-term debt at regular auctions rather than on an ad-hoc basis. A mantra emerged that debt management should be "regular and predictable" -- a technocratic exercise to find a mix of debt that would minimize funding costs over an extremely long period.

In the last administration, former Treasury Secretary Janet Yellen barely talked about debt management. Asked about it once at a committee hearing, she stuck to first principles, saying "we never time the market" and that "issuance should be regular and predictable."



*Shows new-issue auctions only. Quarterly data. †Annual data, through May 2025

Sources: BMO Capital Markets, Treasury Department (Treasury note auctions); Treasury Department via Sifma (Treasurys outstanding)

Enlarge this image.

By Sam Goldfarb

DETAILS

Subject:	Debt management; Borrowing; Interest rates; Central banks; Scandals; Treasuries; Short term debt; Funding; Market timing; Debt financing; Government bonds
Business indexing term:	Subject: Debt management Borrowing Interest rates Central banks Treasuries Short term debt Market timing Debt financing Government bonds; Industry: 52111 : Monetary Authorities-Central Bank
Location:	United States--US
People:	Bessent, Scott
Classification:	52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A2
Publication year:	2025
Publication date:	Jul 29, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3234109408
Document URL:	https://www.proquest.com/newspapers/u-s-news-trump-bessent-tout-new-tack-on-debt/docview/3234109408/se-2?accountid=14681
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Last updated:	2025-07-29
Database:	ProQuest Central

LINKS

U.S. News: Trump's Tax Law Viewed Skeptically by Americans --- WSJ poll shows 52% oppose the package, seeing it as helping big firms and the rich

Rubin, Richard; Katy Stech Ferek . Rubin, Richard; Katy Stech Ferek.

FULL TEXT

WASHINGTON -- Americans view President Trump's tax-and-spending law as a win for wealthy households and large corporations that will hurt poor people and widen federal budget deficits, according to a new Wall Street Journal poll. The findings show Republicans' challenges in selling the law's benefits as they try to hold their slim control of the House and Senate in next year's midterm elections, and the poll demonstrates how Democrats might be able to capitalize on voters' skepticism to stage a comeback.

Overall, the law drew 42% support and 52% opposition, performing slightly worse than Trump himself in the poll. It generated negative marks from 94% of Democrats, 12% of Republicans and 54% of independents.

Nearly 70% of overall poll respondents said the law would help the wealthy, while just 7% said that group would be hurt. At least half of poll respondents said the legislation would harm poor people, the working class, Social Security beneficiaries, the U.S. economy, Medicaid recipients, nutrition-assistance recipients and the federal budget deficit.

"Cutting Medicaid is unpopular. Cutting food assistance is unpopular," said Sen. Brian Schatz (D., Hawaii). "Cutting those things in order to fund tax cuts for the very wealthy is unpopular."

The law contains more in tax cuts than spending cuts, and it is projected to increase budget deficits by $3.4 trillion through 2034, compared with doing nothing, according to the Congressional Budget Office. In the short run, that means tangible benefits for tens of millions of Americans in bigger paychecks and larger tax refunds, and Republicans say they are confident the law's standing will improve as Americans learn more about it.

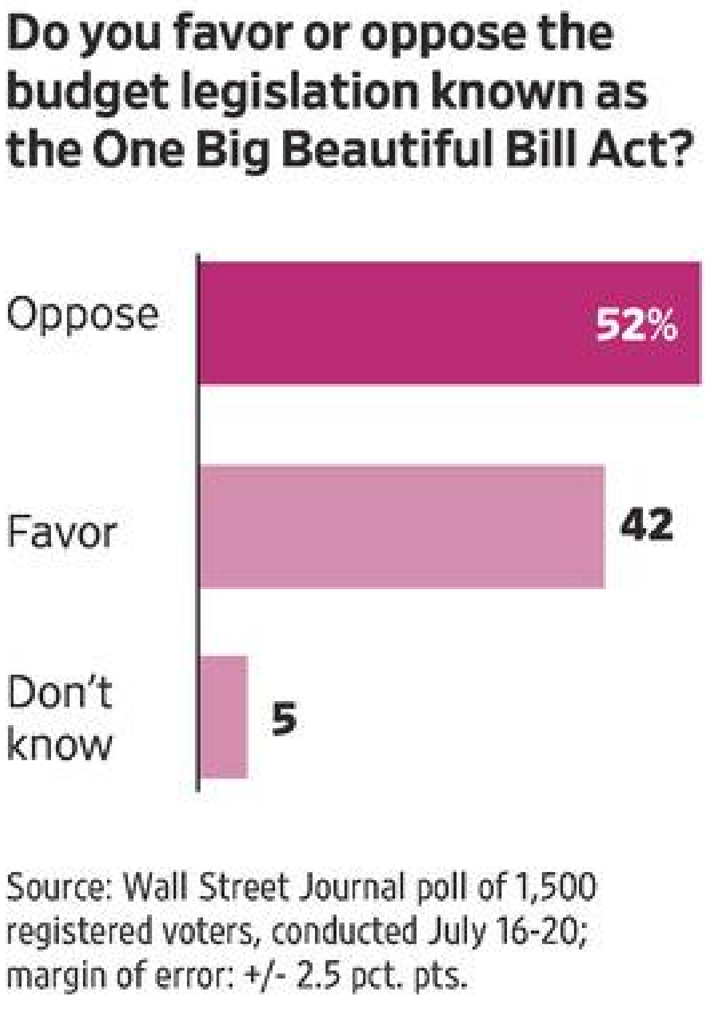
Republicans said they are proud of the law and are confident they can highlight its border security, energy production and tax-cut provisions, and argue that Democrats effectively voted to increase taxes by opposing the tax-cut extensions.

"It's wildly popular when people hear what's in the bill. It's a great bill," said Rep. Richard Hudson (R., N.C.), who runs House Republicans' campaign arm. "So we just need to tell the truth."

Although Americans have a clear view of many provisions, and they favor Trump's new tax cuts, they are mixed on what the legislation overall means for them, leaving openings for both parties to shape public opinion. Respondents were nearly evenly split on whether people like them would benefit. And 39% said their households would mostly be harmed by the legislation with another 20% saying it would make no difference to them.

The Wall Street Journal poll of 1,500 registered voters was conducted July 16 to July 20 by two firms -- one run by

Democrat John Anzalone and the other by Republican Tony Fabrizio. The margin of error for the full sample is plus or minus 2.5 percentage points. Respondents were reached by landline or cellphone, with some respondents contacted by text messages and invited to take the survey online.
The poll shows paths for Republicans to promote the law. New tax cuts -- breaks for tipped workers, senior citizens and overtime pay -- all generate strong support, winning not just a supermajority of respondents but also a majority of Democrats. In particular, Trump's "no tax on tips" policy has broken through to voters as a positive -- and is still being overwhelmed by the rest of the legislation and opposition to tax cuts for high-income people.
"People know about the fact that it includes no tax on tips and they really like that," said Molly Murphy, president of Anzalone's firm, Impact Research. "It's not outweighing their concerns about cuts to healthcare, cuts to food services, kind of the other pieces in the bill."
Trump signed the legislation -- the "one big, beautiful bill" -- on July 4, and it is the biggest policy accomplishment of his second term so far. The law extends tax cuts that were scheduled to expire Dec. 31, lowers projected spending on Medicaid and nutrition assistance, boosts funding for immigration enforcement and national defense and adds new tax breaks for businesses and middle-income households.
Support for changes to Medicaid and nutrition assistance vary greatly depending on how they are described. A majority of poll respondents oppose cutting Medicaid, the health insurance program for lower-income households. But when cuts are described as work requirements and more frequent eligibility checks -- a significant part of the plan -- a majority is in favor.
They support making able-bodied recipients work 20 hours a week by a 62% to 34% margin, but that backing vanishes when they are asked if they favor removing benefits from people who don't comply with a work requirement. Democrats have described work requirements and other Medicaid changes as cuts to the program and they have warned that changes to state funding formulas will cause benefit reductions and hospital closures. Republicans say the law targets waste, fraud and abuse in the health insurance program.



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By Richard Rubin and Katy Stech Ferek

DETAILS

Subject:	Polls &surveys; Federal budget; Medicaid; Tax refunds; Nutrition; Legislation; Tips &tipping; Scandals; Tax cuts; Voters; Households; Budget deficits; Fiscal policy
Business indexing term:	Subject: Federal budget Medicaid Tax refunds Tips &tipping Tax cuts Budget deficits Fiscal policy
Location:	United States--US
People:	Trump, Donald J
Company / organization:	Name: Wall Street Journal; NAICS: 513110, 516210
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Jul 28, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3233887667
Document URL:	https://www.proquest.com/newspapers/u-s-news-trumps-tax-law-viewed-skeptically/docview/3233887667/se-2?accountid=14681
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Last updated:	2025-07-29
Database:	ProQuest Central

LINKS

World News: Israel's 12-Day War Reveals Gap in U.S. Missile Stockpile

Holliday, Shelby; Peled, Anat; FitzGerald, Drew . Holliday, Shelby; Peled, Anat; FitzGerald, Drew.

FULL TEXT

TEL AVIV -- The U.S. has seven high-end Thaad missile-defense systems. During the 12-day war with Iran in June, two were deployed to Israel -- and it wasn't enough.

Operating alongside Israeli systems, Thaad operators burned through munitions at a furious clip, firing more than 150 missiles to shoot down the waves of Iranian ballistic missiles, according to U.S. officials. That is nearly a quarter of the interceptors ever purchased by the Pentagon.

The demand was so staggering that at one point, the Pentagon considered a plan to divert interceptors purchased by Saudi Arabia to the systems in Israel, one official said. The discussions were sensitive, because the kingdom's cities and oil installations were also considered at risk during the conflict.

It wasn't just the Thaad. The U.S. ran through large numbers of shipborne interceptors as well, and Israel quickly drained stockpiles for its own systems. Dozens of Iranian missiles got through anyway.

While Israeli officials credited the American systems for saving thousands of lives, the war revealed an alarming gap in U.S. supplies. The U.S. also discovered inefficiencies in the way it fired its antimissile systems and is scrutinizing the performance of some interceptors.

Some Pentagon planners say America's missile defenses -- designed to protect U.S. troops and assets from targeted attacks by Russia, China or North Korea -- are inadequate for a world where cheap, voluminous ballistic missiles have become the aerial weapon of choice.

The U.S. Navy fought this spring with Yemen's Houthi militants, who have made missiles a centerpiece of their arsenal. Ukraine has been repeatedly bombarded by Russia, which is using missiles and drones rather than putting its pilots at risk. China has made heavy investments in missile development and is rapidly building weapons it could use to keep the U.S. at bay in any future conflict over Taiwan.

"We are at long last waking up to the need for massive defensive munitions procurement," said Tom Karako, director of the Missile Defense Project at the Center for Strategic and International Studies.

Vice Adm. Brad Cooper, soon to take the helm of the U.S. Central Command, which is responsible for U.S. military operations in the Middle East, told Congress in June that officials need to move with a sense of urgency.

"I'm concerned about everything, but one of the concerns would be munitions and magazine depth," Cooper said.
Each Thaad -- which stands for Terminal High Altitude Area Defense -- can hold 48 interceptors between six launchers and needs about 100 U.S. soldiers to reload, analyze data, perform maintenance and shoot interceptors around the clock.
"To my knowledge the U.S. has never deployed two Thaads in one country before," said Dan Shapiro, who led Middle East policy at the Pentagon in the Biden administration and is now a senior fellow at the Atlantic Council think tank. "It's an extraordinary commitment of U.S. technology and personnel to Israel's security."
The Pentagon sent a replenishment of interceptors during the war, but supplies were tight.
Each Thaad interceptor costs about $13 million, according to budget documents, and the Pentagon has purchased around 650 since 2010. Officials have sought to buy 37 in the next fiscal year.
Lockheed Martin, which makes the systems, says it can make about 100 interceptors this year and is working with the government on options to increase production for new orders.
It would likely take more than a year and cost between $1.5 billion and $2 billion to replenish the Thaad interceptors fired during the 12-day war, according to Wes Rumbaugh, a CSIS fellow who researches Pentagon missile procurement and budget details.
The deployment to the Middle East has strained U.S. readiness and signaled a growing need not just for interceptors, but also for more launchers, analysts say.
Of the U.S.'s seven operational Thaads, two are currently on the front lines in Israel. Two others are pledged long term to Guam and South Korea, another is deployed to Saudi Arabia, and two are in the continental U.S. An eighth system has been manufactured but isn't fully operational.
With five of seven Thaads deployed, the U.S. will likely run into "dwell" issues where units don't get needed downtime between deployments, according to an Army officer who helps train air defenders.
The Israeli military said it doesn't disclose the number of interceptors or operational details related to its air-defense systems. However, it added that "throughout the war, the IDF had had the necessary means to defend its sovereignty and protect its civilians."
By Shelby Holliday, Anat Peled and Drew FitzGerald

DETAILS

Subject:	Military supplies; Missiles; International relations-US; Missile defense; Military weapons
Location:	China; Middle East; Russia; United States--US; Saudi Arabia; Israel
Company / organization:	Name: Department of Defense; NAICS: 928110
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A6
Publication year:	2025
Publication date:	Jul 26, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States

Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3233396158
Document URL:	https://www.proquest.com/newspapers/world-news-israels-12-day-war-reveals-gap-u-s/docview/3233396158/se-2?accountid=14681
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Last updated:	2025-07-29
Database:	ProQuest Central

LINKS

Smaller Cities Lure New Grads

Smith, Ray A; Zimmerman, Haley . Smith, Ray A; Zimmerman, Haley.

FULL TEXT

Memo to job-hunting college grads: It pays to take your search to cities just beyond the U.S.'s biggest metro areas.

In one of the toughest markets for entry-level jobs in years, several second-tier cities -- including Raleigh, N.C. -- rise above the pack for their strong hiring, decent salaries and affordability. Instead of Atlanta or Chicago, consider Birmingham, Ala., or Milwaukee. Or think Baltimore, in lieu of Washington, D.C.

Those alternative cities, along with Austin, Texas, rank as the top five most promising locations to find work for recent college graduates, according to a new study by payroll-services provider ADP.

Researchers crunched public cost-of-living data and ADP payroll data for more than five million U.S. workers in their 20s to rank 55 metro areas on three metrics: affordability, wages and hiring activity. They then weighed hiring rates for jobs that typically require a degree against affordability-adjusted wages in each city to devise a single, overall ranking.

What sets the top-ranking cities apart? Raleigh, Baltimore and Austin -- all of which scored in last year's top five, too --

tend to have a higher-than-usual concentration of technology, health and financial firms, said Ben Hanowell, ADP Research's director of people analytics.
Like Birmingham, they are home to research and healthcare institutions that do a lot of hiring themselves.
Milwaukee's job market, meanwhile, is benefiting from the expansion of Eli Lilly and other companies in the area.
All of those factors are bright spots in an otherwise difficult job market for 20-somethings. Though the national unemployment rate hovers around 4%, it was 7.3% in June for recent college graduates. Many of them are running into a bottleneck in entry-level openings as employers slow hiring and fewer older workers switch jobs. It doesn't help that more companies are relying on artificial intelligence to do some of the grunt work new graduates often do.
"There's a lot more great people than there are great jobs," says Susan De La Vega, a senior vice president at global consulting firm Korn Ferry.
Those challenges have fueled a lot of fluctuation in local job markets. Atlanta and Charlotte, N.C., both in last year's top five for young grads, dropped considerably in this year's rankings. Portland, Ore., Hartford, Conn., Riverside, Calif., and Salt Lake City all ranked toward the bottom because of slower hiring rates and lower real wages once cost of living was factored in.
Raleigh, once again, topped the list of cities with the most promising prospects for recent graduates. As part of the Research Triangle, its economy is fueled by an ecosystem of research institutions, including the University of North Carolina at Chapel Hill, Duke University and other schools, plus science and technology companies.
"We've seen this stream of office projects over the last 18 months, and North Carolina State University and some of our private colleges are all supplying this great pipeline of workers," says Kyle Touchstone, director of Raleigh Economic Development.
Red Hat and Cisco Systems are just two companies with Raleigh operations that have stepped up their recruiting of young professionals. The Research Triangle area accounted for nearly a third of Cisco's overall university hiring, second only to Silicon Valley, over the past four fiscal years, said Scott McGuckin, vice president of talent acquisition.
Jordin Young, who graduated from Bowdoin College in Maine in 2024, said he knew just one person who lived in Raleigh before moving there for an associate job at Fidelity last year.
"I knew I wanted to explore a new city," said Young. He was pleasantly surprised by how Raleigh stacked up against New York, Chicago and the other bigger cities his peers were flocking to. It is more affordable and offers an active social scene and easy access to hiking in state parks, he said.
Milwaukee, which ranked second, is benefiting from investment from a number of major companies in the area, as well as a burgeoning startup scene. In December, Eli Lilly announced a $3 billion manufacturing expansion in nearby Kenosha County that will include 750 highly skilled jobs. Northwestern Mutual and Milwaukee Tool have recently expanded their footprints in the area as well.
The city's affordability compared with Chicago is a draw for both young professionals and companies looking to hire, according to the Metropolitan Milwaukee Association of Commerce.
Northwestern Mutual has longstanding partnerships with Marquette University and the University of Wisconsin-Milwaukee to tap students for potential jobs. The insurance and wealth-management firm also works with nonprofits to help recruit promising, limited-income college students "we might not otherwise know," said Kelly Culler, the company's chief people officer.
Baltimore officials, too, are trying to play up their city's appeal to younger professionals. In March, the Greater Baltimore Committee launched a campaign to promote the metro area's affordability compared with cities like Philadelphia, and its dining scene, parks and museums.
Among employers, Morgan Stanley cites the area's higher-education programs and talent market as reasons why the bank's Baltimore office has grown into one of its largest in North America outside New York.
Baltimore wasn't on Markeisa Graham's radar before she graduated from Florida A&M in Tallahassee in 2021. What little she knew about the city came mostly from watching "The Wire" and the show's exploration of Baltimore's criminal drug trade.
But after applying to jobs around the country, she landed a job there that fall as a software engineer at Lockheed

Martin. She was impressed by the friendliness of the people and how walkable the city is. "I was like, 'This is nothing like 'The Wire' at all,'" she said.
Austin, on the other hand, has been a destination for college-educated 20-somethings for years. Hiring remains strong because of the expansion of semiconductors, clean tech, AI and other tech industries, according to Austin's chamber of commerce.
Though housing costs remain an issue, rents have declined nearly 3% from last year, and the City Council has committed to building more affordable housing, said Eric Hale, director of education and workforce policy at the Austin Chamber.
Birmingham is also winning over young professionals. Companies in healthcare, finance and technology are big employers, as is the University of Alabama at Birmingham and its medical center.
Aaron Gill, 22, originally planned to return to Atlanta, his hometown, once he earned his computer science degree from Samford University in Homewood, Ala. But after graduating in May, he landed a job in Birmingham as a junior quality-assurance analyst at Vulcan Materials, a supplier of gravel, asphalt and other construction materials.
Birmingham's slower pace took some getting used to, he says, but he has come to appreciate living in a smaller city. He has noticed a lot of out-of-state license plates in his company parking lot, which suggests to him that more young professionals are moving there.
"More and more I can see myself living in Birmingham" for the long term, he said.
By Ray A. Smith and Haley Zimmerman

DETAILS

Subject:	Hiring; Employment; College graduates; Parks &recreation areas; Employers; Cities; Labor market
Business indexing term:	Subject: Hiring Employment Employers Labor market; Corporation: Eli Lilly &Co
Location:	Baltimore Maryland; Chicago Illinois; New York; United States--US; Atlanta Georgia
Company / organization:	Name: Eli Lilly &Co; NAICS: 325411, 325412
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Jul 19, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660

Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3231356492
Document URL:	https://www.proquest.com/newspapers/smaller-cities-lure-new-grads/docview/3231356492/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-07-19
Database:	ProQuest Central

LINKS

U.S. News: Federal Job Cuts Permitted, But Many Have Left

Ellis, Lindsay; Thomas, Ken . Ellis, Lindsay; Thomas, Ken.

ProQuest document link

FULL TEXT

WASHINGTON -- Nearly six months into President Trump's second term, voluntary departures from the government have thinned the ranks so much that some agencies are saying more cuts aren't necessary after all.

The Department of Veterans Affairs and the Labor Department say retirements and volunteer attrition have helped the agencies meet the administration's desired efficiencies and reductions. And Trump's pick to lead the National Oceanic and Atmospheric Administration has said he plans to actually add staff to the National Weather Service after previous cuts.

Tens of thousands of federal workers took a buyout deal that offered pay through Sept. 30 to employees who left their positions. Many signed up as the threat of layoffs loomed, policy priorities changed and agencies enacted in-office work requirements.

Others have retired early or have been pushed out through layoffs targeting probationary employees, amounting to potentially hundreds of thousands of departures overall this year, said Max Stier, chief executive of the better-government group Partnership for Public Service.

The Supreme Court last week lifted a court order that had halted the administration's plans for large-scale reductions in the federal workforce. At the State Department, the sprawling agency announced Friday that it would lay off more than 1,300 employees as part of an effort to modernize the agency after the Supreme Court move. It isn't clear how many agencies will follow State's lead.

Unions said the layoffs have been poorly designed and rash in nature, and urged agencies to consider the impact of the voluntary departures before deciding to move ahead with plans for layoffs.

"There should not be a rush to implement these extreme plans that were created by Elon Musk before there has been time to review and evaluate the consequences," said Everett Kelley, national president of the American Federation of Government Employees, referring to the Tesla and SpaceX leader who led the Department of Government Efficiency.

The Trump administration has criticized government bureaucracy, saying staff aren't accountable and pledging to streamline operations. Layoffs of so-called probationary workers -- typically with less than a year or two in their current roles -- were soon followed by Trump's order in February that sought to reduce the federal workforce by "eliminating waste, bloat, and insularity."

The order directed agencies to work with DOGE to develop the layoffs -- called a reduction-in-force, or RIF. It was blocked in May by a federal judge in San Francisco. The Supreme Court this week said its decision was based on the legality of Trump's executive order and didn't rule on whether any reorganization plans broke the law. The order affected roughly 20 federal agencies, including the Commerce, Labor and Veterans Affairs departments.

The VA said last Monday, before the court's ruling, that layoffs wouldn't be necessary because roughly 30,000 employees will depart the agency by the end of the fiscal year. These cuts came from voluntary early retirement, attrition and the resignation program.

A Labor Department spokesperson said voluntary attrition reduced the workforce by 20%, "achieving our goal to promote efficiency and eliminate redundancies, while retaining critical positions."

Within the Commerce Department, NOAA has outlined plans to reduce its current workforce of more than 12,000 full-time employees to about 10,000 staffers and reassigned workers because of the loss of employees at the Weather Service.

By Lindsay Ellis and Ken Thomas

DETAILS

Subject:	Employees; Layoffs; Workforce; Federal employees; Terminations; Buyouts
Business indexing term:	Subject: Employees Layoffs Workforce Terminations Buyouts; Industry: 92411 : Administration of Air and Water R esource and Solid Waste Management Programs
Company / organization:	Name: National Oceanic &Atmospheric Administration--NOAA; NAICS: 924120
Classification:	92411: Administration of Air and Water Resource and Solid Waste Management Programs
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A3
Publication year:	2025
Publication date:	Jul 14, 2025
Publisher:	Dow Jones &Company Inc.

Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3229722474
Document URL:	https://www.proquest.com/newspapers/u-s-news-federal-job-cuts-permitted-many-have/docview/3229722474/se-2?accountid=14681

| Last updated: | 2025-07-14 |
| Database: | ProQuest Central |

LINKS

U.S. News: Projects New and Old Make Trump's List

Keilman, John; Torry, Harriet . Keilman, John; Torry, Harriet.

ProQuest document link

FULL TEXT

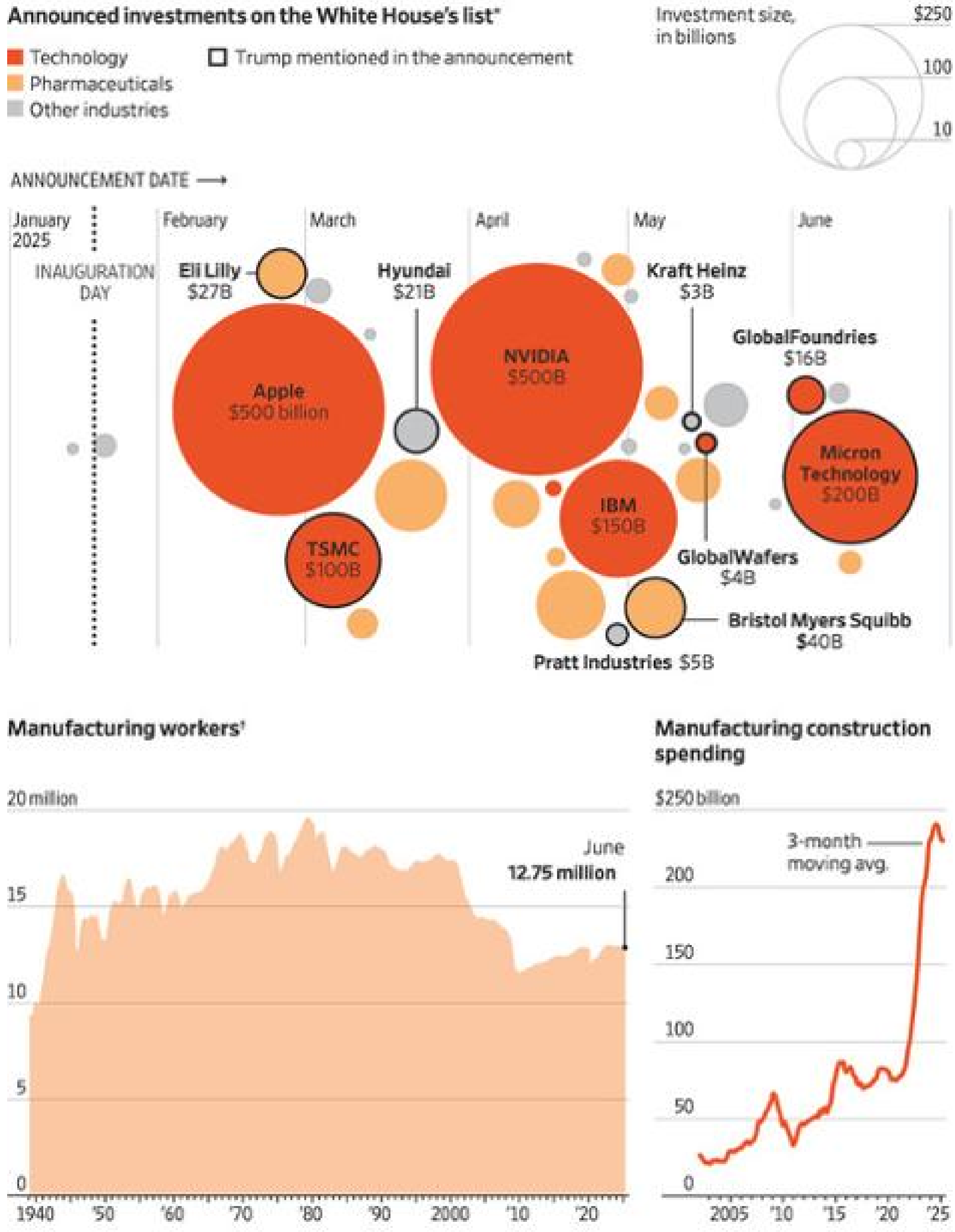
The White House has an explanation for the nearly $2 trillion of manufacturing-related projects announced since the start of the year.

It's the Trump Effect.

"They're really coming in fast," Trump said at an April event with business leaders. "Some of them don't bother calling us. Some of them don't even want meetings. They just start their plants and start their factories."

The White House maintains a running list of U.S.-based investments it says have been spurred by Trump's commitment to revitalizing American industry. Nearly 80 projects are included, from factories to data centers to a

liquefied natural gas facility.
The Wall Street Journal examined the manufacturing-related projects on the administration's list that involved investments of at least $1 billion. Of those 33 projects, some involve R&D, equipment and machinery investments that are in line with the companies' typical spending. Others were in the works well before Trump was elected.
A White House spokesman said Trump has been "a critical catalyst converting hypothetical discussions into firm investment commitments."
Defense technology company Anduril Industries, founded by Trump supporter Palmer Luckey, said last August that it had raised more than $1 billion to build a plant that will make autonomous weapons systems. Just before Trump's January inauguration, Anduril said it would put the factory in Ohio. The White House later added the project to its list of manufacturing wins.
An Anduril spokeswoman said while planning for the factory preceded Trump's presidency, he helped to build momentum around the project. "The Trump administration is creating conditions for innovation and manufacturing to thrive," she said.
In February, Apple said it would spend $500 billion in the U.S. over the next four years to support efforts in artificial intelligence, silicon engineering and skills development for students and workers.
Apple's spending pledge, which later made the White House list, is roughly on track with its recent investments. The company has spent about $1.1 trillion over the past four fiscal years on operating expenses and capital expenditures, and analysts project about $1.3 trillion in spending over the next four years.
About 40% of Apple's revenue comes from the Americas, and a similar proportion of projected expenses would equal a little over $500 billion.
"Some of that's just existing R&D that would have been spent anyway," said William Kerwin, senior equity analyst at Morningstar. Apple didn't respond to a request for comment.
Ketchup and macaroni maker Kraft Heinz in May told Reuters it would spend $3 billion to upgrade its U.S. plants, seeking efficiency gains that could help offset Trump's tariffs. The company, which normally invests $1 billion a year on capital projects, said the investment would stretch over five years but wouldn't result in new jobs beyond construction work.
The White House a day later included the company's planned investment among a number of corporate announcements that it said showed that Trump's policies are paying off.
Some companies on the White House list have name-checked Trump in their announcements. Taiwan-based GlobalWafers, which makes the silicon wafers used in semiconductor manufacturing, said in May it intends to spend $4 billion to expand a just-opened, $3.5 billion Texas factory "in alignment with market growth and Trump administration priorities."
Pratt Industries, a packaging manufacturer owned by Trump backer Anthony Pratt, said at a White House event in April that it would invest $5 billion and create 5,000 U.S. manufacturing jobs to support Trump's call to reindustrialize America.
In 2022, when Biden was president, Pratt pledged to invest $5 billion, spread over 10 years. Since then, according to the company's website, it has opened four new plants, spending between $120 million and $700 million on each.
The April commitment, Pratt said, comes on top of its earlier pledge. "Because of our confidence in President Trump, we're doubling down on the investment, in the same period of time," a company spokesman said.
In April last year, semiconductor company Micron Technology said it received $6.1 billion in Chips Act funding to support its roughly $50 billion investment in manufacturing facilities in New York and Idaho, part of a potential $125 billion investment over the next two decades. The company thanked the Biden administration for supporting investments that "will ensure U.S. semiconductor competitiveness for generations to come."
This June, Micron announced an expanded U.S. investment commitment of approximately $200 billion. That included $30 billion in manufacturing investment beyond its earlier plans, along with $50 billion for research and development. The company thanked President Trump for his support.
The Trump administration added Micron's $200 billion total to its list. The company declined to comment further.



*Manufacturing-related investments with stated values of at least $1 billion †Seasonally adjusted
Sources: WSJ analysis (announced investments); Labor Department via St. Louis Fed (workers); U.S. Census Bureau via St. Louis Fed (spending)

Enlarge this image.

By John Keilman and Harriet Torry

DETAILS

Subject:	Capital expenditures; Silicon wafers; Manufacturing; Research &development--R &D; Factories; Industrywide conditions
Business indexing term:	Subject: Capital expenditures Manufacturing Factories Industrywide conditions
Location:	United States--US
People:	Trump, Donald J
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Jul 14, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3229722370
Document URL:	https://www.proquest.com/newspapers/u-s-news-projects-new-old-make-trumps-list/docview/3229722370/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-07-14
Database:	ProQuest Central

LINKS

U.S. News -- Chicago Fed Chief: New Tariffs Cloud Inflation Picture

Grossman, Matt . Grossman, Matt.

FULL TEXT

New tariffs unveiled by President Trump have further muddied the inflation outlook, said Chicago Fed President Austan Goolsbee, making it more difficult for him to support the rate cuts that the president has pressed for.

During the past few months, after Trump paused steep bilateral tariffs he proposed in April, anxiety about how tariffs could push up prices calmed substantially. That put the Federal Reserve on track to ease interest rates again soon, Goolsbee said in an interview Friday.

But the latest round of tariffs -- including a 35% levy on some Canadian imports and a 50% tariff on goods from Brazil, set to begin Aug. 1 -- could spark fresh concerns about inflation, which might force the Fed to maintain its wait-and-see posture until the central bank gets more clarity, Goolsbee said.

"I'm hopeful that when we go back and talk to [businesses] now, they don't say, 'Oh, this is putting us back to where we were on April 3,'" Goolsbee said. "But I don't know, because this has just happened."

The Fed began easing rates last September as it gained traction against inflation. A brief inflation resurgence earlier this year, as well as uncertainty about how changes to trade, immigration and fiscal policy will hit the economy, have led it to hold its benchmark rate steady at 4.25% to 4.5% since December.

Goolsbee and other Fed interest-rate voters broadly agree that if inflation continues to cool, rates can move lower over time to reach a more neutral setting. Since the Fed's June meeting, Goolsbee has been among the Fed officials most supportive of cutting rates again sooner.

But now, the latest round of tariff increases requires more caution, Goolsbee said.

"The more we keep adding things to the mix that make it hard to figure out, 'Are prices going to be rising or not?' The more it's just throwing more dirt back in the air," he said.

Inflation readings since Trump's April 2 tariff announcement have been encouraging. In the 12 months through May, the Fed's preferred inflation index rose by 2.3%, within a stone's throw of its 2% target.

Much debate at the Fed has centered on whether tariff-driven price increases are still on the way. If so, policymakers are scrutinizing whether they will come as a one-time jump, or as part of a more sustained bout of inflation that the Fed has to fight with a longer stretch of restrictive policy.

Meanwhile, a slightly weaker but relatively solid mosaic of data on the underlying state of the economy has led Chair Jerome Powell and other Fed officials to advocate for patience.

Trump's demands for lower rates and his caustic criticisms of Powell have further complicated the path forward. Trump is set to nominate Powell's successor next year and has insinuated he will pick a candidate aligned with his preference for low interest rates.

On Thursday, the White House ramped up its pressure on Powell by demanding he answer for cost overruns in the Fed's renovation of its Washington, D.C., headquarters.

Goolsbee said he and his colleagues in the Fed's leadership ranks will insist on blocking out political influence.

"I'm still pretty confident that the culture of the Fed is one that everyone takes the job seriously and recognizes how important independence is from political interference," he said.

By Matt Grossman

DETAILS

Subject:	Federal Reserve monetary policy; Inflation; Interest rates; Tariffs; Trade policy
Business indexing term:	Subject: Federal Reserve monetary policy Inflation Interest rates Tariffs Trade policy; Industry: 92113 : Public Finance Activities 52111 : Monetary Authorities-Central Bank
Location:	Chicago Illinois; United States--US
People:	Powell, Jerome
Classification:	92113: Public Finance Activities; 52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A6
Publication year:	2025
Publication date:	Jul 12, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3229353483
Document URL:	https://www.proquest.com/newspapers/u-s-news-chicago-fed-chief-new-tariffs-cloud/docview/3229353483/se-2?accountid=14681
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Last updated:	2025-07-14

Wall Street Feels New Tariff Tension --- S&P 500 retreats from record level, while dollar, bond yields, oil prices rise

Wirz, Matt; Berwick, Angus . Wirz, Matt; Berwick, Angus.

FULL TEXT

Stocks slipped and the dollar strengthened on Monday after President Trump moved trade tensions back to the forefront on Wall Street.

The S&P 500 fell nearly 1% to 6229.98, still close to the all-time high the index hit last week. The Nasdaq Composite Index and Dow Jones Industrial Average also gave up about 1%.

The WSJ Dollar Index, which tracks the U.S. currency against 16 peers, was up 0.6% and was up three of the past four trading days.

Trump, a Republican, took to his Truth Social platform Monday afternoon to announce the U.S. would impose 25% tariffs on goods from Japan and South Korea. He later revealed that other nations, including Laos and Malaysia, would face higher levies.

With each post, the major stock indexes fell further. Oil prices and bond yields rose, reflecting concerns that heavier tariffs would lead to higher inflation.

Before extending their deadlines to Aug. 1, the U.S. was set to reimpose reciprocal tariffs on Wednesday for dozens of countries. And even after he singled out Japan and South Korea for higher levies, Trump said their tariff rates could move lower (or higher) depending on how those countries adjusted their trade practices with the U.S.

"The announcements seem to be changing every 30 minutes," said John Belton, portfolio manager for growth equities at Gabelli Funds. "This is more Trump-style negotiations, and the market has grown tired of it the longer it drags on."

The September contract for Brent crude oil rose 1.9%, and the 10-year Treasury yield climbed 0.05 percentage point to 4.394%.

Shares of trade-sensitive companies such as Lululemon, Estee Lauder, First Solar and Deere declined.

Trump also threatened an additional levy on countries aligning themselves with the Brics group of emerging economies, which includes China and India.

"Any Country aligning themselves with the anti-American policies of Brics, will be charged an ADDITIONAL 10% Tariff. There will be no exceptions to this policy," Trump said.

His post came as leaders of the Brics nations met in Rio de Janeiro. Over the weekend, the group released a statement voicing "serious concerns about the rise of unilateral tariff and non-tariff measures."

Share prices remain high on a historical basis and investors, particularly individual investors, are looking past Trump's unpredictability to a time when trade deals are completed, said Sylvia Jablonski, chief investment officer at Defiance

ETFs. "There is a pro-market sentiment for this president and this idea of retail buying the dip remains consistent."
Talks between the U.S. and many key trade partners remain in flux. The European Union is aiming for an agreement in principle by Wednesday, when Trump had threatened to raise tariffs for EU imports to 50%.
Trump's social-media activity also weighed on Tesla stock after the president ridiculed Elon Musk's plan to form a new political party in opposition to ballooning fiscal deficits under the newly passed spending bill. Tesla shares declined 6.8%, their worst one-day drop since June 5 and are down 27% this year.
Bitcoin traded around $108,000, not far off record highs.
The Cboe Volatility Index, Wall Street's fear gauge, rose about 9% but remained far off the Liberation Day highs hit in April.
By Matt Wirz and Angus Berwick

DETAILS

Subject:	American dollar; Tariffs; Dow Jones averages; Economic impact; Securities markets
Business indexing term:	Subject: American dollar Tariffs Economic impact Securities markets
Location:	United States--US; Japan; South Korea
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Jul 8, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3227730335
Document URL:	https://www.proquest.com/newspapers/wall-street-feels-new-tariff-tension-s-amp-p-500/docview/3227730335/se-2?accountid=14681
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Last updated:	2025-07-08
Database:	ProQuest Central

LINKS

U.S. News: Trump's 'No Tax on Tips' Vow Contains Caveats

Reich, Josie; Rubin, Richard . Reich, Josie; Rubin, Richard.

FULL TEXT

Many service workers are eagerly awaiting no longer paying taxes on their tips. Yet the fine print in Republicans' new law could limit savings for some waiters, bartenders and others.

Among the particulars restricting the reach of the measure: Only the first $25,000 in tips are free from income taxes. Tipped workers will still face the 7.65% combined payroll taxes that fund Social Security and Medicare. And workers won't be able to benefit if federal officials say their type of service job doesn't qualify.

"No tax on tips" started as a campaign promise by President Trump during a 2024 stop in Nevada, the state with the highest concentration of service workers who rely on tips. It is now a key element of the tax-and-spending megabill that Trump signed into law on Friday. Even though it is one of the smaller pieces of the law in terms of dollars -- accounting for $32 billion out of $4.5 trillion in tax cuts -- it is one of Republicans' top talking points.

The cut could save some service workers thousands of dollars a year in federal taxes.

"It would be extra money," said Yolanda Garcia, a barista at Resorts World Las Vegas. "It would help me buy more groceries, even a gallon of gas." She estimates she usually gets $200 to $300 every two-week pay period from tips. If she makes less, taxes cut into her wages because she is taxed on an estimate of her wages and tips, she said.

Some four million people in the U.S., or 2.5% of all workers, earn tips, according to the Budget Lab at Yale, a nonpartisan research center founded by former Biden administration officials. Some workers can make tens of thousands of dollars -- or even more -- in tips each year. To hold on to their gratuities, some workers already illegally skip reporting the income to avoid paying taxes on it.

Workers are currently taxed on their tips as part of their overall income, which many complain forces them to skimp on such basics as food and gas as well as vacations.

More than a third of tipped workers don't make enough to pay federal income taxes, including many low-income workers with children and students who work in part-time tipped jobs. They wouldn't benefit from the no-tax-on-tips deduction.

Under Republicans' policy, workers who do pay federal income taxes will be able to deduct up to $25,000 for tips. For someone in the 12% tax bracket making that much in tips, the change would deliver up to $3,000 in savings. The

deduction would start phasing out once an individual's income reaches $150,000, or $300,000 on a joint return for people who are married.
The relief will take effect this tax year. The law orders the Treasury secretary to publish a list of typical tip-earning jobs that qualify for the deduction, so it is unclear now exactly who will benefit. Tax experts said barbers, restaurant servers and other longtime service workers are almost certain to qualify, but it is unclear whether it will extend to other types of jobs such as online creators, who are sometimes tipped for their work.
Much of this year's savings would come as a lump-sum part of the tax refunds workers will receive in early 2026. Workers can also change their paycheck withholding now; the law instructs the Internal Revenue Service to update tax withholding tables next year to accommodate the change.
The new law also requires the Social Security numbers of the worker and any spouse, barring workers living in the country illegally and workers married to them from claiming the deduction. Other parts of the legislation, such as changes to Medicaid, nutrition-assistance benefits and other tax cuts, could also affect service workers.
Employers will need time to adjust their payroll systems, said Michael Chittenden, a tax lawyer at Covington &Burling. The businesses might need to communicate with workers about the limits so employees don't expect tax breaks they aren't getting, he added.
Some workers reported that their tax forms asked for their income altogether -- and said they are concerned that they might have trouble claiming the tax break unless they can clearly report tips separately from wages.
Sebastian Espinoza, a busser at Caesars Palace in Las Vegas, has been looking forward to using the tax savings to pay for modest luxuries like a vacation and eating out more.
Espinoza estimated he usually makes roughly $30,000 in tips annually, and he depends on that money to help cover rent and make car payments.
By Josie Reich and Richard Rubin

DETAILS

Subject:	Workers; Tips &tipping; Tax cuts; Social security; Tax refunds; Income taxes; Fiscal policy; Tax legislation
Business indexing term:	Subject: Workers Tips &tipping Tax cuts Social security Tax refunds Income taxes Fiscal policy Tax legislation
Location:	United States--US; Las Vegas Nevada
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Jul 7, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance

ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3227505288
Document URL:	https://www.proquest.com/newspapers/u-s-news-trumps-no-tax-on-tips-vow-contains/docview/3227505288/se-2?accountid=14681

| Last updated: | 2025-07-07 |
| Database: | ProQuest Central |

LINKS

U.S. News: U.S. Watch

ProQuest document link

FULL TEXT

NATIONAL PARKS

Foreign Visitors

Face a New Fee

International visitors will soon have to pay an added surcharge to visit Yellowstone, Yosemite and other iconic U.S. national parks.

President Trump signed an executive order Thursday directing the secretary of the Interior Department to develop a plan to increase entrance fees for foreign travelers to national parks while keeping them affordable for Americans.

"The national parks will be about America first," Trump said Thursday night at a kickoff event for America's 250th birthday in Iowa.

It is still too early to say the amount of the surcharge or when it would take effect. The order directs the extra funds be used for purposes that include improving the visitor experience and addressing maintenance backlogs.

This method of generating additional funding for the parks comes as the Trump administration has proposed cutting more than $1 billion, or more than one-third, from the Park Service's budget in the coming fiscal year.

The White House and Interior Department didn't respond to requests for comment.
Of the more than 400 parks in the national park system, just over 100 currently charge an entrance fee.
-- Allison Pohle

SUPREME COURT
Trans Sports Ban
Slated for Review
The U.S. Supreme Court agreed on Thursday to consider the constitutionality of state laws banning transgender women and girls from participating on female school sports teams.
The cases arise from challenges brought by transgender student athletes against policies in West Virginia and Idaho blocking individuals whose sex at birth was male from competing in women's and girls' track teams. Opponents of the bans argue they violate the constitutional guarantee of equal treatment under federal law and the 1972 Title IX law that prohibits sex-based discrimination in education.
In Idaho, a Boise State University transgender student challenged a 2020 law that would have barred her from running on the women's track team. The Ninth Circuit Court of Appeals in 2023 upheld an injunction against the ban, finding it was likely unconstitutional.
In West Virginia, a 12-year-old transgender girl challenged a 2021 law barring her from competing on her middle school girls' track team. The Supreme Court declined West Virginia's emergency request to enforce the law and keep her off the team while the case continued in the lower courts. Last year, a Virginia appeals court blocked the implementation of the law, finding it violates Title IX.
-- Mariah Timms

TRADE
China Says Deal
Is Being Sped Up
China is reviewing and approving applications for exports of controlled items to the U.S., as Beijing and Washington speed up the implementation of their trade framework, the Chinese commerce ministry said.
American officials have informed China that they are lifting a series of restrictive trade measures, a ministry representative said Friday.
"Dialogue and cooperation are the right path" to take, adding that "blackmail and coercion are no solution," the representative said.
Friday's statement was a response to recent media reports saying that some companies have received notices from Washington to resume exports of chip-design software, ethane and aircraft engines to China, according to the ministry's website.
The developments came after President Trump said late last month that the U.S. had signed a trade deal with China, without further elaboration.
As part of a pact struck after trade talks in London in early June, Beijing agreed to ease curbs on rare-earth exports in exchange for removal of some U.S. trade limits.
-- WSJ Staff

DETAILS

Subject:	Exports; Teams; Transgender persons; Girls; Parks &recreation areas; Women; National parks
Business indexing term:	Subject: Exports; Industry: 71219 : Nature Parks and Other Similar Institutions

Location:	Beijing China; United States--US; China; Idaho; West Virginia
People:	Trump, Donald J
Classification:	71219: Nature Parks and Other Similar Institutions
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A2
Publication year:	2025
Publication date:	Jul 5, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3227194059
Document URL:	https://www.proquest .com/newspapers/u-s-news-watch/docview/3227194059/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-07-05
Database:	ProQuest Central

LINKS

Trump's Megabill: Economic Fallout Will Be Muted at First --- Trump's policy law promises a modest economic tailwind, with long-term risks

Kiernan, Paul . Kiernan, Paul.

FULL TEXT

For all the fireworks over President Trump's $3.4 trillion policy measure, the economic impact will be modest at first -- too little for most people to notice, economists predict.

Starting this year, more money will be spent on the military and border enforcement. Many people who earn tips, work overtime or are over 64 will pay lower taxes as soon as this year. The bill also reduces projected spending on Medicaid through provisions that will disqualify several million people from benefits starting in 2027, as well as food stamps.

But the vast majority of the bill's price tag comes from extending provisions of the 2017 Tax Cuts and Jobs Act slated to expire Dec. 31. Those extensions aren't going to change the behavior of individuals and firms the way the tax cuts did when first implemented, or the way President Joe Biden's 2021 stimulus did.

That is a macroeconomic plus: Averting a tax increase is one less drag on an economy facing headwinds from Trump's trade and immigration policies.

"The vast majority of it is a continuation of current policy, and everything else that's being battled about is, you know, not big numbers," said Michael Feroli, chief U.S. economist at JPMorgan Chase. "If you're going to talk about GDP and macro things, you need big numbers to make it matter."

The legislation's cost and economic effects depend on what baseline is used for comparison. Compared to a scenario in which the 2017 tax cuts were allowed to expire, the new law means gross domestic product, adjusted for inflation, will be 1% to 1.2% larger by 2027, said Kent Smetters, faculty director of the Penn Wharton Budget Model.

But most economists thought complete expiration unlikely since both Republicans and Democrats had long supported extension of most of the tax cuts for individuals. Once Trump was re-elected and Republicans took control of both chambers of Congress, near-total extension became a fait accompli.

Versus a baseline in which the 2017 tax cuts were extended, the new bill should add between 0.2 and 0.5 percentage point to GDP growth in 2026, said Josh Hirt, senior U.S. economist at Vanguard.

The benefit from the law could be significantly offset by Trump's tariff increases. Goldman Sachs expects GDP to be about 1% smaller in the first quarter of 2026 as a result of the tariffs.

Among the provisions contributing to the law's near-term growth boost are temporary deductions for tip income, overtime pay and senior citizens; and full expensing of business investment. Increased spending on defense and border security are also expected to push up growth in the near term. The deduction for state and local taxes, which was significantly pared back in the 2017 law, will be expanded through 2029, at a cost of $142 billion.

Except for investment expensing, those provisions phase out after several years. Meanwhile, cuts to Medicaid and other spending only take effect after the midterm elections next year. Thus, the tax cut stimulus is frontloaded while the drag from spending cuts is backloaded.

"In the out years, [the bill] flips from fiscal expansion to fiscal contraction as the temporary tax cuts expire and as the planned spending cuts ramp up," said Wells Fargo economists Michael Pugliese and Aubrey Woessner.

Backloading the spending cuts raises the risk that, in the future, Congress will vote not to implement them at all.

The short-term benefits of the law must be weighed against the potential for trillion-dollar deficits as far as the eye

can see, pushing up interest rates and crowding out private investment.
"Our big way of thinking about this bill is, will the deficit impacts overwhelm the potential growth impacts?" Hirt said.
The Committee for a Responsible Federal Budget, which advocates for smaller deficits, estimates if the law's various tax cuts and spending increases are made permanent, it would add $5.5 trillion to deficits through 2034, pushing debt to 127% of GDP.
By Paul Kiernan

DETAILS

Subject:	Gross Domestic Product--GDP; Medicaid; Economists; Tax cuts; Tax increases; Tax legislation; Economic impact; Government spending
Business indexing term:	Subject: Gross Domestic Product--GDP Medicaid Economists Tax cuts Tax increases Tax legislation Economic impact Government spending; Industry: 92313 : Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Location:	United States--US
Classification:	92313: Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A5
Publication year:	2025
Publication date:	Jul 5, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3227194003
Document URL:	https://www.proquest.com/newspapers/trumps-megabill-economic-fallout-will-be-muted-at/docview/3227194003/se-2?accountid=14681

Wall Street Worries About Crisis-Level Budget Deficits

Goldfarb, Sam; Lahart, Justin . Goldfarb, Sam; Lahart, Justin.

FULL TEXT

U.S. budget deficits were already approaching $2 trillion when Republican lawmakers set out to extend and expand tax cuts this year. Interest rates were high and the bond market was jumpy, producing worrying spikes in borrowing costs.

Republicans forged ahead anyway, defying warnings from Wall Street to Washington that they were pushing the country further down a dangerous fiscal path.

The new legislation adds $3.4 trillion to federal deficits through 2034 compared with a scenario in which Congress did nothing, according to the Congressional Budget Office.

Economists, investors and politicians have often warned that the U.S.'s growing debt burden would punish future generations. The market has been willing to tolerate spikes in borrowing during crises such as a war or Covid, seeing it as a logical, and temporary, response to a sharp slowdown.

What stands out now to those sounding the alarm the loudest is that America is bingeing on debt when there's no such emergency requiring it. The deficit as a share of the economy is already around the levels reached in the era of the 2008 financial crisis and the pandemic.

Many investors are concluding that financial profligacy isn't a bug, but rather a feature of U.S. policymaking. "The government is like a teenager with a credit card that has no limits until it has to be paid," said Bill Gross, founder of Pimco. "'Payment due' comes not with default but with a weak dollar and higher interest rates."

Trump and his GOP backers in Congress dismiss those bleak projections and, armed with their own budget math, paint a very different fiscal reality. They say tax cuts will accelerate growth and, along with new tariffs and heavy cuts to social programs such as Medicaid, will actually put the nation on sounder financial footing.

The long-term verdict might be rendered in U.S. bond markets. The U.S. borrows money by issuing Treasurys, and an oversupply of those bonds would drive up yields, which rise when prices fall. Because interest rates on other debt are linked to Treasury yields, that would also lift costs on mortgages, car loans and corporate bonds.

The market has been calm lately, but sent warning flares in May when yields on 30-year bonds climbed close to a two-decade high.

Some investors, meanwhile, are concerned that massive debt projections are weighing on the dollar, which just posted its biggest first-half decline since 1973.

The deficit, or annual gap between government revenue and spending, was $1.8 trillion, or around 6% of gross domestic product, last fiscal year. Moody's estimates it will reach nearly 9% of GDP by 2035, pushing publicly held federal debt -- or the sum of all the annual shortfalls -- from a little under 100% of GDP now to more than 130%. That compares to the previous record of 106% in 1946.

Ken Rogoff, a Harvard University professor and former chief economist for the International Monetary Fund, said the U.S. is leaving itself little room to go on a borrowing binge when it really needs to.

"We typically look to borrow 20% or 30% of GDP in these big crises," he said. "It's not clear markets will tolerate that."

Even if Congress wasn't adding new tax cuts this year, federal debt would grow from around $29 trillion to $50 trillion in 2034, according to the CBO. The bill's advance, though hardly unexpected on Wall Street, has dimmed budget hawks' already modest hopes that lawmakers would make deficit reduction a priority.

Ray Dalio, founder of Bridgewater, warns that staying on the current path will ultimately lead to some mix of a bond-market slide, a severe economic contraction or an inflation-fueling intervention by the Federal Reserve.

The GOP bill "reflects a political system that favors indulging voters over prudence," he said.

Trump says skyrocketing growth will avert any downsides. "For all cost cutting Republicans, of which I am one, REMEMBER, you still have to get re-elected," he wrote in a social-media post shortly before senators began voting on the bill earlier this week. "Don't go too crazy! We will make it all up, times 10, with GROWTH, more than ever before."

The U.S. government borrows money to pay for the shortfall between what it collects in taxes and what it spends on programs, such as defense and Social Security, by issuing Treasury securities that mature over varying periods of time. Buyers of this debt range from foreign banks to hedge funds to everyday investors.

In principle, Treasurys are subject to the forces of supply and demand, like any other item. If the government issues more Treasurys than investors want or need, it will need to win them over with higher interest rates. If investors are worried about that happening in the future, they will likely sell bonds now, causing an immediate jump in yields.

Treasurys, though, have long been viewed as the ultimate safe investment, especially in rocky economic times, because they are backed by the world's richest country and are effectively guaranteed to be repaid at maturity. That has historically kept America's borrowing rates in check, even as the volume of debt grew.

Yet deficit worries still go back a long way, in government and on Wall Street.

Peter Peterson, the late co-founder of the Blackstone Group who also served as President Richard Nixon's secretary of commerce, became concerned when planning for a talk on President Ronald Reagan's budget in 1981. Its big increase in defense spending and substantial tax cuts didn't make sense to him, and he was especially worried about the looming costs of Social Security and other entitlement programs.

"To put the matter bluntly, Social Security is heading for a crash," he wrote in a 1982 essay. That year, Salomon Brothers chief economist Henry Kaufman warned that proposed tax cuts and the resulting deficits would effectively block recovery from an ongoing recession.

Worries about the deficit flared up regularly in the decades that followed -- taking a break in the 1990s when the Clinton administration briefly engineered a surplus. But the concerns were minor impediments to a long bull market in bonds that dragged Treasury yields steadily lower.

Rogoff, the Harvard professor, who with Carmen Reinhart wrote the 2009 book "This Time Is Different: Eight Centuries of Financial Folly," has long argued that high levels of debt can weigh on growth. A 2012 paper he wrote with Reinhart and her husband, Vincent Reinhart, found that for advanced economies since 1800, debt levels above 90% of GDP corresponded to significantly lower levels of growth.

The U.S. shot past that 90% threshold when the government spent massively in its efforts to bolster the economy during the pandemic. The overall level of America's GDP is significantly higher than what forecasters on the eve of the pandemic expected it would be in 2025, but Rogoff still thinks that deficits matter.

"The appetite for U.S. debt may be very large, but it's clearly not infinite," he said.

Nearly a third of publicly held U.S. debt is owned by foreigners, including foreign central banks. If they start worrying more about America's large debt load, they could become less willing holders.

A wholesale dumping of U.S. debt by foreigners is extremely unlikely, according to Jeremy Stein, a Harvard economist who was a Fed governor from 2012 to 2014. "But I wouldn't be surprised if, over the next couple of years, as their portfolios roll off and they have to reinvest, they start shifting that reinvestment more towards, say, Europe or German bonds," he said.

Stein also worries that as the supply of Treasurys increases, hedge funds will become even bigger players in the market for U.S. debt. That could raise the odds of market disruptions, because fast-money traders occasionally run into problems that force them to sell.

A mix of factors has created the current fiscal imbalance, including recessions, an aging population and rising federal assistance to households. Those spending policies were largely championed by Democrats. Republicans, meanwhile, have led the charge in cutting taxes.

This year's budget negotiations revealed fissures among Republicans, with some expressing more concern about deficits than others.

With the 2017 tax cuts set to expire at the end of the year, many in the party argued that an extension shouldn't count as a deficit increase because it was merely a continuation of current policy.

Others, though, opposed that approach, citing concerns about national debt. House conservatives, led by Reps. Jodey Arrington (R., Texas) and Lloyd Smucker (R., Pa.), along with others such as Rep. Chip Roy (R., Texas), forced the House's budget framework to link tax cuts and spending cuts, with no more than a $2.5 trillion gap between them. By that approach, if the House could find $2 trillion in spending cuts, it could have $4.5 trillion in tax cuts. If it could only find $1.5 trillion, the tax cuts would have to shrink, too.

The House, on May 22, passed a version of the tax bill that adhered to those demands. CBO estimated that it would cost $2.4 trillion over a decade.

In June, 38 Republicans led by Smucker signed a letter saying they wouldn't support legislation coming back from the Senate that violated their framework.

In the end, though, it is estimated the Senate's version of the legislation would add $1 trillion more to the deficit over the next 10 years than the House bill -- well above what those House Republicans said they would accept. They voted for it anyway on Thursday.

The question of how much deficits matter ultimately depends on the bond market -- and the corresponding effect on borrowing costs for businesses and consumers.

Worries about government borrowing have already caused a couple of selloffs in Treasurys over the past two years. One came two summers ago, when the Treasury Department announced that it would need to borrow more than investors had expected in the coming months. Another occurred in May, after Moody's became the last major ratings firm to downgrade the U.S. to below triple-A.

In both cases, the selloffs were temporary. Bond prices rebounded and yields fell, suggesting to some analysts that investors are only sporadically worried about deficits. Others, though, note that yields on longer-term Treasurys, in particular, are higher than what would be expected based just on the projected path of short-term rates set by the Fed.

That extra yield, known on Wall Street as a term premium, can only be estimated. But one popular estimate, published by the Federal Reserve Bank of New York, indicates the premium for the 10-year Treasury note has reached its highest level since 2014.

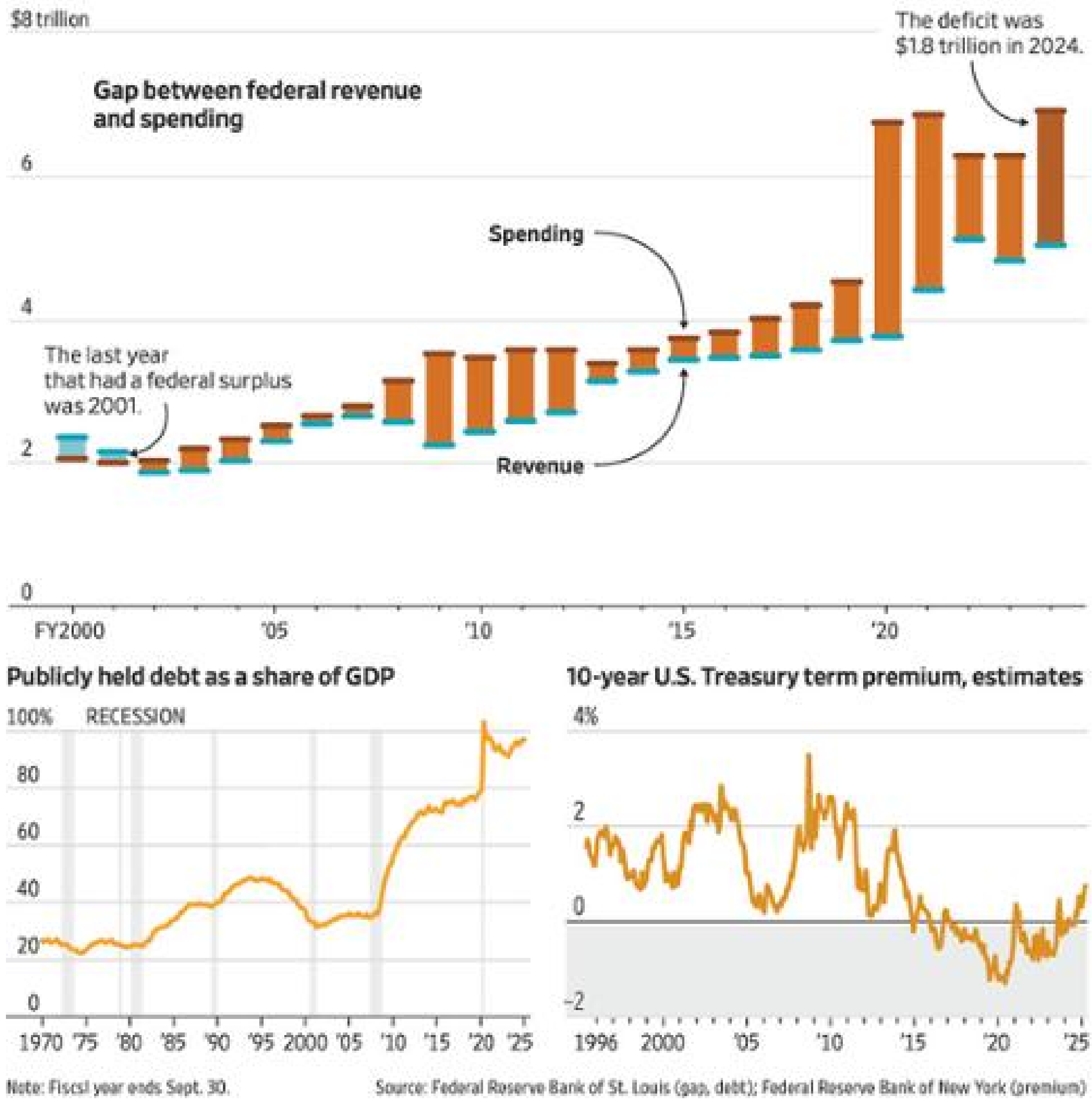
Deficits are "absolutely at the back of anybody's mind who's buying anything" other than the shortest-term Treasurys, said Priya Misra, a fixed income portfolio manager at J.P. Morgan Asset Management.

Deficits are still not the biggest influence on yields, which are largely determined by economic data and investors' expectations for Fed policy. A run of mild inflation data has helped bring yields lower recently.

Investors also say that the Trump administration has ways it could mitigate the impact of deficits on the market. The most meaningful is its ability to lean more on ultrashort-term debt to meet coming borrowing needs, thereby minimizing pressure on longer-term bonds, which matter more for consumer and business borrowing costs.

The administration has suggested it intends to do that by leaving the sizes of longer-term debt auctions unchanged at least through the end of the year. When it does come time to increase auction sizes, many analysts expect the Treasury Department to mostly focus on debt that matures in just two to seven years.

If demand is stronger for shorter-term bonds, it makes sense to "just give the investors what they want," said Blake Gwinn, head of U.S. rates strategy at RBC Capital Markets.



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By Sam Goldfarb and Justin Lahart

DETAILS

Subject:	Borrowing; Costs; Treasuries; Hedge funds; Debt restructuring; Pandemics; Worry; Gross Domestic Product--GDP; Interest rates; National debt; Economists; Tax cuts; Economic growth; Budget deficits; Federal budget

Business indexing term:	Subject: Borrowing Costs Treasuries Hedge funds Debt restructuring Gross Domestic Product--GDP Interest rates National debt Economists Tax cuts Economic growth Budget deficits Federal budget; Industry: 52394 : Portfolio Management and Investment Advice
Location:	Texas; United States--US
Company / organization:	Name: Republican Party; NAICS: 813940; Name: Congressional Budget Office--CBO; NAICS: 921120
Classification:	52394: Portfolio Management and Investment Advice
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Jul 5, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3227194002
Document URL:	https://www.proquest.com/newspapers/wall-street-worries-about-crisis-level-budget/docview/3227194002/se-2?accountid=14681
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Last updated:	2025-07-07
Database:	ProQuest Central

LINKS

U.S. News: Medicaid Cuts Affect More GOP Voters --- The party is drawing more lower-income people, complicating politics of policy bill

Zitner, Aaron; DeBarros, Anthony; Dougherty, Danny . Zitner, Aaron; DeBarros, Anthony; Dougherty, Danny.

FULL TEXT

To understand why Republicans have struggled to unite behind their domestic-policy bill that cuts taxes and Medicaid, look at how much progress the party has made on winning support from working-class Americans.

About 15 years ago, Republicans represented 26 of the 100 lowest-income House districts, according to Census data. By 2023, they represented 56 -- more than half. At the same time, Democrats came to dominate the wealthiest House districts, representing 69 of the 100 where incomes are highest.

In other words, America's two political parties have traded places economically. Where Americans once referred to upper-income "country club Republicans" and blue-collar "lunchpail Democrats," they now see a working-class GOP and, in many ways, a professional-class Democratic Party.

That is good news for Republicans, because working-class voters -- often defined as those without a four-year college degree -- are one of the biggest blocs in the electorate. But the GOP now represents more constituents who rely on social safety-net programs, such as Medicaid.

The bill that passed the Senate on Tuesday would cut taxes on tips, on overtime and on car-loan payments for many Americans, and it would make tax cuts enacted in President Trump's first term permanent. It also includes a host of tax cuts for businesses. To diminish the effect of the bill on deficits, the party wants to pare back Medicaid, the federal-state health program for low-income and disabled people. Republicans are also looking to cut the program that helps low-income people buy groceries, which was once known as food stamps but now goes by the acronym SNAP.

The party of middle- and lower-income America is a party that is more reliant on those safety-net programs. Consider the 145 House districts -- one-third of all of them -- that are most reliant on Medicaid. The number electing Republicans has more than doubled since 2009.

Republicans proposed even bigger cuts to Medicaid before they came to represent so many low-income House districts. A 2014 plan from then-Rep. Paul Ryan, the party's leading architect of fiscal policy, would have reduced the budget deficit but also cut Medicaid by about 25% over time and removed 14 million people from health coverage, the Congressional Budget Office calculated.

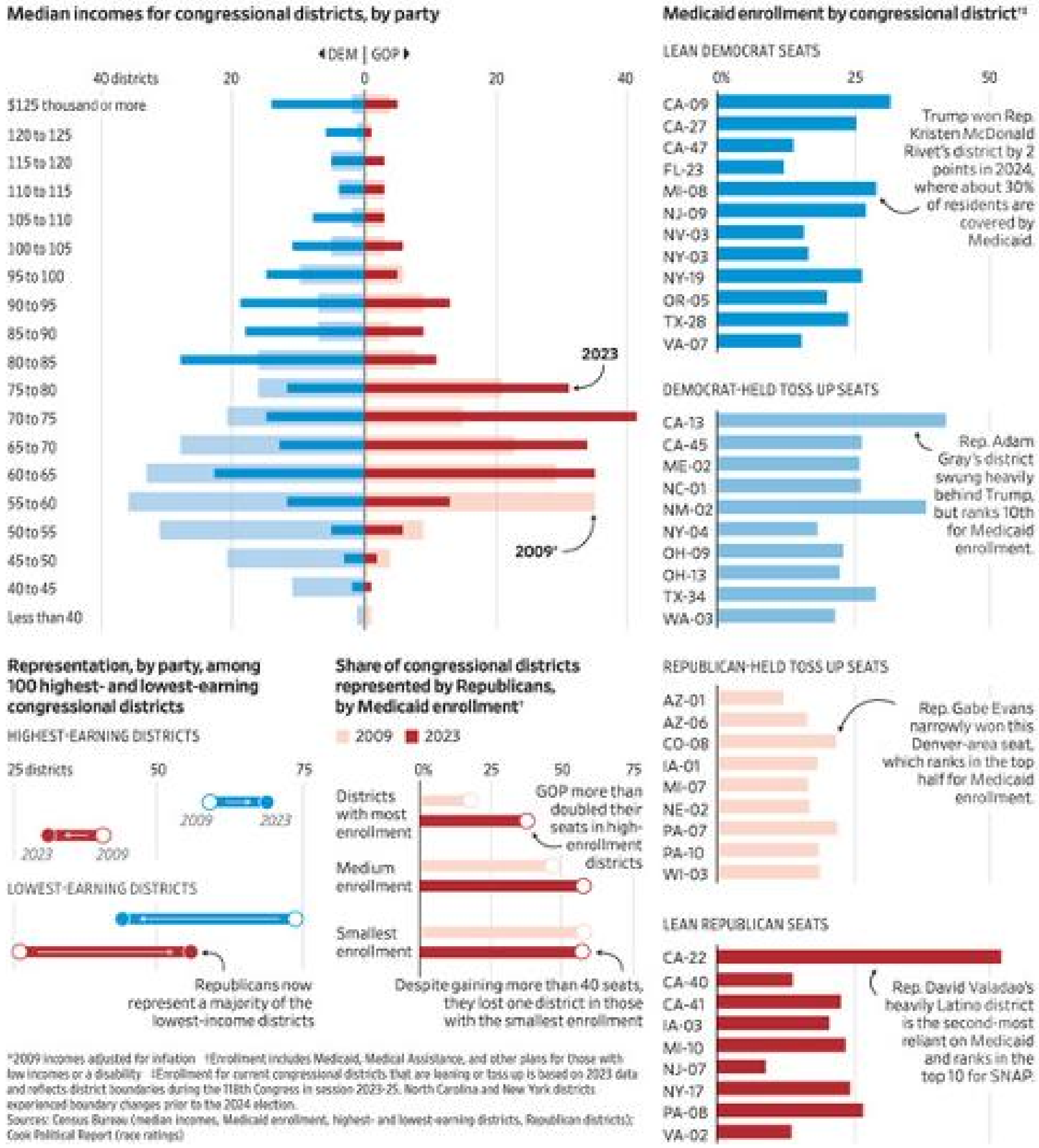
Why is Trump supporting a measure that could hurt his voters? Republicans have long thought they would take on less political risk in cutting Medicaid than cutting Social Security or Medicare benefits, which most workers feel they have earned through their payroll taxes. That is one reason Trump has long said he doesn't want to cut Social Security or Medicare. Republicans say their goal is to help some people move off Medicaid by asking them to meet a new work requirement, which they say can position them for new employment opportunities -- and that it is appropriate to ask those who can work to do so.

Critics of the bill say millions of people will lose coverage because they won't bother to comply with the work requirement or will be discouraged by its bureaucratic hurdles.

Some Republicans are warning that passing these safety-net reductions would cause a voter backlash in the 2026 midterms and cost the GOP its House majority.

Of the 18 Republican-held House districts that the nonpartisan Cook Political Report says are tossups or merely lean in the GOP's direction, five are among the most dependent on Medicaid -- that is, they are among the top one-third of House districts ranked by Medicaid reliance.

Cutting Medicaid could also damage the GOP's prospects in its best pickup opportunities, in districts where the Democratic hold is tenuous. Of the 22 Democratic-held districts rated as tossups or as merely leaning Democratic, 13 are among the most-dependent on Medicaid.



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By Aaron Zitner, Anthony DeBarros and Danny Dougherty

DETAILS

Subject:	Taxes; Working class; Medicaid; Tax cuts; Voters; Low income groups; Medicare; Political parties; Welfare reform
Business indexing term:	Subject: Taxes Working class Medicaid Tax cuts Medicare; Industry: 81394 : Political Organizations
Location:	United States--US
Company / organization:	Name: Republican Party; NAICS: 813940
Classification:	81394: Political Organizations
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Jul 3, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3226499154
Document URL:	https://www.proquest.com/newspapers/u-s-news-medicaid-cuts-affect-more-gop-voters/docview/3226499154/se-2?accountid=14681
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Last updated:	2025-07-07

LINKS

U.S. News: Senators Press Ahead With Spending Bill -- Marathon of votes highlights the tricky balancing act among Republican factions

Rubin, Richard; Wise, Lindsay; Beavers, Olivia . Rubin, Richard; Wise, Lindsay; Beavers, Olivia.

FULL TEXT

WASHINGTON -- Senate Republicans trudged through a marathon session Monday, aiming to pass the party's "big, beautiful bill" and move the legislation one step further toward President Trump's desk ahead of lawmakers' self-imposed July 4 deadline.

Voting on amendments and procedural motions started midmorning and dragged through the day as Republican leaders worked to find a balance of policies that could pass both the Senate and later the House. Trump spoke with congressional leaders by phone, and the White House said it was confident that the bill was on track even as its fate and final content remained uncertain.

Various GOP factions seek to push the bill in their favored direction on charged political issues such as changes to Medicaid, food assistance programs and tax cuts. Centrists are fighting to limit cuts to benefit programs and potentially reel back changes to clean-energy tax credits. Fiscal conservatives argue that this bill is a prime opportunity to address the nation's rising debt, and they are pushing for deeper spending cuts.

"It's been a long debate. I know people are weary," Senate Majority Leader John Thune (R., S.D.) said on the Senate floor early in the session Monday. About an hour before midnight, Thune said: "This is a collaborative process. We're collaborating."

Republicans can lose only three votes in the Senate and still pass the bill, and Sens. Rand Paul (R., Ky.) and Thom Tillis (R., N.C.) are firm "no" votes. That means GOP leaders have to placate both wings of their party simultaneously, and changes that satisfy moderates could cost conservative votes -- and vice versa.

"You've got a pretty broad spectrum in our caucus, and that takes a lot of patience," said Sen. John Hoeven (R., N.D.), who said late Monday that Medicaid, energy and provisions benefiting Alaska were still being worked on.

GOP leaders are using a process called budget reconciliation, which allows the Senate to pass the bill with a simple majority rather than the typical 60-vote threshold.

Broadly, the bill is an attempt to squeeze as many of Trump's priorities into one piece of legislation. It extends expiring tax cuts permanently and adds new tax cuts for tipped workers, overtime pay and factory construction. It would lower Medicaid spending by adding work requirements and forcing more frequent eligibility checks. The bill directs hundreds of billions of dollars toward border security and national defense.

Republicans see the bill as necessary to prevent a damaging tax increase, while Democrats highlight the contrast between continued tax cuts for top households and reductions to social safety-net programs.

Senate Minority Leader Chuck Schumer (D., N.Y.) said Republicans were struggling to get the measure passed. "A

whole lot of them are embarrassed about this bill," he said.
By Monday evening, senators had held a series of votes but hadn't changed the bill. Crucial votes on Republicans' Medicaid, tax and renewable-energy amendments hadn't been scheduled. GOP leaders also hadn't detailed a final amendment that could attempt to address House lawmakers' concerns to smooth the path for an up-or-down vote later this week.
First up was a vote to bless Republicans' attempt to declare that $3.8 trillion of expiring tax cuts don't count against the budgetary cost of the bill. That passed on party lines, and it is a crucial part of Republicans' strategy to extend tax cuts permanently with a simple-majority vote, though Democrats and budget experts call it a gimmick.
Key amendments include an attempt by Sen. Rick Scott (R., Fla.) to roll back Obamacare's Medicaid expansion, in which the federal government pays 90% of the cost for some adults. Scott's proposal would reduce the bill's red ink -- estimated at $3.3 trillion through 2034. Scott said he expected his amendment to pass and wouldn't answer whether he would support the bill if it doesn't.
Sen. Susan Collins (R., Maine), who hasn't said whether she will support the bill, wants $25 billion more for rural healthcare, doubling the size of a fund designed to mitigate the effect of Medicaid changes in the bill. Her plan would also let the top income-tax bracket revert to 39.6% from 37%, for individual income above $25 million and married couples income above $50 million. Many Republicans have resisted higher rates, but Sen. Roger Marshall (R., Kan.) said he would back Collins's plan.
"Most of the people in that tax bracket, no matter what we do, don't end up paying any more taxes," he said. "I think it is a good idea."
Sens. Lisa Murkowski (R., Alaska) and John Curtis (R., Utah) may seek changes that would aid the clean-energy industry, which would face faster tax-credit phaseouts and a new excise tax under the bill. Murkowski is backing an amendment from Sen. Joni Ernst (R., Iowa) that would allow wind and solar projects to get tax credits if they start construction in 2026 or 2027, where the current Senate bill would require projects to begin operations by Dec. 31, 2027, to qualify.
Murkowski's state is also affected by a ruling from the Senate parliamentarian that an increase in Medicaid funding for Alaska and Hawaii can't be included in budget reconciliation, which requires provisions to have fiscal effects that are more than merely incidental to the broader policy aims.
A final Senate vote was possible early Tuesday. If passed, the measure would then move back to the House, where Republicans have a 220-212 majority. Moderate House Republicans argue that the Senate cut Medicaid too deeply. Others warn that the Senate is violating the Houses target that keeps tax cuts at most $2.5 trillion larger than spending cuts.
By Richard Rubin, Lindsay Wise and Olivia Beavers

DETAILS

Subject:	Federal budget; Medicaid; Energy industry; Tax cuts; Tax credits; Clean technology; Political leadership; Tax increases; Government spending
Business indexing term:	Subject: Federal budget Medicaid Energy industry Tax cuts Tax credits Tax increases Government spending; Industry: 81394 : Political Organizations 92313 : Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Location:	United States--US; Alaska
Company / organization:	Name: Republican Party; NAICS: 813940

Classification:	81394: Political Organizations; 92313: Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Jul 1, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3225667546
Document URL:	https://www.proquest.com/newspapers/u-s-news-senators-press-ahead-with-spending-bill/docview/3225667546/se-2?accountid=14681
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Last updated:	2025-07-01
Database:	ProQuest Central

EXCHANGE --- Markets &Finance: Currency Rise Hits Taiwan Tech, Insurers --- Strength of country's dollar

will eat into profits from foreign sales and assets

Qin, Sherry . Qin, Sherry.

ProQuest document link

FULL TEXT

Another flare-up in the Taiwan dollar's strength is unwelcome news for the island's exporters and life insurers.

The New Taiwan dollar hit a three-year high against the greenback on Friday, bringing year-to-date gains to around 12%. It was last changing hands at 29.01 to the U.S. dollar, hovering at a key psychological level.

Asian currencies have been gaining ground against the dollar over the past few months, partly because of a broader selloff in U.S. assets.

Unpredictability related to President Trump's tariff policies and concerns about the U.S.'s fiscal health have sapped investor confidence in the dollar, triggering a "sell USD" trade, OCBC strategists said in a research note.

"De-dollarization" is prompting capital flows back into Asia, AllianzGI economist Christiaan Tuntono said.

With Asian entities holding about US$8.6 trillion in U.S. equity and fixed-income assets, even a partial repatriation could significantly boost Asian currencies, he wrote in a note.

That will pressure some of Taiwan's biggest companies, such as Taiwan Semiconductor Manufacturing and Foxconn Technology. A more expensive Taiwan dollar hurts their revenue as sales of semiconductor products are mostly priced in U.S. dollars. It also makes their products less competitive abroad.

Foxconn Chief Financial Officer David Huang has warned that every NT$1 appreciation affects the company's revenue by about 3% and its gross margin by 0.1 percentage point.

For life insurance companies such as Fubon Financial Holding, the vulnerability lies in their significant holding of foreign assets, raising balance sheet risks when the local currency appreciates.

DBS economist Ma Tieying in a recent note estimated that Taiwan life insurers' foreign investments made up 70% of their total portfolios as of February, with the bulk denominated in U.S. dollars.

Data from Taiwan's Financial Supervisory Commission shows that as of end-May, life insurers' foreign-exchange losses more-than-doubled from a month earlier.

And as Taiwanese exporters and financial institutions look to hedge their U.S. dollar exposure, that is fueling further demand for the Taiwan dollar, analysts say.

For the broader economy, a stronger currency could damp gross domestic product growth by weighing on exports, which already face trade tariff headwinds.

Regulators are paying attention.

In May, when the Taiwan dollar made its biggest one-day jump versus the dollar since 1988, Taiwan's central bank urged calm, telling market commentators to not speculate on forex moves, and asking manufacturers to disregard exaggerated market analysis.

It played down the impact of the recent currency appreciation on the economy after leaving interest rates unchanged for a fifth consecutive quarter. Policymakers noted that demand for the island's tech products remained strong in May, despite the currency appreciation.

Forex gains and losses tend to even out over time, the central bank added.

At a press conference on Thursday, Taiwan cabinet spokesperson Michelle Lee said that the cabinet will continue to watch the exchange rate and prepare corresponding measures.

The combination of U.S. tariffs and the Taiwan dollar's appreciation is a double hit to exporters, Citi economist Adrienne Lui said. The impact could become more visible in the second half of the year after the boost from export front-loading to get ahead of tariffs fades, she said.

Taiwan faces a 32% tariff if it doesn't reach a deal with the U.S. before the July 8 deadline.
By Sherry Qin

DETAILS

Subject:	International trade; Currency; Gross Domestic Product--GDP; Central banks; Exports; Economists; American dollar; Tariffs; Foreign exchange rates
Business indexing term:	Subject: International trade Currency Gross Domestic Product--GDP Central banks Exports Economists American dollar Tariffs Foreign exchange rates; Industry: 52111 : Monetary Authorities-Central Bank
Location:	United States--US; Taiwan
Classification:	52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B10
Publication year:	2025
Publication date:	Jun 28, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3224750843
Document URL:	https://www.proquest.com/newspapers/exchange-markets-amp-finance-currency-rise-hits/docview/3224750843/se-2?accountid=14681
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Last updated:	2025-06-30
Database:	ProQuest Central

LINKS

U.S. News: University Tax Hike Set to Lose Controversial Element

ProQuest document link

FULL TEXT

Republicans are set to drop a controversial element in their plan to steeply raise annual taxes on private colleges' and universities' annual investment income: the exclusion of international students from how endowment wealth is calculated.

Senate Democrats announced the expected change Friday as part of the minority's procedural challenges to Republicans' major fiscal legislation. Spokespeople for Finance Committee Republicans declined to comment Friday.

The exclusion of foreign students had sharply increased the endowment-dollars-per-student of certain schools like Columbia University and Cornell University, pushing them into higher proposed tax brackets.

Dropping the exclusion of foreign students from the calculation could raise other potential issues, though. According to a former staffer of the Senate Finance Committee, it appears only four schools would remain in the top 8% tax bracket in the Senate version if other elements remain unchanged: Harvard, Yale, Stanford, and Princeton universities.

The Senate parliamentarian, Elizabeth MacDonough, has been determining whether pieces of the bill comply with what's known as the Byrd Rule. In sizing up a provision, MacDonough regularly considers the number of entities affected, according to Bobby Kogan, senior director of federal budget policy at the Center for American Progress. A number as low as four suggests "the purpose of the rate is about targeting entities that you hate rather than the budgetary impacts," he said, disqualifying it.

DETAILS

Subject:	Foreign students; Colleges &universities; Congressional committees; Tax increases; Tax legislation
Business indexing term:	Subject: Colleges &universities Tax increases Tax legislation; Industry: 92112 : Legislative Bodies 61131 : Colleges, Universities, and Professional Schools
Classification:	92112: Legislative Bodies; 61131: Colleges, Universities, and Professional Schools
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4

Publication year:	2025
Publication date:	Jun 28, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3224750637
Document URL:	https://www.proquest.com/newspapers/u-s-news-university-tax-hike-set-lose/docview/3224750637/se-2?accountid=14681
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Last updated:	2025-06-30
Database:	ProQuest Central

LINKS

U.S. News: Senate Medicaid Cuts Dealt a Setback

Rubin, Richard; Walker, Joseph . Rubin, Richard; Walker, Joseph.

ProQuest document link

FULL TEXT

WASHINGTON -- Several of Republicans' largest proposed spending cuts can't be done as written in the fast-track budget process they are using to advance their megabill, the Senate parliamentarian determined, dealing a significant blow to the GOP's hopes of passing their plans quickly.

The ruling affects several of the largest and most controversial cuts in President Trump's "one, big, beautiful bill," and Republicans will likely be forced to drop or rewrite them. The changes could amount to hundreds of billions of dollars, making it harder for Republicans to hit their budget targets.

But the ruling wasn't the final word, and Senate Republicans said by Thursday afternoon that they thought some tweaks to the wording of some proposed Medicaid cuts would be enough to break the logjam.

"There are things that we can do, there are other ways of getting to that same outcome," said Senate Majority Leader John Thune (R., S.D.). Sen. John Hoeven (R., N.D.) said such a plan was already under way, and that Republicans expected to hear back soon from the parliamentarian.

Some Republican lawmakers angrily demanded that the parliamentarian be fired, but Thune and other party leaders said that wasn't going to happen. White House press secretary Karoline Leavitt said the parliamentarian's ruling was part of the process and that Republicans are still sticking to July 4 as the deadline to get the bill to Trump's desk.

The ruling would block Republicans' plan to limit state "provider taxes," financing mechanisms that boost federal Medicaid funding. Senate Republicans had already been struggling to agree on curbing provider taxes, with lawmakers such as Josh Hawley (R., Mo.) and Thom Tillis (R., N.C.) warning about the effects on hospitals. Trump has also expressed misgivings about cutting Medicaid too deeply.

The parliamentarian's ruling would also stop a provision that lowers federal funding for states that use state money to provide Medicaid to undocumented immigrants.

Republicans are using a special fast-track procedure known as budget reconciliation to pass their tax-and-spending bill, which extends expiring tax cuts, creates new tax cuts, reduces spending on Medicaid and nutrition assistance and adds money for border security and national defense.

The reconciliation process lets Republicans push the bill through the Senate -- where they have a 53-47 majority -- on a simple majority vote. But the process comes with strings attached, and those limits are known as the Byrd Rule, for the late Sen. Robert Byrd (D., W.Va.).

Reconciliation bills must be focused on fiscal policy, and changes that have merely incidental federal-budget effects can't be done. This has frustrated both parties in the past, including when Democrats tried and failed to raise the federal minimum wage through reconciliation.

The parliamentarian hears arguments from both parties about whether bills comply with the Byrd Rule and then advises lawmakers on which provisions require a 60-vote threshold to waive the Byrd Rule. That process, known colloquially as the Byrd bath, has been happening over the past week; provisions that fall out are known as Byrd droppings.

"Republicans are scrambling to rewrite parts of this bill to continue advancing their 'families lose and billionaires win' agenda, but Democrats stand ready to fully scrutinize any changes," said Sen. Jeff Merkley (D., Ore.), the top Democrat on the Budget Committee.

The parliamentarian, Elizabeth MacDonough, is the Senate's official adviser on rules and procedures. It is a nonpartisan job she has held since 2012, when she was picked by Democrats. She has been kept on by Republicans.

Senators often get frustrated by the parliamentarian, and they can ignore or sidestep her advice. But lawmakers are wary of setting rule-breaking precedents that a future majority could exploit, and they sometimes seek political cover by deferring to the parliamentarian's advice.

Among the provisions affected by the recent rulings are ones that would limit the ability of some immigrants to receive premium tax credits for purchasing health insurance. Those changes were expected to generate $129 billion through 2034, according to the Joint Committee on Taxation.

The parliamentarian had earlier curbed Republican plans to change student-loan programs, force the Postal Service to sell electric vehicles and require plaintiffs to post potentially enormous bonds when asking courts to issue preliminary injunctions or impose temporary restraining orders against the federal government.

The bill's restrictions on Medicaid provider taxes would reduce federal spending on the health insurance program for the poor and disabled. States use the taxes to raise money from hospitals and other healthcare providers to increase the matching dollars they get from the federal government, which are then often funneled back to the providers in the form of higher payments.
The Senate's version specifically targets states that have expanded Medicaid to able-bodied adults under the Affordable Care Act.
By Richard Rubin and Joseph Walker

DETAILS

Subject:	Taxes; Federal budget; Medicaid; Tax cuts; Provisions; Legislators; Restraining orders; Government spending
Business indexing term:	Subject: Taxes Federal budget Medicaid Tax cuts Government spending; Industry: 92112 : Legislative Bodies 92313 : Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Company / organization:	Name: Republican Party; NAICS: 813940
Classification:	92112: Legislative Bodies; 92313: Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Jun 27, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3224417606
Document URL:	https://www.proquest.com/newspapers/u-s-news-senate-medicaid-cuts-dealt-setback/d ocview/3224417606/se-2?accountid=14681

U.S. News: Senate Weighs Mileage Standards' End

Felton, Ryan; Terlep, Sharon . Felton, Ryan; Terlep, Sharon.

FULL TEXT

The Senate is considering a major change to federal fuel-economy rules that would kneecap the policy that dramatically reduced gas consumption and helped create fuel-efficient cars like the Toyota Prius hybrid.

Republican senators are proposing a change to the Corporate Average Fuel Economy, or CAFE, rules as part of President Trump's wide-ranging tax and spending bill. It would eliminate fines for violating CAFE, all but nullifying rules that for generations have pushed automakers to churn out ever cleaner and more fuel-efficient vehicles. That technology has saved two trillion gallons of gasoline over the past 50 years, according to the journal Energy Policy.

Automakers including General Motors and Jeep parent Stellantis support the measure, while some of their rivals don't. Consumer advocacy groups warn that the move could keep dated technology on the road and further dependence on foreign oil sources.

"The combination of high penalties with the nearly impossible CAFE standards finalized during the previous administration is a major problem," said John Bozzella, president and CEO of the Alliance for Automotive Innovation, which represents most major carmakers.

Trump came to office promising to cut regulations across the government. Congress last month struck down the nation's most aggressive emissions rules, and the Environmental Protection Agency has said it aims to loosen restrictions on automobile greenhouse-gas emissions.

Some carmakers have already signaled they are preparing to step up production of gas-powered cars. GM said last month it would invest $888 million to repurpose an electric vehicle plant to make V-8 engines. Stellantis also said it is bringing back the HEMI V-8 in the 2026 Ram 1500 pickup.

GM and Stellantis say they are continuing to develop fuel-efficient technology, including on their new V-8s, but that current CAFE rules are unrealistic.

The measure would have to survive any challenges during the Senate parliamentarian's review of whether it qualifies for inclusion in the bill, done under a process called budget reconciliation. That allows budget bills to pass with a simple majority -- rather than the 60 votes usually required -- but only if provisions are primarily fiscal. The provision also would need approval by the House.

Several major automakers, including Toyota and Hyundai, support revisiting the standards but oppose eliminating penalties, people familiar with the matter say. Ford declined to disclose its position.
In recent years, GM and Stellantis have faced the heftiest fines. Since 2022, GM has paid $128 million for CAFE violations, while Stellantis has paid more than $425 million. Ford has never been fined, according to federal data.
Automakers can buy regulatory credits from competitors to offset fines.
Federal and state regulations have directly affected vehicles on U.S. roads -- including through fuel-saving technologies such as turbocharged engines that deliver more power, transmissions with more gears and powertrains that automatically shut off at stoplights.
Under the existing rules, automakers are hit with fines when the average miles per gallon for their entire fleet falls short of the CAFE standard. For model year 2026, that threshold is 49 mpg.
Industry groups and other manufacturers argue that the standards, most recently increased under the Biden administration to 50.4 mpg by model year 2031, have become exceedingly stringent.
But electric-car makers and some foreign rivals believe the proposed change could effectively render CAFE meaningless, according to people familiar with the matter.
"Automakers have proven time and time again that without strong and enforceable fuel-economy standards, many of them will leave proven, popular, and cost-effective technologies like hybrids sitting and gathering dust on the shelf," said Chris Harto, a Consumer Reports policy analyst.
The debate over fuel economy goes back to the 1970s energy crisis that led to gasoline shortages. In response, Congress started writing the law that would create the CAFE rules.
Detroit's automakers objected, warning that the federal requirements would result in Americans' driving tiny cars. They pleaded with lawmakers to let consumer choice dictate what vehicles they made.
"This would place definite hardships on the many Americans who want and need larger cars to meet their personal requirements," Ford Motor said at the time.
President Gerald Ford signed legislation creating CAFE standards in 1975.
Bob Lutz, who had senior roles at GM, Ford and Chrysler over a nearly 50-year career, said the inception of the rules placed U.S. automakers at a disadvantage to Asian-based rivals that, at the time, were already making smaller cars. It took the domestic industry decades to recover, he said.
"We might have gone off the big V-8 beasts ourselves," he said. "Market forces could have taken us in the same direction but with less turmoil."
The proposal to eliminate CAFE fines was in the budget-reconciliation language released by the Senate Commerce Committee, which said its passage would result in modest savings for car buyers.
By Ryan Felton and Sharon Terlep

DETAILS

Subject:	Fines &penalties; Standards; Energy efficiency; Automobile industry; Emissions; Competition; Fuel economy standards
Business indexing term:	Subject: Automobile industry; Corporation: Stellantis NV; Industry: 33611 : Automobile and Light Duty Motor Vehicle Manufacturing
Location:	United States--US
Company / organization:	Name: Stellantis NV; NAICS: 336110, 551112
Classification:	33611: Automobile and Light Duty Motor Vehicle Manufacturing

Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Jun 24, 2025
Publisher:	Dow Jones &Company Inc.
Placeof publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3223485494
Document URL:	https://www.proquest.com/newspapers/u-s-news-senate-weighs-mileage-standards-end/docview/3223485494/se-2?accountid=14681
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Last updated:	2025-07-01
Database:	ProQuest Central

LINKS

U.S. News: GOP Plan to Fold Audit Watchdog Into SEC Hits Snag

Maurer, Mark . Maurer, Mark.

FULL TEXT

Republican lawmakers' proposal to fold the U.S. audit watchdog into the Securities and Exchange Commission hit a roadblock when the Senate parliamentarian determined that including the provision in a broader tax bill violates rules around budget reconciliation.

The Senate parliamentarian late Thursday ruled out the Public Company Accounting Oversight Board plan and several other provisions in Senate Banking Chair Tim Scott's proposed addition to Republicans' policy bill, according to Senate Budget Committee ranking member Jeff Merkley's office. Proposals to place a funding cap on the Consumer Financial Protection Bureau, reduce the pay of Federal Reserve staff and lower funding for the Office of Financial Research are also ineligible to be part of the proposed legislation.

The parliamentarian said these provisions violate the Senate's Byrd Rule, a law named for the late West Virginia Democratic Sen. Robert Byrd that prevents lawmakers from using the special fast-track budget reconciliation process to advance policies with fiscal effects that are merely incidental to their broader aims. The move means that 60 senators would need to vote to waive the rule to keep the provisions. Otherwise, Senate Republicans will have to remove them from the package or alter them in ways that comply.

Opponents of Republicans' PCAOB plan have warned it would weaken oversight of auditing firms and reduce the accuracy and reliability of financial reporting, in part because they fear the SEC is unlikely to replicate the PCAOB's expertise and infrastructure due to resource constraints and competing priorities. PCAOB Chair Erica Williams and several international audit regulators have urged lawmakers to reconsider the plan.

"This is good news for millions of Americans whose retirement savings and investments would be put at risk by eliminating the PCAOB," Williams said Friday.

Congress created the PCAOB in 2002 to boost financial oversight in the wake of the Enron and WorldCom accounting scandals.

The Republican-led House in May passed the broader tax bill, 215-214, which included the provision to eliminate the PCAOB. The Senate has been compiling its own version of the tax bill, aiming for a vote as soon as the coming week. That proposed version also would eliminate the PCAOB, but would bar the SEC from raising fees to pay for its expanded duties.

The PCAOB, whose budget is nearly $400 million this year, is funded by fees paid by public companies and broker-dealers. The SEC requested to add $100 million to its fiscal 2026 budget if it were to be required to take on the PCAOB's work, SEC Chair Paul Atkins said at a House hearing in May, adding he would likely seek additional funds.

In response to the parliamentarian move, Scott, a South Carolina Republican, said he remains committed to advancing legislation that cuts waste and duplication in the U.S. government.

Senate Banking Committee Republicans recently said folding the PCAOB into the SEC would save an estimated $771 million over a 10-year period.

If the provision doesn't make it into the final tax bill, the PCAOB is likely not entirely safe from major changes. Lawmakers could reintroduce the proposal at some point. The SEC, led by longtime PCAOB critic Atkins, could also move to remove the board members as it has done in recent years.

Senators and the parliamentarian are still discussing other provisions in the bill and whether they comply with the Byrd Rule. Those meetings are expected to continue through the weekend.

By Mark Maurer

DETAILS

Subject:	Budgets; Provisions; Legislators; Regulation of financial institutions; Congressional committees; Federal budget; Federal funding; Financial reporting
Business indexing term:	Subject: Budgets Regulation of financial institutions Federal budget Federal funding Financial reporting; Industry: 92112 : Legislative Bodies 92113 : Public Finance Activities
Location:	United States--US
Company / organization:	Name: Public Company Accounting Oversight Board; NAICS: 926150; Name: Securities &Exchange Commission; NAICS: 926150
Classification:	92112: Legislative Bodies; 92113: Public Finance Activities
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Jun 21, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3222742221
Document URL:	https://www.proquest.com/newspapers/u-s-news-gop-plan-fold-audit-watchdog-into-sec/docview/3222742221/se-2?accountid=14681
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Last updated:	2025-07-01
Database:	ProQuest Central

U.S. News: Blue States Reverse Course On Insuring Undocumented

Walker, Joseph . Walker, Joseph.

FULL TEXT

Progressive governors around the country have extended state-funded healthcare to undocumented immigrants, aiming to get closer to universal insurance coverage.

Now, some are being forced to roll back or freeze the programs because of budget woes and unexpectedly high enrollment.

California Gov. Gavin Newsom has proposed freezing enrollment of undocumented adults into the state's Medicaid program for the poor and disabled. Instead of receiving essentially free coverage, those already enrolled would be required to pay $100 monthly premiums starting in 2027. Newsom, a Democrat, floated his proposal after the state program, Medi-Cal, went $6.2 billion over budget this year.

Illinois Gov. JB Pritzker, a Democrat, recently signed off on a state budget that cut funding for health coverage of undocumented adults ages 42-64. Benefits will end for that group at the end of June. The program was initially expected to cost $112 million annually, but quickly ballooned to a projected $800 million a year that was "unsustainable," a spokesman for Pritzker said.

Minnesota Gov. Tim Walz, the 2024 Democratic vice presidential nominee, agreed to end a health insurance program for undocumented adults in a deal with state Republicans to pass a new budget this month.

And in Washington, D.C., Mayor Muriel Bowser, a Democrat, has proposed phasing out coverage for undocumented people over the age of 21.

After ambitiously expanding health programs to undocumented adults during the pandemic, some states are grappling with far higher-than-expected costs and dwindling budget reserves that had been buoyed by federal dollars related to Covid-19.

"State leaders are responding to a sort of dire fiscal uncertainty," said Leonardo Cuello, a research professor at Georgetown University McCourt School of Public Policy's Center for Children and Families. "I don't think any of these states have changed their policy goals or what they value -- I just think they are in a kind of economic perfect storm."

Medicaid programs are funded by a mix of state and federal dollars. But states are barred by law from using federal funds to cover undocumented immigrants, placing the entire burden for covering them on states.

Some governors blamed President Trump's economic policies, such as tariffs, for slowing down their economies. Meanwhile Medicaid is on the table in the tax-and-spending bill known as the "One Big Beautiful Bill Act" with the Senate proposing even deeper cuts than the House version. The bill would also cut federal matching funds for states that provide health benefits to undocumented immigrants.

Pritzker "believes that healthcare is a right and we should protect the most vulnerable," but that "passing a balanced budget required the difficult decision that reflects the reality of Trump and Republicans tanking our national economy and attempting to strip away healthcare," a spokesman for the governor said.

Minnesota's Walz has said that ending the program for adults was the only way Republicans would agree to a budget

deal after a special election in March split control of the state's House of Representatives evenly between the Democratic --Farmer --Labor Party and Republicans. He has also taken credit for exempting children from the cuts, which he said was a red line for him.
The late state Rep. Melissa Hortman -- a former speaker of the House who was murdered in her home this weekend -- was the only House DFL member to vote with Republicans in repealing coverage for undocumented adults under the state's MinnesotaCare program. She had said she voted in favor of repealing coverage despite continuing to support the program, but had her hand forced by Republicans threatening to shut down the government.
When Minnesota expanded coverage in 2023, the state had an $18 billion surplus, but by the beginning of this year was looking at a long-term deficit of $6 billion. The state originally estimated that 7,700 undocumented people would sign up once it went into effect Jan. 1, 2025, but as of April 24, more than 20,000 people had signed up, said state Rep. Jeff Backer, the Republican co-chair of the Minnesota House's health finance and policy committee.
California expects its general fund spending on undocumented healthcare to be $10.8 billion in its next fiscal year, up nearly 50% from the governor's original budget. About 1.7 million undocumented immigrants are covered under the program.
(See related letter: "Letters to the Editor: Why a Medicaid Penalty Would Prove Costly" -- WSJ June 26, 2025)
By Joseph Walker

DETAILS

Subject:	Noncitizens; Medicaid; Governors; Immigrants; State budgets; Insurance coverage; Health insurance
Business indexing term:	Subject: Medicaid State budgets Insurance coverage Health insurance; Industry: 92111 : Executive Offices
Location:	California; United States--US; Minnesota
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Jun 20, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper

Language of publication:	English
Document type:	News
ProQuest document ID:	3222494161
Document URL:	https://www.proquest.com/newspapers/u-s-news-blue-states-reverse-course-on-insuring/docview/3222494161/se-2?accountid=14681

| Last updated: | 2025-06-26 |
| Database: | ProQuest Central |

LINKS

New Medicaid Cuts Stir More Trouble For GOP Tax Plan

Hughes, Siobhan; Rubin, Richard; Beavers, Olivia . Hughes, Siobhan; Rubin, Richard; Beavers, Olivia.

FULL TEXT

WASHINGTON -- Senate Republicans' plan to extract more savings from Medicaid as part of their revised tax and spending package triggered a backlash within the party, raising concerns that leaders could miss their self-imposed deadline of getting the bill to President Trump's desk by July 4.

Republicans remain divided on a series of issues, ranging from healthcare spending to deficit reduction to clean energy tax credits to state and local tax deductions. A significant GOP revolt on any of these could prove fatal for the legislation, which must clear the 53-47 GOP-controlled Senate and then be approved again in the narrowly divided Republican-run House.

The tax and health portions of the measure, unveiled late Monday, would make it harder for states to shift Medicaid costs onto the U.S. government. The plan contains a provision that would essentially cut to 3.5% from as much as 6% so-called provider taxes for entities like hospitals in the states that expanded Medicaid under the Affordable Care Act. These taxes enhance states' Medicaid budgets and in turn, attract more federal matching funds.

Some Republican senators said they were caught off guard by the steep reductions and indicated they could be deal breakers.

"Alarming," said Sen. Josh Hawley (R., Mo.) of the proposal to cut the provider tax. "It's a big change from what we had previously been discussing, certainly what I discussed with leadership," he said, calling it "potentially really bad for rural hospitals."

Hawley has been outspoken in defense of Medicaid funding, but also recently won a provision in the bill to fund victims of nuclear radiation poisoning, a cause he has championed.

Sen. Jim Justice (R., W.Va.) said that the Medicaid change is "going to hurt our rural hospitals and hurt them in a big way, and I don't want to see that." Sen. Susan Collins (R., Maine) also has concerns about the effect on rural hospitals in her state.

Critics of the provider tax, including Trump's Medicaid chief, Mehmet Oz, call provider taxes a circular money-laundering scheme because they ultimately attract more federal matching funds -- money that is generally directed back to the hospitals paying the tax. But it has also become an embedded feature of the U.S. health system, with Medicaid covering more than 70 million people.

While the Medicaid changes angered the program's defenders, it did little to cheer budget hawks who have criticized the overall bill. Sens. Ron Johnson (R., Wis.) and Rick Scott (R., Fla.) both said the Medicaid cuts weren't enough.

"It just simply doesn't meet the moment," said Johnson of the bill. He added that there was no way to fix the legislation by July 4.

Budget hawks want to see deeper reductions in federal spending to offset the extension of Trump's 2017 tax cuts and the addition of new tax cuts -- such as a version of no taxes on tips -- that the president campaigned on.

The rival GOP stances make for complicated trade-offs.

"There are those who want more cuts. There are those who want more spending. There are those who want more tax increases or tax cuts, and there are those who want more deficit reduction," said Senate Finance Committee Chairman Mike Crapo (R., Idaho). "So all of those issues are floating around."

Democrats are united against the legislation, which is being advanced under special procedures that allow the GOP to evade the 60-vote threshold for most legislation and pass the bill with a simple majority.

Sen. Rand Paul (R., Ky.) is opposed to the bill because it would also increase the debt ceiling by $5 trillion, meaning Republicans can likely afford to lose only two more votes and still pass the bill.

"I don't think deeper Medicaid cuts will pass the Senate nor the House," said Rep. Don Bacon (R., Neb.), who voted for the House bill after blocking a similar attempt in the House to cut the provider taxes levied in states that didn't expand Medicaid.

The House last month passed its version of Trump's agenda by a single vote. Broadly, the bill would extend expiring tax cuts and create new tax breaks that Trump requested. It also includes new limits on federal nutrition assistance.

The House version would increase budget deficits by $2.8 trillion through 2034 after factoring in the projected economic growth the bill would create, leading to 15% more red ink than previously estimated, according to a new Congressional Budget Office report out Tuesday.

The Senate's version shows adjustments all over the place, creating a smaller but longer-lasting child tax credit expansion, a less generous extension of the tax deduction for closely held businesses, a gentler version of a retaliatory tax against some foreign governments and an extensive revision of tax rules for U.S.-based multinational companies.

The CBO hasn't yet detailed the expected costs of the Senate bill.

Senate Republicans' more generous extension of clean energy tax credits assuaged concerns from Sens. Thom Tillis (R., N.C.) and John Curtis (R., Utah), who had both warned about the quick cutoffs in the House bill. But they could also create headaches, particularly when the bill heads back to the House.

On top of that, party leaders must contend with blue-state Republicans who insist on a higher cap for the state and local tax deduction. The House bill bumped the cap to $40,000, while the Senate bill keeps it at the current $10,000, acknowledging that is a starting point.

Senate Majority Leader John Thune (R., S.D.) stuck by the cuts to the provider tax, saying that the new limits, along with related cuts to supplemental payments to many Medicaid providers, would "rebalance the program in a way that provides the right incentives to cover the people who are supposed to be covered by Medicaid."

Broadly, many Republicans said that Medicaid has expanded to cover groups and services beyond what was

intended, jeopardizing the social safety-net program. Democrats said that cutting the provider tax would destabilize care for the poor and disabled.
By Siobhan Hughes, Richard Rubin and Olivia Beavers

DETAILS

Subject:	Federal budget; Energy tax credit; Medicaid; Rural health care; Clean technology; Hospitals; Taxes; Leadership; Legislation; Tax deductions; Cost control; Tax cuts; Budget deficits; Tax increases; Tax legislation; Fiscal policy; Government spending
Business indexing term:	Subject: Federal budget Energy tax credit Medicaid Hospitals Taxes Leadership Tax deductions Cost control Tax cuts Budget deficits Tax increases Tax legislation Fiscal policy Government spending; Industry: 62211 : General Medical and Surgical Hospitals 92313 : Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Location:	United States--US
Company / organization:	Name: Republican Party; NAICS: 813940; Name: Congressional Budget Office--CBO; NAICS: 921120; Name: Senate-US; NAICS: 921120
Classification:	62211: General Medical and Surgical Hospitals; 92313: Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Jun 18, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3219510138

Document URL:	https://www.proquest.com/newspapers/new-medicaid-cuts-stir-more-trouble-gop-tax-plan/docview/3219510138/se-2?accountid=14681
Copyright:	
Fulltext availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-06-18
Database:	ProQuest Central

LINKS

U.S. News: Trump Officials Weighed Broader China Tech Curbs

Ramkumar, Amrith; Lin, Liza . Ramkumar, Amrith; Lin, Liza.

ProQuest document link

FULL TEXT

Commerce Department officials weighed new export limits on critical technology going to China ahead of recent trade talks in London, adding to the Trump administration's arsenal if tensions between Washington and Beijing escalate again.

The Commerce Department unit overseeing export controls has weighed tougher limits on semiconductors, including cutting off sales to China of a wider swath of chip-manufacturing equipment, people familiar with the matter said.

Such a move would have covered equipment used to make everyday semiconductors, expanding beyond existing export limits on equipment for producing advanced chips.

The decision could have roiled supply chains for chips needed to make everything from smartphones to cars, while threatening billions of dollars in sales for leading equipment companies such as Applied Materials, Lam Research and KLA.

The restrictions were discussed as an option if trade talks didn't go well and are no longer actively being considered, a White House official said.

In London last week, the U.S. and China agreed to reinstate a recent truce they had reached cutting sky-high tariffs.

The detente involves U.S. access to Chinese rare-earth materials and allowing Chinese students to continue studying at U.S. universities.

Even so, tensions continue. China is putting a six-month limit on the sales of rare earths to U.S. carmakers and manufacturers, giving Beijing leverage if the trade conflict flares up again.

Ahead of the London talks, the U.S. hit companies in industries from jet engines to chemicals with export limits.

Restrictions on semiconductors have been a key issue in U.S.-China trade talks. Making chips requires specialized equipment to add thin layers of various materials to silicon wafers. Much of the equipment is made by companies in

the U.S., the Netherlands and Japan, giving the West leverage.
"In the economic war with China, this is the most powerful weapon we've got," said Dmitri Alperovitch, co-founder of the Silverado Policy Accelerator think tank. "If you're going to leverage this trump card, now is the time to do it."
The second Trump administration has taken some fresh steps to hobble China's artificial-intelligence industry, following curbs put in place by the Biden administration. In one instance, Commerce's Bureau of Industry and Security is preparing measures to limit the sale of American technology to many subsidiaries and affiliates of Chinese companies subject to a trade blacklist.
Administration officials aren't always of one mind on the issue, with national-security hawks advocating tougher measures while business-minded officials want to do deals and support sales by U.S. companies.
On the issue of semiconductor-making equipment, the Biden administration considered broad restrictions but ultimately decided to focus on advanced chips, people familiar with the discussions said. Equipment companies have argued that tight restrictions without buy-in from other countries would limit the amount they can invest in research and development and benefit foreign competitors.
China accounts for tens of billions of dollars in revenue for Western equipment companies. The country generated roughly 40% of the revenue for Applied Materials, Lam and KLA in their most recent fiscal years.
Since 2022, the U.S. has used its semiconductor industry to hamstring China, an approach that has drawn criticism from industry executives such as Jensen Huang, chief executive of chip designer Nvidia, who argues the controls motivate China to innovate. The Trump administration has said it wants to share technology with allies while beating back China's advances.
By Amrith Ramkumar and Liza Lin

DETAILS

Subject:	Silicon wafers; Sales; Research &development--R &D; Semiconductors; US exports; High technology
Business indexing term:	Subject: Sales US exports; Corporation: Applied Materials Inc
Location:	China; Beijing China; United States--US
Company / organization:	Name: Applied Materials Inc; NAICS: 333242
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A6
Publication year:	2025
Publication date:	Jun 18, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance

ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3219510093
Document URL:	https://www.proquest.com/newspapers/u-s-news-trump-officials-weighed-broader-china/docview/3219510093/se-2?accountid=14681
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Last updated:	2025-06-18
Database:	ProQuest Central

LINKS

How Trump Blew Up Northwestern's Business Model --- White House froze its research funding without offering a way to get it back

Randazzo, Sara; Subbaraman, Nidhi . Randazzo, Sara; Subbaraman, Nidhi.

FULL TEXT

In April, Northwestern University cardiologist Dr. Rod Passman learned the National Institutes of Health had abruptly halted funding for a $37 million trial testing a new way to treat dangerous heart arrhythmias, with about 1,500 patients already enrolled.

It was part of a universitywide funding freeze that threatened to stall hundreds of projects, including clinical trials with patients on lifesaving medication.

Through the spring, Northwestern used university money to pay bills previously covered by NIH grants, spending tens of millions of dollars monthly to keep labs and trials running without a break. Researchers and administrators now worry this stopgap can't last.

"The university is totally keeping us on life support," said Dr. Daniela Matei, a Northwestern oncologist. "The big

question is for how long they can do this."
For decades, Northwestern celebrated -- and relied on -- its growing pot of government funding. Now it's a liability. The sudden collapse of the once-symbiotic relationship between the federal government and higher education is torpedoing a half-century-old university business model and upending how science is done.
Since taking office, the Trump administration has cut or frozen billions of dollars in research funding to universities and proposed slashing budgets at government science agencies. Cutting federal funding, which accounts for more than half of university research funds nationwide, has been one of the main tools Trump has used to pressure universities to change their ways.
It's a complete turnaround for today's university researchers, for whom federal funding -- from NIH, National Science Foundation, and other agencies -- has never been in question. Billions of dollars have flowed annually to universities through competitive grants, funding basic research that can lead to cutting-edge medicine and technological innovations.
At places like Harvard and Columbia, funding cuts or freezes have come with lists of demands spanning changes to admissions and faculty hiring.
At others, like Northwestern, the path to restoration is less clear. In April, a Trump administration official told media that $790 million in federal funds to the Illinois university would be frozen, but that number has never been detailed or communicated directly to school officials, a school spokesman said. Nor has Trump told the university what they can do to get the money returned, the spokesman said, though the school's president has met with Trump's education secretary to discuss the situation on campus.
University officials say bills to NIH have simply gone unpaid. NIH grant officers in April were told not to communicate with Northwestern and other affected universities about the freeze, according to an email viewed by The Wall Street Journal. Northwestern researchers have had grants terminated or frozen from multiple agencies, the university said. NIH didn't respond to requests for comment.
Northwestern is one of 10 schools identified by the Trump administration's federal Task Force to Combat Antisemitism as initial targets. The Midwestern university drew national attention when school leaders last spring cut a deal with pro-Palestinian students to end an on-campus encampment.
The uncertainty at Northwestern and elsewhere threatens to disrupt the way universities have operated for decades, in a system built on the belief that research helps drive economic growth, technological innovation and medical advancements. "We cannot do business as normal without external funding," said Josh Leonard, a chemical and biological engineering professor at Northwestern whose lab is developing cancer treatments.
Northwestern's relationship with the federal government first grew out of an urgent national security need.
As World War II dawned, Washington looked to Northwestern and other universities to help train tens of thousands of Naval servicemen and officers. By the middle of the war, almost a third of Northwestern's income came from government contracts, according to university historian Kevin Leonard. The money went toward housing and educating the Naval recruits, who learned skills like navigation, engineering and seamanship.
As the war receded, government-sponsored research money began to flow. In 1949, an outgoing Northwestern president expressed unease about the growing reliance on federal money. "There was a fear of accepting money because of a potential loss of independence," Leonard, the historian, said, along with concern that faculty would have less time to focus on students.
Initial misgivings aside, federal grants at Northwestern continued to rise, hitting 500 projects worth some $5.6 million by the early 1960s, a financial report from the time shows.
This increasing reliance mirrored what was happening at universities nationwide. During the Cold War, federal research investment became a way to bolster national security and counter Soviet advancements. President Lyndon B. Johnson in 1965 heralded the partnership but urged his administration to give money to universities beyond an elite batch of 20 that had captured half the federal funding.
The money, he wrote in a cabinet memorandum that year, produces "results that are needed now and in the future to achieve our many national goals in health, in defense, in space, in agriculture."

At Northwestern, federal grants helped seed engineering and scientific research and even funded construction of the university library.
In the late 1980s, Northwestern chemist Richard Silverman's NIH-funded lab developed a new molecule that later became a blockbuster drug used to treat fibromyalgia, epilepsy and neuropathic pain. Branded as Lyrica, the drug earned the university and researchers $1.4 billion dollars in royalties.
The breakthrough came unexpectedly while Silverman was seeking a different molecular property. "It was a big surprise to me," Silverman said.
Other Northwestern scientists have won Nobel Prizes, created technology to deliver diabetes medicine and developed wireless sensors for NICU babies. The university estimates its research has generated $3 billion in economic impact and supported 14,500 jobs.
University leadership continued to push to boost Northwestern's research prominence. In 2023, research funding topped $1 billion for the first time, an achievement celebrated by the university.
At the same time, a backlash was building against American universities.
Conservatives have long studied ways to combat what they view as the liberal, anti-Western bias of American higher education. Members of the Trump administration have focused on campus protests over the Israel-Hamas war as a reason to pull federal funding, accusing universities of failing to protect Jewish students.
By the time Hamas launched its deadly attack in Israel on Oct. 7, 2023, a group of Jewish Northwestern parents had already been in regular touch for a year about antisemitism concerns, after a student op-ed on Jewish pride was turned into an anti-Israel banner.
As campus protests and activism ramped up, the group mobilized, branding itself the Coalition Against Antisemitism at Northwestern.
The coalition watched in dismay as Northwestern's administration struck an agreement last spring with pro-Palestinian protesters to end an encampment outside the library -- a less combative gathering than those on campuses like Columbia and UCLA. The April 2024 pact, called the Agreement on Deering Meadow, promised to bring Palestinian faculty and undergraduates to Northwestern, build a new space for Muslim students and make campus investments more transparent.
Some heralded the pact as a model for avoiding law-enforcement clashes. "We were trying to find a different way to do it," said Elizabeth Shakman Hurd, the chair of Northwestern's religious studies department, who supported students in the encampment. "This is a learning experience for them." Other universities soon cut deals.
Lisa Fields Lewis, a founder of the parent group, saw it as rewarding bad behavior. She organized a trip to Washington for students to meet with U.S. Rep. Elise Stefanik and other members of Congress who had been focused on campus protests.
Soon after, the House committee that felled the presidents of Harvard and the University of Pennsylvania demanded Northwestern President Michael Schill testify. Appearing alongside the leaders of UCLA and Rutgers in May 2024, Schill spoke of his ancestors who died in the Holocaust and defended the deal he struck to control the encampment. "None of us were prepared for what we saw after Oct. 7, and you have my commitment that we will do what is necessary to combat antisemitism," he testified.
The House committee later released a 325-page report on campus antisemitism, admonishing Northwestern throughout for conceding to the protesters and not disciplining students harshly enough. The university's actions "demonstrated a gross neglect for their obligations to protect Jewish students," wrote the committee, which has since scheduled a closed-door interview with Schill in August.
University leaders acknowledged that campus policies weren't strong enough in response to antisemitic incidents in the wake of Oct. 7, a Northwestern spokesman said, but they've since seen a significant decrease in antisemitism reports after updating their code of conduct and consistently enforcing violations. "There is no room for antisemitism or any form of identity-based hate or discrimination at Northwestern University," he said.
Silverman, the chemist whose work led to the breakthrough Lyrica drug, has publicly supported the parent and alumni coalition's efforts. He understands why the Trump administration is using federal funding cuts as a lever. "It's

something I don't want as a researcher, but I think something needs to be done to change the atmosphere," Silverman said. He hopes it can lead to fixes in the short-term, because until then, "The scientists pay for it, and eventually then the U.S. people pay for it, because research isn't getting done."

Other scientists are more skeptical that the funding cuts are really about addressing antisemitism. "What the protests on the undergraduate campus in Evanston have to do with cures for cancer or heart disease is continuing to elude me," said Northwestern cardiologist Passman, who is Jewish.

University scientists compete for and win grants from NIH and other agencies for projects they propose to study. Northwestern hasn't received money from the NIH on approved grants since March 26, said Dr. Susan Quaggin, chair of the department of medicine at Northwestern's Feinberg School of Medicine. Over 1,300 NIH grants have been affected, according to a university spokesperson.

The university received $516 million in research funding from NIH in fiscal year 2024.

"We're looking at this cliff and wondering what will happen if they decide to stop funding," Quaggin said.

Some researchers at the university, like others elsewhere, are approaching philanthropies and companies to help cover costs. But federal grants are typically the single biggest source of research support, with other funds being more limited.

University leaders this month laid out cost-cutting measures, including a hiring freeze, possible layoffs and a pullback in building upgrades. "We regret that the current period of uncertainty makes long-term planning exceedingly difficult," Schill and other leaders wrote in a university message, adding they are doing everything possible to restore federal funding.

At a Senate budget hearing this month, Illinois Sen. Dick Durbin quizzed NIH director Dr. Jay Bhattacharya on the Northwestern grant freezes and the Trump administration's proposal to cut the NIH budget by $18 billion, about 40%.

"If research is under way, you at least have the hope that maybe there'll be a cure, maybe in the lifetime of someone," Durbin said. "How can you walk away from that?"

Bhattacharya said he hoped funding disruptions at affected universities would be resolved, but didn't offer a timeline. He said he believed the decisions about Northwestern were made before he took his NIH position.

Matei, the oncologist who specializes in gynecological tumors, has a $5 million NIH grant supporting 69 cancer trials at Northwestern and partner institutions. These trials test treatments for various cancers, from melanoma to colon to pancreatic cancer and others. The NIH grant paid for research nurse salaries, clinical trial coordinators, and procedures like CT scans and biopsies that aren't billed to insurance, Matei said. Since the freeze, university funds now cover these costs.

Trial participants include some patients with rare, incurable tumors who are undergoing experimental treatments matched to their genetics. "It's certainly a life-and-death situation for cancer patients on these trials," Matei said.

Passman's $37 million grant is testing a novel approach to treating atrial fibrillation, a heart condition that affects about 10 million Americans. Bouts of irregular heart rhythm cause blood to pool in the organ's chambers, seeding clots that can break away and trigger strokes in the brain. Standard treatment involves a lifetime of powerful blood thinners to reduce the stroke risk, but patients are at risk for bleeding.

Passman's team is testing a novel algorithm that runs on an Apple Watch and warns the wearer when they're experiencing a heart episode, so that they can take medication when they most need it. The trial has enrolled some 1,700 people at 85 sites so far and aims to include over 5,000 people.

Passman has talked to NIH program officers about his situation but said they didn't tell him if or when funding would resume. If the university stops covering costs, and Passman fails to find backup funding, he expects to shut his trial down. Participants would go back to taking medicines, but it would waste years of work and millions of dollars to stop the project. "We're all devastated and scrambling to see if there's a future," he said. "We don't know."

(See related letters: "Letters to the Editor: Time to Soul-Search, Colleges" -- WSJ June 24, 2025)

By Sara Randazzo and Nidhi Subbaraman

DETAILS

ERIC Subject:	War; Academic Libraries; Campuses; Grants; Influence of Technology; Researchers; Jews; Instructional Leadership; College Administration; Time; Activism; College Presidents; Federal Government; Scientific Research; Parent Associations; Government School Relationship; Religious Education; Engineering Education; College Science; Higher Education
Subject:	Higher education; Governme nt grants; Students; Federal funding; National security; Academic libraries; College campuses; Research funding; Business models; Antisemitism; Leadership; Presidents; Demonstrations &protests; Congressional committees
Business indexing term:	Subject: Federal funding Business models Leadership; Industry: 92111 : Executive Offices 92112 : Legislative Bodies 51921 : Libraries and Archives 92113 : Public Finance Activities
Location:	Israel
People:	Trump, Donald J
Company / organization:	Name: Northwestern University; NAICS: 611310; Name: Hamas; NAICS: 813940
Classification:	92111: Executive Offices; 92112: Legislative Bodies; 51921: Libraries and Archives; 92113: Public Finance Activities
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Jun 17, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News

ProQuest document ID:	3219175482
Document URL:	https://www.proquest.com/newspapers/how-trump-blew-up-northwesterns-business-model/docview/3219175482/se-2?accountid=14681

| Last updated: | 2025-07- 29 |
| Database: | ProQuest Central |

LINKS

Markets -- Thursday's Markets: Rate-Cut Optimism Buoys Bonds; Stocks Close Modestly Higher

Lang, Hannah Erin . Lang, Hannah Erin.

FULL TEXT

Bond investors are growing more optimistic that the U.S. economy is on track for lower interest rates.

Government bonds extended their rally, pulling yields on 10-year Treasurys below 4.4% to notch a fourth straight day of declines. Benchmark yields settled at 4.357%, down from 4.413% the day prior. Yields fall as bond prices rise.

Stocks fell in early trading before reversing course in the afternoon, with investors shrugging off fresh tariff threats from President Trump. The S&P 500 rose 0.4%, while the Nasdaq Composite ticked up 0.2%.

The Dow Jones Industrial Average increased 0.2%, weighed down by Boeing. Shares of the aircraft manufacturer slid 4.8% after a 787 plane carrying more than 200 people crashed in India.

Investors were reassured by a pair of economic reports that could clear the path for the Federal Reserve to slash interest rates later this year. A Thursday morning report on jobless claims revealed some weakness in the labor market, while a separate reading on wholesale prices suggested that inflation was softening.

"People are starting to shift their views on what the Fed might accomplish this year," said Charlie Ripley, portfolio manager at Allianz Investment Management. "We've seen this before, where the market gets a little eager to price in rate cuts."

Concerns about tariffs and global fiscal imbalances helped spur a selloff in longer-term Treasurys last month, pushing the yield on the 10-year note above 4.5% and the 30-year yield above 5%. Those higher yields, though, proved attractive to investors. A $22 billion auction of 30-year bonds on Thursday afternoon attracted strong demand from investors, further dragging down yields.

Economists have warned that it might take some time for the effects of Trump's tariffs to show up in inflation reports.

Should future readings show that price increases are picking up again, that could deflate investors' rate-cut hopes, Ripley said.
But traders are already adjusting their expectations. Interest-rate futures showed chances of three or more cuts this year at around 35% Thursday, up from about 29% Wednesday and 22% at the end of last week, according to CME Group.
Late Wednesday, Trump said the U.S. was "rocking in terms of deals," as it held trade talks with about 15 countries, including Japan and South Korea.
Commerce Secretary Howard Lutnick said he was optimistic a deal could be reached with the European Union, but the bloc was "more than thorny" to negotiate with.
By Hannah Erin Lang

DETAILS

Subject:	Dow Jones averages; Federal Reserve monetary policy; Interest rates; Treasuries; Government bonds; Investors; Tariffs
Business indexing term:	Subject: Federal Reserve monetary policy Interest rates Treasuries Government bonds Tariffs; Industry: 92113 : Public Finance Activities 52111 : Monetary Authorities-Central Bank
Location:	United States--US
Classification:	92113: Public Finance Activities; 52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B8
Publication year:	2025
Publication date:	Jun 13, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3218331484

U.S. News: Economists Say Megabill Would Fall Short of Spurring a Boom

Rubin, Richard . Rubin, Richard.

FULL TEXT

WASHINGTON -- Republicans see a golden age of prosperity ahead, driven by their tax-and-spending megabill. Nonpartisan experts project far more modest effects, forecasting a slight near-term economic expansion and larger federal budget deficits.

The growth debate is at the core of this fiscal fight. Republicans are trying to focus public attention on growth -- from tax cuts, deregulation and fossil-fuel production -- and play down the Congressional Budget Office estimate that the bill would widen budget deficits by $2.4 trillion through 2034. The White House highlights growth to bolster congressional support, countering claims that the package irresponsibly darkens America's fiscal picture.

Republicans and outside economists agree on the basic direction: tax cuts increase consumer spending and business investment, accelerating short-term growth. But they differ vastly on how large and meaningful that jump would be.

The bill, according to public- and private-sector economists, would fall far short of Republicans' hoped-for boom.

"We would expect some dynamic revenue, some revenue feedback in that larger economy," said Garrett Watson, director of policy analysis at the Tax Foundation, which favors lower tax rates and a simpler system. "But it wouldn't come close to paying for itself."

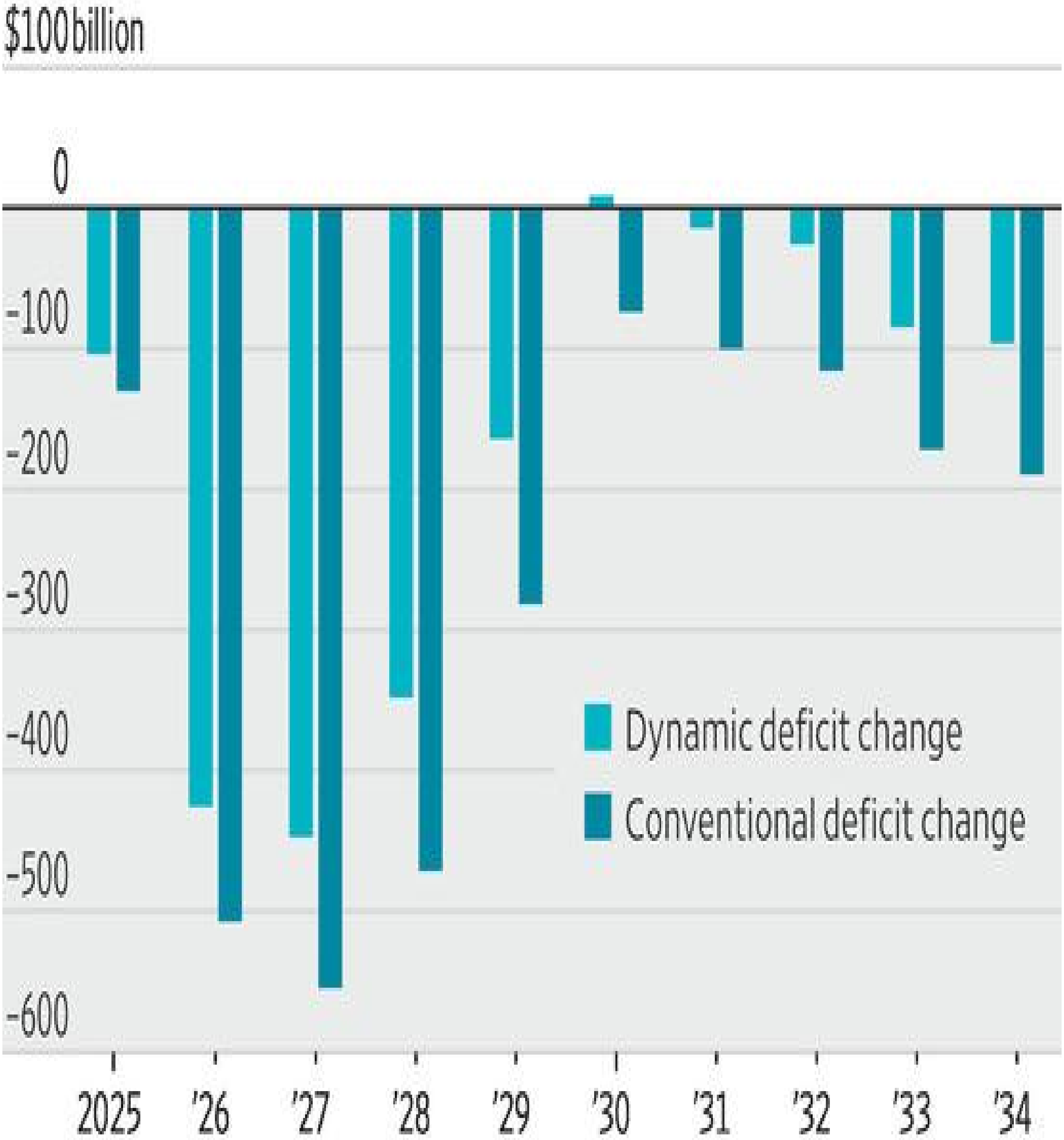
Broadly, economists across the political spectrum discount elected officials' predictions.

Tax Foundation: The conservative-leaning group estimates that the bill would boost long-term GDP by 0.8%, generating enough revenue to cover about one-third of its costs. That is compared with doing nothing and letting tax cuts expire Dec. 31. The gain is like adding an average of 0.1 percentage point to the annual growth rate; reaching 3% would require much larger changes, Watson said.

Penn Wharton: Its budget model projects a 0.4% increase in GDP over the first decade. That is equivalent to raising the annual growth rate to 1.85% from 1.8%. "Basically, I would call this flat," said Kent Smetters, who runs the Penn

model. "We all know this is all going to get swamped by all the randomness."
Joint Committee on Taxation: The nonpartisan congressional scorekeeper projected that the bill's tax components would produce short-run growth through increased labor supply and capital stock. That would be counteracted by rising budget deficits, with a net effect of taking 1.83% annual growth to 1.86%. JCT estimates that the bill's tax provisions would cover less than 3% of their costs with revenue from economic growth.
Yale Budget Lab: The think tank says the bill would bump the growth rate roughly to 2% from 1.8% through 2027, before the drag of federal debt weakens and reverses that effect.
Those all contrast with the view of the White House's Council of Economic Advisers, which has a far rosier scenario. It projects a 4.2% to 5.2% increase in short-term GDP and a long-term gain of 2.9% to 3.5%. That gain would be three to four times the Tax Foundation estimate, which itself is larger than Penn Wharton, Yale or JCT.
Economists caution that tax policy can't move the needle much in the U.S. economy, particularly given higher costs and uncertainty caused by tariffs.
Still, putting money in taxpayers' pockets could increase demand for goods and services. Lower business taxes -- especially faster write-offs for equipment and factories -- encourage investment and have the biggest bang for the buck.
Council of Economic Advisers Chairman Stephen Miran said growth after 2017 demonstrates that the Republican formula can work. The economy and incomes grew solidly in 2018 and 2019 before the Covid-19 pandemic.
"The bill is going to create a vibrant, dynamic economy," Miran said.
The Tax Foundation's Watson said policymakers should expect a more muted response from extending the 2017 tax cuts than from creating them. The bill includes new and revived business incentives but schedules them to expire.
"It's pro-growth," Watson said. "The more you add in some of these gimmicks and temporary changes, the more watered-down it gets."
Senators including James Lankford (R., Okla.) and Steve Daines (R., Mont.) are seeking changes to encourage growth. They are particularly focused on making permanent some business-tax provisions such as immediate deductions for equipment purchases.
"If you have an expiration, you just don't get predictability," Lankford said.
Capital-investment incentives would be muted because tariff uncertainty complicates business planning, said Seth Carpenter, global chief economist at Morgan Stanley, which estimates that the bill would boost growth in 2026 before turning neutral and then negative.

Tax Foundation estimate of House reconciliation bill's impact on deficit



Source: Tax Foundation

Enlarge this image.

By Richard Rubin

DETAILS

Subject:	Tax legislation; Tax rates; Investments; Estimates; Gross Domestic Product--GDP; Growth rate; Economists; Economic growth; Tax cuts; Government spending; Budget deficits
Business indexing term:	Subject: Tax legislation Tax rates Gross Domestic Product--GDP Economists Economic growth Tax cuts Government spending Budget deficits
Location:	United States--US
Company / organization:	Name: Council of Economic Advisers; NAICS: 926110; Name: Tax Foundation; NAICS: 813211
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Jun 9, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3216758811
Document URL:	https://www.proquest.com/newspapers/u-s-news-economists-say-megabill-would-fall-short/docview/3216758811/se-2?accountid=14681
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Last updated:	2025-06-09

Database: ProQuest Central

LINKS

Kennedy Center Gets MAGA Makeover --- 'Common sense' programming and gold-tier fundraiser; ticket sales down

Toonkel, Jessica; Schwartzel, Erich; Jurgensen, John . Toonkel, Jessica; Schwartzel, Erich; Jurgensen, John.

FULL TEXT

When the curtain rises in the John F. Kennedy Center Opera House for a performance of "Les Miserables" this week, President Trump is scheduled to be surrounded by supporters who have paid up to $2 million to watch the musical with him.

A coup de theatre earlier this year put the president and his deputies in charge of programming, fundraising and staff at the famous cultural center. Now, a president who skipped Kennedy Center performances during his first term will stride into an institution he has bent to his will.

New leaders Trump installed have dropped programs with whiffs of wokeness, threatened to go after artists who boycott it and asked employees to take part in a group prayer session.

A Trump appointee on the Kennedy Center board has suggested building a marina next to it on the Potomac River, so that visitors can pull up their boats and listen to music. Kennedy Center officials have discussed speaking to Mideast countries such as Qatar about funding the renovation of one of its VIP lounges, people familiar with the matter said.

The tumult has worsened the center's financial prospects, depressing ticket sales, according to financial documents reviewed by The Wall Street Journal. Trump's team is in the throes of a fundraising push that extends to wealthy donors and foreign officials. A House of Representatives Committee in May proposed a budget that called for $257 million to be allocated to the Kennedy Center, more than five times the amount in previous years.

Four months after Trump's swift takeover, the Kennedy Center has gone from a performing arts space and presidential memorial that stayed out of the political fray to the central setting in a campaign to bring America's cultural institutions and arts organizations to heel. It's one part of the president's broader effort to correct the spread of progressive or "woke" ideology in society that he sees as un-American.

Across the country, arts leaders say the Kennedy Center's transformation -- complete with a CEO firing, board overhaul and unprecedented political involvement in its programming -- has become a cautionary tale for organizations large and small that want to avoid the president's ire, and the risk to ticket sales or funding that could bring.

"This is the most challenging moment in arts policy that I've seen," said Marc Scorca, who since 1990 has been chief executive of Opera America, an organization of nearly 600 opera companies and affiliated organizations.

Trump issued an executive order in March aimed at removing what he considers improper ideologies from the Smithsonian. He said it had "come under the influence of a divisive, race-centered ideology" in recent years and tasked Vice President JD Vance and other officials with changing future programming.

He announced on Truth Social in late May that he had fired the director of the Smithsonian's National Portrait Gallery, calling her "a highly partisan person and a strong supporter of DEI." He fired a number of board members of the U.S. Holocaust Memorial Museum appointed by President Joe Biden.
Among the moves with the broadest impact, the administration has ordered the cancellation of certain grants administered by National Endowment for the Arts, which stretches its influence over arts programming to much smaller organizations. An author lecture series in Pittsburgh, an art therapy nonprofit in Evanston and an Indonesian textile exhibit in New Haven, as well as numerous theaters and organizations focused on dance, drama and music across the country, are among the projects that have seen funding pulled as part of the drawback. Trump has proposed eliminating the NEA entirely from the federal budget.
Richard Grenell, the White House special envoy who was named executive director of the Kennedy Center in February, said the president has taken a direct interest in the center and agreed it needed additional funding for upkeep and repairs after a recent visit.
"The back of the house and the front of the house have been left in an embarrassing state. I am proud to be a small part of a team where the boss eschews partisan politics in favor of putting American culture, heritage, and excellence first," Grenell said in a statement.
The Kennedy Center, which had an operating budget of $269 million in 2024, has eight main stages and more than 2,000 events a year. The takeover is a massive financial and artistic test for the administration.
Soon after Grenell was named to the leadership post, he described plans to book the venue with what he called "common sense" programming that would "actually sell tickets." Some artists have pulled out of previously scheduled appearances.
When Vance and his wife were booed during a National Symphony Orchestra concert in March, Grenell chided the hecklers in an email to staff. "Intolerance towards people who are politically different is just as unacceptable as intolerance in other areas," he wrote.
About 40 employees have been fired or laid off, while roughly 50 have quit, according to a representative for a burgeoning labor union inside the Kennedy Center. In May, a majority of employees voted to unionize as Kennedy Center United Arts Workers in partnership with the United Auto Workers union. Their demands included greater transparency around hiring and firing, a commitment to ethical norms and "freedom from partisan interference in programming." An election is pending to make the union official.
Remaining staff have been focused on programming shows that appeal to the new leadership, and have discussed trying to bring in Christian artists such as Amy Grant, Michael W. Smith and Steven Curtis Chapman, according to a person familiar with the situation. A new position, director of faith-based programming, has been filled. A spokesperson for the Kennedy Center said the expansion of programming is what audiences want.
Grenell requested a June 1 public screening of "The King of Kings," an animated feature film about the story of Jesus, as told by the character of Charles Dickens. Grenell ordered that the free event take place in the center's biggest venue, a 2,500-seat concert hall, at a projected cost of $29,000 for staffing, gratis popcorn and other expenses.
The event featured a prayer wall where visitors could post their written prayers for the nation, and was sponsored by the Museum of the Bible and Moxie Pest Control, whose founder made an unsuccessful run at a Republican U.S. Senate seat in Utah last year.
When advance sign-ups for tickets indicated a full house, Kennedy Center leaders added a second screening, increasing the total cost of the event.
Employees, who said there is typical attrition for free events, said the actual turnout left the hall 55% full for the first screening and 58% full for the second.
The Kennedy Center spokesperson said the free screenings were sold out.
The religious orientation has at times extended to the institution's staff. The Kennedy Center's new head of development, Lisa Dale, invited her staff to pray during a May meeting, a request that prompted an audible gasp from some staff members, according to a person familiar with the matter.
Dale dropped the idea at the time. In the same meeting, she mentioned that insubordination would be grounds for

dismissal, the person said.
Dale didn't respond to requests for comment.
Grenell has proposed creating residency-type programs for certain stars to perform over weeks at a time, according to people familiar with the matter, suggesting stars such as Dolly Parton do a stint.
This year's Kennedy Center Honors, an annual show that has honored luminaries in the arts since 1978, is in the planning stages. The Kennedy Center typically names its honorees in late summer, and Grenell has floated the Radio City Rockettes as a potential recipient, according to a person familiar with his comments.
Ticket sales have traditionally covered about half the center's budget. Federal funding tied to the center's status as a memorial to President Kennedy covers about 16%, with the rest coming from donations and other items.
But ticket sales for next fiscal year have plummeted since Trump's moves, according to internal sales data seen by the Journal.
For the first two weeks of sales for the coming season, theater subscription revenue, which includes the plays and musicals that perform on its biggest stages, is down 82% to $224,000 from $1.23 million over the same period last year. Other programming categories, including ballet and classical music, are also down by double digits.
Kim Cooper, the center's senior vice president of marketing, said the disparity doesn't account for several factors, including the expected distribution of hard-copy season brochures.
The old and new regimes have disputed the state of the center's finances. Current finance chief Donna Arduin sent an email to staff in March, reviewed by the Journal, titled "our financial situation" saying the leadership had inherited a "difficult reality" with a large operating deficit and "no cash to pay our bills."
Deborah Rutter, who served as the Kennedy Center's president for more than 10 years before she was fired by Trump, recently defended her financial stewardship of the organization in a public statement. "At the time of my departure, the Kennedy Center was fiscally sound, on track to balance its budget for the year, and positioned to grow its endowment significantly," she said. A reserve fund on hand in case of emergencies had $10 million in it when she left the job in February, she added.
"Perhaps those now in charge are facing significant financial gaps and are seeking to attribute them to past management," she said.
Grenell and other staff are courting big-name donors and foreign officials for funding. He has instructed staff to target embassies for ticket sales, asking that they run a list by him to make sure the embassies weren't being approached by others within the organization, one of the people said.
The biggest moneymaking push for the Kennedy Center is the June 11 fundraiser for "Les Miserables."
The evening is being treated like a traditional fundraiser at which major donors can buy a table and then dole out seats. Several "Les Miserables" performers in the production have said they plan to skip the performance in protest.
Among the donation levels is the Gold tier for $2 million, which includes a reception, "premier seating" for 10 and a photo with Trump, according to a draft of the invitation seen by the Journal.
Trump has a long history with "Les Miserables," the long-running musical about the downtrodden set in revolutionary France that stormed Broadway in 1987 following a West End debut. Along with "The Phantom of the Opera," the show came to signify a new kind of blockbuster musical: synthesizers, giant casts, merchandise.
Staffers who worked on "Les Miserables" during its original Broadway run said they remembered Trump attending the show. As a notable figure in 1980s New York, he was often offered opening-night tickets to major shows where producers wanted celebrities in the audience.
During his presidential runs, he has incorporated the show's most famous number, "Do You Hear the People Sing?" Attendees of his rallies have sung along with the lyrics, such as "Will you give all you can give so that our banner may advance?"
By Jessica Toonkel, Erich Schwartzel and John Jurgensen

DETAILS

Subject:	Memorials &monuments; Fund raising; Funding; Employees; Leadership; Presidents; Orchestras; Congressional elections; Labor unions; Ticket sales
Business indexing term:	Subject: Employees Leadership Orchestras Labor unions; Industry: 71113 : Musical Groups and Artists 92111 : Executive Offices 71212 : Historical Sites 92112 : Legislative Bodies 81393 : Labor Unions and Similar Labor Organizations
Location:	United States--US
Company / organization:	Name: Kennedy Center for the Performing Arts; NAICS: 711310
Classification:	71113: Musical Groups and Artists; 92111: Executive Offices; 71212: Historical Sites; 92112: Legislative Bodies; 81393: Labor Unions and Similar Labor Organizations
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Jun 9, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3216758803
Document URL:	https://www.proquest.com/newspapers/kennedy-center-gets-maga-makeover-common-sense/docview/3216758803/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-06-09

Database:	ProQuest Central

LINKS

World News: Trump Surprises Europeans By Offering Kind Words

Kim Mackrael; Michaels, Daniel . Kim Mackrael; Michaels, Daniel.

ProQuest document link

FULL TEXT

European leaders rattled by President Trump's tariffs, tongue-lashings and threats to seize Greenland are now getting their heads around the latest twist from the White House: praise.
Over the past week or so, the U.S. president and some of his senior officials repeatedly spoke positively about actions Europe is taking. European officials are enjoying the moment, but know it could pass quickly.
"There's definitely some love there," said European Union foreign-policy chief Kaja Kallas last weekend in Singapore after Defense Secretary Pete Hegseth held Europe up as a model for the U.S.'s Asian allies on military spending.
Europeans have come to expect scorn and antipathy. Trump has said the EU was created to "screw" America. Vice President JD Vance in February referred to EU officials as "commissars," a Soviet title for political officers.
Hegseth, on his first visit to the North Atlantic Treaty Organization's headquarters in February, told European allies, "President Trump will not allow anyone to turn Uncle Sam into Uncle Sucker" by freeloading on military spending.
So Europeans were stunned when Hegseth on May 30 said that "Asian allies should look to countries in Europe as a newfound example" on military spending. He even acknowledged how unexpected his words were. Hegseth explained that he was lauding Europe because it was doing what Trump wanted by pledging to spend 5% of its economic output on defense.
Germany recently changed its fiscal rules to free up more money for defense. Overall military spending by Canada and NATO's European members jumped more than 19% last year, NATO says.
"Clearly there's been a lot of movement, mainly on the European side," said Ian Lesser, who leads the Brussels office of the German Marshall Fund of the United States, a nonprofit organization focused on trans-Atlantic affairs. Russia's invasion of Ukraine has been a big motivator for Europeans, he said.
By Kim Mackrael and Daniel Michaels

DETAILS

Subject:	Presidents; Defense spending; International relations-US
Business indexing term:	Industry: 92111 : Executive Offices
Location:	United States--US; Europe

People:	Trump, Donald J
Company / organization:	Name: North Atlantic Treaty Organization--NATO; NAICS: 928120
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A8
Publication year:	2025
Publication date:	Jun 9, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3216758793
Document URL:	https://www.proquest.com/newspapers/world-news-trump-surprises-europeans-offering/docview/3216758793/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-06-09
Database:	ProQuest Central

LINKS

U.S. News: Congress's Budget Referee Pushes Back Against GOP Critics

Rubin, Richard . Rubin, Richard.

FULL TEXT

WASHINGTON -- Phill Swagel expected this. Well, most of it.

Swagel, a mild-mannered academic economist, runs the Congressional Budget Office, the fiscal scorekeeping agency getting blasted by Republicans as they try to push their tax-and-spending megabill through Congress by July 4. They say the CBO is too pessimistic on economic growth and tilts against Republicans, fueling charges that the measure is fiscally irresponsible.

This past week, President Trump called the CBO a "very hostile" organization run by Democrats after it said the bill would increase deficits by $2.4 trillion through 2034. House Majority Leader Steve Scalise (R., La.) described the office as "a referee that tries to sack our quarterback." Senate Majority Leader John Thune (R., S.D.) said the CBO has "a long history of just being flat wrong."

"The attacks are coming from so many directions, and the kind of misleading talking points have been picked up so widely," Swagel said in an interview Thursday in his office on the outskirts of the Capitol complex. "You come into the job, you know that we're going to be in the middle of things. But it still is kind of a phenomenon when it happens, even if you know intellectually this is just part of the process."

What the CBO is doing is what it is supposed to do, said Swagel, in his first direct response to GOP criticisms. The agency measures proposals using methods required by Congress. It isn't advocating for or against any policy. It is leaving most tax analysis to the Joint Committee on Taxation, Congress's lesser-known scorekeeper.

Swagel, a Republican, worked in the Treasury Department under President George W. Bush and says his history in Republican circles helps him understand the CBO's critics.

"My politics have always been, you know, an inch to the right of center," he said. "And I don't think I've moved half an inch in either direction."

Swagel dismissed White House criticism of donations by some CBO staffers to Democrats. He made a $1,000 donation in 2014 to a Republican friend running for California governor.

Congress created the office in 1974 to give lawmakers impartial, professional analysis. Swagel, who turns 59 on Sunday, just hit the six-year mark as director; his term runs until January 2027.

The agency, which has about 275 employees, forecasts federal finances and estimates how legislation would change deficits, growth and health-insurance coverage, offering more of a best educated guess than a crystal-ball vision. Its scores -- official comparisons of proposals to existing law -- often land with a bang in policy debates, regardless of who is in charge.

The $2.4 trillion deficit estimate includes $1.7 trillion in spending cuts and other savings, along with new tax cuts and spending on border security and defense. That is all dwarfed by extensions of 2017 tax cuts beyond a Dec. 31 expiration.

Russ Vought, the White House budget director, argues the bill would improve the U.S. fiscal picture if you set aside the extensions' cost. He said on X that the bill reduces deficits by $1.4 trillion "when you adjust for CBO's one big gimmick -- not using a realistic current policy baseline."

The CBO is required to assume current law -- expiring tax cuts -- for its estimates. But it will analyze alternatives when asked. Swagel cited a December 2021 report prepared for Republicans that showed Democrats' "Build Back Better" legislation would significantly expand budget deficits if made permanent.

It hasn't yet issued a full macroeconomic estimate of the Trump megabill that includes projections of economic growth caused by the legislation. The CBO and the Joint Committee on Taxation assume that many tax cuts spur growth but typically say those effects aren't as strong as many Republicans contend.

"The tax cut is a tax cut. Revenue goes down," Swagel said. "There's improved growth, but not so much as to lead to the tax cut to pay for itself."

House Budget Committee Chairman Jodey Arrington (R., Texas) said he thinks some CBO assumptions are off-base. He objects to the CBO's premise that the U.S. economy is on track for 1.8% annual growth because of an aging population and declining immigration.

"Phill Swagel's a decent, good, honest, honorable person," Arrington said. But, he said, some CBO work is flawed.

Swagel said he tells new employees that they will work on policy ideas they disagree with -- and that it isn't CBO's job to take a position.

"It is important for us to stick to our mission," he said, "and do what we do."

By Richard Rubin

DETAILS

Subject:	Taxation; Legislation; Economic growth; Tax cuts; Budget deficits; Congressional committees; Federal budget
Business indexing term:	Subject: Taxation Economic growth Tax cuts Budget deficits Federal budget; Industry: 92112 : Legislative Bodies
Location:	United States--US
People:	Swagel, Phillip L
Company / organization:	Name: Republican Party; NAICS: 813940; Name: Congress-Taxation, Joint Committee on; NAICS: 921120; Name: Congressional Budget Office--CBO; NAICS: 921120
Classification:	92112: Legislative Bodies
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Jun 7, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660

Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3216445633
Document URL:	https://www.proquest.com/newspapers/u-s-news-congresss-budget-referee-pushes-back/docview/3216445633/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-06-09
Database:	ProQuest Central

LINKS

U.S. News: Foreign-Student Crackdown Puts Innovation at Risk

Kiernan, Paul . Kiernan, Paul.

FULL TEXT

Ajay Bhatt had never been on a plane when he left India for City University of New York to pursue a graduate degree in 1981. More than four decades and 130 patents later, billions of people are still using Bhatt's most-recognizable invention, the Universal Serial Bus, or USB.

"My dad really didn't want me to go," recalls Bhatt, who is now a U.S. citizen. But, he said, "This was the country where you could get the very best education, and everybody was welcoming."

High-skilled immigration has long been part of the secret sauce that gave the U.S. the world's most dynamic economy. Studies show newcomers punch well above their weight in innovative output and entrepreneurship. They authored 23% of U.S. patents from 1990 to 2016, according to a 2022 study by Shai Bernstein of Harvard Business School and four co-authors. They founded or co-founded more than half of the U.S.'s billion-dollar startups, according to another study. Immigrants co-founded or played a major early role in Nvidia, Alphabet and Tesla.

From Elon Musk to lesser-known figures such as Bhatt, many of these inventors and founders originally came to the U.S. on student visas. President Trump's policies could disrupt that pipeline.

In May, the Trump administration paused interviews with student-visa candidates in order to vet their social-media activity and said it would begin to "aggressively revoke" the visas of Chinese students at U.S. universities. It also sought to block Harvard University from enrolling foreign students; that order has been stayed by a federal judge. On Wednesday night, the Trump administration banned citizens of a dozen countries from entering the U.S., as well as those from countries including Cuba, Venezuela, and Laos from applying for student visas. The president also issued an order that effectively bans foreign nationals from attending Harvard.

"We have people who want to go to Harvard and other schools," Trump, a Republican, said last month. "They can't get in because we have foreign students there. But I want to make sure that the foreign students are people that can love our country."

The U.S. hosted more than 1.1 million international college students in the 2023-24 academic year, according to the Institute of International Education. In fiscal 2024, the government approved 263,000 applications by foreign graduates for temporary employment under the Optional Practical Training program, or OPT, and 52,000 onetime students or dependents rotated into H-1B work visas, which can lead to citizenship.

Trump's nominee for U.S. Citizenship and Immigration Services director, Joseph Edlow, said in a confirmation hearing May 21 that he would like to develop regulations "that would allow us to remove the ability for employment authorizations for F-1 students beyond the time that they are in school." F-1 is the main visa used by students.

"For too long, woke, so-called 'elite' institutions like Harvard have admitted inordinate numbers of foreign students and allowed antisemitic violence to ravage their campuses -- hindering Jewish students' education, prompting concerns of espionage, and threatening U.S. national security," a White House spokeswoman said. "Ensuring that guests in our country want to learn and contribute positively to our educational environment, rather than undermine Americans' safety, is critical to a strong U.S. economy."

The changes outlined by Edlow would effectively kill the OPT program, said Stuart Anderson, who now runs the National Foundation for American Policy, which supports high-skilled immigration. That would make it impossible for many foreigners to start U.S. businesses after they graduate and significantly dim the allure of U.S. universities for international students, he said.

In a 2022 study, Anderson found that immigrants founded or co-founded 319 of 582 U.S. startup companies that had achieved valuations of $1 billion or more. Nearly half of those had been founded by immigrants who attended U.S. universities as international students, the study said.

"It's not that surprising that a lot of international students end up starting a business because risk-taking is obviously in their makeup," Anderson said. "They're willing to take a chance and travel a long way to study in another country."

Whether the world's best and brightest will continue flocking to U.S. universities is an open question.

Angelika Fretzen came from Germany to do postdoctoral research at Harvard University in 1998. She joined a biotech startup alongside four other post-docs and spearheaded the development of Linzess, now a leading drug for irritable bowel syndrome.

The early days of Fretzen's career were hard. Boston's community of scientists, many foreign, repeatedly helped her get back on the horse. "If I had faced the kind of adversity that I think some of our young students here are facing right now," Fretzen says, "I would have probably gone back to Germany."

'Invisible Ceiling' in Europe Made U.S. a Better Option

Gleb Yushin, a materials scientist who was born in the Soviet Union, considered schools in a handful of other countries -- Germany, Japan, the U.K. -- before deciding to get his Ph.D. at North Carolina State University.

"In Europe, there was an invisible ceiling . . . that would prevent immigrants from reaching their full potential," said Yushin, who came to the U.S. in 1999 on an F-1 visa, the main visa used by students.

The company he co-founded, Sila Nanotechnologies, has raised more than $1.3 billion from investors, employs about 400 -- mostly in Alameda, Calif., and Moses Lake, Wash. -- and developed groundbreaking technology for improving batteries, Yushin said.

By Paul Kiernan

DETAILS

ERIC Subject:	Immigration; International Education; Foreign Nationals; International Educational Exchange; School Policy; Temporary Employment; Citizenship; Universities; Foreign Students
Subject:	Universal Serial Bus; Foreign students; Passports &visas; Immigrants; Startups; Noncitizens; Entrepreneurs; Citizenship; Patents; Colleges &universities; Education; Immigration; Innovations
Business indexing term:	Subject: Startups Entrepreneurs Patents Colleges &universities; Industry: 61131 : Colleges, Universities, and Professional Schools 92812 : International Affairs
Location:	United States--US; Germany; Europe
Company / organization:	Name: Harvard University; NAICS: 611310
Classification:	61131: Colleges, Universities, and Professional Schools; 92812: International Affairs
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A6
Publication year:	2025
Publication date:	Jun 5, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3215694576
Document URL:	https://www.proquest.com/newspapers/u-s-news-foreign-student-crackdown-puts/docview/3215694576/se-2?accountid=14681
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Last updated:	2025-07-29
Database:	ProQuest Central

LINKS

Trade War Clouds Outlook for Maker Of Remy Martin

Whittaker, Adam . Whittaker, Adam.

FULL TEXT

Remy Cointreau withdrew its targets for fiscal 2030 as it warned that tariff and macroeconomic uncertainty cloud its outlook.

The maker of Remy Martin cognac and Cointreau orange liqueur said Wednesday that it seeks to return to mid-single-digit sales growth on an organic basis in fiscal 2026, after two years of double-digit declines, but that further increases in custom duties in the U.S. and China would threaten this.

The company is targeting a return to growth after a challenging few years for the sector. Demand has waned after a boom in alcohol consumption during the pandemic, and a weak Chinese economy hit sales. The European drinks industry also has been in the crosshairs from Chinese and U.S. tariffs as part of broader trade disputes.

Over the longer term, the conditions required to maintain Remy Cointreau's fiscal 2030 targets are no longer in place, it said. It cited a lack of macroeconomic visibility, geopolitical uncertainties surrounding U.S. and China tariff policies, as well as a lack of recovery in the U.S.

Remy Cointreau said its incoming chief executive officer, Franck Marilly, will establish his own strategic road map. Marilly is expected to start June 25.

Shares of Remy Cointreau rose 4% in European trading Wednesday.

Under targets set in June 2020, the company had been aiming for a gross margin of 72% and a current operating margin of 33%. For the fiscal year ended in March, the company reported the metrics at 70.6% and 22%, respectively.

Remy Cointreau's sales declined 18% on an organic basis while current operating profit tumbled 30.5% to 217 million euros, equivalent to $246.8 million, for fiscal 2025. This compares with profit of 214.1 million euros analysts had expected, according to a company-compiled consensus.

Excluding an increase in customs duties in the U.S. and China, the drinks maker expects its current operating profit to grow organically in the high single-digit to low double-digit range over the current fiscal year.

Under a worse scenario, an increase in duties could deliver a hit of 100 million euros, Remy Cointreau said. While it could mitigate around 35 million euros of this, it would still expect an organic decline in current operating profit in the midteen to high-teen range, it said.

Remy Cointreau also warned that adverse currency effects could hit sales by up to 35 million euros and drag on its current operating profit by up to 15 million euros.

By Adam Whittaker

DETAILS

Subject:	Trade disputes; Macroeconomics; Fiscal years; Tariffs; Liquor industry
Business indexing term:	Subject: Trade disputes Macroeconomics Fiscal years Tariffs Liquor industry
Location:	China; United States--US
Company / organization:	Name: Remy Martin; NAICS: 312130; Name: Remy Cointreau SA; NAICS: 312140
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B3
Publication year:	2025
Publication date:	Jun 5, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3215694549
Document URL:	https://www.proquest.com/newspapers/trade-war-clouds-outlook-maker-remy-martin/docview/3215694549/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-06-05
Database:	ProQuest Central

LINKS

Document 40 of 222

U.S. News: Bill Adds $2.4 Trillion to Deficit --- CBO estimate over a decade comes as senators' demands could raise price tag

Rubin, Richard . Rubin, Richard.

ProQuest document link

FULL TEXT

WASHINGTON -- President Trump's tax-and-spending megabill would increase budget deficits by $2.4 trillion over the next decade, compared with doing nothing, according to a Congressional Budget Office estimate released Wednesday.

The number underlines Republicans' challenge in selling the measure as fiscally sound. The GOP-controlled House passed the legislation last month, and the CBO score was released just as Republican senators are making demands with additional price tags that will test party leaders' ability to cobble together a version that can get to Trump's desk quickly.

Sen. Josh Hawley (R., Mo.) said the proposed Medicaid cuts go too far for his state and wants some funding restored, while Sen. Susan Collins (R., Maine) is concerned about the bill's impact on rural hospitals and low-income families. Sen. Thom Tillis (R., N.C.) wants slower phaseouts of clean-energy tax credits. Sens. James Lankford (R., Okla.) and Steve Daines (R., Mont.) want to take some tax cuts that are temporary in the House bill and make them permanent. Locking down the votes of those senators and others with similar requests will cost money one way or another, and could further inflame intraparty tension with fiscal hawks. To balance things out while keeping the deficit effect around $2.4 trillion, senators could find more offsetting spending cuts or dial back their tax relief.

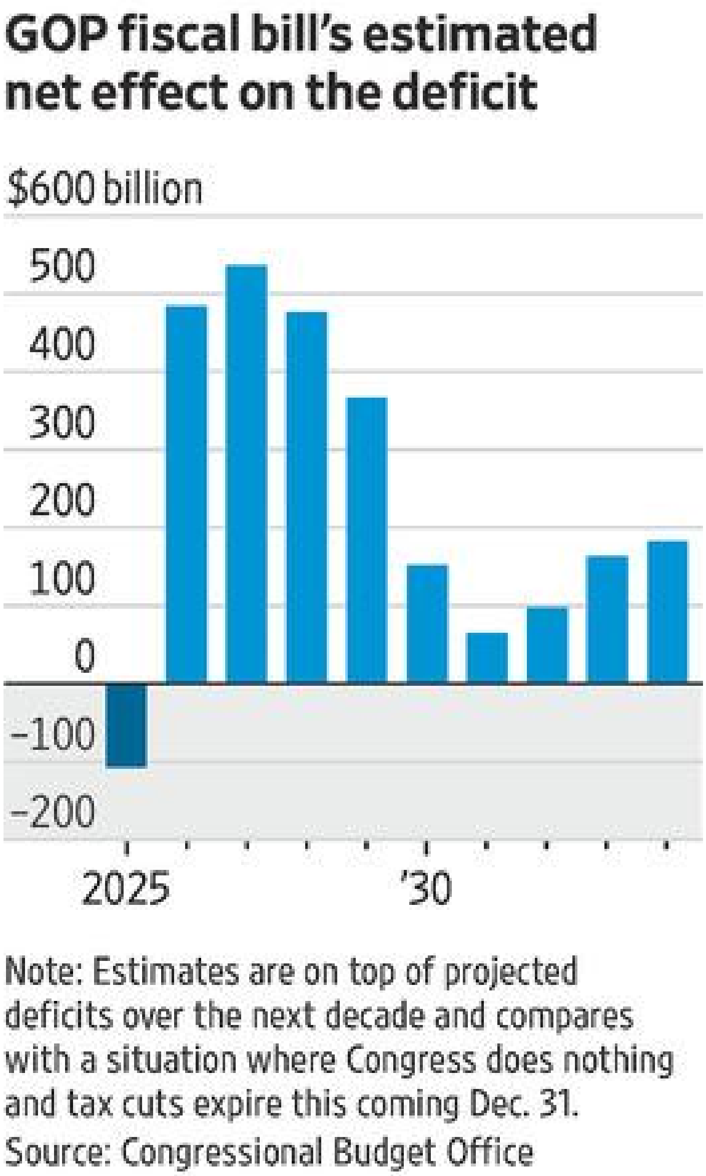
Alternatively, they could accept larger budget deficits or claim that economic growth will fill any gap. Each of those options comes with risks, both in finding a majority for the bill in the Senate, where Republicans are in control 53-47, and in avoiding problems in the House, which passed its version 215-214 last month and must approve any changes. Already, Sens. Rand Paul (R., Ky.) and Ron Johnson (R., Wis.) are saying that they oppose the bill because it doesn't contain enough spending cuts or do enough to address budget deficits, and others have made similar statements. Billionaire Elon Musk joined that chorus on Tuesday, calling the bill a "disgusting abomination."

The CBO said Wednesday that the House-passed bill has more than $1.2 trillion in net spending cuts over a decade, and administration officials are hailing changes to social-safety-net programs as a historic step toward fiscal responsibility. But the combination of new spending and tax cuts -- including extensions of Trump's first-term tax cuts before they expire Dec. 31 -- outstrips those spending cuts and revenue boosts. The $2.4 trillion in deficits would happen atop the $21 trillion in deficits that the country is already forecast to incur through 2034.

In some ways, the CBO estimate understates the potential deficit effects of the bill. It respects the expirations that Republicans wrote into the legislation, which would schedule national-security spending increases and some of Trump's tax cuts -- such as no tax on tips -- to lapse after a few years.

Russ Vought, director of the Office of Management and Budget, said on X that the bill would reduce budget deficits by $1.4 trillion. The CBO score, he noted, assumes that Trump's first-term tax cuts expire as scheduled. That's CBO's

consistent practice in accordance with budget law; Vought said it isn't realistic.
But it was Republicans who scheduled those tax cuts to expire when they passed them in 2017, so they could use a procedural fast track and keep the headline cost under $1.5 trillion. And Vought's $1.4 trillion deficit-reduction claim assumes that no tax on tips and other temporary Trump policies don't get extended; such an extension would effectively cancel out any deficit reduction. In addition, the White House itself has used the assumption that the first-term tax cuts would expire -- when analyzing the economic effects of the bill and arguing that it would boost growth.
The CBO is the official nonpartisan agency that works for Congress and estimates the costs and effects of most legislation; the Joint Committee on Taxation analyzes tax bills.
In a separate report, the CBO said that the tariffs in place as of May 13 would reduce budget deficits by $2.8 trillion over a decade if they remain, or more than the deficit increase from the bill. The CBO said the tariffs would slow economic growth.



Enlarge this image.
By Richard Rubin

DETAILS

Subject:	Federal budget; Tax rates; Legislation; Medicaid; Tax cuts; Economic growth; Government spending; Budget deficits; Tariffs
Business indexing term:	Subject: Federal budget Tax rates Medicaid Tax cuts Economic growth Government spending Budget deficits Tariffs; Industry: 92313 : Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Company / organization:	Name: Republican Party; NAICS: 813940; Name: Congressional Budget Office--CBO; NAICS: 921120
Classification:	92313: Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Jun 5, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3215694544
Document URL:	https://www.proquest.com/newspapers/u-s-news-bill-adds-2-4-trillion-deficit-cbo/docview/3215694544/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-06-06
Database:	ProQuest Central

LINKS

U.S. News: Senator Draws Red Line on Spending --- Johnson presses for more reductions, including Medicaid, citing growing debt

Hughes, Siobhan . Hughes, Siobhan.

ProQuest document link

FULL TEXT

WASHINGTON -- Sen. Ron Johnson (R., Wis.) is used to watching his fellow GOP senators look at their shoes during closed-door meetings when he waves his charts and digs in his heels on the fiscal policies that are the foundation of his political career.

But with lawmakers returning to work this week, he is determined to make them look up and pay attention.

The three-term Republican is insisting on deeper spending cuts in President Trump's bill, saying his party is doing too little to address the country's debt. His hard-line stance threatens to complicate passage of the GOP's multitrillion dollar measure.

"I'm saying things that people know need to be said," said Johnson, 70 years old. "The kid who just exposed that the king is butt-naked may not be real popular, because he kind of made everybody else look like fools, but they all recognize he was right." In the Senate, Johnson said, he would "like to think at least that my colleagues respect my passion, my genuine desire to do the right thing, to fix these problems."

He takes issue with GOP colleagues' claims that growth from the new tax cuts will trim the deficit, instead siding with official scorekeepers who say the deficit will expand.

The current bill -- with tax cuts and border spending partially offset by Medicaid and other reductions -- is expected to increase budget deficits by $2.7 trillion through 2034, compared with doing nothing, though a final official estimate wasn't available.

Johnson's go-to-the-mat style is forcing to the surface fights that otherwise might play out behind closed doors, as party leaders try to keep the legislation on track through thin majorities. House Republicans, who passed the bill by one vote last month and sent it to the Senate, have urged GOP senators to keep their changes minimal or risk losing crucial support when they send the bill back to the House.

In a 53-47 GOP-controlled Senate, Johnson can't single-handedly stop the bill. But with Sen. Rand Paul (R., Ky.) already a "no" because the bill contains a debt-ceiling increase of at least $4 trillion and others including Sens. Rick Scott (R., Fla.) and Mike Lee (R., Utah) also signaling opposition, Republican leaders have little margin for error.

Johnson said he had a "very respectful" conversation with Trump on Monday.

A head of a plastics manufacturer before riding the 2010 tea-party wave into the Senate, Johnson made a mark when his party pushed through Trump's 2017 tax plan. He refused to go along until he ensured "pass throughs" -- businesses whose tax obligations pass through to owners' individual returns -- got similar relief to corporations.

Economists criticized the cuts for their complexity and disproportionately benefiting the wealthy. But taxpayers such as freelancers or small-business owners loved it because they benefited too.

"In the end, people did appreciate what I did, but it wasn't fun," Johnson said. He won a seat on the tax-writing Senate

Finance Committee. On the current fight, he said, "We've got a slogan again -- 'one big, beautiful bill,' but the substance simply doesn't match it."

Earlier this month, House Republicans voted to extend and increase the pass-through tax cut, at a cost of about $820 billion over a decade.

Johnson casts his current crusade as part of a bid to return the U.S. to prepandemic levels of spending. Publicly held debt as a share of gross domestic product is approaching the record levels reached after World War II.

JPMorgan Chase CEO Jamie Dimon on Friday predicted a crisis unless the U.S. takes steps to address the debt.

Moody's Ratings last month downgraded the U.S. government, citing doubts that Congress would do anything significant to reduce deficits.

Beyond Medicaid work requirements in the House bill, Johnson wants to take aim at a provision of the 2010 Affordable Care Act that allows states to shift to the federal government 90% of the tab for low-income, mostly able-bodied adults who became eligible for Medicaid under the law. Johnson wants to rescind the federal matching rate for the expansion population, cutting it back to as little as 50% and removing billions of dollars from many of his Republican colleagues' states. Wisconsin is one of only 10 states that didn't expand Medicaid.

Some colleagues suspect Johnson feels free to take a tough stance because he might not run for re-election in 2028.

Johnson told reporters in mid-May that "in the House, President Trump can threaten a primary," but "can't pressure me that way."

Asked about his plans, Johnson said that he is "one member of the United States Senate who would rather go home." But he didn't shut the door on running again, describing how he put aside similar reservations in 2022. He won by 1 percentage point.

By Siobhan Hughes

DETAILS

Subject:	Medicaid; Tax cuts; Budget deficits; Government spending
Business indexing term:	Subject: Medicaid Tax cuts Budget deficits Government spending; Industry: 92313 : Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Location:	United States--US
People:	Trump, Donald J; Johnson, Ron
Company / organization:	Name: Republican Party; NAICS: 813940
Classification:	92313: Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Jun 3, 2025
Publisher:	Dow Jones &Company Inc.

Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3214870318
Document URL:	https://www.proquest.com/newspapers/u-s-news-senator-draws-red-line-on-spending/docview/3214870318/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-06-05
Database:	ProQuest Central

LINKS

Markets -- Monday's Markets: Meta, Nvidia Lead Stock Indexes Higher

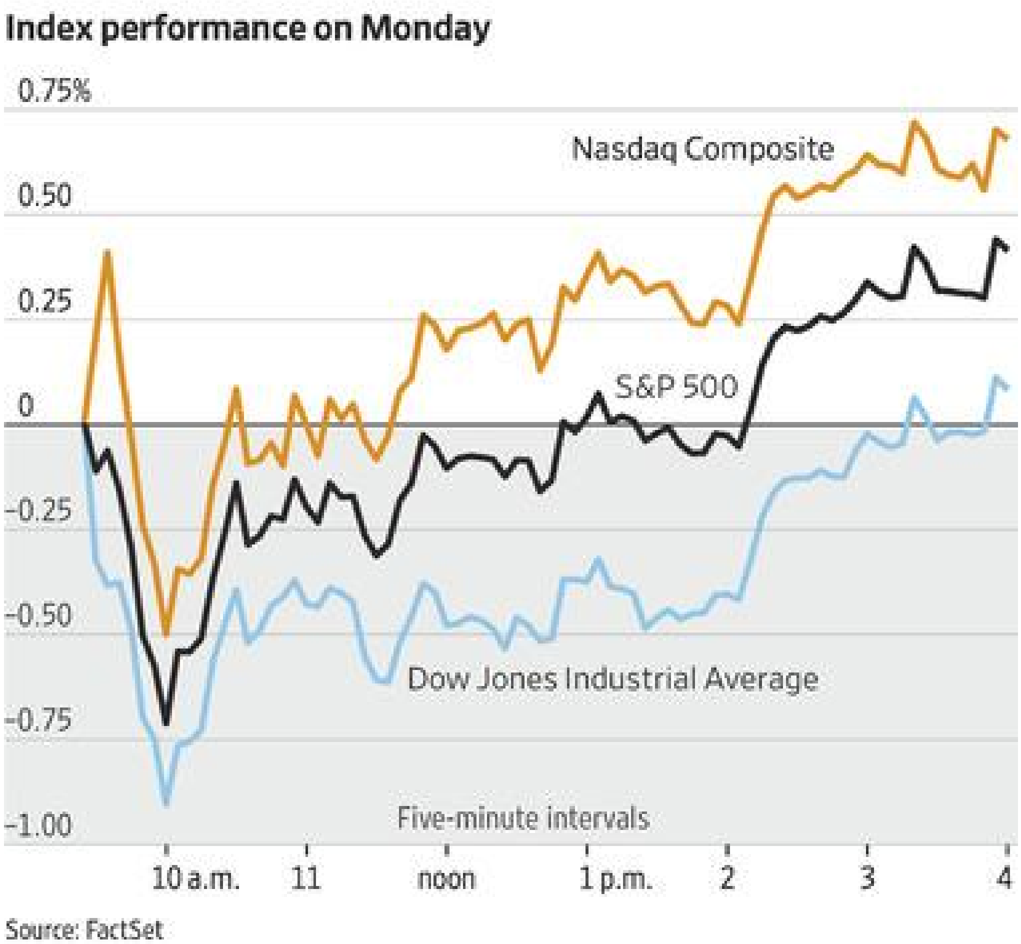
Goldfarb, Sam . Goldfarb, Sam.

FULL TEXT

Gains in megacap tech stocks lifted U.S. indexes, overcoming headwinds from another flare-up in trade tensions.
Buoyed by the likes of Meta Platforms, which rose 3.6%, and Nvidia, which climbed 1.7%, the S&P 500 ticked up 0.4%.
The tech-heavy Nasdaq Composite added 0.7%, while the Dow Jones Industrial Average edged up 0.1%.
Shares of energy companies also climbed, along with oil prices, following Ukraine's surprise drone strikes against Russian air-force bases. Investors calculated that the strikes could hurt the chances of a peace deal that would lead to

a relaxation of Western sanctions on Russian energy.
All three major indexes are coming off a very good May, when stocks were powered by a strong tech sector, encouraging inflation data and reduced fears about President Trump's tariff policies.
The S&P 500 rose more than 6% last month, its largest monthly gain since November 2023.
Investors' hopes on trade have been buoyed by steps that Trump has taken to reduce some tariffs as well as an adverse court ruling that suggested that the administration might need to use a different legal framework to advance its policies.
Still, worries about tariffs persist. On Monday, the Chinese Commerce Ministry said it is the U.S. that has "seriously undermined" a trade truce reached in mid-May. That came after Trump had said on Friday that China had "totally violated" the agreement.
Meanwhile, shares of car companies fell after Trump said late last week that tariffs on imported steel and aluminum would increase to 50% from the current 25%, effective Wednesday. Shares of both Ford and General Motors fell 3.9%.
Investors are "not quite sure where these tariffs go, not quite sure what the strategy is from the White House moving forward," said Anthony Saglimbene, chief market strategist at Ameriprise.

Elsewhere:
-- U.S. crude for July delivery rose 2.8% to $62.52 a barrel after the Ukraine drone strikes.
-- Treasury yields climbed, with investors keeping an eye on the deficit impact of the fiscal megabill being considered in Congress. The yield on the 10-year note settled at 4.461%, according to Tradeweb, up from 4.418% on Friday.
-- The WSJ Dollar Index weakened. The euro, the pound and the yen all strengthened against the greenback.



Enlarge this image.
By Sam Goldfarb

DETAILS

Subject:	Investments; Investors; Tariffs
Business indexing term:	Subject: Tariffs; Corporation: NVidia Corp Meta Platforms Inc
Location:	United States--US; Ukraine
Company / organization:	Name: NVidia Corp; NAICS: 334413, 513210
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B10
Publication year:	2025
Publication date:	Jun 3, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3214870308
Document URL:	https://www.proquest.com/newspapers/markets-mondays-meta-nvidia-lead-stock-indexes/docview/3214870308/se-2?accountid=14681
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Last updated:	2025-06-05
Database:	ProQuest Central

LINKS

Indian Tycoon Adani Under New U.S. Scrutiny

Foldy, Ben; Michaels, Dave . Foldy, Ben; Michaels, Dave.

ProQuest document link

FULL TEXT

Gautam Adani, Asia's second-richest man, is trying to get the Trump administration to drop foreign bribery charges against him. Instead, he is facing a new front in his fight with prosecutors: a probe into whether his companies are buying Iranian petrochemical products.

U.S. prosecutors are investigating whether Adani's companies imported Iranian liquefied petroleum gas, or LPG, into India through the company's Mundra port. A Wall Street Journal investigation into tankers that regularly traveled between Mundra and the Persian Gulf found their behavior often exhibited traits associated with ships seeking to evade sanctions.

"Adani categorically denies any deliberate engagement in sanctions evasion or trade involving Iranian-origin LPG," a company spokesman said. "Further, we are not aware of any investigation by U.S. authorities on this subject."

The expanding scrutiny by the U.S. attorney's office in Brooklyn could prove problematic for Adani's rehabilitation effort. President Trump is rolling back enforcement of longstanding laws against overseas bribery, but has also taken aim at purchasers of Iranian oil and gas products.

"Any Country or person who buys ANY AMOUNT of OIL or PETROCHEMICALS from Iran will be subject to, immediately, Secondary Sanctions," Trump wrote on social-media platform Truth Social last month. "They will not be allowed to do business with the United States of America in any way, shape, or form."

Adani is a close ally of Indian Prime Minister Narendra Modi and sits atop a group of infrastructure companies bearing his name that has been integral to India's recent economic growth. The public companies have a valuation around $150 billion, yielding Adani and his family one of the world's largest fortunes.

In January 2023, short-selling firm Hindenburg Research published a 33,000-word report alleging the Adani Group had violated Indian securities laws by having Adani family members secretly control swaths of shares through offshore vehicles. The companies' stocks plunged but have recovered some of their losses.

In November, the group faced a new headwind when U.S. prosecutors charged Adani with fraud, alleging that he orchestrated roughly $250 million in bribes to Indian officials to secure lucrative solar-power supply contracts in India.

Adani Group called the short seller's report "nothing but a lie," and the government allegations against it "baseless."

Adani has hired high-powered legal firms Kirkland &Ellis and Quinn Emanuel, according to lobbying disclosures. The billionaire's lawyers also met with prosecutors in March in hopes of having the case dropped, according to people familiar with the matter.

Six Republican members of Congress have publicly argued that Adani's indictment is at odds with Trump's foreign-policy priorities, including a strong trading relationship with India. Trump also issued an executive order "pausing" prosecutions under the Foreign Corrupt Practices Act.

While the case grew out of a Foreign Corrupt Practices Act investigation, Adani was charged with conspiracy and securities fraud over alleged bribes, not with violating the act itself.

Prosecutors are reviewing the activities of several LPG tankers used to ship cargoes to Adani Enterprises, the people said.

The Adani spokesman said that importing LPG has been a small but growing part of the company's business, contributing 1.46% of its $11.7 billion in revenue last fiscal year.

A Journal investigation into a group of LPG tankers making journeys between the Adani-run Mundra port and the Persian Gulf since early 2024 found they show signs that ship trackers say are typically evidence of ships attempting to obscure their activities.

A common tactic includes manipulating the ship's automatic identification system, or AIS, which shares a ship's position, according to Tomer Raanan, a maritime risk analyst at Lloyd's List Intelligence who tracks LPG tankers.

One journey in April of last year undertaken by a ship that carried an LPG cargo for Adani, the Panamanian-flagged SMS Bros, demonstrates some of the patterns.

The ship was docked at Khor al Zubair in southern Iraq on April 3, 2024, according to its AIS, which the Journal analyzed using Seasearcher, a Lloyd's List platform.

Satellite images from April 3 don't show the SMS Bros at its reported berth in Iraq. But a satellite did capture images of a ship matching the SMS Bros's characteristics and length docked roughly 315 miles to the southeast at an LPG terminal in Tonbuk, Iran.

The ship docked in Tonbuk was the SMS Bros, according to Samir Madani, whose service TankerTrackers.com has indexed more than 9,000 ships from satellite imagery.

By April 7, the SMS Bros's AIS data showed it off the coast of the United Arab Emirates. Its data was adjusted at that time to show it riding lower in the water, which would indicate it had taken on cargo. Its AIS data shows that it departed the night of April 8, heading south, and by the following day anchored offshore near Sohar, Oman.

On April 10, documents purport that Adani Global PTE contracted the ship to load roughly 11,250 metric tons of LPG at Sohar and ship it to Mundra in India. The ship never appears to have docked in Sohar's port, according to the Journal's analysis of AIS data.

From there, the SMS Bros sailed to Mundra, where customs records reviewed by the Journal show that on April 17, Adani Enterprises imported a load matching the cargo described in the shipping documents with a declared value just over $7 million.

Purchasers of Iranian oil and gas products often use forged documents from Oman and Iraq, according to several people familiar with the trade.

The Adani spokesman said the SMS Bros shipment was handled through a third-party logistics company and documentation identifies the shipment as originating from Sohar. Adani companies check the vessels they contract for red flags, he added -- but don't own, operate or track vessels and can't comment on the activity of vessels they don't control.

"Whatever the duties of and responsibilities of a bona fide importer are, we have fulfilled those," the spokesman said.

The SMS Bros, which changed its name to the Neel last year, has shown other discrepancies.

A Bangladeshi port record from last June shows the SMS Bros as importing a load of LPG originating in Iran for an unknown importer, yet its AIS data reports making the same journey to Iraq that it did in April.

At several other points over the past year, satellite images don't show the SMS Bros at its reported AIS position, according to Bjorn Bergman, a data analyst who tracks AIS spoofing at the nonprofits Global Fishing Watch and SkyTruth.

Three other LPG tankers show some elements of obfuscation while making runs between Adani's Mundra port and the Persian Gulf, according to the Journal's review of their data.

One tanker operated by the same company that managed the SMS Bros showed similar signs of spoofing its AIS. That ship was also named on a list of tankers suspected of shipping Iranian oil and gas by a bipartisan group of U.S. senators.

The company operating the ships, as well as the captain of the SMS Bros on its April 2024 journey, didn't respond to requests for comment.

A third ship appears to have used similar tactics around its trips to Mundra, broadcasting via AIS a stop in Khor al Zubair that can't be seen on simultaneous satellite images of the port.

A fourth tanker in the group often making deliveries to Mundra was listed in a 2024 report by the U.S. Energy Department as being involved in the export of Iranian petroleum products.

In May, the Journal found that ship was reporting its position on the railroad tracks of the port in Khor al Zubair.
By Ben Foldy and Dave Michaels

DETAILS

Subject:	Bribery; Ports; LPG; Sanctions
Business indexing term:	Subject: Ports Sanctions; Corporation: Adani Group
Location:	Iran; United States--US; India; Oman; Iraq; Persian Gulf
People:	Adani, Gautam S
Company / organization:	Name: Adani Group; NAICS: 212115, 212210
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B1
Publication year:	2025
Publication date:	Jun 3, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3214870304
Document URL:	https://www.proquest.com/newspapers/indian-tycoon-adani-under-new-u-s-scrutiny/docview/3214870304/se-2?accountid=14681
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Last updated:	2025-06-05
Database:	ProQuest Central

LINKS

U.S. News: The Items At Risk of Being Cut From GOP Megabill

Li, Jasmine . Li, Jasmine.

ProQuest document link

FULL TEXT

WASHINGTON -- Contentious provisions related to judicial powers, artificial intelligence, gun suppressors and transgender care tucked inside House Republicans' tax and spending megabill could be struck by the GOP-led Senate as it returns to work this week.

The final bill must comply with the Senate's Byrd Rule, named for the late West Virginia Democratic Sen. Robert Byrd, which prevents lawmakers from using the special budget reconciliation process to advance unrelated policies.

Reconciliation allows Republicans to pass President Trump's "big, beautiful" bill with just 51 votes -- rather than the 60 usually required in the Senate -- but only if their provisions all have a meaningful fiscal impact that aren't "merely incidental." The tax cuts and Medicaid spending reductions at the center of the plan would qualify, but other items may not.

"The House has to fit through a garage door, the Senate has to squeeze through a window in the garage door," Sen. Markwayne Mullin (R., Okla.) said on X. Sen. Ron Wyden (D., Ore.) said the bill is "stuffed full of policy" that may not be Byrd-compliant.

These provisions tucked inside the GOP bill could be struck in coming weeks:

Contempt power

Republicans proposed blocking judges from holding litigants in contempt for defying court orders, unless they had ordered a bond previously. Some Democrats interpreted it as an effort to protect the Trump administration from judicial accountability as it faces off against federal courts.

Since the proposal has no obvious fiscal impact, it is likely to be challenged and might not remain in the final version of the bill.

Gun silencers

A last-minute amendment would remove gun suppressors, or silencers, from the purview of the National Firearms Act. The change would eliminate some taxes and end a requirement that all suppressor purchases be registered. The effort has drawn guffaws and derision from Democrats.

Regulating AI

The GOP bill includes a 10-year moratorium on state laws regulating artificial intelligence systems. Republicans have argued that it will help streamline regulations and prevent variations between states, making it simpler for companies to operate nationwide. The effort aligns with Trump's deregulation agenda -- he repealed Biden-era efforts to regulate the technology on his first day back in the White House.

Transgender care

Democrats are expected to challenge a provision to ban the use of Medicaid funding for transgender care, and another that would raise fees for visa and asylum applicants -- proposals that could generate $830 million in savings and $67 billion in revenue, respectively, over the next decade, according to the CBO.

Tax provisions

Several tax proposals in the bill would have negligible effects on revenue, according to estimates from the congressional Joint Committee on Taxation, making them more prone to challenges in the Senate.

These include a provision to halt bans or regulations on contingency fees -- used by tax professionals to pocket a percentage of the prospective tax refunds or savings they help clients obtain. The IRS has tried to crack down on these fees over the years, arguing that they motivate abuse among tax professionals.

By Jasmine Li

DETAILS

Subject:	Medicaid; Artificial intelligence; Provisions; Tax refunds; Firearms; Transgender persons; Judicial powers; Government spending; Federal legislation
Business indexing term:	Subject: Medicaid Artificial intelligence Tax refunds Government spending; Industry: 92313 : Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Company / organization:	Name: Republican Party; NAICS: 813940
Classification:	92313: Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Jun 3, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News

ProQuest document ID:	3214870292
Document URL:	https://www.proquest.com/newspapers/u-s-news-items-at-risk-being-cut-gop-megabill/docview/3214870292/se-2?accountid=14681

| Last updated: | 2025-07-01 |
| Database: | ProQuest Central |

LINKS

Stocks Post Best Month Since 2023

Pitcher, Jack . Pitcher, Jack.

FULL TEXT

U.S. stocks delivered their best month since late 2023, powering through every twist of tariff news and an uneven corporate earnings season to leave the indexes hovering just above where they began this tumultuous year.

Fears over the fallout from the continuing trade war remain just below the surface, and on Friday JPMorgan Chase's Jamie Dimon, the CEO of the largest U.S. bank, implored Washington to resolve its differences with other governments, and China in particular. "They're not scared, folks," Dimon said about China. "We have to get our act together and we have to do it very quickly."

But for most of May, stock investors were learning to tune out the thrum of sound bites and instead focusing on what Wall Street views as the likely outcomes for the trade conflicts and the nation's economy: a string of bilateral deals with the U.S.'s biggest trading partners, and a still-healthy corporate America.

"Markets have already decided that the worst of the tariffs are unlikely to come to fruition and given passes to many companies that paused guidance until the situation clarifies itself," said Steve Sosnick, chief strategist at Interactive Brokers.

The S&P 500 rose more than 6% in May, putting it within 4% of a record closing high in mid-February. A hot tech sector, encouraging inflation data, and a growing consensus that the Trump administration won't follow through on its most severe tariff threats helped power the gains.

The Dow Jones Industrial Average added 3.9% in May, while the tech-heavy Nasdaq Composite was 9.6% higher.

Many downside risks that spooked investors earlier this year are still evident. On Friday, President Trump accused China of violating a tariff agreement, signaling that the trade detente between the two countries is at risk of falling apart.

In Friday trading, indexes gave back some of their gains, though the S&P 500 ended little changed. The Nasdaq fell 0.3% and the Dow was 0.1% higher.

Meanwhile, one of the loudest voices on Wall Street sounded a warning.

While China is a potential adversary, "what I really worry about is us," Dimon said, adding that high U.S. deficits mean "you are going to see a crack in the bond market."

Bonds have fared far worse than stocks.

The benchmark 10-year Treasury yield rose nearly a quarter point to 4.418% in May as traders scrutinized the president's multitrillion-dollar fiscal package. Moody's Ratings stripped U.S. debt of its triple-A rating, citing the government's towering pile of debt, and tepid demand for Treasurys at a May 21 auction added to concerns.

Investors were euphoric after a surprise de-escalation between the U.S. and China recently put many of the new duties between the world's two largest economies on pause. Indexes rallied further after a federal trade court said Wednesday that Trump didn't have the authority to impose sweeping tariffs on virtually every nation, voiding the levies. An appeals court put that ruling on hold less than a day later.

Economists are cautiously optimistic that the ruling will hold up on appeal, an outcome that would likely reduce the risk of price increases and stalled economic growth.

"At some point the tariff uncertainty has to be addressed," said Chris Zaccarelli, chief investment officer at Northlight Asset Management. "If it can be done quickly enough before damage is done to the economy, we can go back to all-time highs."

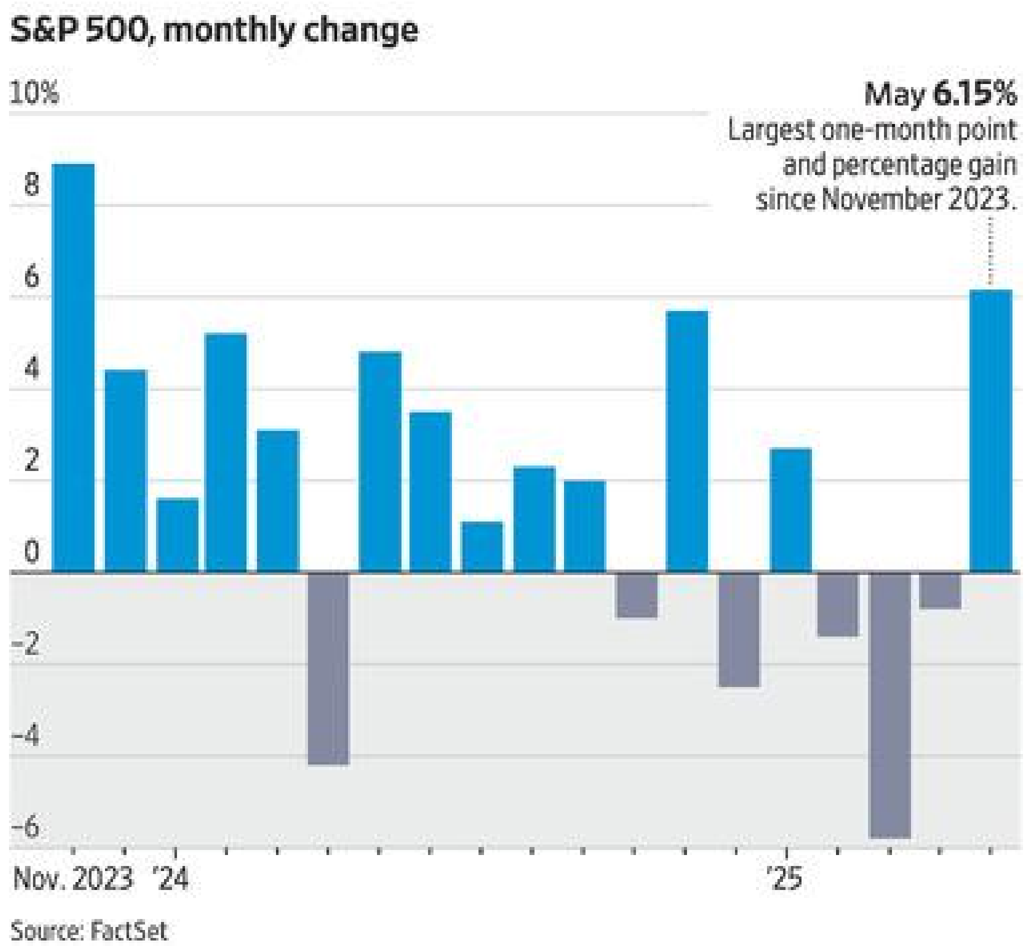
The constantly-changing tariff developments have whipsawed markets and companies, causing many S&P 500 constituents to pull their forward earnings guidance in recent weeks. But overall, solid first quarter results have shown that U.S. companies are on strong footing.

And fears that tariffs will spike inflation haven't yet come to fruition: The Federal Reserve's preferred gauge of consumer prices ticked up just slightly in April, according to data out Friday, a modest increase that lowered the 12-month inflation rate to 2.1%, just above the central bank's 2% target.

"The report should be welcome news for investors looking at the impact of erratic policy announcements on both prices and spending," said Scott Helfstein, head of investment strategy at Global X. "Discretionary spending is alive and well despite the pessimistic sentiment of the last couple of months."

The encouraging inflation data help open the door for the Federal Reserve to resume interest rate cuts later this year. That is a move Trump, a Republican, has repeatedly called for and could also prove a tailwind for stocks. The Fed has held benchmark interest rates steady since its December meeting, and investors expect that to stay the case until September, when derivatives traders are currently assigning a 70% probability of lower rates.

Wary of helping reignite inflation, the Fed is likely to wait for more data or an economic slowdown before acting, said Jeffrey Roach, chief economist at LPL Financial. "As long as the job market remains stable, the Fed has the luxury of remaining in 'wait and see' mode," Roach said. "We think there is upside risk to inflation as many forecasts cannot reasonably account for the fluid tariff policy."



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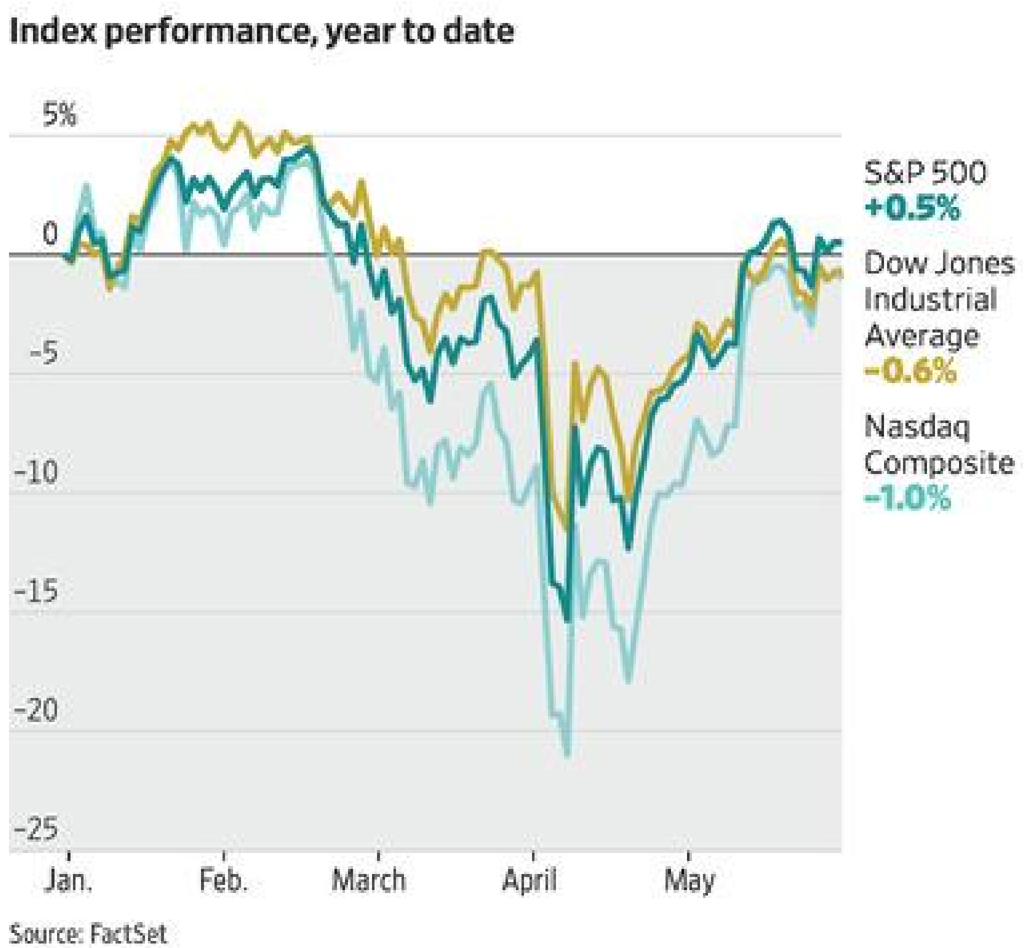

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By Jack Pitcher

DETAILS

Subject:	Investments; Economic conditions; Dow Jones averages; Stocks; Federal Reserve monetary policy; Inflation; Central banks; Interest rates; Tariff agreements; Investors
Business indexing term:	Subject: Economic conditions Stocks Federal Reserve monetary policy Inflation Central banks Interest rates Tariff agreements; Industry: 92113 : Public Finance Activities 52111 : Monetary Authorities-Central Bank
Location:	United States--US; China
Classification:	92113: Public Finance Activities; 52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	May 31, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3214008275
Document URL:	https://www.proquest.com/newspapers/stocks-post-best-month-since-2023/docview/3214008275/se-2?accountid=14681
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Last updated:	2025-06-02
Database:	ProQuest Central

LINKS

EXCHANGE --- The Score / The Business Week in 6 Stocks: E.l.f. Beauty Levels Up, Tesla Gets a Boost

Fontana, Francesca . Fontana, Francesca.

FULL TEXT

NVIDIA

NVDA +3.2%

Nvidia's business is still booming, even while it is effectively shut out of China's giant AI-chip market. The chip titan has been on a roller-coaster over the past few months after the Trump administration moved to limit sales of chips to the Chinese market and then cleared the way for multibillion-dollar deals for processors in the Middle East. The chip titan posted another quarter of record-breaking sales on Wednesday, with revenue reaching $44.06 billion for its fiscal first quarter. That 69% sales increase was curtailed by Washington's new limits on China chip sales. The company was unable to ship $2.5 billion of its H20 processors and projected $8 billion in lost revenue for the current quarter due to the policy. Nvidia shares gained 3.2% Thursday.

PDD HOLDINGS

PDD -14%

E-commerce seller Temu and its Chinese parent company PDD Holdings are grappling with U.S. tariffs. The company said its profit dropped nearly 50% in the first quarter. Temu's ultracheap everyday items have been a hit with budget-conscious U.S. consumers. But the company has faced American tariffs and the disappearance of a duty exemption for low-value packages from China. American depositary shares of PDD shares dropped 14% Tuesday.

TESLA

TSLA +6.9%

Elon Musk is out of Washington and back to work. Tesla investors seem to be pleased. Over the Memorial Day weekend, the Tesla CEO said in a post on X that he was "back to spending 24/7 at work." President Trump's delay to the implementation of 50% tariffs on the European Union also helped the stock, even as separate data showed that the electric-car maker's EU sales slumped for a fourth straight month. Tesla shares rose 6.9% Tuesday.

E.L.F. BEAUTY

ELF +24%

E.l.f. Beauty is acquiring Hailey Bieber's beauty brand, Rhode, in a $1 billion cash-and-stock deal. Rhode was founded in 2022 and has grown quickly with a narrow assortment of products, including pocket blushes and lip tints. The cosmetics company also posted stronger-than-forecast quarterly results, and said it was unable to provide annual guidance due to tariff uncertainty. Elf shares rocketed 24% higher Thursday.

VAIL RESORTS

MTN +8.7%
Vail is bringing back a former chief executive after a tough winter season. The ski-resort operator said chairman and former CEO Rob Katz would return to the role, effective immediately. Current leader Kirsten Lynch is stepping down after more than three years in the top job and will stay on for several months as an adviser. The shake-up follows a difficult year for Vail, which owns and operates 42 resorts. The company sold fewer season lift tickets, and a 12-day ski-patrol strike halted operations in Park City, Utah. Vail shares jumped 8.7% Wednesday.
GAP
GAP -20%
Gap's tariff warning overshadowed its strong performance in the latest quarter. The clothing retailer on Thursday warned of up to $300 million in tariff costs this year. The company said it expects a hit of $100 million to $150 million to its annual operating income. Chief Executive Richard Dickson said that Gap has no plans to raise prices. Gap based its guidance on levies that were put in limbo after a U.S. court ruling voided many of President Trump's tariffs. Gap shares plummeted 20% Friday.
By Francesca Fontana

DETAILS

Subject:	Tariffs
Business indexing term:	Subject: Tariffs; Corporation: NVidia Corp
Location:	China; United States--US
People:	Trump, Donald J
Company / organization:	Name: NVidia Corp; NAICS: 334413, 513210
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B2
Publication year:	2025
Publication date:	May 31, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English

Document type:	News
ProQuest document ID:	3214007821
Document URL:	https://www.proquest.com/newspapers/exchange-score-business-week-6-stocks-e-l-f/docview/3214007821/se-2?accountid=14681

| Last updated: | 2025-05-31 |
| Database: | ProQuest Central |

LINKS

Markets: Bank of Montreal Raises Dividend After Earnings Rise

Stewart, Robb M . Stewart, Robb M.

FULL TEXT

Bank of Montreal bumped up its dividend after earnings in its second quarter were lifted by strength in its wealth-management business with stronger global markets and higher income in the U.S. thanks in part to the strength of the dollar.

The Canadian lender's income rose to 1.82 billion Canadian dollars, equivalent to $1.32 billion or C$2.50 a share, for the fiscal quarter against C$1.72 billion, or C$2.36 a share, a year earlier. On an adjusted basis used by the lender to reflect its underlying ongoing business performance, Bank of Montreal reported earnings of C$2.62 a share for the three months to April 30, beating the C$2.53 consensus forecast of analysts polled by FactSet.

Overall revenue for the period was up 8.8% to C$8.68 billion from last year's C$7.97 billion. Net interest income for the period increased 13% to C$5.1 billion, while noninterest revenue rose 3.6% to C$3.58 billion.

Bank of Montreal, one of a handful of big lenders that together control most of Canada's banking assets, recorded a total provision for credit losses of C$1.05 billion. That compares with C$1.01 billion put aside against potential losses due to credit risk the quarter before and C$705 million a year earlier. Analysts expected a credit-loss provision C$1.07 billion.

The bank's provision on impaired loans was raised C$107 million year over year, thanks largely to higher provisions in Canadian commercial banking and Canadian unsecured consumer lending, while the credit-loss provision on performing loans was C$242 million higher year over year driven by changes in the macroeconomic outlook and

portfolio credit migration, it said.
Households and businesses in the country have become more cautious about spending due to worries about the fallout from the Trump administration's aggressive approach to trade policy. The housing market has seen prospective buyers move to the sidelines in recent months, dragging down activity and weighing on home prices. That comes even as borrowing costs have eased considerably in the wake of seven interest rate cuts in a row by the Bank of Canada.
In a statement to shareholders, Bank of Montreal said the continuing change in U.S. trade pronouncements had created heightened uncertainty that is affecting Canada and the U.S. by depressing confidence and slowing spending and investment.
The new U.S. levies on imported vehicles, steel, aluminum and goods not compliant with the existing Canada-U.S.-Mexico trade agreement will likely mean lower Canadian exports for a couple of quarters and weigh on Canada's gross domestic product. Bank of Montreal warned that if tariffs are high and persistent, it could result in an increase in provisions for credit losses, volatility in capital markets and slower loan growth.
Still, the bank announced a lift in its quarterly dividend to C$1.63 a share, 4 Canadian cents higher than the prior payout. That works out to an annual dividend of C$6.52 a share.
By Robb M. Stewart

DETAILS

Subject:	Banking; Dividends; Bank earnings
Business indexing term:	Subject: Banking Dividends Bank earnings; Corporation: Bank of Montreal
Location:	United States--US; Canada
Company / organization:	Name: Bank of Montreal; NAICS: 522110
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B9
Publication year:	2025
Publication date:	May 29, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English

Document type:	News
ProQuest document ID:	3213007083
Document URL:	https://www.proquest.com/newspapers/markets-bank-montreal-raises-dividend-after/docview/3213007083/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-29
Database:	ProQuest Central

LINKS

Markets: Japan's Bonds Draw Weak Demand

Fujikawa, Megumi . Fujikawa, Megumi.

ProQuest document link

FULL TEXT

TOKYO -- An auction of 40-year Japanese government bonds drew the weakest demand in nearly a year, signaling investor caution amid a global rise in yields of ultralong bonds.

The auction results accelerated an afternoon climb in superlong JGB yields on Wednesday, part of a broader trend that reflects concern over fiscal deficits in major economies, including the U.S. and Japan.

Though bond yield moves have sparked worries, analysts say the upswing in Japanese yields is likely temporary and manageable.

Japan's Ministry of Finance sold about 500 billion yen, equivalent to $3.46 billion, of 40-year bonds at a yield of 3.135%.

The bid-to-cover ratio -- a key measure of demand -- fell to 2.21 at Wednesday's sale from 2.92 in March, marking the lowest level since July 2024. A lower ratio indicates softer demand.

After the auction, yields on 30-year JGBs briefly jumped to 2.940% in an unusually sharp move before easing back to 2.900%. The 20-year JGB yield rose as high as 2.425%, while the 40-year yield reached 3.385%.

The rise in ultralong JGB yields reflects a lack of domestic investor appetite for longer durations and mirrors similar movements in U.S. Treasury yields. Higher tariffs have fueled fears of an economic slowdown and speculation about looser fiscal policy.

Still, the selloff in JGBs isn't as alarming as it might seem, said Thomas Mathews, head of Asia-Pacific markets at Capital Economics. "Japanese authorities have tools to handle this," he said in a note.

Earlier in the day, BOJ Gov. Kazuo Ueda pledged to closely monitor moves in the superlong debt sector.
"We will carefully watch market movements and their economic impact, while keeping in mind the possibility that significant fluctuations in superlong yields could affect long-term, or short- and medium-term interest rates," Ueda said during a parliamentary committee session.
However, he noted that central-bank research has shown short- and medium-term interest rates have a bigger impact on the economy than superlong yields, as they align with the duration of borrowings made by companies and households.
By Megumi Fujikawa

DETAILS

Subject:	Interest rates; Government bonds; Economic conditions
Business indexing term:	Subject: Interest rates Government bonds Economic conditions
Location:	United States--US; Japan
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B9
Publication year:	2025
Publication date:	May 29, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3213007075
Document URL:	https://www.proquest.com/newspapers/markets-japans-bonds-draw-weak-demand/docview/3213007075/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-29
Database:	ProQuest Central

LINKS

World News: Putin Pivots Economy to Focus on War -- Ukraine's neighbors fear they could be next; no unwinding seen for military

Grove, Thomas . Grove, Thomas.

ProQuest document link

FULL TEXT

Russia's successes on the front lines in Ukraine are a big reason why Vladimir Putin isn't yet ready to sign up to President Trump's efforts to end the conflict. Some of his neighbors fear the success of the war machine now driving its economy means he never will.

In the early stages of the war, the Russian president put the country on a footing for a long conflict. Putin retooled the economy to churn out record numbers of tanks and howitzers, while using sizable signing bonuses of up to a year's salary to raise a massive army. At one point, more than a thousand recruits were signing up each day to fight.

This increase saved Moscow from the initial losses it suffered after failing to quickly capture Kyiv three years ago. Now it is helping Russian forces advance westward again, taking more than 100 square miles in the past month. The gains have given Putin the latitude to slow walk negotiations and shrug off direct talks with his Ukrainian counterpart, Volodymyr Zelensky, despite growing European pressure and Trump's own exasperation with the lack of progress in ending the war.

At a meeting with Zelensky in Berlin on Wednesday, Chancellor Friedrich Merz of Germany said his country would step up financial and military aid to Ukraine.

Trump played down on Wednesday the possibility of new sanctions on Moscow and said he would know in about two weeks if Putin is committed to ending the war.

"If I think I'm close to getting a deal, I don't want to screw it up by doing that," Trump said of sanctions, which he has raised in recent days as Russia has waged aggressive attacks on Ukraine. "We're going to find out whether or not he's tapping us along or not, and if he is, we'll respond a little bit differently."

On Wednesday, Foreign Minister Sergei Lavrov said Russia was prepared to meet Ukraine in Istanbul on June 2 for a second round of direct talks, following a massive prisoner exchange between the two countries.

Still, if or when Putin is ready to end the war, unwinding his military buildup could prove a trickier task.

"It is absolutely imperative for Russia to continue to rely on the military industry because it [has] become the driver of economic growth," said Alexander Kolyandr, a senior fellow at the Center for European Policy Analysis. "For a while, it

will be next to impossible for Russia to reduce military spending."
Russia's arms industry has enjoyed billions of dollars in stimulus in recent years to boost production lines and keep them running at breakneck speed 24 hours a day. The influx of cash has boosted wages -- partly to compete with military payouts -- and fueled rising living standards for thousands of Russians in the country's poorer backwaters.
"I'm not sure that Vladimir Putin himself has a strategy for how to unwind the war," Vice President JD Vance said after his meeting with Pope Leo XIV, speculating as to why the Russian president hasn't bitten on Trump's efforts to cease hostilities.
If the war does end in Ukraine, some of Russia's neighbors worry its war economy might be refocused on them.
In the Baltics, Estonian military planners grimly discuss the possibility of war spilling into the North Atlantic Treaty Organization territory. In Kazakhstan, analysts carefully watch for signals that Russia could make a move into the north of the country, where a large ethnic Russian population lives.
These fears stem partly from the belief that the Kremlin would rather keep the tens of thousands soldiers fighting on some other front line rather than bring battle-hardened and often traumatized men back home. After the end of World War II, Soviet leader Joseph Stalin viewed returning veterans as a threat and sent many to the gulags to rid himself of the domestic pressures they could cause.
Today, an end to the war would likely see many of the hundreds of thousands of troops in Ukraine, particularly those who signed short-term contracts, demobilized and sent back to civilian life amid slowing economic and wage growth.
"It's not going to be a good idea to cut those wages radically or in a very short time," said Volodymyr Ishchenko, of the Free University of Berlin. "It's not a good idea for the state to disappoint armed men."
If the fighting ends, Russia's military will still need men. The arms industry still will be building the guns and vehicles needed to replace the Soviet stockpiles lost on the front line, but at a slower pace than during the war. Job losses on factory lines, together with an increasingly stagnating economy, could stir some discontent among those who saw the war bring the biggest redistribution of wealth since the fall of the Soviet Union.
"Without an existential crisis like the war in Ukraine, it would be hard to justify continuing to pour money into the defense industry at the rate we already are," said Ruslan Pukhov, head of the Moscow-based Center for Analysis of Strategies and Technologies. "And Putin -- even if they say he is an evil totalitarian -- he is very sensitive about what people think and what they want."
There are signs the boost from the war and a surge in wages and living standards are beginning to level out. The declining price of oil adds another note of uncertainty.
Some arms industries are exploring the idea of trying to export their extra production and return to Russia's heyday as the second-largest arms exporter in the world, a position it held before the start of the war. But some analysts said that is unlikely with an industry that has already lost market share in Asia and Africa, has a host of customers who depend on Russia for credit to buy the weapons and has given priority to quantity over quality.
In some ways, Russia finds itself in a situation similar to the U.S. after World War II or Nazi Germany before the war -- when their arms industries were the drivers of growth. But unlike the U.S., Russia's defense industry is unlikely to produce technological breakthroughs to drive sustained growth.
Instead, while the Russian civilian economy is suffering from a lack of manpower, causing price increases in eggs and potatoes, some see the shrinking of the arms industry as inevitable. The way that slowdown is managed will be crucial.
"When you reduce fiscal stimuli, you have to be very careful. . . .There are so many people who are interested in keeping this merry-go-round going," Kolyandr said.
By Thomas Grove

DETAILS

Subject:	World War II; Standard of living; Presidents; Defense industry; Wages &salaries; Economic conditions; Defense spending; Military readiness
Business indexing term:	Subject: Standard of living Defense industry Wages &salaries Economic conditions; Industry: 92111 : Executive Offices
Location:	Russia; United States--US; Ukraine; Germany
People:	Putin, Vladimir
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A7
Publication year:	2025
Publication date:	May 29, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3212993453
Document URL:	https://www.proquest.com/newspapers/world-news-putin-pivots-economy-focus-on-war/docview/3212993453/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-29
Database:	ProQuest Central

LINKS

Document 50 of 222

U.S. News: The Numbers Behind GOP Food Cuts

Frosch, Dan; Pacheco, Inti . Frosch, Dan; Pacheco, Inti.

ProQuest document link

FULL TEXT

Among the key pieces in the fiscal package passed last week by House Republicans: cuts to the federal program that helps low-income people pay for groceries, formerly known as food stamps.

The GOP aims to tighten work requirements, saying that too many people on the Supplemental Nutrition Assistance Program, or SNAP, aren't working. They also want to shift more of SNAP's costs to the states. Their plan -- which has to be approved by the Senate -- would lead to more than $230 billion in cuts over the next decade, according to the Congressional Budget Office.

The federal government spent $93.8 billion on SNAP during the last fiscal year to feed an average of 41.7 million people each month. The average monthly benefit, per person, cost $187.54.

What does SNAP do?

The program distributes funds on a prepaid card to help people pay for food. Many factors determine who is eligible for SNAP and how much they receive, including household income level and size.

Generally, most American households qualify for SNAP benefits if their gross income is less than about $3,380 a month, for a family of four. That represents 130% of the federal poverty level.

Able-bodied adults ages 18 to 54, without dependents, must work (or participate in employee training) for at least 20 hours a week. Otherwise, they are limited to three months of benefits in three years.

What drives the cost?

States administer the program with federal dollars, but have some leeway in setting eligibility rules. States also differ in how many resources they devote to the program.

Also, enrollment and costs typically rise following economic downturns, such as the 2008-09 financial crisis. The U.S. hit a peak for the monthly average number of people using SNAP -- 47.6 million -- in fiscal 2013, when the country was still recovering from that crisis.

Last fiscal year, the monthly average number of people on SNAP was down about 6 million from that peak a decade earlier. That means roughly 12% of the U.S. population is relying on the benefit.

The rate of SNAP-eligible people who enroll in the program has risen in recent years. In the 2022 fiscal year -- the most recent year measured -- a record high 88% of people who qualified for SNAP enrolled in the program.

How has age changed?

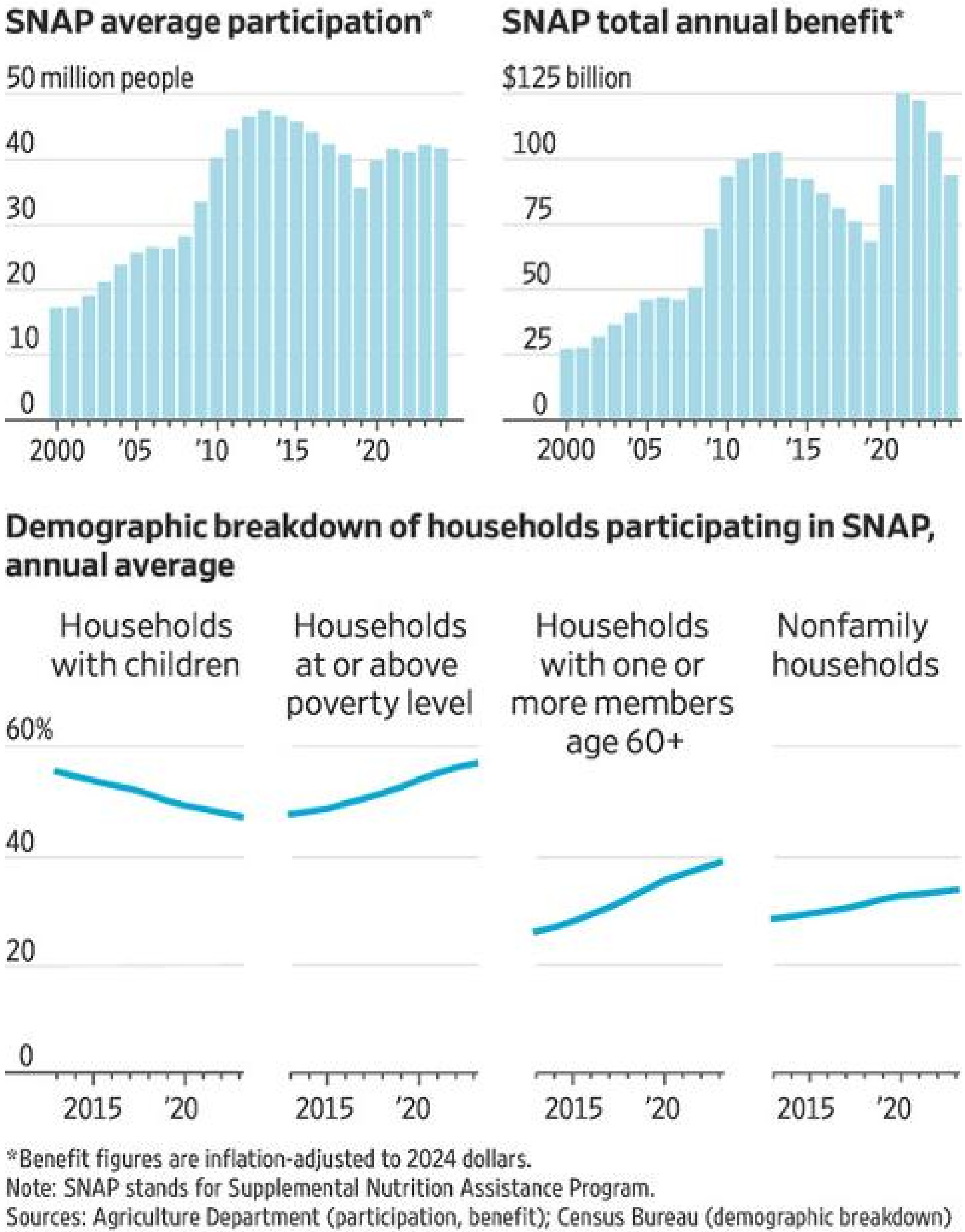
People enrolled are getting older as the nation ages and because of more efforts to sign up eligible seniors. At the same time, the portion of SNAP recipients in households with children shrank to 47% in 2023, according to the most recent U.S. Census Bureau survey data, down from 55% a decade earlier.

Has the cost changed?

The cost of SNAP benefits to the government jumped during the pandemic, reaching an inflation-adjusted high of $124.9 billion in 2021.

The program makes annual adjustments to account for cost-of-living changes, such as hikes in food costs caused by

inflation. The average amount paid to SNAP recipients is currently down from pandemic highs because Covid-era emergency measures expired, but also above levels from the years heading into the pandemic.
Adjusted for inflation, SNAP's total benefit costs declined by about 25% between fiscal 2021 and 2024.
What are GOP goals?
Republicans point to a 2022 Agriculture Department analysis that found that just 28% of SNAP-enrolled adults with neither dependents nor disabilities that would prevent them from working had earned income from jobs that year.
The House bill would expand the upper age limit so that able-bodied adults without dependents have to work to get SNAP benefits by 10 years, to age 64. The plan would also limit work exemptions that caregivers of children under 7 can receive.
The Center on Budget and Policy Priorities, a progressive group, said nearly 11 million SNAP recipients could lose at least some food assistance under the GOP's plan. The group also said the GOP numbers don't account for how many SNAP enrollees might have lost a job and were looking for work, and that an estimated 82% of able-bodied adult SNAP users who are not living with children brought in earnings in 2023.



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By Dan Frosch and Inti Pacheco

DETAILS

Subject:	Fiscal years; Reforms; Costs; Food stamps; Eligibility; Pandemics

Business indexing term:	Subject: Fiscal years Costs
Location:	United States--US
Company / organization:	Name: Republican Party; NAICS: 813940
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	May 28, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3212455292
Document URL:	https://www.proquest.com/newspapers/u-s-news-numbers-behind-gop-food-cuts/docview/3212455292/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-30
Database:	ProQuest Central

LINKS

Fears on Outlook Mar Solid Earnings Season

Langley, Karen . Langley, Karen.

FULL TEXT

Prominent U.S. companies have acknowledged the unpredictability of the trade-war economy by yanking or dialing back their financial forecasts.

Still, results from the past quarter show American corporations were on strong footing heading into April's tariff escalations.

With the reporting season nearly done, profits from companies in the S&P 500 are expected to have risen about 13% in the first quarter from a year earlier, according to FactSet. At the end of March, analysts expected roughly 7% earnings growth.

A solid earnings season has helped stocks claw back their losses from a tumultuous spring, leaving the S&P 500 down just 1.3% in 2025. The broad index has even gained 2.3% since President Trump's April 2 announcement of plans for tariffs jolted markets.

Reasons for caution abound. Those include the shifts in U.S. trade policy, jitters in the bond market and fears of a resurgence in inflation -- and all come while stocks look expensive relative to history. The risks were on full display last week, with a weak auction of government debt driving declines in stocks Wednesday and fresh tariff broadsides from Trump fueling losses Friday.

"It's pretty muddy right now," said Ryan Kelley, chief investment officer at Hennessy Funds. "We need time to go by to really see the effects of the tariffs and the effects of the uncertainty."

Investors entered the earnings season that kicked off in April hoping corporate executives would shed light on how Trump's tariff plans would affect business and profits. They parsed first-quarter results for clues about how the uncertainty surrounding trade and pessimism among consumers might have affected business.

This week, investors will seek fresh insights into the effects on companies as they study results from AutoZone, Nvidia and Costco Wholesale. They will also scrutinize data on consumer confidence and jobless claims.

For some investors, the better-than-expected earnings season provided welcome assurance that the U.S. economy and their bets on U.S. companies were holding up.

"People were thinking that the economy was slowing down, that employment would slow down and that would negatively impact earnings. But that did not happen," said Mary Ann Bartels, chief investment strategist at Sanctuary Wealth. "And in fact, earnings came in significantly stronger than what investors were anticipating."

Investors hoping to hear about tariffs on company earnings calls weren't disappointed. Through Thursday, tariffs were mentioned on the earnings calls of 2,136 U.S. publicly traded companies, the most in quarterly data going back to 2016, according to AlphaSense.

But those discussions didn't necessarily yield the clarity many sought. Some companies offered frank admissions that they don't know what the future holds. Delta Air Lines, Ford Motor and clog-and-sandal company Crocs were among those setting aside their financial outlooks for the year altogether.

Walmart drew attention when the retail giant said it would raise prices this month and early this summer, as tariff-affected merchandise reaches store shelves. Trump then criticized Walmart on social media, illustrating the risks for companies as they navigate the trade war.

Several of Walmart's fellow retailers struggled this past week, with Target's stock dropping after the company reported disappointing results and shares of T.J. Maxx owner TJX falling after the off-price retailer gave quarterly guidance that analysts found conservative.

The first quarter wrapped up before Trump revealed the extent of his tariff plans. For some investors, that means companies' results are of limited use in forecasting how they will perform going forward.

"The quarter itself was a throwaway," said Jim Polk, head of equity investments at Homestead Advisers. "It was really more around these unknowns that we're trying to figure out: what's going to happen over the next -- not only this year but in the next couple years."

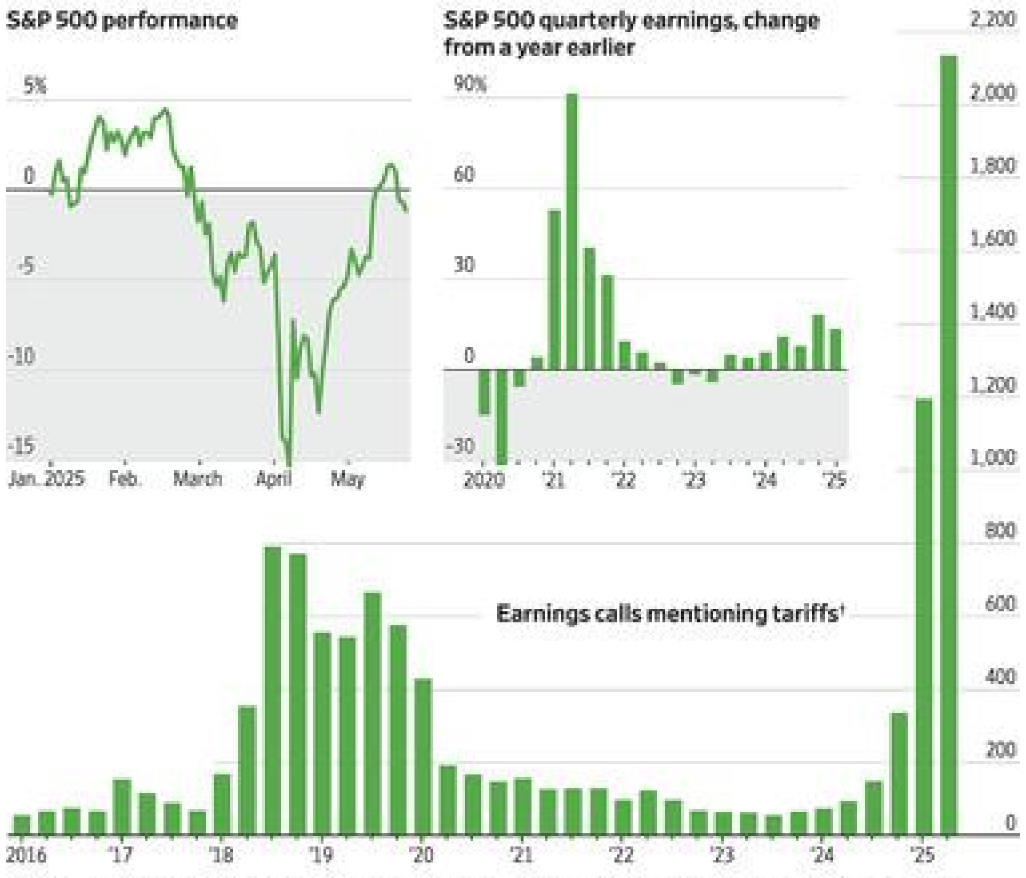
Friday brought a reminder of just how unpredictable the path ahead is for companies and shareholders. Trump threatened to impose a 50% tariff on the European Union within days and warned Apple that iPhones manufactured abroad could face import taxes. The S&P 500 dropped 0.7% for the day, while Apple shares retreated 3%.

Earlier in the week, stocks faltered when a disappointing auction for 20-year Treasury bonds stoked worries about rising deficits. Some investors have grown uneasy about the issuance of government debt that could follow Trump's multitrillion-dollar fiscal package.

Consumers are worried that inflation could heat up again. Respondents to a recent University of Michigan survey said they expect prices to surge 7.3% over the next year, the highest reading since 1981.

Still, the earnings season has offered some reassurance.

"At the end of the day, you can't knock the fact that we've had some really good earnings growth, and that's very good for the overall S&P," Kelley said. "Now, though, we have to see what happens from here."



*1Q 2025 includes estimates for companies that have not yet reported †Earnings calls of U.S. publicly traded companies that included words "tariff" or "tariffs"; 2Q 2025 is through May 22

Sources: FactSet (performance, earnings); AlphaSense (calls)

Enlarge this image.

By Karen Langley

DETAILS

Subject:	Investments; Deficit financing; Social networks; Unemployment benefits; Prices; Worry; Corporate profits; Financial executives; Investors; Trade policy; Consumers; Treasury bonds; Stockholders; Bond markets; Tariffs; Trade disputes; Stocks; Retail stores; Pessimism
Business indexing term:	Subject: Deficit financing Social networks Unemployment benefits Corporate profits Trade policy Consumers Treasury bonds Stockholders Bond markets Tariffs Trade disputes Stocks Retail stores; Corporation: AutoZone Inc Delta Air Lines Inc NVidia Corp Ford Motor Co Costco Wholesale Corp Walmart Inc
Location:	United States--US
People:	Trump, Donald J
Company / organization:	Name: AutoZone Inc; NAICS: 441330; Name: Walmart Inc; NAICS: 454110, 455110, 455211; Name: Costco Wholesale Corp; NAICS: 455211; Name: Ford Motor Co; NAICS: 333924, 336110, 336390; Name: Delta Air Lines Inc; NAICS: 481111; Name: T J Maxx; NAICS: 458110; Name: Hennessy Funds; NAICS: 523940; Name: European Union; NAICS: 926110, 928120; Name: NVidia Corp; NAICS: 334413, 513210
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B1
Publication year:	2025
Publication date:	May 27, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3211766062
Document URL:	https://www.proquest.com/newspapers/fears-on-outlook-mar-solid-earnings-season/docview/3211766062/se-2?accountid=14681

Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-27
Database:	ProQuest Central

LINKS

Trump Tax Bill Goes to Senate --- Multitrillion-dollar package of spending, tax cuts needs near GOP unity to pass

Hughes, Siobhan; Rubin, Richard; Wise, Lindsay . Hughes, Siobhan; Rubin, Richard; Wise, Lindsay.

FULL TEXT

WASHINGTON -- President Trump's "big, beautiful bill" squeezed through the House after a late scramble to get rival factions on board. Next it goes to the Senate, where GOP lawmakers are already making demands and party leaders will once again need to bridge sharp disagreements.

The more than 1,000-page bill passed the House early Thursday morning after Speaker Mike Johnson (R., La.) found a recipe that satisfied just enough lawmakers, approving the measure by just one vote after an all-night session. Now Senate Republican leader John Thune needs to line up enough support within his own narrow majority -- without making changes that would fracture the fragile House agreement and derail the party's hopes to finish the bill by their July 4 target.

Senate Republicans are split. Some are eyeing further spending cuts, while others are looking for bigger tax relief or gentler phaseouts of clean-energy incentives. Hard-fought House sweeteners like the higher cap on state-and-local tax deductions could face scrutiny. Any changes in the Senate would then have to be approved by the House before heading to Trump's desk.

"I don't suspect we'll tear the whole thing apart, but we're probably going to repaint some of the interior walls," Sen. Markwayne Mullin (R., Okla.) said. "We've got to put our fingerprints on it."

The House bill is a catchall container for Trump-era GOP policies. It extends expiring tax cuts, adds versions of the president's pledges to remove taxes on tips, overtime pay and Social Security benefits, and provides new money for border security and defense. It cuts into Democratic priorities such as Medicaid, food aid and higher education.

In all, the bill is expected to increase budget deficits by $2.7 trillion through 2034, compared with doing nothing, though a final official estimate wasn't available.

GOP leaders on both sides of the Capitol stayed in close contact while House members wrote their legislation, hoping to avoid bitter fights that could derail the bill. And top House Republicans, including Johnson, warned Thursday against major changes in the Senate. "A lot of work went into this to find exactly the right balance," he said. He encouraged Senate colleagues to "think of this as a one-team effort" and modify the bill as little as possible.

Thune (R., S.D.) said senators are "looking at what the House did, and we've had a lot of conversations with our members." He called it a "very active discussion."
Some GOP senators want to try for deeper spending cuts, even as Senate Republicans also insist that some tax cuts temporarily extended by the House be made permanent. Budget hawks pointed to the move by Moody's Ratings this month to strip the U.S. of its final AAA credit rating, saying it showed the need for further deficit reductions.
"Our debt is becoming a vulnerability," Sen. Kevin Cramer (R., N.D.) said. "I really think that vulnerability is being exposed, and I think it's sort of a license to get something done."
At the top of the list for some lawmakers are deeper cuts to Medicaid, the state-federal program that insures low-income people. Senators might also try to revise a House deal that raises the cap on the deductions for state and local taxes to $40,000 from the current $10,000. That agreement secured crucial votes from House members in high-tax states such as New York and New Jersey, but SALT has no clear champion among Senate Republicans.
"Why are we subsidizing New York's and California's property taxes?" Sen. Rick Scott (R., Fla.) said.
At the same time, individual Republican senators are expected to try to protect home-state priorities like renewable-energy projects whose planning would be upended by a provision in the House-passed bill that would rapidly phase out tax credits.
"If millions or billions of dollars have been deployed, we've got to give those businesses some off-ramp that's not devastating," said Sen. Thom Tillis (R., N.C.), comparing renewable energy projects to the partially built Keystone XL oil pipeline, whose costs were never recovered after former President Joe Biden, a Democrat, revoked its permit.
Sen. Chuck Schumer of New York, the chamber's Democratic leader, said the House bill would effectively kill all clean-energy projects in the country, and predicted the GOP would pay a price at the ballot box. "Given what the House passed last night, it's going to be a lot easier for us to take back the Senate," Schumer said. "In these red states, there are going to be tens of thousands and hundreds of thousands of unemployed people," Schumer said, holding up a map.
As in the House, Senate Republicans can lose only three of their own members if all Democrats are opposed, and already they are closing in on that number.
Sen. Rand Paul (R., Ky.) opposes the legislation's multitrillion-dollar increase in the federal borrowing limit, saying that makes him a hard no. Sen. Ron Johnson (R., Wis.) has been arguing to break the bill into multiple pieces, separating tax-cut extensions from spending cuts and other priorities.
Medicaid is the biggest target for cost cutting. The House bill reduces federal Medicaid spending by increasing eligibility checks, imposing work requirements on most able-bodied adults through age 64 without dependents and reducing federal Medicaid payments to states that provide healthcare coverage for immigrants in the country illegally.
In a last-minute change designed to get the bill across the finish line, the House bill speeds up the start of the work requirements to December 2026 from 2029. A preliminary CBO estimate of an earlier version of the bill found that it would reduce the number of people with health insurance by at least 8.6 million in 2034.
Sens. Josh Hawley (R., Mo.) and Jim Justice (R., W.Va.) have raised concerns about the proposed spending reductions.
"We want to make sure we get Medicaid right --no Medicaid benefit cuts," Hawley said.
But other senators are seeking more savings and want to take a look at the mechanism that states use to boost the costs of Medicaid born by the federal government.
By Siobhan Hughes, Richard Rubin and Lindsay Wise

DETAILS

Subject:	Taxes; Medicaid; Cost control; Tax cuts; Clean technology; Political leadership; Legislators; Budget deficits; Federal legislation; Fiscal policy

Business indexing term:	Subject: Taxes Medicaid Cost control Tax cuts Budget deficits Fiscal policy; Industry: 92112 : Legislative Bodies 81394 : Political Organizations
Location:	New York; United States--US
People:	Trump, Donald J
Company / organization:	Name: Republican Party; NAICS: 813940
Classification:	92112: Legislative Bodies; 81394: Political Organizations
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	May 23, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3206735593
Document URL:	https://www.proquest.com/newspapers/trump-tax-bill-goes-senate-multitrillion-dollar/docview/3206735593/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-27
Database:	ProQuest Central

LINKS

Treasurys Stabilize After Tax Bill Clears House

Barnato, Katy; Langley, Karen . Barnato, Katy; Langley, Karen.

ProQuest document link

FULL TEXT

The bond market showed signs of stabilizing Thursday after the House passed President Trump's sprawling tax-and-spending package. Major stock indexes were mixed, while bitcoin prices rose to a record.

Treasury yields, which move inversely to prices, slipped. The benchmark 10-year yield edged lower to 4.551%. Its 30-year equivalent inched down but remained above 5%.

Before last-minute changes, the bill was expected to increase budget deficits by about $2.7 trillion over a decade.

Investors had expected to see "much more in terms of fiscal restraint," said Federal Reserve governor Christopher Waller.

Anxieties about the size of the forecast deficits, combined with Moody's Ratings stripping the U.S. of its last major triple-A credit rating, have pushed yields higher in recent days.

On Thursday, the S&P 500 and Dow Jones Industrial Average each declined less than 0.1%, with the Dow losing 1.35 points. The tech-heavy Nasdaq Composite added 0.3%.

The S&P 500 plunged after Trump's announcement of sweeping tariffs on April 2, only to rocket higher after the president said he had authorized a 90-day pause on certain tariffs to most countries. Stocks have remained volatile but generally continued higher.

"The market seems tired," said Andrew Slimmon, senior portfolio manager at Morgan Stanley Investment Management. "What has led the rally is the high-risk stocks. That's running out of steam."

New data showed an unexpected drop in existing-home sales last month, in the slowest April for the housing market since 2009.

On Wednesday the Dow fell 1.9% after a disappointing Treasury auction accelerated the bond selloff.

In Thursday's trading, health insurers declined after the Centers for Medicare and Medicaid Services said it would expand its auditing of Medicare Advantage.

Bitcoin reached $111,986.44, a new intraday high, extending a rally that gained extra momentum this week after the Senate voted to advance a bill aimed at regulating stablecoins. Trump will attend a gala dinner Thursday with the biggest holders of his $TRUMP meme coin.

Asian and European stocks retreated, echoing Wednesday's falls in the U.S. Eurozone business activity declined in May, despite Trump rolling back some tariff hikes, new data showed.

By Katy Barnato and Karen Langley

DETAILS

Subject:	Dow Jones averages; Stocks; Digital currencies; Budget deficits; Medicare; Tariffs; Fiscal policy; Bond markets

Business indexing term:	Subject: Stocks Digital currencies Budget deficits Medicare Tariffs Fiscal policy Bond markets
Location:	United States--US
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B1
Publication year:	2025
Publication date:	May 23, 2025
Section:	/ Thursday's Markets
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3206735591
Document URL:	https://www.proquest.com/newspapers/treasurys-stabilize-after-tax-bill-clears-house/docview/3206735591/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-27
Database:	ProQuest Central

LINKS

Markets: Sale of Schwab Stake Gives TD Bank's Earnings a Lift

Stewart, Robb M . Stewart, Robb M.

ProQuest document link

FULL TEXT

Toronto-Dominion Bank's earnings soared in the second quarter thanks to its exit from an investment in Charles Schwab, though loan-loss provisions rose and the bank cautioned that the economic outlook had weakened in the wake of President Trump's tariffs.

Net income jumped to 11.13 billion Canadian dollars, equivalent to US$8.03 billion, or C$6.27 a share, for the fiscal second quarter from C$2.56 billion, or C$1.35, a year earlier.

Stripping out items the bank doesn't believe reflect the underlying performance of its business, such as restructuring costs, per-share earnings came in at C$1.97, beating the C$1.77 mean estimate of analysts polled by FactSet but down from C$2.04 in the same period last year.

Overall revenue was 66% higher at C$22.94 billion for the three months to April. Net interest income rose 8.8% to C$8.13 billion, topping the C$8.11 billion analysts expected, while noninterest income more than doubled to C$14.81 billion.

The top line was lifted by a C$8.57 billion gain on TD's sale of the Schwab stake early in the quarter. That more than made up for restructuring charges of C$122 million and a C$1.13 billion hit for restructuring the balance sheet of its U.S. operations. It also made up for a rise in the provision set aside for the risk of soured loans.

TD is the first major Canadian bank to report earnings for the latest quarter. Bank of Nova Scotia, Bank of Montreal, National Bank of Canada, Canadian Imperial Bank of Commerce and Royal Bank of are set to turn in results next week.

Canada's big lenders face an uncertain few years as global trade tensions and the U.S. administration aggressive use of import tariffs on even its closest allies has stressed the outlook for the global economy. Banks are expected to face rising loan-loss reserves and weakened borrowing activity as households rein in spending over fears about job security, and as businesses cut spending and hiring plans.

TD offloaded its roughly 10% stake in Charles Schwab for C$21 billion, or about US$15 billion. Of that, C$8 billion was earmarked for a share-buyback program. The remainder is to be invested in its business.

The exit from the brokerage and money-management firm was the first big move under Chief Executive Raymond Chun, who took the helm in February and has been running a strategic review as the bank looks to rebuild investor trust and invests in remediation efforts to fix its compliance and risk procedures. TD reached a settlement with U.S. authorities in October in which the bank pleaded guilty to multiple charges for failings in its anti-money-laundering controls, and agreed to pay $3.09 billion in fines and accept limits on its growth in the U.S.

TD recorded a credit loss provision for the latest quarter of C$1.34 billion, in line with the provision economists had anticipated. That marked an increase from C$1.07 billion a year prior and C$1.21 billion the quarter before.

The bank's provision for impaired loans was up C$176 million year-over-year because of credit migration in its wholesale and Canadian consumer-lending portfolios, while the provision on performing loans was C$194 million higher to reflect trade and policy uncertainty and shifting economic assumptions.

Across its business, TD's income from Canadian personal and commercial banking fell about 4%, amid higher provisions. That was partially offset by increased revenue, largely from loan and deposit growth.

U.S. retail income was down 76% with the Schwab sale. Wealth-management and insurance income increased 14%

from the year-earlier period, posting revenue growth in both businesses. At TD's wholesale banking arm, income rose 16% on higher revenue, damped by increased credit-loss provisions and noninterest expenses.
In its report to shareholders, TD noted that the global economic outlook was weaker in the wake of elevated import tariffs levied by the U.S. on its trading partners around the world.
Inflation expectations have increased as the U.S. tariffs and retaliatory measures are expected to raise prices and complicate global supply chains, the bank said. The Canadian economy is expected to slip into a shallow recession beginning this calendar quarter, and the jobless rate is expected to continue climbing, it added.
TD said its capital position remained strong.
Its common equity Tier 1 capital ratio stood at 14.9% as of the end of April, up from 13.1% the quarter before, thanks to the Schwab stake sale. Canada's banking regulator requires the big lenders to maintain a capital ratio of at least 11.5% of risk-weighted assets.
By Robb M. Stewart

DETAILS

Subject:	Provisions; Global economy; Loans; Banking; Tariffs; Bank earnings; Divestiture
Business indexing term:	Subject: Global economy Loans Banking Tariffs Bank earnings Divestiture; Corporation: Charles Schwab Corp Toronto-Dominion Bank
Location:	United States--US; Canada
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B9
Publication year:	2025
Publication date:	May 23, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3206735578

U.S. News: How Higher SALT Cap Will Affect Taxpayers

Ebeling, Ashlea; Rubin, Richard . Ebeling, Ashlea; Rubin, Richard.

FULL TEXT

Republicans' giant tax and spending bill aims to give people a bigger break for taxes they pay to state and local governments, but not everybody will benefit.

The bill would let some people deduct up to $40,000 on their federal returns for the property taxes on their homes, and state income or sales taxes. That deduction for state and local taxes, or SALT, would be four times the current cap of $10,000, though it comes with income limitations and other caveats.

The higher SALT cap would mean millions of mostly high-income taxpayers in high-tax states would save thousands of dollars off their taxes. The changes could go into effect for the 2025 tax year.

Whether you benefit comes down to whether you take the standard deduction or itemize deductions. Taxpayers typically choose whichever is higher, and the new SALT cap would change the equation for many people. Itemized deductions can include those for state and local taxes, mortgage interest, charitable contributions and medical expenses.

A modest-income older couple might find that the standard deduction still leaves them better off while a high-earning single person might find itemizing and claiming the higher SALT deduction would now pay off.

"Some people are going to be able to itemize for the first time ever, just based on state income taxes alone," said Richard Pon, a CPA in San Francisco.

To help pay for the Trump tax cuts of 2017, Congress imposed a fixed $10,000 SALT cap, whereas before there was no cap. That law also raised the standard deduction and lessened the bite of the alternative minimum tax, which effectively limited SALT deductions for some top earners even before the cap. Many people ended up better off overall, though the cap proved to be unpopular in high-tax states such as New York and New Jersey.

The issue became a sticking point when Congress began negotiating an extension of the 2017 tax cuts, sparking

disagreements between Republicans in high-tax states and Republicans who see a higher SALT deduction as a subsidy for state governments. The bill must now go to the Senate, where none of the highest-taxed states are represented by Republicans.
Some of the very highest earners would get a tax hike under the House bill. It would eliminate a state workaround that some high-income service business owners have been using that essentially lets them take unlimited SALT deductions. While eliminating the workaround for service-business owners, the House bill preserves it for many other business owners, such as manufacturers.
The higher SALT cap would also start phasing down once income reaches $500,000. The phaseout range ends at $600,000, when taxpayers would again face the $10,000 cap.
The bill also includes a new limitation on SALT deductions. People in the top 37% tax bracket would only get the deduction at a 32% rate, so that a $10,000 state tax bill would reduce federal taxes by $3,200 instead of $3,700.
For married couples, the SALT cap is the same as it is for single taxpayers. Yet they get a doubled standard deduction, so it is harder to get over the threshold where itemizing state and local taxes makes more sense than the standard deduction. That is especially true for couples where both spouses are 65 or older as they get an additional senior deduction, $1,600 each for 2025.
About nine out of 10 taxpayers take the standard deduction today, according to the Internal Revenue Service. "They send me all the stuff: charity receipts, the 1098 for the mortgage, the summary of their real estate taxes, and it is like, 'Sorry, you end up with the standard deduction,' " said Richard Shorin, a CPA in Ambler, Pa.
By Ashlea Ebeling and Richard Rubin

DETAILS

Subject:	Alternative minimum tax; Taxes; Tax cuts; Tax increases; Fiscal policy; Municipal taxation; State taxes
Business indexing term:	Subject: Alternative minimum tax Taxes Tax cuts Tax increases Fiscal policy Municipal taxation State taxes
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A2
Publication year:	2025
Publication date:	May 23, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper

Language of publication:	English
Document type:	News
ProQuest document ID:	3206735568
Document URL:	https://www.proquest.com/newspapers/u-s-news-how-higher-salt-cap-will-affect/docview/3206735568/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-27
Database:	ProQuest Central

LINKS

President Tells GOP Dissenters To Drop Objections --- Trump signals waning patience with opposition over Medicaid, SALT cap

Beavers, Olivia; Hughes, Siobhan . Beavers, Olivia; Hughes, Siobhan.

ProQuest document link

FULL TEXT

WASHINGTON -- President Trump turned the screws on holdout Republicans, warning they would pay a steep political price if they stood in the way of the multitrillion-dollar tax and spending agenda that party leaders want to pass quickly through the narrowly divided chamber.

In a closed-door meeting Tuesday with the House GOP conference, the president urged fiscal conservatives to give up efforts to expand Medicaid cuts and a bloc of moderates to be measured in their demands for further blue-state tax relief, pushing them to unite around his "one big beautiful" budget bill, according to people familiar with his comments.

"Don't f--- around with Medicaid," Trump said, according to attendees.

House Speaker Mike Johnson (R., La.) has said he wants to vote on the package as soon as Wednesday and no later than the coming Memorial Day weekend. But holdout lawmakers said sticking points remained and could force changes to the bill or delays in voting despite Trump's arm-twisting.

Late Tuesday, House GOP leaders and Republicans from high-tax states neared an agreement on a further boost to the state and local tax deduction.

The overall package funds a series of promises Trump, a Republican, made on the campaign trail. It would extend his 2017 tax cuts and make new ones like no taxes on tips, as well as boost border spending and repeal climate tax credits. He warned that taxes would rise for many U.S. households if Congress fails to extend the provisions from his first term and that Republicans who opposed the bill could face primary challenges.

"What Republican would vote for that? Because they wouldn't be a Republican much longer. They would be knocked out so fast," Trump said before the meeting, arguing the party is united -- except for "one or two grandstanders."

He took aim at one House Republican opposed to the bill, saying Rep. Thomas Massie of Kentucky should be "voted out of office."

After the meeting, Trump said: "Anybody who didn't support it as a Republican, I would consider to be a fool."

Republicans can afford to lose only a handful of votes in the House, where they have a 220-213 majority. Democrats are united in opposition, saying the proposal cuts Medicaid to fund tax cuts for the wealthy. If the measure does pass the House, Republicans would be able to bypass the usual 60-vote threshold in the GOP-led Senate by using a fast-track process called budget reconciliation.

A senior White House official said Trump made clear he is losing patience with all holdouts. The president backs work requirements for Medicaid and the exclusion of unauthorized immigrants but doesn't want additional changes, the official said. Further increases to the cap on state and local tax, or SALT, deductions sought by Republicans in states like New York can be tackled in a future bill, the official said.

Some Republicans weren't sold but indicated a resolution could be near.

"The president, I don't think, convinced enough people that the bill is adequate, the way it is," said Rep. Andy Harris (R., Md.), chairman of the hard-line House Freedom Caucus, who has pushed for deeper cuts to Medicaid. "We're still a long ways away, but we can get there. Maybe not by tomorrow, but we can get there."

"We need a little more SALT on the table to get to 'yes,'" said Rep. Nick LaLota, a New York Republican. "What I want to do is provide a cap structure that makes my middle-class constituents whole." Later in the day, he said there had been progress. "We're now talking about numbers better than have been presented to us before," he said.

The bill would cut taxes by nearly $4 trillion through 2034, compared with doing nothing, while generating about $1.6 trillion in spending reductions and other deficit-reducing policies. Final official estimates aren't available, but the total effect on the deficit would expand it by about $2.7 trillion.

House Majority Leader Steve Scalise (R., La.) said recent changes to the bill, including accelerating Medicaid work requirements, could push the total spending cuts and savings in the bill up to $1.7 trillion. Scalise rejected calls by some lawmakers to keep debating.

"We'd be voting next February if some people got their way," he said at an Americans for Prosperity event on Capitol Hill on Tuesday. "It's time to close the deal and vote."

Some fiscal conservatives want even deeper and faster changes to Medicaid, which serves 70 million low-income and disabled people, to limit the growth of the deficit. But centrists and other Republicans warn that further cuts would hurt the party's chances of keeping the House majority in the midterm elections. On Sunday night, four conservative holdouts allowed the bill to proceed through the Budget Committee, but they said their concerns weren't fully resolved.

Some members are pressing the idea of cutting back on the share the federal government contributes to Medicaid. Johnson has repeatedly taken that idea off the table, but spending hawks said it needs to be part of the mix, citing rising budget deficits and saying that the matching rate is unfair to states that declined to expand Medicaid to cover more low-income people, as permitted by the 2010 Affordable Care Act.

A day earlier, Johnson held a series of meetings with various factions. He met with the Republican Main Street Caucus, where people familiar with the meeting said he was in listening mode, making notes on a writing pad as his GOP members raised issues with Medicaid and energy tax issues, including about nuclear power.

Johnson then jetted to another meeting, largely composed of House Freedom Caucus members and centrists, according to people familiar with this meeting. Johnson also met with the Republicans from New York who have been insisting on an increase in the SALT cap.

Inside the room Tuesday, Trump pushed Republicans holding out for better terms on SALT to accept the latest offer from Johnson, according to people in the room. The initial GOP proposal called for raising the cap to $30,000 from $10,000. People familiar with the discussions said a deal was near to set the cap at $40,000.
By Olivia Beavers and Siobhan Hughes

DETAILS

Subject:	Federal budget; Medicaid; Political leadership; Low income groups; Taxes; Presidents; Tax cuts; Budget deficits; Fiscal policy; Municipal taxation; State taxes; Government spending
Business indexing term:	Subject: Federal budget Medicaid Taxes Tax cuts Budget deficits Fiscal policy Municipal taxati on State taxes Government spending; Industry: 92111 : Executive Offices 81394 : Political Organizations 92313 : Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Location:	New York; United States--US
People:	Trump, Donald J
Company / organization:	Name: Republican Party; NAICS: 813940; Name: Freedom Caucus; NAICS: 813940
Classification:	92111: Executive Offices; 81394: Political Organizations; 92313: Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	May 21, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News

ProQuest document ID:	3206153250
Document URL:	https://www.proquest.com/newspapers/president-tells-gop-dissenters-drop-objections/docview/3206153250/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-22
Database:	ProQuest Central

LINKS

U.S. News: Trump Agenda Hangs on Tax Bill Success --- President pressures Republicans to pass legislation that is seen as a 'do or die'

Andrews, Natalie; Whalen, Jeanne . Andrews, Natalie; Whalen, Jeanne.

ProQuest document link

FULL TEXT

WASHINGTON -- President Trump's multitrillion-dollar economic agenda hinges on fractious GOP lawmakers who are at odds over the details of a tax package that could determine their fate in next year's midterm elections.

Trump is betting that the legislation will win over voters who are skeptical of his stiff tariffs, which threaten to raise prices for American consumers. The bill contains versions of his campaign-trail pledge to eliminate taxes on tips, overtime and Social Security benefits, and boosts the child tax credit.

The economic and political stakes are enormous. If Trump is able to secure passage of his "big, beautiful bill," he could take credit for delivering tax cuts ahead of the midterms. If the legislation falters, millions of voters could instead be focused on the economic fallout from his trade agenda. On top of that, many tax cuts put in place during Trump's first term would expire, triggering tax increases for many U.S. households.

The president is increasingly ratcheting up pressure on Republicans to fall in line. "We don't need 'GRANDSTANDERS' in the Republican Party. STOP TALKING, AND GET IT DONE!" Trump wrote on social media last week. On Tuesday, Trump traveled to Capitol Hill, where he echoed that message during a meeting with House Republicans.

"The bill is do or die. President Trump understands that. That's why he's on the Hill whipping votes and his staff is on full-court press," said Matt Whitlock, a former senior Republican Senate aide.

Democrats are rushing to define the bill as a giveaway to the rich, citing tax cuts for corporations and high earners in the package. The party is hoping to replicate its successful messaging from Trump's first term, when they convinced many voters that Republicans' 2017 tax-cut bill was a boon for the rich, ushering in Democratic gains in the House in the 2018 midterms.

"By always falling in line behind Trump, vulnerable House Republicans are sealing their fate by taking incredibly damaging votes, even if it hurts their communities," said Rep. Suzan DelBene (D., Wash.), who is leading Democrats' campaign arm.

Democrats' opposition to the bill centers on proposed cuts to Medicaid and to programs that provide food aid to low-income households, and they are readying an advertising campaign aimed at souring the public on the legislation. They charge that Republicans are cutting the social safety net to help fund tax cuts for the wealthy.

Republicans have a narrow majority in the House, and Speaker Mike Johnson (R., La.) can afford only three defections in his caucus to pass the legislation with all Democrats opposed. So far, a handful of conservative lawmakers have withheld their support, pushing for more cuts to Medicaid and spending, while lawmakers in vulnerable districts have pushed for more relief tied to state and local taxes.

Late Tuesday, House GOP leaders and Republicans from high-tax states neared an agreement on a further boost to the state and local tax deduction.

Johnson wants to pass the bill by Memorial Day weekend and send it to the Senate, where it will also need to navigate between fiscal hawks who want sharper spending reductions and moderates who worry about cutting too deep. Trump wants the bill to his desk by July 4.

The debate comes as the U.S. economy has remained remarkably resilient amid pressures created by Trump's trade policies. But consumer and business sentiment has soured markedly in recent months as many fear tariffs will increase prices and undermine global trade.

In the 2024 presidential campaign, Trump harnessed public frustration over inflation to build support for his candidacy. Since taking office, Trump's standing on the economy has fallen, following his decision to impose stiff tariffs on imports from dozens of countries. The move has roiled markets and spooked his Republican allies, prompting a series of walk-backs from the White House. But many of his tariffs remain.

Recent polls show voters are dissatisfied with Trump's handling of the economy and inflation. It is a change from his first term, when Trump repeatedly had an overall negative score for his job performance, but a favorable view on his handling of the economy.

Republican lawmakers and other allies of the president acknowledge privately that Trump may have just one shot to pass far-reaching legislation before Washington shifts to midterm campaign mode.

By Natalie Andrews and Jeanne Whalen

DETAILS

Subject:	Medicaid; Midterm elections; Legislators; Tariffs; Presidents; Tax cuts; Voters; Political advertising; Tax increases; Tax legislation; Fiscal policy
Business indexing term:	Subject: Medicaid Tariffs Tax cuts Tax increases Tax legislation Fiscal policy; Industry: 92111 : Executive Offices 92112 : Legislative Bodies
Location:	United States--US
People:	Trump, Donald J
Company / organization:	Name: Republican Party; NAICS: 813940
Classification:	92111: Executive Offices; 92112: Legislative Bodies

Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A5
Publication year:	2025
Publication date:	May 21, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3206152741
Document URL:	https://www.proquest.com/newspapers/u-s-news-trump-agenda-hangs-on-tax-bill-success/docview/3206152741/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-22
Database:	ProQuest Central

LINKS

S&P 500 Snaps Six-Day Winning Streak

Osipovich, Alexander; Dulaney, Chelsey . Osipovich, Alexander; Dulaney, Chelsey.

ProQuest document link

FULL TEXT

Stocks fell on Tuesday, ending a six-day winning streak for the S&P 500, as losses in technology weighed on major indexes.

The S&P 500 declined 0.4%. The Dow Jones Industrial Average lost 114.83 points, or 0.3%, while the technology-heavy Nasdaq Composite closed 0.4% lower.

Alphabet and Amazon both fell more than 1%, while Apple and Nvidia dropped about 0.9% each.

Out of the Magnificent Seven tech stocks, the only one to post a gain was Tesla. Shares of the electric-car maker rose 0.5% after Chief Executive Elon Musk said that he would significantly cut back on his political spending and that he expected to remain head of Tesla five years from now.

The stock market has mostly been placid in recent days, shrugging off concerns about fallout from President Trump's trade policies. Even after he walked back his aggressive "Liberation Day" tariffs, most U.S. trading partners still face a 10% baseline levy. Many economists expect those tariffs to ripple through into price increases and slower growth.

"It's a little bit of a 'what, me worry?' type of market, and that's exactly when folks like us worry," said Lisa Shalett, chief investment officer at Morgan Stanley Wealth Management.

Much of the drama of recent days has taken place in the bond market, stoked by concerns about a huge tax-and-spending bill that is expected to add trillions of dollars to the national debt and a downgrade of the U.S. late last week by Moody's Ratings.

The 10-year U.S. Treasury yield rose to 4.479%, in its second consecutive daily increase, as investors have shed longer-term government debt. The 30-year yield, which is even more sensitive to perceptions of the country's fiscal health, rose to 4.967%.

Overseas, policymakers sought to shelter their economies from the tariff fallout. Australia's central bank on Tuesday cut rates to a two-year low. In China, banks lowered benchmark loan rates, tracking earlier easing by the People's Bank of China.

Most European and Asian markets rose on Tuesday, with Hong Kong's Hang Seng Index up 1.5%.

By Alexander Osipovich and Chelsey Dulaney

DETAILS

Subject:	Dow Jones averages; Stock exchanges; Tariffs
Business indexing term:	Subject: Stock exchanges Tariffs; Industry: 52321 : Securities and Commodity Exchanges
Location:	United States--US
Classification:	52321: Securities and Commodity Exchanges
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B1
Publication year:	2025
Publication date:	May 21, 2025

Section:	/ Tuesday's Markets
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3206152739
Document URL:	https://www.proquest.com/newspapers/s-amp-p-500-snaps-six-day-winning-streak/docview/3206152739/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-21
Database:	ProQuest Central

LINKS

U.S. News: Panel Advances Budget Bill That Won't Reduce Deficits

Rubin, Richard . Rubin, Richard.

FULL TEXT

WASHINGTON -- House Republicans pushed President Trump's tax-and-spending bill past a key hurdle late Sunday night, but the last-minute grappling has them colliding with a stark reality: The plan won't reduce federal budget deficits and would make America's fiscal hole deeper.

The current proposal would increase projected budget deficits by nearly $3 trillion through 2034, locking in tax cuts and spending increases that outweigh reductions in spending on Medicaid and nutrition assistance. While Republicans, who have vowed to reduce red ink, say higher economic growth will fill the gap, budget analysts across the political spectrum have panned the Republican plan, warning that it worsens the U.S. fiscal picture.

The bill could reach the House floor this week, and it is a tenuous balance between the party's tax-cut wing and factions seeking larger, quicker spending cuts.

To get a bill through the House with their 220-213 majority, GOP tax cutters trimmed their ambitions and scheduled some breaks to expire. Many spending hawks, meanwhile, backed the plan while groaning that it doesn't go far enough fast enough. Others are holding out for more.

The measure stalled in the Budget Committee on Friday. The panel held another late Sunday and advanced the measure 17-16, with four conservatives -- Chip Roy (R., Texas), Ralph Norman (R., S.C.), Josh Brecheen (R., Okla.) and Andrew Clyde (R., Ga.) voting present after voting no on Friday, a switch that allowed the bill to proceed.

Party leaders spent the weekend negotiating with lawmakers pushing in several directions, and talks continued late Sunday.

Conservative hard-liners such as Roy want accelerated spending cuts and quicker expirations of clean-energy tax breaks. He said on X after Sunday night's vote that Medicaid work requirements will be accelerated but the measure doesn't do enough to change the health program's funding structure or cut off the energy tax credits.

"We can and must do better before we pass the final product," he said.

But lawmakers such as Rep. Jen Kiggans (R., Va.), are concerned that clean-energy breaks vanish too quickly. Rep. Nick LaLota (R., N.Y.), sought a higher top marginal income-tax rate to help pay for a larger state and local tax deduction.

Speaker Mike Johnson (R., La.) predicted on Fox News on Sunday that the package would pass the House ahead of leaders' Memorial Day deadline.

Budget Committee Chairman Jodey Arrington (R., Texas) said late Sunday that negotiations are likely to continue right up until a floor vote.

"I couldn't tell you what is in flux, what is fixed, what might change or not change," Arrington said.

Moody's Ratings, in downgrading the U.S.'s AAA rating on Friday, said it didn't expect Congress to produce material multiyear spending or deficit reductions. Publicly held federal debt stands at about $29 trillion, nearly double the level when Trump and Republicans passed the 2017 tax law. Nearly $1 in every $7 the U.S. spends goes toward paying interest, more than the country spends on defense.

"While Republicans were campaigning on reducing spending and controlling the growth in the debt, once they put pen to paper, their real priorities demonstrate that they care a lot more about cutting taxes," said Romina Boccia, director of budget and entitlement policy at the libertarian Cato Institute.

Republicans hear those concerns -- and see the bill as a positive fiscal step. It prevents a 2026 tax increase they view as unacceptable and alters social-safety-net programs in ways that the last all-Republican government couldn't achieve eight years ago.

White House budget director Russell Vought described the spending cuts as historic.

"It should not be lost on anyone, the degree to which it ends decades of fiscal futility and gets us winning again," Vought wrote on X in a plea for fiscal hawks' votes.

Rep. Jay Obernolte (R., Calif.), a Budget Committee member, said the Republican plan would unquestionably put the country on a stronger fiscal footing.

"If you have to pick between a higher-tax, higher-spending regime and a lower-tax, lower-spending regime, the latter is always better for economic growth," he said.

Democrats emphasized the gap between Republicans' budget rhetoric and the bill.

"People will lose healthcare. Kids and the veterans will go hungry. Rural hospitals face closures," said Rep. Becca Balint (D., Vt.). "And yet the very rich will get even richer at the expense of our children and grandchildren, who will shoulder the burden of that additional debt."

In designing a partisan plan that increases budget deficits, Republicans are mindful about what happens if their bill falls apart. The alternate path to preventing a tax increase on most households would require a bipartisan coalition with Democratic votes.

That could further increase deficits. Democrats favor extending most tax cuts but would push to let tax cuts expire for top earners. They would, however, reject Republican spending cuts and seek extensions of expanded tax credits for purchasing health insurance.

The GOP plan generates about $1.6 trillion in spending reductions and other deficit-reducing policies. Those include work requirements for Medicaid recipients, restrictions on nutrition assistance and student-loan changes. The bill includes several hundred billion dollars in spending increases on border security, defense and support for farmers.

Final official estimates aren't available, but the total deficit effect is roughly $2.7 trillion compared with doing nothing and letting tax cuts expire, according to the Committee for a Responsible Federal Budget.

By Richard Rubin

DETAILS

Subject:	Federal budget; Tax rates; Medicaid; Tax cuts; Tax credits; Economic growth; Clean technology; Budget deficits; Tax increases
Business indexing term:	Subject: Federal budget Tax rates Medicaid Tax cuts Tax credits Economic growth Budget deficits Tax increases
Location:	Texas; United States--US
Company / organization:	Name: Republican Party; NAICS: 813940
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	May 20, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English

Document type:	News
ProQuest document ID:	3205973622
Document URL:	https://www.proquest.com/newspapers/u-s-news-panel-advances-budget-bill-that-wont/docview/3205973622/se-2?accountid=14681

| Last updated: | 2025-05-21 |
| Database: | ProQuest Central |

LINKS

Fiscal Concerns Put Pressure On Dollar and Bond Market --- Yields on long-term Treasurys rise further after nation loses AAA rating

Goldfarb, Sam; Lang, Hannah Erin . Goldfarb, Sam; Lang, Hannah Erin.

FULL TEXT

The U.S.'s deteriorating fiscal situation is threatening to spoil Wall Street's good mood.

Investors sold U.S. government bonds and the dollar on Monday, after Moody's Ratings stripped the U.S. of its last triple-A credit rating late last week, citing large budget deficits and rising interest costs. Adding to the nervousness about the U.S.'s debt trajectory, the House Budget Committee advanced a tax-and-spending bill Sunday that is projected to add trillions of dollars to those deficits.

Though stocks ended the session higher, selling pushed up yields on longer-term Treasurys, which rise when bond prices fall. The yield on the 30-year bond briefly topped 5% before settling just below that threshold, still near its highest level of the year.

The yield gains extended a weekslong climb, fueled by a mix of receding recession fears, persistent worries about inflation and growing concerns that wider deficits will necessitate ever-larger bond auctions. A bigger supply of Treasurys can outstrip demand, forcing the government to pay higher interest rates to attract investors.

The size of recent budget deficits have been particularly alarming for investors. That is because they have come while the economy is strong, rather than in a recession, when tax revenue typically plunges and the government ramps up spending to revive growth and help the unemployed.

"If we're putting up deficits of this type now, what might it be like when the economy does run into any form of trouble?" said Christopher Sullivan, chief investment officer for the United Nations Federal Credit Union.
The yield on the 30-year Treasury bond settled at 4.937%, according to Tradeweb. That was up from 4.786% at the end of last year. The yield on the 10-year note settled at 4.473%, up from 4.437% Friday and less than 4.2% at the end of April.
The rise in yields has hardly slowed stocks, which have rebounded in recent weeks after the Trump administration walked back some aggressive tariff policies and investors' fears of a recession eased.
Still, investors are keeping a watchful eye on Treasury yields, which play a major role in determining borrowing costs across the economy. The S&P 500 rose 0.1% Monday, while the Dow Jones Industrial Average increased 0.3%, and the tech-heavy Nasdaq Composite was flat.
Heading into this year, many analysts argued that one of the biggest risks to stocks would be a jump in Treasury yields if Republicans passed tax cuts without offsetting their cost.
Those worries faded to the background when President Trump announced huge new tariffs on April 2, raising immediate concerns that the economy could be driven into a recession. But they have resurfaced lately, even before the Moody's downgrade, while the long-awaited tax-cut legislation has taken shape in Congress. After clearing its latest hurdle on Sunday, the House is expected to vote as soon as this week on a proposal that would extend expiring tax cuts, add some new ones and reduce spending on Medicaid and nutrition assistance. It is expected to increase budget deficits by about $3 trillion over the next decade, compared with a scenario where the tax cuts expire as scheduled Dec. 31.
The U.S. has a longstanding imbalance between the money it spends and what it collects from taxes. Publicly held federal debt stands at about $29 trillion, nearly double the level when Trump signed his original tax cut in 2017. Nearly $1 in every $7 the U.S. spends goes toward paying interest, more than the country spends on defense.
Fiscal concerns threaten to revive the "Sell America" trade that emerged last month, when investors worried that isolationist trade policies could lead to a global capital war that would result in foreign investors dumping U.S. assets, including Treasurys.
"It adds further fuel to the 'Sell U.S.' trade, and you're seeing that reflected," said Michael Arone, chief investment strategist at State Street Global Advisors.
"Investors are waiting and seeing what happens with policy; they're waiting and seeing what happens with interest rates," Arone said. "That's uncomfortable, and I think that's ultimately what is being reflected in markets."
Several investors noted that concerns about the U.S.'s fiscal standing have plagued investors for years without causing extended disruptions to stocks. They said factors including changes in trade policy are more likely to move markets in the short term.
"The market has no idea what to focus on, and it keeps having to shift," said Kevin Gordon, senior investment strategist at Charles Schwab. "Tariffs will probably still be number one on that list."
By Sam Goldfarb and Hannah Erin Lang

DETAILS

Subject:	Dow Jones averages; Stocks; Interest rates; Treasuries; Tax cuts; Investors; Budget deficits; Recessions; Tariffs
Business indexing term:	Subject: Stocks Interest rates Treasuries Tax cuts Budget deficits Recessions Tariffs
Location:	United States--US
Company / organization:	Name: Moodys Investors Service Inc; NAICS: 522110, 523940, 561450

Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	May 20, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3205896988
Document URL:	https://www.proquest.com/newspapers/fiscal-concerns-put-pressure-on-dollar-bond/docview/3205896988/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-21
Database:	ProQuest Central

LINKS

U.S. News: New York Fed President Says Levies Cloud Outlook

Grossman, Matt . Grossman, Matt.

FULL TEXT

Swings in tariffs are keeping households and businesses uncertain and putting major spending decisions on pause, the influential president of the New York Fed, John Williams, said Monday.

The uncertainty has led the Fed to keep interest rates steady so far this year, and the path forward might not become clearer for months, Williams said.

"It's not going to be that in June, we're going to understand what's happening, or July," Williams said. "It's going to be a process of collecting data, getting a better picture, and watching those things develop."

Fed officials decided unanimously to hold their benchmark interest rate unchanged at 4.25% to 4.5% earlier this month, and have said they want greater clarity about the economy's direction before considering further rate cuts. Changes in trade policy and, potentially, Congress's fiscal stance have made the Fed's top brass reluctant to move too quickly.

By Matt Grossman

DETAILS

Subject:	Interest rates
Business indexing term:	Subject: Interest rates
Location:	New York; United States--US
Company / organization:	Name: Federal Reserve Bank of New York; NAICS: 521110
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A2
Publication year:	2025
Publication date:	May 20, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English

Document type:	News
ProQuest document ID:	3205876327
Document URL:	https://www.proquest.com/newspapers/u-s-news-new-york-fed-president-says-levies-cloud/docview/3205876327/se-2? accountid=14681
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Last updated:	2025-05-21
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By Richard Rubin

DETAILS

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Business indexing term:	Subject: Federal budget Tax rates Medicaid Tax cuts Tax credits Economic growth Budget deficits Tax increases
Location:	Texas; United States--US
Company / organization:	Name: Republican Party; NAICS: 813940
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	May 20, 2025
Publisher:	Dow Jones &Company Inc.
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Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
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Language of publication:	English
Document type:	News
ProQuest document ID:	3205315627
Document URL:	https://www.proquest.com/newspapers/u-s-news-panel-advances-budget-bill-that-wont/docview/3205315627/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public librarie s. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-19
Database:	ProQuest Central

LINKS

Document 63 of 222

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Rubin, Richard . Rubin, Richard.

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Company / organization:	Name: Republican Party; NAICS: 813940
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4

Publication year:	2025
Publication date:	May 19, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3205929919
Document URL:	https://www.proquest.com/newspapers/u-s-news-panel-advances-budget-bill-that-wont/docview/3205929919/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public librarie s. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-21
Database:	ProQuest Central

LINKS

GOP Holdouts Stymie Bill --- Party's right presses more Medicaid cuts, faster wind-down of clean-energy breaks

Rubin, Richard; Hughes, Siobhan; Beavers, Olivia . Rubin, Richard; Hughes, Siobhan; Beavers, Olivia.

FULL TEXT

WASHINGTON -- House Republican spending hawks blocked the party's giant tax-and-spending bill on Friday, delivering President Trump a setback over their demands for more urgent cuts to Medicaid and clean-energy tax breaks.

The holdouts -- Reps. Chip Roy of Texas, Ralph Norman of South Carolina, Josh Brecheen of Oklahoma and Andrew Clyde of Georgia -- stopped the Budget Committee from advancing the legislation, which leaders hope the full House will pass in the coming week. The bill failed on a 16-21 vote, with those four Republicans and Rep. Lloyd Smucker (R., Pa.) joining all Democrats in opposition. Smucker backs the measure but said he voted no for procedural reasons so he can call for a revote later.

Rep. Jodey Arrington (R., Texas), chairman of the Budget Committee, said lawmakers were close to agreements on making changes to win the necessary votes. The committee scheduled its session to resume at 10 p.m. Sunday.

"This bill falls profoundly short," Roy said, adding that discussions were possible through the weekend. "I am a no on this bill unless serious reforms are made."

Roy and other Republicans said the current plan misses a rare chance to alter the nation's red-ink trajectory by reducing spending on social-safety-net programs. They want Medicaid work requirements to start sooner than 2029, as the current bill calls for. They want faster removal of clean-energy tax credits, which the current bill phases out over several years. They warn that the bill, as written, front-loads tax cuts and delays spending cuts. That combination, they argue, means that budget deficits could be significantly wider in the short run.

Later Friday, Moody's Ratings downgraded U.S. government debt from AAA and warned that the legislation under consideration was unlikely to significantly change the country's fiscal trajectory.

The delay throws at least a temporary wrench in House Republican leaders' hopes to keep intraparty dissent at bay ahead of a self-imposed Memorial Day deadline. Trump, who has helped Speaker Mike Johnson (R., La.) muscle through close votes several times this year, had urged lawmakers to get in line.

"We don't need 'GRANDSTANDERS'," Trump, a Republican, posted on Truth Social Friday ahead of the committee vote. "STOP TALKING AND GET IT DONE!"

Arrington said after the failed vote that he agreed with many of the holdouts' substantive concerns and said he was confident they could be addressed so the bill stays on schedule. After a Budget Committee revote, GOP leaders would alter the bill with an amendment in the Rules Committee, and then it would head to a full floor vote.

"It provides clarity, real clarity, with respect to where the rub is, where the pain points are, so that you can get to work to resolve it and move it forward," Arrington said.

Trump wants the bill to his desk by July 4.

Under the House GOP budget framework, lawmakers are committed to finding $1.5 trillion in spending cuts and other deficit-reducing policies and aiming to keep their tax cuts under $4 trillion over a decade.

Republican leaders are negotiating with the conservative holdouts and simultaneously with lawmakers from New York, New Jersey and California, who want a higher cap on the state and local tax deduction. The current bill would raise the cap to $30,000 from $10,000 and start phasing that down once income reaches $400,000, but Reps. Mike Lawler and Nick LaLota, both Republicans from New York, said that isn't enough in their high-tax, high-income districts.

Other lawmakers, including Rep. Jen Kiggans (R., Va.) have warned that the clean-energy tax-credit changes were too harsh, creating a push-and-pull within the party where changes that satisfy the hard-line conservatives could potentially cost votes on the other side of the party.

Vote counting is delicate in the House, where Republicans have a 220-213 majority and can lose only three votes if all Democrats vote no.

The bill would expand funding for border security and national defense. It also would extend tax cuts that are scheduled to expire Dec. 31 and add new tax cuts, such as a bigger standard deduction and versions of Trump's

promises such as no taxes on tips, overtime and Social Security benefits. The bill would reduce nutrition assistance and projected Medicaid spending, and is projected to reduce the number of people who have health insurance.
Democrats, united in opposition, are highlighting the contrast between extended tax cuts for high-income people and spending cuts affecting lower-income households. Rep. Hakeem Jeffries of New York, the chamber's Democratic leader, said Democrats "will always protect the healthcare of the American people and never surrender to this extreme agenda."
Norman, of South Carolina, leaving a meeting with House Majority Leader Steve Scalise (R., La.), said he hadn't heard directly from Trump. "He wants to get it done. I do, too," he said.
Scalise said party leaders were waiting for some answers from Trump administration officials about questions that Roy and Norman raised.
Even some of the Budget Committee Republicans supporting the bill sounded tepid, echoing some of the concerns from Roy and Norman.
"If we falter in taking this first step, we can't get to the next one," said Rep. Tom McClintock (R., Calif.). "We'll waste the summer squabbling and fuming to the delight of the Democrats, and the despair of the American people."
Other conservatives such as Rep. Marlin Stutzman (R., Ind.) argued that while there are some changes he would like to see, there was enough good policy in the bill.
Brecheen, of Oklahoma, is particularly focused on the clean-energy tax credits and wants them eliminated as soon as possible. He opposes the provision that keeps some partial credits for projects placed in service as late as 2031 and warned that lobbyists would push a future Congress to keep wind and solar tax breaks alive.
By Richard Rubin, Siobhan Hughes and Olivia Beavers

DETAILS

Subject:	Energy tax credit; Medicaid; Clean technology; Political leadership; Legislators; Tax cuts; Budget deficits; Credit ratings; Government spending
Business indexing term:	Subject: Energy tax credit Medicaid Tax cuts Budget deficits Credit ratings Government spending; Industry: 92112 : Legislative Bodies 81394 : Political Organizations 92313 : Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Location:	South Carolina; Texas; New York; United States--US; Oklahoma
People:	Trump, Donald J
Company / organization:	Name: Republican Party; NAICS: 813940
Classification:	92112: Legislative Bodies; 81394: Political Organizations; 92313: Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	May 17, 2025

Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3204891359
Document URL:	https://www.proquest.com/newspapers/gop-holdouts-stymie-bill-partys-right-presses/docview/3204891359/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-19
Database:	ProQuest Central

LINKS

Bags of Cash From Drug Cartels Flood U.S. Banks --- Chinese money launderers used Chase, Bank of America and Citibank branches

Tokar, Dylan; Baer, Justin; Monga, Vipal . Tokar, Dylan; Baer, Justin; Monga, Vipal.

FULL TEXT

On a hazy Southern California morning, undercover police officers watched Jiayong Yu step out of a Range Rover in a strip-mall parking lot and walk into a Chase bank with a black-leather backpack full of cash.

At the teller window, Yu pulled out stacks of bills and waited while a woman fed them into a cash-counting machine. After Yu left, an officer asked the teller if he had deposited more than $10,000, the threshold requiring banks to flag transactions to federal regulators.
More like $100,000, the teller said. By then, Yu was already on his way to Chase and Bank of America branches in Claremont, Calif., about 35 miles away.
Federal authorities allege that Yu worked for an underground banking network that bought dollars at a discount from Mexico's Sinaloa drug cartel and sold them at a premium, largely to Chinese nationals in the U.S.
The network allegedly handled some $50 million in proceeds from drug trafficking over four years, depositing a portion of the tainted cash at ATMs and teller windows at major banks including Citibank in cities around Los Angeles County, according to federal prosecutors.
Similar money-laundering operations operate in plain sight around the U.S., hiding the staggering returns which are the sole reason cross-border cartels smuggle the fentanyl, methamphetamine, cocaine and other illegal drugs consumed by millions of Americans, according to current and former law-enforcement officials and court records.
More than 80,000 people in the U.S. died from drug overdoses last year, a drop from 2023, according to estimates released Wednesday by the Centers for Disease Control and Prevention.
Chinese money-laundering operatives in some cases open dozens of bank accounts at multiple banks, using counterfeit passports to disguise their identity or recruiting local business owners and students. They charge traffickers 1% to 2% on the dollar, undercutting competitors.
In North Carolina, prosecutors filed money-laundering charges last year against a Chinese network that used shell companies to make cash deposits totaling at least $92 million between May 2022 and April 2024 at banks including Chase, Bank of America and Wells Fargo.
In one five-month period, the network's money couriers made more than 100 deposits at bank branches in 20 states, using accounts created in the name of a sham company.
None of the banks cited in these cases has been accused of wrongdoing.
Banks occasionally close accounts based on suspicious activity, sometimes within a month. Even that allows enough time for money launderers to disburse millions of dollars of ill-gotten gains into avenues of financial anonymity.
Usually within a day, the money is moved, often with the purchase of a cashier's check or to cryptocurrency. In some cases, the money is transferred to accounts held by customers of Chinese money brokers.
When bank accounts are closed, money-launderers open new ones under different names elsewhere.
"U.S. banks are a prime candidate for exploitation and there are vulnerabilities which Chinese money brokers have been able to take advantage of over the course of many years," said Frank Tarentino, special agent in charge of the Drug Enforcement Administration's New York office.
Sgt. Scott Guerrero had assembled the team that watched Yu deposit the six-figure cash haul at the Chase branch in Artesia, Calif. He was on loan to a DEA task force from his job as a narcotics officer at the police department in South Gate, Calif., a working-class city in southeast L.A. County that has become a hub for regional drug trafficking.
Guerrero was investigating a local drug operation for the DEA task force when he came to realize how much cash was going to suspected Chinese money-laundering operatives. After wrapping up a smuggling case in 2019, he recruited task-force colleagues to chase the money.
The pursuit lasted four years, across L.A. County, south to the border, north to San Francisco and as far east as Texas. Officers followed the cash from traffickers to money brokers to banks and cash buyers, offering a rare view inside a money-laundering operation serving America's multibillion-dollar illegal-drug trade.
"Our anti-money-laundering monitoring program performed as intended in this case," a JPMorgan Chase spokesman said. "We will continue to cooperate with law enforcement, while encouraging regulators to modernize existing laws to keep America safe from money launderers."
"We have extensive systems to detect suspicious activity and, consistent with legal requirements, report that activity to the appropriate authorities and take action on the relevant accounts," a Bank of America spokesman said.
A Citigroup spokesman declined to comment on the California case but said the bank's anti-money-laundering

policies and practices are robust. "We notify the authorities as required and fully cooperate with any investigation," he said.

Wells Fargo declined to comment.

China restricts its citizens from buying more than $50,000 a year in foreign currency. As a result, many Chinese turn to black-market money exchanges to move the equivalent of tens of billions of dollars out of China, according to estimates.

Sai Zhang, who left China for the U.S. on a student visa, took up the money-exchange business in Southern California, federal prosecutors allege. Zhang, who has denied wrongdoing, allegedly tapped into the surplus of American dollars held by the Sinaloa cartel to meet the cash demand of local Chinese nationals -- making money on both sides of the trade.

Starting in 2019, Zhang became a target of Guerrero and the DEA-sponsored task force. Almost immediately, investigators met their first hurdle.

The DEA task force, created for long-running investigations, typically used wiretaps to eavesdrop on suspects. But Zhang ran much of his operation using WeChat, a Chinese instant messaging app, as well as other encrypted apps. Guerrero and the task force instead racked up thousands of hours at stakeouts of suspected locales where Zhang's associates held money received from cartels. Guerrero recruited Cpl. Steve Gonzales, a Glendora Police Department officer who helped manage field operations for the task force and logged long hours of surveillance work.

Tailing suspects to cash-drops led to a handful of five- and six-figure seizures but brought the team no closer to an arrest. To cinch the case, officers needed to connect Zhang with the money collected by his operation to drug sales -- simple but not easy. Zhang kept his distance through a chain of cash couriers and cartel operatives.

Julie Shemitz, the federal prosecutor overseeing the investigation, pushed the officers to pursue the cartel couriers delivering cash to Zhang's operatives, according to people familiar with the investigation. With any luck, one of those cartel couriers would return to a house where drugs were kept, tying the money to illegal narcotics.

In January 2021, one of Zhang's top lieutenants was photographed by U.S. border surveillance cameras crossing into Mexico with an alleged money man for the Sinaloa cartel.

The photo revealed close ties between Zhang's operation and one of North America's most notorious crime organizations. It also put the task force a step closer to making a case.

By focusing on the Sinaloa connection, Guerrero's team began collecting evidence of the drug trafficking that fed Zhang's banking network.

They hit a jackpot on Oct, 18, 2022. DEA agents in Charlotte, N.C., alerted Guerrero to the locale of an imminent cash pickup by a woman suspected of working for Zhang. Gonzales and a colleague quickly arrived at the meeting spot, a supermarket parking lot in San Gabriel, Calif.

Shortly after arriving, they watched the passenger of a blue Maserati take a black bag from the driver of a white Ram pickup. The bag contained some $300,000 in cash.

Guerrero had made the rounds at police departments around L.A. County, pitching the money-laundering investigation and lining up a roster of officers the task force could enlist to clandestinely follow suspects and make traffic stops. When Gonzales radioed for help, San Gabriel police went after the Ram pickup.

Police tailed the truck for hours. It finally pulled into a parking lot in Compton, Calif., about 20 miles from the supermarket parking lot. The driver took two boxes from a silver sedan and put them in his pickup. Police stopped the truck after it drove off and seized 50 kilos of cocaine.

Gonzales, meanwhile, followed the Maserati to a house in Temple City, Calif., where he watched and waited. He needed to see where the drug money would go next.

Gonzales saw a person leave the house and pass a bag to two women in a car -- customers of Zhang's money exchange. Officers pulled the car over and found $25,000 in the bag.

The task force had determined that Zhang advertised dollars for sale on WeChat, and buyers were directed to houses where the money was kept, according to people familiar with the investigation.

After dark on April 10, 2023, task force officers watched a grocery bag of cash dropped from the balcony of a top

Zhang lieutenant and retrieved by a man who left in a black Range Rover.
The officers followed the Range Rover to another cash pickup and then to a house in the Los Angeles neighborhood of North Hills in the San Fernando Valley. The driver handed two bags to a young Asian man through the door of the SUV before driving off.
The task force officers knocked on the door of the house around midnight. The woman who answered led them to the room of a Chinese high-school student who was boarding at the house. The officers asked about two grocery bags they saw sticking out from under the bed.
The bags held $60,000. The student told police he was only holding the money for his sister's boyfriend. Holtz, a dog from Downey police K-9 unit, arrived a bit later and detected the odor of narcotics on the cash and officers seized it.
The dollar delivery was one of hundreds observed by Guerrero and his team. The task force was discovering that Zhang had another, more surprising way of laundering drug money -- bringing the cash to bank tellers and ATMs.
Banks form the first line of defense in a U.S. anti-money-laundering system dating to the 1970s. In the most recent fiscal year, they flagged more than 4 million suspicious transactions and nearly 21 million transactions involving more than $10,000 in cash, federal data show.
In practice, few of the mandated reports set off a criminal investigation and fewer still yield criminal charges, according to law enforcement and corporate compliance executives. Banks complain that filing the reports is costly and inefficient. They want to raise the minimum dollar amount that triggers a report, resulting in fewer but more noteworthy filings.
Absent government inquiries, accounts used for money laundering can remain open indefinitely.
In the early stages of the investigation, the task force officers watched alleged Sinaloa operatives deposit cash at Citibank ATMs in the L.A. County cities of Downey and Long Beach, breaking deposits into small amounts to avoid bank alerts. One courier managed 24 ATM deposits in less than 80 minutes.
Unlike their cartel counterparts, Zhang's operation gave little regard to the risk of banks flagging the transactions.
The task force got permission to put GPS trackers on vehicles used by Zhang's associates, revealing trips to bank branches across L.A. County, where operatives made six-figure cash deposits, according to people familiar with the investigation.
On May 4, a week after watching Jiayong Yu deposit around $100,000 in cash at the Chase bank branch in Artesia, task-force agents tracked him and another Zhang associate in a Mercedes-Benz C300 to a Chase branch in the San Gabriel Valley city of LaVerne.
As Yu walked toward the bank branch, South Gate police officers stopped him. They found about $100,000 in Yu's backpack and another $100,000 in the Mercedes. Otis, a police K-9 unit dog, signaled the smell of drugs on the currency. Police asked Yu to sign a cash disclaimer form and took the money.
Yu returned to the Chase bank branch in Artesia a week later, and police were waiting to arrest him. They confiscated $50,000 and a fake passport. A lawyer for Yu, who was later charged along with 23 others connected to Zhang's network, declined to comment.
In early 2023, after Gonzales learned he had to return to work at the Glendora police department, the team decided it was time to strike.
The next day, police pulled over a Toyota Camry in San Gabriel and arrested Zhang with $150,000 in a plastic bag. When Guerrero arrived, he told Zhang he had the right to remain silent. Zhang spoke anyway, denying the cash was drug money.
"I know a lot of rich people," he said, "and I move a lot of money for rich people."
A lawyer for Zhang, who has pleaded not guilty to conspiracy charges related to the illegal-drug trade, didn't respond to requests for comment .
A trial is scheduled for October.

Inside the China
Connection

Chinese banking networks operated in the U.S. long before Sai Zhang hooked up with the Sinaloa cartel, according to law-enforcement officials. Buyers are mostly wealthy Chinese who want American dollars to buy real estate in the U.S. or pay for their children's college tuition.

In a rare enforcement action last year, TD Bank paid $3 billion in penalties for lax internal systems that allowed a Chinese money-laundering operation to move more than $470 million in illicit cash through TD branches in New York, New Jersey and Pennsylvania.

The case sparked increased scrutiny of U.S. banks, which report tens of millions of suspicious transactions and cash deposits a year. Only a fraction of those reports trigger investigations.

Enlarge this image.

By Dylan Tokar, Justin Baer and Vipal Monga

DETAILS

Subject:	Drug overdose; Task forces; Banking industry; Bank accounts; Drug trafficking; Public prosecutors; Cocaine; Money laundering; Automobiles; Criminal investigations; Surveillance; Cartels; Narcotics
Business indexing term:	Subject: Banking industry Bank accounts Cartels; Corporation: Bank of America Corp Wells Fargo &Co JPMorgan Chase &Co; Industry: 92213 : Legal Counsel and Prosecution
Location:	Mexico; United States--US; Southern California; China
Company / organization:	Name: WeChat; NAICS: 516210, 518210; Name: Wells Fargo &Co; NAICS: 522110, 551111; Name: Bank of America Corp; NAICS: 522110, 551111; Name: Citibank; NAICS: 551111
Classification:	92213: Legal Counsel and Prosecution
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	May 16, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3204480617
Document URL:	https://www.proquest.com/newspapers/bags-cash-drug-cartels-flood-u-s-banks-chinese/docview/3204480617/se-2?accountid=14681
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Last updated:	2025-05-16
Database:	ProQuest Central

LINKS

Document 66 of 222

Business &Finance

ProQuest document link

FULL TEXT

Walmart said it plans to raise prices this month and into the summer, when tariff-affected merchandise reaches its store shelves.

Meta delayed the rollout of a flagship artificial-intelligence model, prompting insider concerns about the direction of its AI investments.

Powell said the Fed was adjusting its policy-setting framework to account for changes in the inflation and interest-rate outlook following the 2020 pandemic.

Major U.S. stock indexes ended mixed for a second straight session, with the S&P 500 and Dow rising 0.4% and 0.6%, respectively, and the Nasdaq falling 0.2%.

Trump chided Apple CEO Tim Cook for the iPhone maker's plans to shift assembly of many U.S.-bound devices to India, reiterating his demand that the company bring manufacturing back to the U.S.

Coinbase said it refused to pay a $20 million ransom demand from cybercriminals who bribed the company's overseas customer-support agents to steal user data.

Chinese automaker Geely reported record sales for the first quarter and net profit that more than tripled to the equivalent of $786.6 million.

Deere forecast net income in fiscal 2025 in a bracket between $4.75 billion and $5.5 billion, broadening the range of its guidance.

Siemens posted better-than-expected revenue and net profit for its second quarter based on the strong performance of its industrial business.

DETAILS

Subject:	Corporate profits

Business indexing term:	Subject: Corporate profits
Location:	United States--US
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	May 16, 2025
Section:	What's News / Business &Finance
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3204480581
Document URL:	https://www.proquest.com/newspapers/business-amp-finance/docview/3204480581/se-2?accountid=14681
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Last updated:	2025-05-16
Database:	ProQuest Central

LINKS

U.S. News: Top, Middle Earners Get Most Benefits of GOP Bill --- Tax-cut extensions do little for lower incomes, as claiming credits gets tougher

Rubin, Richard . Rubin, Richard.

FULL TEXT

WASHINGTON -- The Republican tax bill looks very different depending on your income -- and your political lens.

For the top sliver of taxpayers, it gives a permanent extension and expansion of expiring tax cuts from 2017, coupled with some new limits.

Middle-income households would get permanent tax-cut extensions, too. They would also gain temporary tax cuts, including a larger standard deduction and child tax credit and targeted benefits for senior citizens and people receiving tips and overtime pay.

There is relatively little for low-income people who aren't paying income taxes now, and they will encounter some new complexity when claiming refundable tax credits.

Republicans call this combination a win-win-win, avoiding scheduled tax increases, putting money in taxpayers' pockets and helping businesses invest. They are moving the legislation through House committees this week and aim to make it law by July 4.

"This is not a bill for billionaire relief," Rep. Blake Moore (R., Utah) said during a House Ways and Means Committee session that started Tuesday afternoon and finished Wednesday morning with a party-line vote to advance the legislation.

Democrats cast the bill as an unacceptable giveaway to well-off people at the expense of most Americans.

"Billionaires get the gold bars," said Rep. Judy Chu (D., Calif.). "Working families get the pennies."

Fights over the distribution of tax legislation are a constant part of Washington fiscal-policy debates. This round is more complicated because it isn't just a tax bill: The tax provisions will be combined with cuts in Medicaid spending and nutrition assistance and assessed against the backdrop of President Trump's higher tariffs, changes that will weigh most on lower-income households.

Republicans and Democrats look at the same tax data and see totally different pictures. Republicans compare the tax cuts to families' existing bills, showing significant reductions in what middle-class households owe.

Democrats focus on the total dollar amount, emphasizing how much wealthy people would save in comparison to others. By one estimate, that is nearly $65,000 in 2027 for the top 1% vs. about $1,300 for middle-income households. They argue that Congress could simply let tax cuts expire for people at the top.

An analysis from the nonpartisan congressional Joint Committee on Taxation released Tuesday shows that the lowest-income households, who pay very little in taxes already, would see an average federal tax increase in some years, in part because they would lose tax credits that help pay for health insurance. The middle 20% of households would see their average total federal tax rate drop in 2027 to 11.2% from the 12.9% they would pay without the bill. The top 0.1%, meanwhile, would see their average tax rate drop to 27.7% from 30.3%. They would get a significant tax cut -- and pay a greater share of the smaller overall federal tax burden. Those estimates compare with a scenario where the 2017 tax cuts expire. The analysis excludes some provisions, such as the electric-vehicle tax-credit repeals and estate-tax cuts.

In another analysis that also compares with the scenario where the tax cuts expired, the top 1% of taxpayers would see a 4.4% boost in after-tax income in 2026, according to the Tax Foundation, which favors a simpler tax system with

fewer breaks. That is slightly higher than the gain for taxpayers in the middle-income groups. That analysis doesn't include the changes to the premium tax credit for health insurance.
Republicans highlight middle-income tax cuts, particularly those that go beyond a straight extension of the 2017 tax cuts scheduled to expire Dec. 31. They constructed the bill so they can offer clear examples of middle-income families who will get and feel tax cuts from 2025 to 2028.
Ways and Means Chairman Jason Smith offered the example of an electric-utility lineman making $40 an hour and a $20 bonus for overtime hours. That person's 300 hours in overtime would yield a $6,000 tax deduction beyond the standard deduction.
Rep. Nicole Malliotakis (R., N.Y.) highlighted the additional $4,000 per-person standard deduction for senior citizens, which starts phasing out when income reaches $75,000 for individuals and $150,000 for married couples.
"I don't know how anyone can argue something like that goes to benefit the wealthiest," she said.
Democrats view the same legislation quite differently, pointing to extended and permanent tax cuts for high-income households and estates. They contrast those with the temporary tax-cut boosts for middle-income households and with Medicaid and Obamacare changes that are projected to reduce the number of people with health insurance.

Many Businesses Would See a Lower Top Rate
Under the GOP tax proposal, the highest income-tax rate will remain at 37%, though top-bracket taxpayers face a new restriction on itemized deductions. The per-person estate-tax exemption would climb to $15 million in 2026, higher than what would happen if current inflation indexing were extended.
The bill includes a lower top tax rate for many closely held businesses. Their top rate will drop to 28.5% from 29.6%, though some will lose the ability to escape the cap on state and local taxes through state workaround programs.
Democrats highlighted that the expansion of the child tax-credit in the bill doesn't increase the benefit for many lower-income households and removes it for families where children are citizens but parents aren't. The bill also creates a new certification program for the earned-income tax credit, a tax break for low-income workers that has a record of improper payments.
By Richard Rubin

DETAILS

Subject:	Tax rates; Legislation; Medicaid; Overtime pay; Overtime; Tax cuts; Tax credits; Households; Low income groups; Income taxes; Health insurance; Tax increases
Business indexing term:	Subject: Tax rates Medicaid Overtime pay Overtime Tax cuts Tax credits Income taxes Health insurance Tax increases
Company / organization:	Name: Republican Party; NAICS: 813940
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	May 15, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.

Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3204113311
Document URL:	https://www.proquest.com/newspapers/u-s-news-top-middle-earners-get-most-benefits-gop/docview/3204113311/se-2?accountid=14681
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Full text availability:	This publication may be subject to res trictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-15
Database:	ProQuest Central

LINKS

Nissan Posts Big Loss, Doubles Job-Cut Target

Narioka, Kosaku . Narioka, Kosaku.

ProQuest document link

FULL TEXT

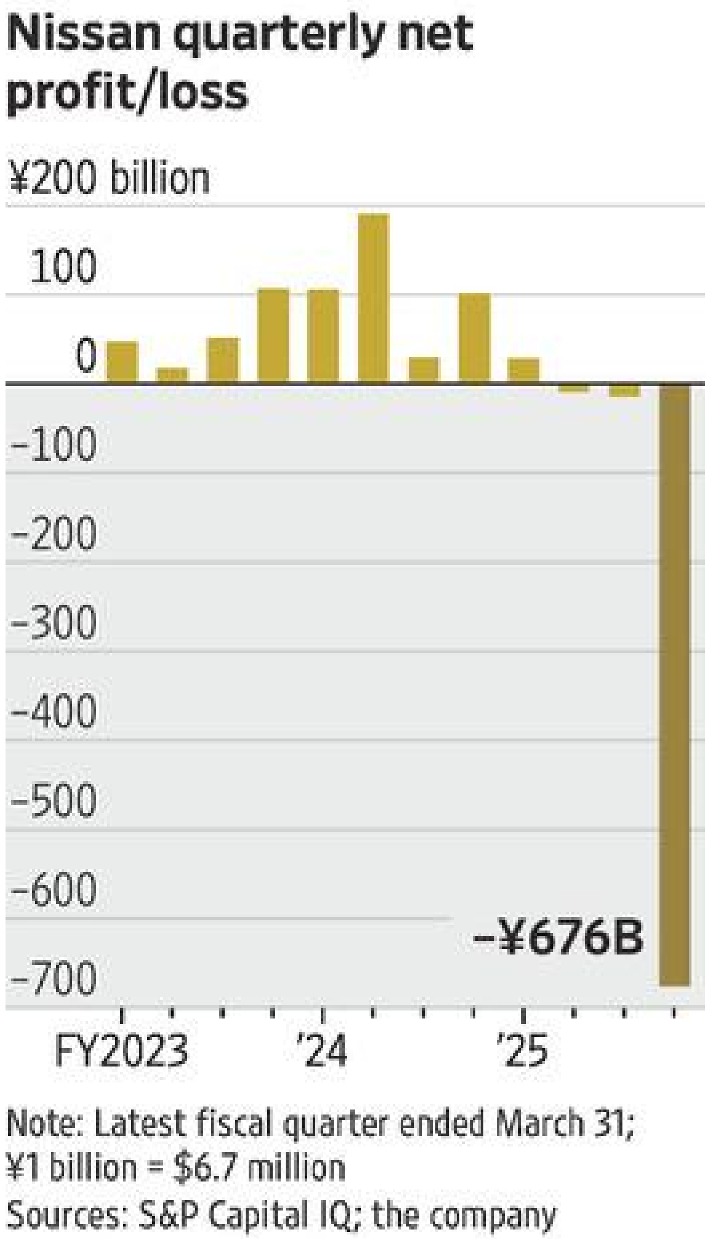
Nissan Motor reported a quarterly loss of more than $4.5 billion and said it would slash 20,000 jobs -- more than doubling its previously announced plan -- as part of cost-cutting efforts to turn around weak sales.

The Japanese carmaker said Tuesday that it booked a net loss of 676 billion yen, equivalent to $4.55 billion, for the three months ended March, compared with a net profit of 101.3 billion yen in the year-earlier period.

Nissan recorded restructuring expenses and wrote down the value of production assets in North America, Latin America, Europe and Japan. The company said it would cut 20,000 jobs over the four years through March 2028.

Fourth-quarter revenue fell 0.7% from a year earlier to 3.490 trillion yen as sales dropped, dragged by declines in China, Japan and Europe.

For the fiscal year that began in April, it projected a 0.1% decline in revenue to 12.500 trillion yen, expecting global sales to drop 2.9% to 3.25 million units.
Nissan didn't provide profit forecasts, citing uncertainty over the business environment because of U.S. tariff policy.
The U.S. started imposing a 25% tariff on finished foreign-made cars in early April.
The Japanese automaker is in the midst of turnaround efforts to address falling sales.
In November, Nissan unveiled a restructuring plan that included cutting 9,000 jobs and reducing its global production capacity by one-fifth.
Like other carmakers, its business in China has been hurt by cutthroat price competition and consumers' shift away from conventional gas-powered vehicles.
Chief Executive Ivan Espinosa said in March that the company was reinforcing its lineup in the U.S. and had high hopes for a new electric sedan in China, jointly developed with partner Dongfeng Motor.
Nissan shares rose 3% in Tokyo on Tuesday, but they have lost more than one-quarter of their value this year because of slumping sales and concerns about U.S. tariffs.



Enlarge this image.
By Kosaku Narioka

DETAILS

Subject:	Net losses; Corporate profits; Tariffs; Financial performance
Business indexing term:	Subject: Net losses Corporate profits Tariffs Financial performance; Corporation: Nissan Motor Co Ltd
Location:	China; United States--US; Japan; Europe
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B2
Publication year:	2025
Publication date:	May 14, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3203519736
Document URL:	https://www.proquest.com/newspapers/nissan-posts-big-loss-doubles-job-cut-target/docview/3203519736/se-2?accountid=14681
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Last updated:	2025-05-14
Database:	ProQuest Central

LINKS

U.S. News: Duties Cut On Small Shipments From China

Vipers, Gareth; Huang, Jiahui . Vipers, Gareth; Huang, Jiahui.

FULL TEXT

The Trump administration said it would cut tariffs on low-value parcels from China to 54% from 120%, hours after Washington and Beijing agreed to a 90-day trade truce.

According to a White House executive order late Monday, the U.S. will slash the "de minimis" tariff on shipments from China, including Hong Kong, marking a further de-escalation in the simmering trade war between the world's two largest economies.

Under U.S. tax law, the de minimis exemption lets companies avoid import taxes and customs inspections on international shipments with a retail value of less than $800.

President Trump in February suspended the provision for China as part of an executive order imposing tariffs on the nation's imports, and imposed a tax of 120% of a package's value.

That order caused widespread confusion among e-commerce retailers and logistics operators, and prompted the U.S. Postal Service to temporarily stop accepting parcels from China. Trump later delayed the crackdown.

Use of the provision has ballooned with goods from bargain sites such as Shein and Temu. About 1.36 billion shipments using the provision entered the U.S. in fiscal 2024, up from 637 million four years earlier, according to U.S. Customs and Border Protection.

Trade barriers have led some exporters to raise prices or stop shipping to the U.S. Even with the planned cut, analysts are unclear if there will be much relief for Chinese e-commerce firms that do business in the U.S.

By Gareth Vipers and Jiahui Huang

DETAILS

Subject:	International trade; Executive orders; Tariffs; Trade policy
Business indexing term:	Subject: International trade Tariffs Trade policy
Location:	China; United States--US
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A5
Publication year:	2025
Publication date:	May 14, 2025
Publisher:	Dow Jones &Company Inc.

Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3203519711
Document URL:	https://www.proquest.com/newspapers/u-s-news-duties-cut-on-small-shipments-china/docview/3203519711/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases rec ords will be visible to users, but not full text.
Last updated:	2025-05-14
Database:	ProQuest Central

LINKS

U.S. News: GOP Unveils Tax Plan to Extend Cuts --- Initial version lifts standard deduction, but is silent on issues dividing party

Rubin, Richard . Rubin, Richard.

FULL TEXT

WASHINGTON -- The first public version of Republicans' long-awaited tax bill aims to put more money in Americans' pockets quickly in early 2026, extending President Trump's expiring tax cuts and adding some new twists that would boost many tax refunds next year and increase take-home pay.

The bill released late Friday would increase the standard deduction by $1,000 for individuals and $2,000 for married

couples starting in tax year 2025, above and beyond the Trump tax cuts' expansion of that basic level where income taxes don't apply. The standard deduction is currently $15,000 for individuals and $30,000 for married couples.
The maximum child tax credit would increase to $2,500 from $2,000, also starting this year. Those changes would mean that many taxpayers who don't change their withholding would see larger-than-expected refunds in spring 2026. For a middle-income married couple with two children in the 12% tax bracket, that means a $1,240 tax cut for tax year 2025.
In addition, the proposal from the House Ways and Means Committee adds an extra inflation adjustment to tax brackets for tax year 2026 -- a benefit that would show up in smaller paycheck withholding in January.
The Ways and Means bill sets the stage for a Tuesday committee debate and vote. The tax package will be combined with other committees' ideas into Trump's "one big, beautiful bill," a giant package of spending cuts, tax cuts and new spending that the House is trying to pass this month.
Friday's bill is incomplete and will likely be changed substantially before the committee vote.
It is silent on some of the issues that are dividing Republicans, including the cap on the state and local tax deduction and the fate of clean-energy tax credits that Democrats created in 2022. It doesn't include the tax-rate increase for the highest-earning Americans that Trump has been floating in recent days.
The changes to the standard deduction and child credit wouldn't be permanent under the proposal, but they would have an immediate effect above and beyond maintaining the status quo.
The boosts would make it easier for Republicans to show Americans some benefit from tax cuts before the 2026 midterm elections. The extra tax cuts could also counter some of the effects of Trump's tariffs on consumers.
Lawmakers have been touting their plan as preventing an enormous tax increase, but many Americans who don't closely follow the tax law may be unaware of that looming threat.
Offering an additional tax cut that people can see early next year could make it easier to sell as Republicans try to defend their slim House majority.
"Pro-family, pro-worker tax provisions are the heart of President Trump's economic agenda that puts working families ahead of Washington and will create jobs, grow wages and investment, and help usher in a new golden age of prosperity," Committee Chairman Jason Smith (R., Mo.) said.
Democrats are expected to oppose the bill.
They argue that the tax-cut extensions give too much to upper-income households and warn that middle-income Americans would be hurt by the GOP plan's expected Medicaid cuts and by Trump's recent tariffs.
"Releasing this bill under the cover of darkness, omitting major provisions, the only marker that this is Republican marquee legislation are the tax cuts for billionaires," said Rep. Richard Neal (D., Mass.), the top Democrat on Ways and Means.
The bill also includes few of the potential tax increases that Republicans have been considering, and has no mention of such ideas as higher taxes on university endowments, limits on deductions for executive pay and caps on businesses' ability to deduct state and local taxes.
It doesn't yet include versions of Trump's desired proposals, such as faster write-offs for factory construction projects and removing taxes on tips, overtime pay and Social Security benefits.
The bill does include a permanent extension of higher estate-tax exemptions, setting that at $15 million per person in 2026 and indexing it to inflation.
It would also permanently extend the deduction for certain closely held businesses that pay taxes through their owners' individual returns, boosting that break to 22% from 20% while changing some rules. The top tax rate on that income from closely held businesses would drop to 28.9% from 29.6%.
Multinational companies would avert tax increases on certain foreign profits and some income from U.S. exports.
The plan also retains some key limits on deductions that Congress created in 2017, such as a rule that caps at $750,000 the amount of mortgage debt that can generate deductible interest.
It would permanently repeal miscellaneous itemized deductions, such as legal fees and unreimbursed business expenses. Moving expenses in most cases would remain nondeductible.

The nonpartisan Joint Committee on Taxation didn't release revenue estimates on Friday. That -- plus the incomplete nature of the plan so far -- makes it hard to tell immediately how the bill might fit within a fiscal constraint that is likely to be $4 trillion over a decade.

Although the bill would make some tax cuts permanent, it schedules some to lapse in a few years, a move that lowers the headline cost but sets up expirations for a future Congress to address.

For example, the extra standard deduction lasts only through 2028. So does the $2,500 child credit, which would drop to $2,000 in 2029 and then increase with inflation.

By Richard Rubin

DETAILS

Subject:	Tax rates; US exports; Tax refunds; Tariffs; Taxes; Tax deductions; Couples; Tax cuts; Moving &housing expenses; Tax increases; Fiscal policy
Business indexing term:	Subject: Tax rates US exports Tax refunds Tariffs Taxes Tax deductions Tax cuts Tax increases Fiscal policy
Location:	United States--US
People:	Trump, Donald J
Company / organization:	Name: Republican Party; NAICS: 813940
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A5
Publication year:	2025
Publication date:	May 10, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3202262822

Document URL:	https://www.proquest.com/newspapers/u-s-news-gop-unveils-tax-plan-extend-cuts-initial/docview/3202262822/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-12
Database:	ProQuest Central

LINKS

U.S. News: Trump Revives 'Millionaires Tax' Idea

Rubin, Richard; Leary, Alex; Beavers, Olivia . Rubin, Richard; Leary, Alex; Beavers, Olivia.

FULL TEXT

WASHINGTON -- Fifteen days after taking a marginal tax-rate increase off the table, President Trump put it back in play.

The president, who rejected a "millionaires tax" April 23, is now considering backing a tax structure that would return the top individual income-tax rate to 39.6% from 37% for people making over $2.5 million, according to people familiar with White House discussions.

The move could create breathing room as Republicans struggle to squeeze Trump's tax cuts into a fiscal bill they are trying to unveil in the next few days and push through the House this month. The higher the top tax rate goes, the easier it could be for Republicans to avoid deep Medicaid cuts and reduce other taxes.

It could also help counter Democrats' charges that the GOP wants to cut the social safety net to pay for tax reductions for the rich.

But many GOP lawmakers oppose a higher top tax rate, and Trump would need almost every one of them to endorse it in the narrowly divided House and Senate. The top tax rate is the untouchable hot stove in the Republican Party, which has partly defined itself in opposition to any rate increases for more than three decades.

Republican leaders are already having trouble corralling all the votes they need. Four New York Republicans -- Elise Stefanik, Mike Lawler, Nick LaLota and Andrew Garbarino -- rejected what they described as a proposal from Speaker Mike Johnson (R., La.) and the House Ways and Means Committee to raise the cap on the state and local tax deduction to $30,000 from $10,000. They said the offer was insultingly low and risked derailing Trump's tax-and-spending bill.

"A higher SALT cap isn't a luxury," they said. "It's a matter of fairness."

Trump's flirtation with higher rates for top earners is a sign of the populist bent that the president has brought to the GOP. The president's influence in the party is strong enough that he can move Republicans toward policies they

might otherwise oppose. This one, if he pursues it, would test the limits of that appeal.
"Right now, I'm not excited about the proposal," Senate Finance Committee Chairman Mike Crapo (R., Idaho) said on "The Hugh Hewitt Show." "If the president weighs in in favor of it, then that's going to be a big factor that we have to take into consideration."
The top tax rate was 39.6% before Trump took office the first time in 2017. That year's Republican tax cuts lowered the rate to 37% but scheduled that reduction and other changes to expire after 2025. That deadline created the urgency for Republicans to act now.
House Republicans have kept the details of their tax plan closely guarded, but they have been focused on making Trump's 2017 tax cuts permanent and given little indication that they support a higher top rate.
This year, the 37% top tax rate applies to taxable income of individuals above $626,350 and to married couples above $751,600.
The higher rate would raise about $59.3 billion over a decade, according to the Tax Foundation. That assumes a $5 million level for married couples, inflation indexing and extensions of all other provisions. It would affect 150,000 to 200,000 households.
Republicans have been planning to extend the current tax structure and not create an additional bracket at the top.
Trump was earlier considering such a tax-rate increase, nudged by outside advisers such as Steve Bannon and opposed by others such as former House Speaker Newt Gingrich. Last month, the president said he liked the idea of raising taxes on the rich but rejected it, saying the proposal would be disruptive and that Democrats would attack Republicans politically over it.
Trump also said that wealthy people would leave the U.S. if taxes went up, though citizens typically can't do that and avoid U.S. taxes unless they renounce their citizenship and pay taxes on their assets as if they sold them.
The tax-cut wing of the GOP sprang into action on Wednesday, warning lawmakers about the political and economic consequences of raising taxes. Grover Norquist, the antitax activist and president of Americans for Tax Reform, noted in a post on X that Trump ran on making all his tax cuts permanent.
"This is not a serious option, and it is political suicide," said David McIntosh, president of the Club for Growth. "We think this is bad policy and bad politics. If Republicans increase taxes, they almost certainly will lose the House and Democrats will start the impeachment process all over again."
A tax-rate increase at the top would interact with other tax provisions. For example, Republicans created a 20% deduction for closely held businesses whose owners pay taxes through their individual returns. They designed that to create rough parity between corporations and people paying the 37% tax rate, but a higher top rate would disrupt that balance.
And, when combined with state taxes and the cap on deductions for state and local taxes, a 39.6% tax rate would mean that more people would face marginal combined tax rates above 50%.
By Richard Rubin, Alex Leary and Olivia Beavers

DETAILS

Subject:	Tax rates; High-net-worth individuals; Political parties; Wealth; Taxes; Presidents; Couples; Tax cuts; Congressional committees
Business indexing term:	Subject: Tax rates High-net-worth individuals Wealth Taxes Tax cuts; Industry: 92111 : Executive Offices 92112 : Legislative Bodies 81394 : Political Organizations
Location:	United States--US
Company / organization:	Name: Republican Party; NAICS: 813940

Classification:	92111: Executive Offices; 92112: Legislative Bodies; 81394: Political Organizations
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	May 9, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3201885062
Document URL:	https://www.proquest.com/newspapers/u-s-news-trump-revives-millionaires-tax-idea/docview/3201885062/se-2?accountid=14681
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Last updated:	2025-07-14
Database:	ProQuest Central

LINKS

U.S. News: House Republican Puts Tax Bill at Risk --- Bacon objects to deep Medicaid cuts and doesn't buy leaders' assurances

Beavers, Olivia . Beavers, Olivia.

ProQuest document link

FULL TEXT

WASHINGTON -- Rep. Don Bacon has become known as a rare House Republican who regularly criticizes President Trump's actions. Now his vote could be crucial to Trump's tax plans.

The Nebraska centrist is warning that House GOP leaders are putting battleground members like him in a particularly precarious political position -- and imperiling the GOP majority in the next elections -- if they opt to make deep cuts to Medicaid to help pay for the president's "big, beautiful" bill that extends 2017 tax cuts and add new breaks.

Bacon, 61 years old, is on board with enacting money-saving work requirements on able-bodied users and more frequent eligibility checks for the health-insurance program, which serves low-income and disabled people. But while the House Energy and Commerce committee is looking for nearly $900 billion in reductions over 10 years, largely from healthcare, Bacon says taking any more than $500 billion from Medicaid is too much. And he says some Republican leaders have privately tried to get him to drop his objections by saying any steep reductions passed by the House would be blocked by the Senate anyway.

"Here's the tactic they've been using: 'Don't worry about the Senate. They'll fix it.' And now we're getting ready to take our third vote on this," Bacon said in a recent interview, referring to earlier steps in the budget process. "We feel like we're being pushed up to the edge of the cliff here."

During Trump's first 100-plus days, Bacon has spoken out against the administration over tariffs, how the U.S. has treated its allies, the president's statements about Ukraine and Defense Secretary Pete Hegseth's handling of sensitive information on Signal, among other issues. He said he plans to vote against a Republican bill backing Trump's renaming the Gulf of Mexico as the Gulf of America.

After the Liberal Party staged a come-from-behind win in the Canadian elections, he quipped: "The president has made liberals great again in Canada."

When a news headline mentions a Republican objecting to something Trump has done, odds are it is Bacon -- and some colleagues grumble he is too eager to engage with the press. Party leadership "has asked me to try to tone it down a little bit, and I want to be respectful," he said. Asked if he is going to listen, Bacon replied with a laugh: "Well, I say I could do a lot more. I've been looking for opportunities not to have the opportunity."

The former public-affairs aide for Gen. David Petraeus said he has narrowed down his TV appearances to two out of 20 requests a week, while fielding 30 to 40 daily texts from reporters. He has taken back stairwells to get from his office to the House floor to try to avoid the media.

"I don't want to be too predictable, so you got to mix up which doors you're going out of," he said.

Trump has held off on criticizing Bacon amid the budget fight. Republicans see him as holding a crucial seat in a district that would otherwise be in Democratic hands. Trump endorsed Bacon in the 2024 general election.

Bacon's hard line on Medicaid comes as Speaker Mike Johnson (R., La.) and his leadership team are working to pull together disparate wings of the GOP. Johnson has both assured conservatives they will get at least $1.5 trillion in overall cuts, while also telling Medicaid defenders that the program will be protected in the final product. Critics say both can't be true.

Bacon argues there are about 20 other GOP members who feel similarly about defending Medicaid, more than enough to sink the bill in the House, where Republicans have a 220 to 213 majority.

Some Republicans say Bacon's line is wrongheaded.

"I think that his position is ridiculous," said conservative Rep. Eric Burlison (R., Mo.). "He's got a fixed number. But what if you found out that there's $500 billion in savings. . .and he says, 'Oh, no, I'm committed only to cutting $300 [billion].' That is an illogical decision."

Some front-liners have told leadership directly that they won't vote for the bill until it is negotiated in advance with the Senate and the White House. The vulnerable members fear House leaders are effectively forcing them to walk the plank -- making them take a vote that will be used against them on the 2026 campaign trail -- to push the Senate further to the right, a House Republican said.
In past votes on the budget, GOP leadership urged centrists to vote for the framework, arguing that they would be able to make a final policy call later, when the details were inked. The House Energy and Commerce Committee, which oversees Medicaid, is tasked with finding $880 billion in savings.
Those details are being written now in the final sprint to wrap up the budget-reconciliation process, which allows Republicans to bypass the Senate's typical 60-vote threshold, by Memorial Day weekend. Trump wants to sign the package into law by July 4.
By Olivia Beavers

DETAILS

Subject:	Federal budget; Presidents; Medicaid; Scandals; Political leadership; Fiscal policy; Federal legislation
Business indexing term:	Subject: Federal budget Medicaid Fiscal policy; Industry: 92111 : Executive Offices 81394 : Political Organizations
Location:	United States--US
People:	Bacon, Don; Trump, Donald J
Company / organization:	Name: Republican Party; NAICS: 813940
Classification:	92111: Executive Offices; 81394: Political Organizations
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A7
Publication year:	2025
Publication date:	May 8, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English

Document type:	News
ProQuest document ID:	3201179680
Document URL:	https://www.proquest.com/newspapers/u-s-news-house-republican-puts-tax-bill-at-risk/docview/3201179680/se-2?accountid=14681
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Last updated:	2025-05-08
Database:	ProQuest Central

LINKS

U.S. News: Boston Homeowners Face a $1 Billion Tax Bill

Grant, Peter . Grant, Peter.

ProQuest document link

FULL TEXT

Boston's office-building values have taken a big hit. That is causing homeowners like Paulette Durrett to dig deeper into their wallets.

When the value of the city's commercial buildings falls, that places a higher tax burden on Boston residential owners. Since it can take years for tax assessments to change, tax bills earlier this year were the first since the outbreak of Covid-19 that boosted residential tax rates because of a major decline in commercial values.

While homeowners in other cities are starting to feel this tax burden, it is particularly extreme in Boston.

Durrett, 76 years old, said her annual bill will more than double to close to $1,600 from about $720. That is going to force the retiree to shelve plans for home repairs, replacing her 15-year-old car and buying new clothes this spring.

"I'm going to have to tighten my belt," she said.

She is one of tens of thousands of Boston homeowners who received a bigger-than-expected tax bill, in large part because Boston office buildings have tumbled in value by more than 50% in some cases since 2019.

Boston, like other cities, could adjust by cutting budgets for public schools, police and fire or other public services. But the city doesn't want to take these steps.

Continued downward pressure on commercial values would shift more than $1 billion of Boston's tax burden to homeowners over the next five years, according to a report from the nonprofit Boston Policy Institute. Those increases would be on top of additional tax hikes many owners face because their homes have risen in value.

Boston's finances are expected to take another hit from the repercussions of President Trump's fight with Harvard University, a major source of jobs and economic development in the region. Trump froze $2.26 billion in grants and contracts with Harvard and has threatened to end the school's tax-exempt status. Harvard has sued to challenge the administration's actions.

Boston Mayor Michelle Wu said the recent tax increase, which averaged more than 9% annualized on over one-half of single-family homeowners, is adding to the pressure on households "that are barely keeping it together" from skyrocketing prices and other financial pressures.

Other U.S. city budgets haven't felt the impact of weakening office values as much as Boston, in part because many have other sources of revenue such as income tax and sales tax. More than one-third of Boston's tax revenue comes from commercial property taxes, the highest level among major U.S. cities.

Other city budgets also will soon be hit by falling office values, especially if tariffs and the prospect of a recession derail the fledgling office-market recovery.

Median declines in commercial-property tax revenue are projected to range from 0.9% to 3.2% of total city revenue by 2031, according to a study of 13 of the largest office markets by the Urban-Brookings Tax Policy Center. "Some homeowners are going to see big spikes," said Thomas Brosy, one of the study's authors.

Pressure on Boston's budget has been slowly building. Until recently, many office buildings were able to hold their value despite weak demand because most leases are long term.

The total taxable value of Boston commercial property actually increased to $63 billion in fiscal 2024 (which started July 1, 2023), from $52 billion in fiscal 2020, according to Evan Horowitz, who worked on the report for the Boston Policy Institute.

But now, the lingering office-market weakness is starting to take a toll. The taxable value of Boston's commercial property fell in fiscal 2025 to $61.2 billion, said Horowitz, who heads a Tufts University research center. Such a decline "is basically unprecedented, outside of recessions," he said.

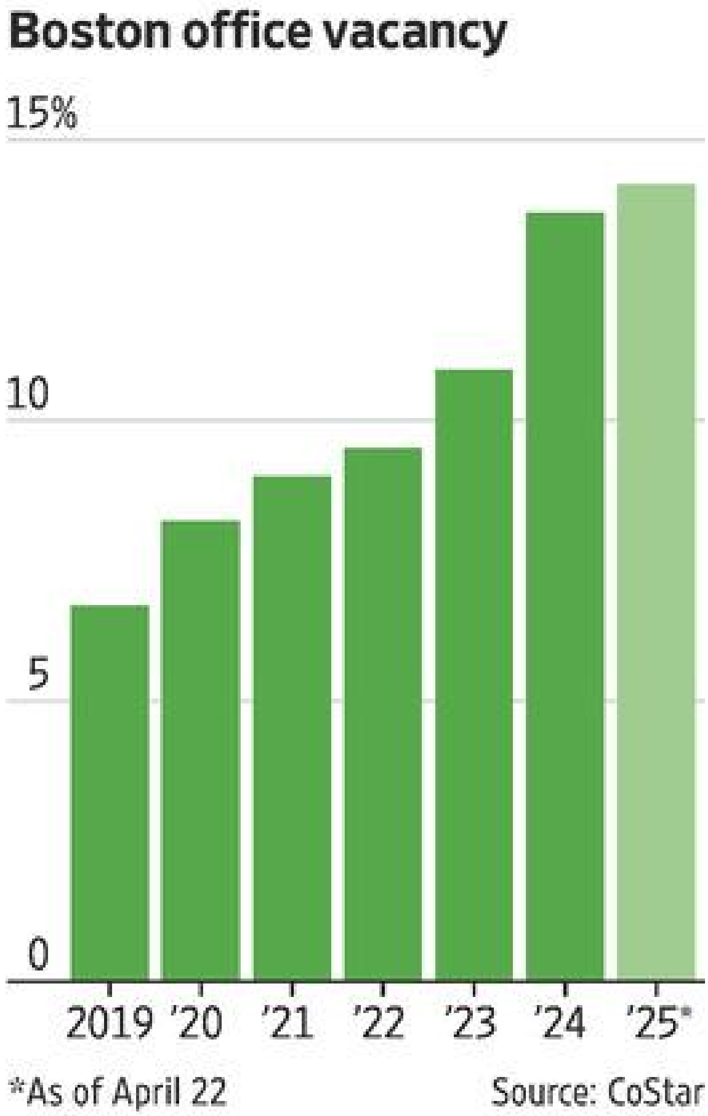
In a stark example of the city's plunging office values, a lending group in March took ownership of One Lincoln, a 1.1-million-square-foot office tower, for $400 million in a foreclosure auction. The tower had been refinanced for $1 billion in 2022.

The shifting tax burden to residential property has triggered a feud between the real-estate industry and the mayor, who wants to cushion the blow to homeowners. Wu last year failed to persuade the state legislature to give them relief by shifting more of the tax burden to commercial landlords.

Wu is trying again this year. She is up for re-election later this year and already faces a challenge from philanthropist Josh Kraft, son of New England Patriots owner Robert Kraft, who has the backing of some business leaders.

Office landlords say Wu's tax-shifting plan would add to their costs and impede the city's efforts to attract workers back.

"If we want more people in these buildings paying rent, we don't want to hit owners with higher tax bills that would be passed on to tenants," said Tamara Small, chief executive of NAIOP Massachusetts, a real-estate industry group.



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By Peter Grant

DETAILS

Subject:	Commercial real estate; Lessors; Tax rates; Property taxes; College football; Budgets; Tax revenues; Office buildings; Cities; Tax increases; Tax assessments
Business indexing term:	Subject: Tax rates Property taxes Budgets Tax revenues Tax increases Tax assessments; Industry: 53112 : Lessors of Nonresidential Buildings (except Miniwarehouses)
Location:	United States--US; Boston Massachusetts
Classification:	53112: Lessors of Nonresidential Buildings (except Miniwarehouses)
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A2
Publication year:	2025

Publication date:	May 7, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3200984622
Document URL:	https://www.proquest.com/newspapers/u-s-news-boston-homeowners-face-1-billion-tax/docview/3200984622/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-08
Database:	ProQuest Central

LINKS

Lithium Miner Eyes Cost Cuts to Weather Drop in Prices

Hoyle, Rhiannon . Hoyle, Rhiannon.

FULL TEXT

PERTH, Australia -- Pilbara Minerals has spent the past 18 months expanding one of the world's biggest hard-rock lithium mining operations. Now, it wants to show that it can produce the battery ingredient cheaply enough to endure a multiyear rout in market prices, however long it lasts.

In an interview, Chief Executive Dale Henderson spoke of how Pilbara Minerals, or PLS, is making cost savings a priority after ramping up the expansion of its Pilgangoora lithium mine in remote northwest Australia. The miner last month reported a 10% rise in costs quarter over quarter amid ramp-up activities. It described the cost increase as temporary but has yet to provide projections for the coming year or beyond.

Henderson said PLS is still working through a budget process to determine its cost outlook for fiscal 2026. However, he pointed to the three months ended September -- the first quarter of PLS's current fiscal year -- as a guide to where costs could be headed.

PLS reported a unit operating cost of 606 Australian dollars, equivalent to about US$392, a metric ton that quarter. In its most recent quarter through March, costs totaled A$685 a ton. "Even without all of that investment, just running the base operation, we had a unit cost around the low sixes already" in the September quarter, said Henderson. "So, obviously, we expect to be doing better than that."

Analysts expect PLS to achieve fiscal 2026 costs of around A$578 a ton, according to a consensus estimate compiled by Visible Alpha. Henderson said PLS is likely to provide guidance alongside its fourth-quarter production result in July.

Over the past year, PLS has made a number of improvements to how it works, including commissioning what it says is the world's largest lithium-ore sorter, capable of handling more than 1,000 tons an hour.

"The mine development itself includes lots of very sensible, no-brainer improvements --straighter roads, faster speeds, lighter decks on the trays," said Henderson.

Recent improvements have included changes to Pilgangoora's power supply -- via natural gas and a giant battery -- that Henderson says won't be the last. PLS is in talks with a number of potential network suppliers in Australia's remote Pilbara region about plugging into one of their planned networks in the future, he said. That includes a discussion with developers of the BP-led Asian Renewable Energy Hub, said Henderson.

"But even if we don't go down that path, there's more to be done through more solar and more batteries," he said.

PLS has a "long tail" of other improvements it wants to make at the Pilgangoora operation, according to Henderson, who said there is also a possibility PLS might benefit from a deluge of Chinese products looking for new markets amid the trade war.

By Rhiannon Hoyle

DETAILS

Subject:	Cost control; Lithium; Pricing policies
Business indexing term:	Subject: Cost control Pricing policies
Location:	Australia
Company / organization:	Name: Pilbara Minerals Ltd; NAICS: 212390
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B2
Publication year:	2025

Publication date:	May 7, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3200984574
Document URL:	https://www.proquest.com/newspapers/lithium-miner-eyes-cost-cuts-weather-drop-prices/docview/3200984574/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-08
Database:	ProQuest Central

LINKS

World News: German Leader Vows Big EU Role --- Merz aims to forge rapport with Trump, end immigration crisis, boost economy

Bertrand, Benoit . Bertrand, Benoit.

ProQuest document link

FULL TEXT

BERLIN -- When Germany's parliament votes to make Friedrich Merz chancellor on Tuesday, he will face a task as simple to describe as it is hard to pull off: to restore his country's leadership in Europe.

For this, the 69-year old conservative will have to achieve three central objectives, some of which could clash with one another: repair relations with neighbors and forge a rapport with President Trump; end a slow-burn immigration crisis that has poisoned European politics; and restart a lagging economy.

Within hours of taking office on Tuesday, Merz will be on his way to Paris. He and French President Emmanuel Macron will be key to forging a common European line toward Trump. French and German interests aren't entirely aligned, but analysts think Merz and Macron can strike mutually advantageous compromises.

German-U.S. relations have deteriorated rapidly since Trump's election. Elon Musk called for German voters to back the far-right AfD in this year's election, while Vice President JD Vance chastised Germany's centrist parties for ostracizing the group. Merz bristled at Musk's AfD endorsement. On Friday, Germany's domestic intelligence agency said it had classified the AfD as a far-right extremist organization, a decision Secretary of State Marco Rubio described on X as "tyranny in disguise."

Continued U.S. support for the AfD could make any U.S.-German rapprochement impossible. Yet aides to Merz say he wants the U.S. to remain as engaged as possible in Europe even as he plans for what many experts see as the inevitability of America's partial pullback.

One of Merz's most closely watched foreign-policy decisions will be whether he delivers on his suggestion in April that he might supply Kyiv with Taurus long-range missiles. It could strengthen Kyiv's hand and help bring Russian President Vladimir Putin to the negotiating table, people familiar with Merz's thinking said.

One Merz goal that may clash with his foreign-policy objectives is his pledge to crack down on immigration. Neighbors Poland and Austria have complained that pushing back asylum seekers would breach EU law while intensive border controls could harm trade and penalize cross-border commuters.

Merz's third immediate priority -- fixing the economy -- could take longer. Germany's export-reliant economy has barely grown since the outbreak of the Covid-19 pandemic. Merz's designated coalition pushed a constitutional amendment through Parliament that lifted fiscal spending limits for defense expenditures and created a 500-billion-euro, or $565 billion, infrastructure fund.

Some green shoots have appeared, including slightly higher-than-expected growth in the first quarter and an uptick in business sentiment. Still, as long as the threat of Trump's tariffs persist, growth prospects will stay grim.

"Whether we can post positive growth this year won't primarily depend on what fiscal measures we manage to implement," said Yannick Bury, a conservative lawmaker and trained economist. "It will depend mainly on what happens on the tariff front."

By Bertrand Benoit

DETAILS

Subject:	Extremism; Presidents; Immigration; Foreign policy; Political power; International relations
Business indexing term:	Subject: International relations; Industry: 92111 : Executive Offices
Location:	Kyiv Ukraine; United States--US; Ukraine; Germany; Europe
People:	Merz, Friedrich
Classification:	92111: Executive Offices

Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A9
Publication year:	2025
Publication date:	May 6, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3200544541
Document URL:	https://www.proquest.com/newspapers/world-news-german-leader-vows-big-eu-role-merz/docview/3200544541/se-2?accountid=14681
Copyright:	Copyright 2025 Dow Jones &Company, Inc. All Rights Reserved.
Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-06
Database:	ProQuest Central

LINKS

Temu and Shein Gird For End Of Tariff Loophole

Young, Liz; Shen, Lu . Young, Liz; Shen, Lu.

FULL TEXT

The looming demise of a tariff exemption on inexpensive Chinese goods is causing big e-commerce players to lift prices and threatening the business models of smaller online retailers that deliver millions of products each year to U.S. consumers.

The so-called de minimis provision that exempts packages of $800 or less from duties is scheduled to end early Friday morning Eastern time for goods made in China and Hong Kong, after President Trump in early April ordered the end of the policy.

The change will leave most shipments, including those carried by FedEx or United Parcel Service, subject to the new 145% base tariff on all Chinese products, as well as additional levies based on the nature of the products. Steep fees on packages containing merchandise from China shipped via the international postal network kick in at the same time.

Use of the de minimis provision has skyrocketed in recent years with a surge of goods from bargain sites Shein and Temu, both of which already have been raising prices ahead of the exemption's end. About 1.36 billion shipments using the de minimis provision entered the U.S. in fiscal year 2024, up from 637 million four years earlier, according to U.S. Customs and Border Protection.

Other e-commerce sellers said they can't afford the steep tariffs due to be levied on their merchandise.

More than 80% of executives said eliminating de minimis would threaten their company's survival in a survey earlier this year conducted by retail analysis firm Wakefield Research and logistics company Swap Commerce.

Companies are "thinking about this in existential terms," said Juan Pellerano-Rendon, chief marketing officer at Swap. "Everyone's trying to use different tactics, but at the end of the day, I don't think that any brand can wholly absorb these changes to de minimis."

Merchants are looking at shifting their supply chains or raising prices, among other potential changes, he said.

Orthopedic-shoe seller Kuru Footwear has been resetting its supply chain to get ahead of the de minimis changes. The Salt Lake City company makes most of its sneakers, boots and sandals in China with some manufacturing in Vietnam.

Like many other e-commerce merchants selling to U.S. consumers, Kuru imports large shipments of merchandise to a warehouse in Canada, where it then packages individual orders for delivery to U.S. consumers. The tactic of staging goods across the border allows the company to ship orders of $800 or less to the U.S. duty-free using the de minimis provision.

Kuru is now instead preparing to pay tariffs of 8.5% to 20% based on the construction, category and materials of a given shoe. It also will be on the hook for an additional 7.5% assessed for all apparel and footwear imports, on top of the base 145% for all Chinese-made goods.

Altogether that means a $175 pair of China-made athletic sneakers, made of synthetic materials, shipped directly to a U.S. customer from Kuru's Canadian warehouse would be liable for more than $300 in tariffs, said Matt Barnes, the company's chief financial officer.

"The margin is so negative at that point there is absolutely no point in considering fulfillment from Canada" for goods made in China, Barnes said.

To minimize that tax burden, Kuru has been moving its China-made inventory in bulk to a warehouse in the U.S. The company instead pays tariffs on those goods that are calculated off the wholesale price of the goods rather than the retail value.

Kuru also ran a sale over the past week to fulfill as many U.S. orders of China-made goods as possible out of Canada before May 2.

Because the provision remains in place for imports from the rest of the world, Kuru is keeping merchandise made in Vietnam in Canada for now to continue taking advantage of de minimis for goods from that country. He said he is planning as if the policy will eventually be eliminated for other countries as well.

Bra maker ThirdLove similarly has been restructuring its supply chain with the expectation de minimis would end. The San Francisco company, which makes most of its products in China, Vietnam and Sri Lanka, had used de minimis to fulfill U.S. orders duty-free out of a warehouse in Canada. In recent months, it has been moving its inventory to a building in the U.S.

"Getting caught up on the wrong side of that process is going to be more expensive than it is to just pay the duty," said Andreas Andrea, the company's senior director of operations.

The provision's elimination comes after Trump initially suspended it in February as part of an executive order increasing tariffs on Chinese goods. The order sparked widespread confusion among retailers and logistics operators and prompted the U.S. Postal Service to temporarily stop accepting parcels from China and Hong Kong. Trump within a week delayed the crackdown as the Commerce Department set up systems to process inspections and levies.

The president in early April said the secretary of commerce had notified the White House that those systems were in place and set May 2 as the date de minimis would be eliminated for goods from China and Hong Kong.

China-founded discount retailers Shein and Temu have been among the biggest beneficiaries of the de minimis exemption, which has helped the companies sell goods at prices far below rivals such as Amazon.com.

The two companies started raising prices last week. Some products on the sites are 40% to 100% more expensive than last week, according to Geekbi, an e-commerce pricing and sales tracker. In recent days, Temu appeared to shift to displaying only items it labels as "local," with "no import charges," meaning products already sitting in U.S. warehouses. Items on Temu that are directly shipped from China have essentially disappeared. Shein still displays items shipped from China.

By Liz Young and Shen Lu

DETAILS

Subject:	Athletic shoes; Tariffs; Retail stores; Supply chains; Prices; Shipments; Electronic commerce; Inventory; Loopholes; US imports
Business indexing term:	Subject: Tariffs Retail stores Supply chains Electronic commerce Inventory Loopholes US imports; Industry: 45821 : Shoe Retailers 45411 : Electronic Shopping and Mail-Order Houses
Location:	United States--US; Canada; Vietnam; China; Hong Kong China
Company / organization:	Name: SHEIN (online fashion retail); NAICS: 458110; Name: Temu LLC; NAICS: 454110
Classification:	45821: Shoe Retailers; 45411: Electronic Shopping and Mail-Order Houses
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	May 2, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.

Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3198936095
Document URL:	https://www.proquest.com/newspapers/temu-shein-gird-end-tariff-loophole/docview/3198936095/se-2?accountid=14681
Copyright:	Copyright 2025 Dow Jones &Company, Inc. All Rights Reserved.
Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-02
Database:	ProQuest Central

LINKS

Document 77 of 222

World News: Japan Slashes Growth Forecast

Fujikawa, Megumi . Fujikawa, Megumi.

ProQuest document link

FULL TEXT

TOKYO -- The Bank of Japan halved its growth forecast for the Japanese economy as U.S. tariffs begin to bite, highlighting how President Trump's efforts to rewire U.S. trade are hitting around the world.

The central bank said it expects Japan's economy to expand just 0.5% in the fiscal year ending March 2026, down from the 1.1% predicted in late January, just after Trump's White House return.

Growth in the following fiscal year is forecast to be only slightly better, at 0.7%, the central bank said in its quarterly outlook report.

"It is extremely uncertain how trade and other policies in each jurisdiction will evolve and how overseas economic activity and prices will react to them," the central bank said, as it kept its benchmark policy rate at 0.5%.

Japan is in talks with Washington seeking relief from steep new U.S. tariffs on steel and autos, as well as avoiding broad levies under Trump's plan for reciprocal tariffs on America's trading partners, set to take effect when a 90-day grace period expires in July. Trump accuses trading partners of keeping out U.S. goods with tariffs and regulations.
If a deal can't be reached, Japan is in line for tariffs of 24% on all its other exports to the U.S., up from a flat 10% rate Trump imposed on all nations in April. The U.S. last year imported around $150 billion of goods from Japan.
Economy Minister Ryosei Akazawa said a top executive at a Japanese automaker said the company was "losing a million dollars every hour" owing to tariffs. Shipping company Mitsui O.S.K. Lines said Wednesday it expects net profit to drop 60% in the fiscal year.
By Megumi Fujikawa

DETAILS

Subject:	Central banks; Tariffs; Economic forecasts
Business indexing term:	Subject: Central banks Tariffs Economic forecasts; Industry: 52111 : Monetary Authorities-Central Bank
Location:	United States--US; Japan
Classification:	52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A7
Publication year:	2025
Publication date:	May 2, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3198936065
Document URL:	https://www.proquest .com/newspapers/world-news-japan-slashes-growth-forecast/docview/3198936065/se-2?accountid=14681

U.S. News: These GOP Lawmakers Hold Key to Tax Bill

Beavers, O livia . Beavers, Olivia.

FULL TEXT

WASHINGTON -- Republicans pushed President Trump's "big, beautiful" tax and spending package closer to the finish line with votes this month approving a budget framework. But as lawmakers return to work this week, hard intraparty fights remain in writing and ironing out the multitrillion-dollar package.

Most GOP lawmakers are on board with the broader plan to extend expiring pieces of the 2017 tax law, introduce new tax breaks such as "no tax on tips," boost border spending and cut other government outlays. Speaker Mike Johnson (R., La.) wants to get the bill finished by Memorial Day. Still, fights are smoldering over the details, and several small groups of lawmakers have painted certain issues as nonnegotiable.

Republicans are using a process called budget reconciliation that requires a simple majority in both chambers, which allows them to pass the package without Democratic votes. With the Senate split 53-47 and a House divided 220 to 213, any small group of Republican dissidents can block the broader GOP agenda.

A group of so-called budget hawks have hinged their support of the president's reconciliation bill on the idea that the tax cuts must be paired with significant spending cuts. These Republicans are willing to allow some deficit increases because they assume that economic growth will cover some of the costs. But they have indicated that -- even though they have moved the process along so far -- they aren't automatic yes votes.

While government funding and federal spending battles often center on the pushback of members of the ultraconservative House Freedom Caucus like Reps. Chip Roy (R., Texas) and Andrew Clyde (R., Ga.), others are raising concerns as well. Rank-and-file Republicans like Reps. David Schweikert (R., Ariz.) and Lloyd Smucker (R., Pa.), a Budget Committee member, are among those also warning about a bill that would expand deficits too much.

It is a tough balance to strike. The House's budget calls for at least $1.5 trillion in spending cuts over a decade, with a goal of at least $2 trillion. The budget hawks say they are going to insist that the final bill hits those targets. Cuts that deep could clash with the desires of others in the party who would be comfortable with smaller reductions. So far, Johnson has privately told GOP holdouts that he plans to stick to the House budget instructions that require a

minimum of $1.5 trillion.
One area likely to be targeted in the pursuit of steep spending cuts is Medicaid, a health-insurance program that covers more than 70 million people who are low-income and is a big part of state budgets and the healthcare economy. There is a bloc of Republicans warning that deep reductions in coverage will hurt constituents and make GOP efforts to keep the House majority more difficult in 2026.
Such members include Reps. David Valadao (R., Calif.) and Rob Bresnahan (R., Pa.), who are both in battleground district seats. And in the Senate, Sens. Susan Collins (R., Maine), Lisa Murkowski (R., Alaska) and Josh Hawley (R., Mo.) have opposed deep cuts.
A group of Republican lawmakers are vowing that their support for the Trump tax bill depends on raising the cap on state and local tax deductions, which was limited to $10,000 in 2017 as part of Trump's tax law.
Most of these lawmakers hail from states that have higher costs of living and property taxes, like New York, New Jersey and California. Reps. Nick LaLota, Mike Lawler and Andrew Garbarino of New York and New Jersey's Jeff Van Drew and Tom Kean Jr. are among those pushing strongly to address the issue, with some threatening to withhold their support from the GOP package if the cap isn't raised.
Some Republicans are suggesting the cap could be raised to $30,000 or more, but higher caps reduce revenue that could be used elsewhere.
"Our party needs Blue State Republicans' votes to pass reconciliation," LaLota said. "Our price will be a reasonable increase in the SALT cap -- it's a matter of fairness, political pragmatism, and simple vote math."
Republicans whose states and districts received billions in funding that went toward clean-energy projects through the Biden administration's Inflation Reduction Act are also warning party leaders against clawing back this funding and limiting tax credits that provide incentives. Such a clawback could be used to help offset the cost of other tax cuts, and Trump has repeatedly vowed to repeal the law.
Recently, Murkowski and Sens. Thom Tillis (R., N.C.), John Curtis (R., Utah) and Jerry Moran (R., Kan.) sent a letter to Senate Majority Leader John Thune (R., S.D.) detailing the fallout if the buzzsaw comes for the Inflation Reduction Act-related investments.
These senators joined nearly two dozen House Republicans who have argued in favor of preserving some of the Biden-era green-energy tax credits. Those members include Garbarino as well as centrists like Reps. Don Bacon (R., Neb.), Jen Kiggans (R., Va.) and Mariannette Miller-Meeks (R., Iowa).
By Olivia Beavers

DETAILS

Subject:	Federal budget; Inflation Reduction Act 2022-US; Tax cuts; Tax credits; Funding; State budgets; Legislators; Fiscal policy; Government spending
Business indexing term:	Subject: Federal budget Inflation Reduction Act 2022-US Tax cuts Tax credits State budgets Fiscal policy Government spen ding; Industry: 92112 : Legislative Bodies
Location:	New York; United States--US; New Jersey
Company / organization:	Name: Republican Party; NAICS: 813940
Classification:	92112: Legislative Bodies
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4

Publication year:	2025
Publication date:	Apr 28, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3195380924
Document URL:	https://www.proquest.com/newspapers/u-s-news-these-gop-lawmake rs-hold-key-tax-bill/docview/3195380924/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-04-28
Database:	ProQuest Central

LINKS

U.S. News: Trump Tightens Control of Federal Workforce

Long, Katherine; Patterson, Scott . Long, Katherine; Patterson, Scott.

ProQuest document link

FULL TEXT

WASHINGTON -- The Trump administration is moving to consolidate control over the hiring and firing of federal workers, positioning a key agency to continue some of Elon Musk's shrinking of the U.S. government as the Tesla CEO pulls back from Washington.

The effort is centralized in the Office of Personnel Management, the human-resources arm of the government. The office, a hub of Musk's project, has begun approving positions federal agencies want to add, according to agency bulletins reviewed by The Wall Street Journal. That is a change; agencies have typically decided which posts they filled.

Immediately after the inauguration, OPM's upper ranks were flooded with personnel tied to Musk's Department of Government Efficiency. They began issuing orders that have weakened other agencies' control over their own workforces, in many cases bringing hiring, firing, and performance evaluation -- which for some employees, will soon be based primarily on execution of the president's agenda -- under the purview of OPM.

Top-ranking bureaucrats will be evaluated on their "faithful administration of the law and the president's policies," according to two memos from OPM Acting Director Chuck Ezell, which describe advancing the president's policy agenda as the "most critical element" in assessing performance. Agencies were directed to adopt the new performance plan by the beginning of fiscal year 2026.

Previously, personnel had been graded on competencies in areas including business acumen, leadership skills, and results.

Musk said Tuesday he would pull back from leading DOGE's government-slashing campaign. OPM seems likely to figure prominently in efforts to institutionalize DOGE's mandate post-Musk, according to current and former OPM employees.

An OPM official said the agency has been reviewing new agency positions to ensure they are exempt from a governmentwide hiring freeze instituted on President Trump's first day in office, and will stop once the hiring freeze is lifted. The freeze was recently extended through mid-July. The White House didn't respond to requests to comment.

The agency has long been a focus of right-of-center groups, including Project 2025, an initiative by conservative think tank the Heritage Foundation, which argued that the federal workforce is weighed down by hard-to-fire, poor-performing employees. Four employees from conservative groups that have advocated slashing federal employment -- including two from the Heritage Foundation -- have recently joined OPM, according to the agency's internal directory.

The agency is proposing regulations that would allow it to determine which employees in the executive branch should be fired, according to a March 20 presidential memorandum. OPM would have the authority to make decisions to fire employees who don't meet various "suitability criteria" defined by the agency. Agencies would refer employees to OPM, which would then conduct the review.

The new authority would give the agency greater oversight of current employees, according to the OPM official, who said more stringent reviews of workers' behavior are necessary to be able to expedite the firing of those who committed crimes or engaged in violent or dishonest conduct, among other things.

Most of the government is made up of mid- and low-level civil servants whose jobs have been sheltered from political hiring decisions. Decisions about who to hire and dismiss are generally confined to agency heads and managers.

The Trump administration is trying to change that. Ousting federal workers emerged as one of its primary goals in the weeks following Trump's inauguration. DOGE's efforts have resulted in tens of thousands of layoffs.

The effort to centralize decision-making about who can be hired and fired in the federal workforce at OPM "seems like a power grab" by the administration that will politicize the process, said Dylan Hedtler-Gaudette, director of government affairs at the Project on Government Oversight, an independent watchdog group.

"The reason we have what is supposed to be a merit-based program is to depoliticize the federal government," he said. "You want to make sure the trains are running on time, that's supposed to be apolitical."

OPM has ordered agencies to reduce the number of positions reserved for executive-level career civil servants, who have stronger protections against termination than other types of federal employees, according to memos from Ezell

to agency heads. That could make it easier both to place presidential appointees and to fire personnel in roles overseeing key parts of the federal bureaucracy.
Federal workers involved in diversity, equity and inclusion programs were among OPM's first targets. Thousands of so-called probationary workers who were hired in the last year or two have been targeted. The move was challenged in lower courts, but the Supreme Court ruled that the administration's firing of the roughly 16,000 workers could proceed.
Vice President JD Vance previewed some of the moves in a 2021 interview with right-wing podcaster Jack Murphy when Vance was running for Senate in Ohio. Predicting Trump would become president in 2025, Vance said Trump should "fire every single midlevel bureaucrat, every civil servant, in the administrative state. Replace them with our people."
By Katherine Long and Scott Patterson

DETAILS

Subject:	Federal employees; Presidents; Hiring; Scandals; Civil service; Decision making; Workforce; Presidential powers
Business indexing term:	Subject: Hiring Workforce; Industry: 92111 : Executive Offices
Location:	United States--US
People:	Trump, Donald J
Company / organization:	Name: Heritage Foundation-Washington DC; NAICS: 541720
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A6
Publication year:	2025
Publication date:	Apr 28, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English

Document type:	News
ProQuest document ID:	3195380406
Document URL:	https://www.proquest.com/newspapers/u-s-news-trump-tightens-control-federal-workforce/docview/3195380406/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-04-28
Database:	ProQuest Central

LINKS

World News: German Business Sentiment Inches Up Despite Tariffs

Frankl, Ed . Frankl, Ed.

ProQuest document link

FULL TEXT

Business sentiment in Germany unexpectedly edged up in April, as firms shrugged off the threats to the German economy posed by U.S. President Trump's tariff policies toward Europe.

The Ifo Institute said Thursday that its business-climate index -- based on around 9,000 responses from businesses in manufacturing, the service sector, trade, and construction -- climbed to 86.9 in April from 86.7 in March, better than the 85.1 expected by economists surveyed by The Wall Street Journal.

"Companies were more positive about their current situation. However, expectations were gloomier," Ifo President Clemens Fuest said.

The improvement in the Ifo in April may be a sign that tariff frontloading supported activity somewhat in April, according to Capital Economics economist Franziska Palmas.

Like the rest of the European Union, Germany faces a 10% tariff on its goods imports into the U.S., alongside a 25% tariff on steel, aluminum and the auto sector. Germany hosts global carmakers Volkswagen, BMW and Mercedes-Benz. Potential tariffs on pharmaceutical goods could also seriously impact global giants based in Germany such as Bayer.

The uptick in the index could point to a belief among German businesses of a resilient economy or ignorance of the implications of President Trump's tariff blitz, ING Global Head of Macro Carsten Brzeski said in a note.

"Are German businesses just more relaxed than financial markets, or more naive?" he asked.

Nevertheless, more than 80% of German companies expect Trump's policies to negatively hit the economy, according to a separate poll published this week by the ZEW Mannheim economics research institute.
"Uncertainty among the companies has increased. The German economy is preparing for turbulence," Fuest added.
Germany's economy contracted in the past two years and the outlook remains poor, with the International Monetary Fund this week downgrading economic expectations to zero growth for 2025 from 0.3% previously.
"I cannot exclude a slight recession this year," Bundesbank President Joachim Nagel told Bloomberg Newsk.
However, European Central Bank interest-rate cuts, paired with Germany's loosening of its fiscal restrictions to allow massive spending increases on defense and infrastructure, have raised hopes that a flood of investment and consumer spending could put the German economy on stronger footing later in 2025.
By Ed Frankl

DETAILS

Subject:	Presidents; Tariffs; Economic impact; Business community
Business indexing term:	Subject: Tariffs Economic impact Business community; Industry: 92111 : Executive Offices
Location:	United States--US; Germany
People:	Trump, Donald J
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A16
Publication year:	2025
Publication date:	Apr 25, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3194386988

Document URL:	https://www.proquest.com/newspapers/world-news-german-business-sentiment-inches-up/docview/3194386988/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-04-25
Database:	ProQuest Central

LINKS

Document 81 of 222

World News: World Watch

ProQuest document link

FULL TEXT

INDONESIA

Central Bank Keeps

Key Rate on Hold

The central bank kept rates on hold even as slowing growth backs the case for a cut, opting to lend support to the rupiah as it watches to see how U.S. tariffs develop.

Bank Indonesia's decision to keep its benchmark seven-day reverse repo rate at 5.75% on Wednesday was widely expected, with forecasts in a Wall Street Journal poll unanimously pointing to a hold.

The central bank also maintained its overnight deposit facility rate at 5% and its lending facility rate at 6.5%.

Bank Indonesia's hold comes as the Southeast Asian economy faces uncertainty from government policy shifts at home that have raised fiscal concerns and from the sweeping tariffs the U.S. announced this month.

Bank Indonesia expects the country's 2025 economic growth to be slightly below the midpoint of the 4.7% to 5.5% target range.

-- Ying Xian Wong

JORDAN

Muslim Brotherhood

Hit by Broad Ban

Jordan on Wednesday imposed a sweeping ban on the Muslim Brotherhood that could include shutting the country's largest opposition party, after it accused the group of planning attacks.

The Islamic Action Front, a political party linked to the regionwide Brotherhood, won the most seats in parliamentary elections held last year against the backdrop of mass protests against Israel over its war with Hamas.

The monarchy banned the Muslim Brotherhood a decade ago but officially licensed a splinter group and continued to

tolerate the Islamic Action Front while restricting some its activities.
The Interior Ministry said the Muslim Brotherhood is now considered an illegal organization and announced a ban on any political activities related to the group and the closure of its offices. It said efforts to confiscate the group's assets would be accelerated.
-- Associated Press

INDIA
Pakistan Ties Cut
After Deadly Attack
India on Wednesday closed a border crossing, suspended a water-sharing treaty and downgraded diplomatic ties with rival Pakistan, blaming its neighbor for a militant attack the previous day that killed 26 people in the Indian-held portion of Kashmir.
India's foreign secretary, Vikram Misri, said the main border crossing between the countries would be closed and that the Indus Water Treaty would be suspended "until Pakistan credibly and irrevocably abjures its support for cross-border terrorism."
At least 26 people were killed and 17 others wounded when unidentified gunmen opened fire on tourists in Indian-controlled Kashmir, the worst assault in years targeting civilians in the restive region, which is claimed by both India and Pakistan.
India describes militancy in Kashmir as Pakistan-backed terrorism. Pakistan denies the allegation.
-- Associated Press

DETAILS

Subject:	Bans; Central banks; Muslims; Tariffs
Business indexing term:	Subject: Central banks Tariffs; Corporation: Bank Indonesia; Industry: 52111 : Monetary Authorities-Central Bank
Location:	Pakistan; United States--US; India
Company / organization:	Name: Bank Indonesia; NAICS: 521110; Name: Society of Muslim Brothers; NAICS: 813110
Classification:	52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A9
Publication year:	2025
Publication date:	Apr 24, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States

Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3193885972
Document URL:	https://www.proquest.com/newspapers/world-news-watch/docview/3193885972/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-04-24
Database:	ProQuest Central

LINKS

U.S. News: IMF Sees Government-Debt Surge

Hannon, Paul . Hannon, Paul.

ProQuest document link

FULL TEXT

Higher tariffs and heightened geopolitical tensions may push government debts to new highs in the coming years, making the need for policymakers to outline robust plans for containing the surge more pressing, the International Monetary Fund said Wednesday.

In its twice-yearly report on the outlook for government debt, the fund said total borrowings will likely rise above 95% of world economic output this year, and almost match global gross domestic product by the end of the decade.

"There is a sense of urgency," Vitor Gaspar, director of fiscal affairs at the IMF, said. "Ministers of finance must build trust, spend wisely, tax fairly and take the long view."

The U.S. and China -- the world's largest economies -- are expected to drive much of the increase in debt over coming years. The fund forecast that U.S. government debt will rise to 128.2% of annual economic output by 2030 from 120.8% in 2024, assuming no change in policies. In China, government debts are expected to rise to 116% of gross domestic product from 88.3%.

The fund expects a much more modest rise in eurozone government debt, to 92.9% of GDP from 87.7%.

By Paul Hannon

DETAILS

Subject:	Gross Domestic Product--GDP; Deficit financing; Debt; National debt
Business indexing term:	Subject: Gross Domestic Product--GDP Deficit financing Debt National debt; Industry: 92812 : International Affairs
Location:	China; United States--US
Company / organization:	Name: International Monetary Fund--IMF; NAICS: 928120
Classification:	92812: International Affairs
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Apr 24, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3193885444
Document URL:	https://www.proquest.com/newspapers/u-s-news-imf-sees-government-debt-surge/docview/3193885444/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-05-30
Database:	ProQuest Central

LINKS

Markets: Markets Defy Dollar's Haven Status as Risk Assets Plunge

Trevisani, Paulo . Trevisani, Paulo.

FULL TEXT

A persistent weakening of the dollar is stoking fears that President Trump's erratic trade policy may have damaged the currency's haven status, with consequences for the U.S. economy.

Amid the tariffs whiplash, investors have taken the typical approach of getting rid of risk assets, sending stock markets in a tailspin. Usually, they would do that while rushing to buy dollars, long viewed as a refuge for turbulent times.

Not this time. The S&P 500 fell 7% between April 2, a.k.a. "Liberation Day," when Trump made the broadest tariffs proclamation thus far, and Wednesday. Meanwhile, the WSJ Dollar Index, which measures the greenback against a basket of currencies, fell 4% in the same period.

"A traditional correlation is changing pretty dramatically and very quickly," said Anders Persson, Chief Investment Officer at Nuveen. He said the move was "really quite powerful."

The unusual move could be explained by a variety of factors, such as leveraged investors ditching dollar-denominated assets to raise cash in order to cover losses elsewhere. But some analysts believe that something deeper is happening: Investors no longer see the dollar as their best shelter.

"It could reflect some loss of confidence of foreigners in the U.S. economy," said Idanna Appio, portfolio manager at First Eagle Investments.

Moves in the dollar are closely related to Treasury yields, which are also seen as a haven. Foreign investors seeking refuge on Treasurys sell their local currency to get dollars needed to buy the securities. Their actions boost both the dollar value and bond prices, sending yields lower. After April 2, however, yields moved higher as the dollar weakened. The 10-year benchmark rose to 4.5% on April 11 from 4.2% on April 2, and has since receded to 4.3%.

Another part of the puzzle is gold, which is rising as an alternative to U.S. assets. It rose 6% through Wednesday from April 2, according to FactSet. The yen, also seen as a haven, has strengthened, with the dollar shedding 5% of its value against the Japanese currency.

"Betting on continued USD strength against the yen has become increasingly risky," Rania Gule, senior market analyst at XS.com, wrote in a press release on Wednesday.

None of these alternatives are as easy to trade as the greenback and Treasurys, making it unlikely that they will take

the place of U.S. assets so fast.
The search for havens other than the dollar and U.S. Treasurys has been going on even before last year's election. The most recent Treasury data available show that the top foreign holders of Treasurys, Japan and China, have reduced their holdings in the 12 months through February, although total foreign holdings have increased in the period.
But Trump's drastic shuffling of the U.S. role in global trade could be accelerating the trend. Eventually, it could make it harder for Washington to spend its way out of economic downturns as it did in the pandemic.
The federal government has spent $1.31 trillion more than it took in this fiscal year, which ends Sept. 30, according to Treasury data. The gap was 23% wider than in the same period a year earlier.
The government issues Treasurys to cover the gap. If investors around the world get less interested in buying them, yields would go higher, pushing borrowing costs up across the economy.
"It would make our life more challenging because we are running very large fiscal deficits," Appio said.
In other words, the fallout from Trump's trade policy "reduces the U.S. government's ability to continue to provide its liabilities as the world's core asset without pushing up yields," Freya Beamish, chief economist at TS Lombard, wrote on Wednesday.
"If the United States were to become a jurisdiction where risks are structurally higher going forwards, that would make us less attractive," Federal Reserve Chair Jerome Powell said on Wednesday when asked about the implications of lasting policy uncertainty. "We don't know that at this point, but I think that would be the effect."
Some observers are less gloomy. Economist Nouriel Roubini wrote on X that "over time equity capital will continue to flock from Europe and the whole rest of the world to the U.S. to finance the biggest capex boom in recent U.S. history as AI and other technologies/industries of the future will boom in the U.S."
By Paulo Trevisani

DETAILS

Subject:	Currency; Trade policy; Investments; American dollar; Treasuries; Tariffs
Business indexing term:	Subject: Currency Trade policy American dollar Treasuries Tariffs
Location:	United States--US
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B9
Publication year:	2025
Publication date:	Apr 18, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660

Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3191276278
Document URL:	https://www.proquest.com/newspapers/markets-defy-dollars-haven-status-as-risk-assets/docview/3191276278/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-04-18
Database:	ProQuest Central

U.S. Tries to Crush China's AI Ambitions With Chip Crackdown

Lin, Liza; Ramkumar, Amrith . Lin, Liza; Ramkumar, Amrith.

FULL TEXT

New U.S. chip-export limits that rocked global markets Wednesday are the clearest sign yet from the Trump White House that whatever advances China makes in AI will have to happen without the U.S.'s help.

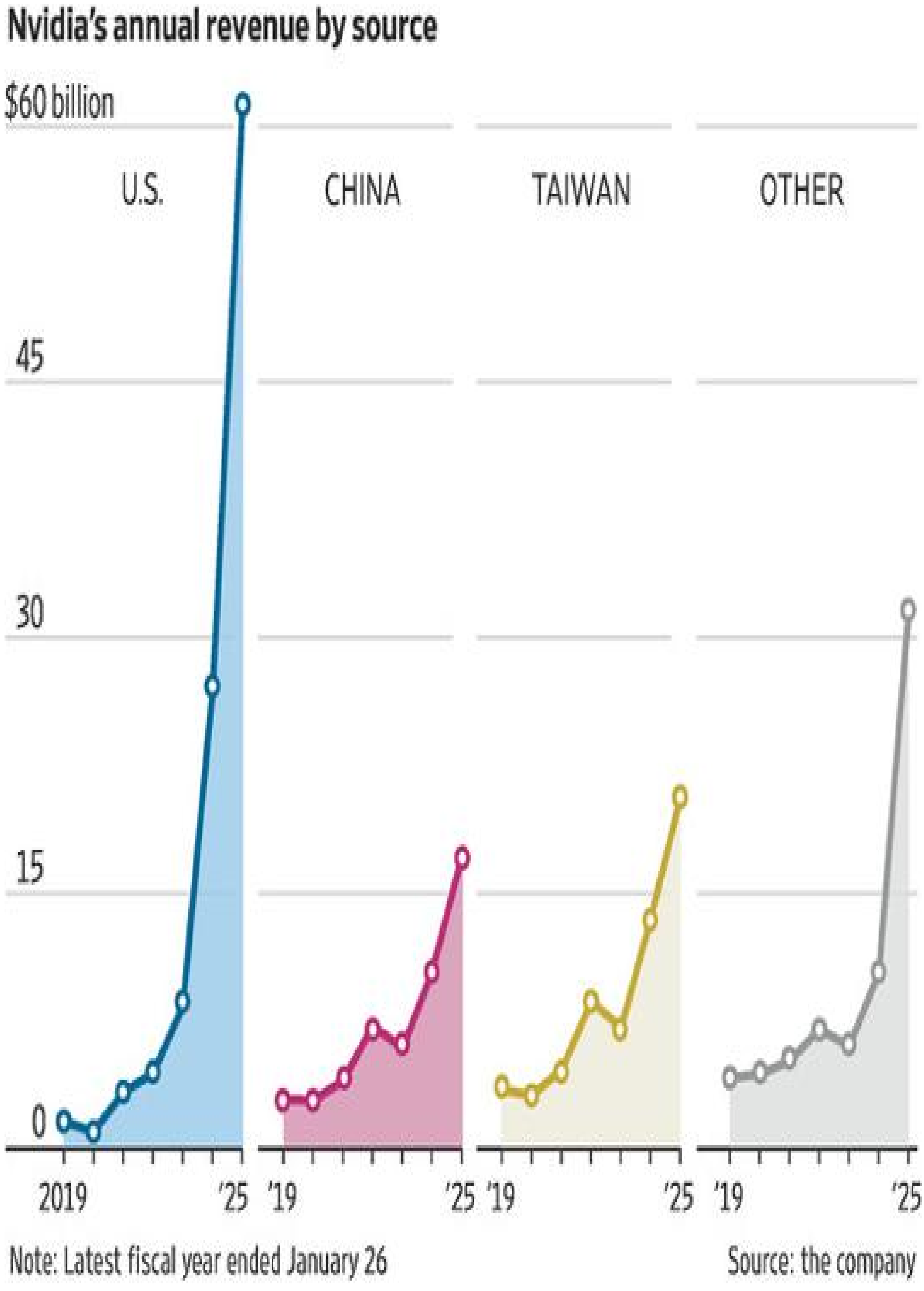
Trump administration officials have signaled for months that they were considering a crackdown on exports of processors from U.S. companies such as Nvidia that have helped enable major Chinese advances in artificial intelligence. The latest reckoning came this week, with U.S. authorities moving to stop the flow of billions of dollars worth of Nvidia and Advanced Micro Devices artificial intelligence chips to the country.

The move, spurred in part by Chinese AI startup DeepSeek's surprising success in building powerful models with less computing power, put an end to Nvidia's ability to skirt U.S. constraints on sales by tweaking its chips. While the changes impact a relatively small portion of the companies' business, they squash any hopes of unimpeded future chip sales to China.

Nvidia shares tumbled nearly 7% Wednesday, along with fellow chip company AMD. The broader stock market also sagged on news that any hope of a reprieve from the highest "reciprocal tariffs" imposed on Chinese exports was

short-lived.
The new restrictions, which impact Nvidia's H20 chips and AMD's MI308 products, capped a roughly two-week blitz that created market whiplash and underscored the administration's determination to engage China on many fronts. The battle for tech supremacy is set to unfold in much the same way as the trade war: with toughness, and a bit of chaos.
Trump imposed a 145% tariff last week, and then exempted processors, smartphones and other electronics from it days later. On April 9, the federal government told Nvidia that it would be subject to new export restrictions. The following Monday, Nvidia said it would build AI supercomputers in Texas, in line with the president's desire to bring semiconductor manufacturing back to American shores. The next day, it disclosed the new restrictions.
"Even when you think you're playing by the rules and sacrificing a bit for the team, the rules might change tomorrow and you're going to get hit again," said Scott Lincicome, vice president of general economics and trade policy at the Cato Institute, the libertarian think tank. "It's a brutal environment for folks who want to spend billions of dollars on a 30-year project."
Trump administration officials have increasingly felt that new innovations in AI were driven by inference, which allows AI models to be applied in real-life scenarios. Nvidia's H20 had proved to be very effective in that work, people familiar with the matter said.
In recent weeks, U.S. officials, including from the National Security Council, recently met with Nvidia chief Jensen Huang to ask about the H20 and the company's global supply chains, the people said.
The administration is facing a deadline in May on how to handle the sales of advanced AI chips globally, another decision that will shape the industry's future. Meanwhile, it is investigating the sector and other tech products containing semiconductors for national-security vulnerabilities as part of its tariff strategy.
Publicly, Nvidia has said selling to China helps bring in revenue that it uses to keep its global lead in AI. Privately, it has pushed back against any new restrictions, arguing that China has already been able to produce some chips comparable to its H20, people familiar with the issue said. In the fiscal year ended January, Nvidia sold around $12 billion worth of H20s, accounting for about 70% of the company's China sales, according to analysts.
China's ability to access Nvidia's H20s had been on the radar of U.S. policymakers since the last administration. Officials who realized the value of H20s in AI development had privately discussed how to handle purchases of the chip, The Wall Street Journal has reported.
Such talks continued under the Trump administration, and were given added urgency earlier this year when Chinese AI startup DeepSeek surprised Silicon Valley and Wall Street with its low-cost, but powerful models. The emergence of DeepSeek has boosted the adoption of AI models in China, driving up demand for Nvidia's H20 and other chips.
During his nomination hearing in January, Commerce Secretary Howard Lutnick said Nvidia chips drove the development of DeepSeek's model and such U.S. assistance had to end.
"If they're going to compete with us, let them compete, but stop using our tools to compete with us," he said. "I'm going to be very strong on that."
On Wednesday, a new report on DeepSeek from a congressional committee focused on China recommended tightening export controls and boosting funding for the Commerce Department office that oversees them.
Chinese customers rushed to make purchases, anticipating a ban would come soon. In the first three months of this year, Nvidia received around $18 billion worth of orders for servers and modules equipped with the H20, a higher value of orders than Nvidia's total revenue from China during the last fiscal year, according to people familiar with the purchases. The biggest buyers were Chinese cloud computing companies such as Alibaba, Tencent and ByteDance, the people said.
If the U.S. doesn't grant any exemptions, the move would cut off an important source of computing power used by Chinese companies and research houses, and could increase demand for local substitutes.
Chinese cloud-service providers originally planned to source 50% of AI accelerator demand in 2025 using H20 processors and would now likely turn to domestic suppliers Huawei and Cambricon for AI chips, analysts from Citi wrote in a report Wednesday. Beijing has been pushing for the development of its own chip industry independent of

U.S. technology and encouraged wider adoption of domestic substitutes.



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By Liza Lin and Amrith Ramkumar

DETAILS

Subject:	Artificial intelligence; Exports; Semiconductors; Startups; Tariffs
Business indexing term:	Subject: Artificial intelligence Exports Startups Tariffs; Corporation: NVidia Corp
Location:	China; United States--US
Company / organization:	Name: Hangzhou DeepSeek Artificial Intelligence Co Ltd; NAICS: 541715; Name: NVidia Corp; NAICS: 334413, 513210
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Apr 17, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3190972110
Document URL:	https://www.proquest.com/newspapers/u-s-tries-crush-chinas-ai-ambitions-with-chip/docview/3190972110/se-2?accountid=14681
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Last updated:	2025-04-17

LINKS

U.S. News: Tariffs Aren't the Only Obstacles --- Trump's offensive also targets other nations' regulations, tax policies, licensing

Kim Mackrael; Bade, Gavin; Luhnow, David . Kim Mackrael; Bade, Gavin; Luhnow, David.

FULL TEXT

The Trump administration wants countries to tackle non-tariff barriers to trade, which it says help explain the U.S. goods trade deficit.

Some barriers are widely recognized, such as import quotas and onerous rules to certify products. Others have been cited as problems by President Trump and his team but aren't necessarily viewed as trade barriers by economists or other countries.

This week, the European Union said it had offered to lower its industrial product tariffs to zero if the U.S. would do the same. Trump said no. Vietnam's pitch to eliminate tariffs on U.S. imports also appeared to fall short.

From Brussels to Hanoi and Ottawa, leaders are learning that cutting a deal with the U.S. on trade could require much more than lowering tariffs. It might mean rewriting domestic regulations on issues such as food safety, or scrapping tax and other policies the Trump administration doesn't like -- a much more complicated undertaking that dims the prospect of resolving the trade disputes quickly.

"It's not only tariffs," Trump said this week after the EU's offer. "They come up with rules and regulations that are just designed for one reason: That you can't sell your product in those countries."

U.S. Trade Representative Jamieson Greer hammered that point home during a Senate hearing on Tuesday, holding up a copy of the National Trade Estimate, a federal report that details non-tariff barriers, and telling lawmakers that it has become "very popular" in recent days. Greer went on to detail some non-tariff barriers for lawmakers, such as licensing requirements in India that block U.S. ethanol.

In some cases, it appears that non-tariff barriers had been enough to prompt Trump's team to hike tariffs on countries even though the U.S. is running a trade surplus with them. Australia, for instance, was given a 10% tariff despite importing more from the U.S. than it exports. Pressed on that point during the hearing, Greer noted that Australia blocks U.S. beef and pork.

Trump said Wednesday afternoon that he authorized a 90-day pause on certain tariffs to most countries.

The public emphasis on non-tariff barriers reflects internal thinking at the White House, said people with knowledge of the discussions, one of whom said that addressing non-tariff barriers is the most important aspect of any potential economic deal to Trump and his economic staff.

The U.S. has longstanding barriers of its own. The Buy American Act from 1933 gives preference to U.S.-made products for federal government procurement -- a market worth hundreds of billions of dollars. Agricultural subsidies for American farmers make U.S. crops cheaper, giving them an advantage. And the 1920 Jones Act, still on the books,

forces all goods being shipped domestically in the U.S. to use American-built, owned, crewed and flagged vessels.

Clear Protectionism in Some Cases
In some cases, non-tariff barriers are clear protectionism.
Argentina for years forced car companies that wanted to import cars to either build factories in Argentina or export products that were equivalent in value to their imports -- trying to ensure the country wouldn't add to a trade deficit. That led to some strange businesses, such as South Korean carmaker Hyundai exporting peanuts from Argentina to import its cars into that country.
But for many other trading partners, non-tariff barriers are the result of a country's culture, politics and longstanding practices, which makes them difficult to get rid of, says Mary Lovely, a senior fellow at the Peterson Institute for International Economics.
"The French government knows that if it liberalizes its norms on agricultural products, it's going to have tractors lining the streets of Paris," she said. Other countries such as Japan view protecting rice farmers as a food security and cultural matter.
By Kim Mackrael, Gavin Bade and David Luhnow

DETAILS

Subject:	International trade; Agriculture; Protectionism; Trade deficit; Tariffs; Fiscal policy; Trade policy; Federal regulation
Business indexing term:	Subject: International trade Protectionism Trade deficit Tariffs Fiscal policy Trade policy
Location:	Australia; Argentina; United States--US
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A7
Publication year:	2025
Publication date:	Apr 10, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News

U.S. News: Yields Fall As Worries Mount Over Slowdown

Goldfarb, Sam . Goldfarb, Sam.

FULL TEXT

The Trump administration wanted bond yields to fall. They just didn't want it to happen like this.

Treasury yields, which fall when bond prices rise, have plunged over the past two days, reflecting deepening concerns that President Trump's tariff policies could cause significant damage to what has been a strong U.S. economy.

The yield on the benchmark 10-year U.S. Treasury note settled Friday at 3.992%, according to Tradeweb. That was down from around 4.8% in January, before tariff threats started weighing on sentiment, and roughly 4.2% on Wednesday, just ahead of the "Liberation Day" tariff announcement.

Trump's unprecedented challenge to global trade has drawn stocks closer to a bear market and weighed on the price of oil and other commodities.

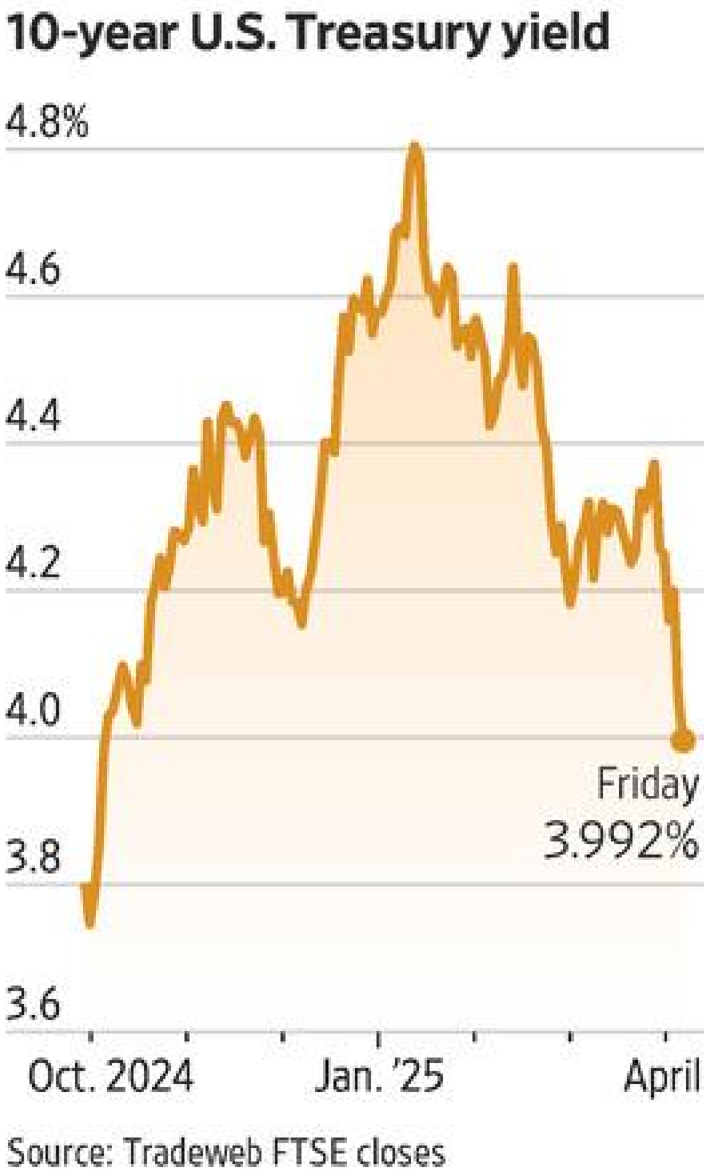
Investors, meanwhile, have flocked to bonds for the same reasons they often do during times of anxiety: They are safe and benefit when the Federal Reserve cuts interest rates (because that makes their own higher rates more appealing).

In recent months, Treasury Secretary Scott Bessent has outlined the importance of bringing down Treasury yields, reasoning that doing so would lower not only the government's borrowing costs, but also those of businesses and consumers. That is because Treasury yields set a floor on rates on everything from corporate bonds to mortgages.

Bessent, of course, didn't intend to reach this goal by sending the stock market into a tailspin. Instead, the Trump administration figured bond yields would decline as the government reduced its budget deficit, limiting the supply of new bonds entering the market. Increasing domestic oil and gas production would also help by pulling down energy prices and, more generally, inflation, Bessent has said.

That is hardly what's happening. This week's bond rally, in fact, has been particularly noteworthy because it has

happened even though investors are worried that Trump's policies could lead to higher inflation and a larger budget deficit.
For weeks, many investors have been hesitant to buy Treasurys because they believed Fed policymakers would remain cautious about cutting rates, with inflation above their 2% target. Tariffs present a conundrum for the central bank, with analysts expecting them to push up inflation in the short-term but also curb growth should consumers balk at buying more expensive products.
Investors also have speculated that a tariff-driven slowdown would compel Republicans in Congress to pursue a larger package of tax cuts, leading to more government borrowing and higher yields.
For now, those concerns have been brushed aside as many investors focus on the threat of a stumbling economy and the prospect for rate cuts.
"I think the Fed won't be early, but I think they will be aggressive when they go, and in fact the later they are, the more they have to go," said Priya Misra, a fixed-income portfolio manager at J.P. Morgan Asset Management.
Similarly, Misra said, it might be appropriate to re-evaluate "once policymakers panic" and embrace a larger fiscal stimulus. But that is a concern for later, as the market remains in its own panic mode.



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By Sam Goldfarb

DETAILS

Subject:	Inflation; Borrowing; Investments; Interest rates; Budget deficits; Tariffs; Treasuries; Yield; Bond markets
Business indexing term:	Subject: Inflation Borrowing Interest rates Budget deficits Tariffs Treasuries Yield Bond markets
Location:	United States--US
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A7
Publication year:	2025
Publication date:	Apr 5, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3186486853
Document URL:	https://www.proquest.com/newspapers/u-s-news-yields-fall-as-worries-mount-over/docview/3186486853/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-04-10
Database:	ProQuest Central

LINKS

U.S. News: Republicans Push Ahead on Tax Cuts --- Senate GOP seeks to pass a budget framework, advance president's agenda

Rubin, Richard; Hughes, Siobhan . Rubin, Richard; Hughes, Siobhan.

FULL TEXT

WASHINGTON -- Senate Republicans are plowing ahead with their plans for trillions of dollars in tax-cut extensions and new breaks, nearing a crucial budget vote to advance President Trump's legislative agenda just as his trade plans have triggered a sharp downturn on Wall Street.

Lawmakers were expected to vote Saturday morning on a fiscal framework for Trump's tax reductions and proposed new spending on border security and the military. Heading into that, Democrats were using an all-night session to force Republicans to take politically uncomfortable votes on such issues as Medicaid, Social Security, tariffs and tax policy.

Passage of the framework would be an important step for Republicans, who are struggling to bridge internal differences about lawmakers' willingness to tolerate rising budget deficits and their appetite for spending cuts.

Senate leaders are trying to unite lawmakers around the budgetary framework for the tax-and-spending package and urging them to move the process along.

But the Senate plan defers important decisions about the depth of spending cuts, and Republicans must eventually hash them out. It postpones a reckoning in the tug of war between House conservatives who say spending cuts should be tied to tax cuts and Senate Republicans who are wary of how the House plans might harm rural hospitals and Medicaid beneficiaries.

"One way or another, we're going to have to resolve it, right?" said Sen. Lisa Murkowski (R., Ala.). "You can do it now or you can do it later. And leadership has made the determination that they'll do it later, but it doesn't make it go away."

The budget process gives Democrats little control over the outcome, but they can force Republicans on the record in what lawmakers call a vote-a-rama. In a series of votes that kicked off Friday night, Democrats were highlighting who they think wins and loses from Republican policies.

"While the economy is burning, thanks to Donald Trump's reckless tariffs, the bill the Republicans are scrambling to pass is essentially a bailout for them and big corporations," said Sen. Ron Wyden (D., Ore.).

Republicans are pushing forward with Trump's tax plans days after the president imposed steep tariffs on trading partners worldwide. They are eager to show progress on tax cuts, an issue where the party is on largely same page with the president. Republicans see the tax proposals as essential to economic growth.

The combination of tax cuts and higher tariffs would shift the U.S. tax burden toward consumers at all income levels and away from upper-income households who pay much of the income tax.

To get over the finish line, the House and Senate must agree twice -- sometime soon on a budget, then later this year on a detailed bill. They are using a fast-track process that allows them to dodge the Senate 60-vote filibuster threshold and pass the bill on simple-majority votes. Republicans have a 220-213 House majority and a 53-47 Senate edge.

If the Senate passes its budget, the House could vote on it as soon as this coming week.

There is, however, no guarantee the House and Senate can agree on a budget. Hard-right House conservatives are

balking at endorsing the Senate's minimal spending-cut floors and higher debt limit.
The Senate plan would allow up to $5.3 trillion in net tax cuts over a decade. That is enough room to extend tax cuts scheduled to lapse Dec. 31, plus some version of Trump's plans to remove taxes on tips, overtime pay and Social Security benefits.
The Senate budget would lock in just $4 billion in spending cuts and aim higher in the actual bill. Senate Republicans who back significant spending reductions, including Rick Scott of Florida and Ron Johnson of Wisconsin, said they were comfortable advancing the budget after getting assurances that Trump supports spending cuts.
The House, meanwhile, backs smaller tax cuts of $4 trillion to $4.5 trillion and calls for at least $1.5 trillion in spending reductions.
One of the biggest flashpoints ahead is Medicaid, the health-insurance program covering more than 70 million low-income and middle-income people. The House budget assigns most of its spending cuts -- $880 billion -- to the committee that handles Medicaid. Lawmakers have been talking about creating work requirements and reducing the federal government's share of costs, pushing more responsibility to states.
But some GOP senators are wary of Medicaid cuts. Sen. Josh Hawley (R., Mo.), said he spoke with Trump on Thursday and that the president committed not to sign any bill that cuts Medicaid benefits.
By Richard Rubin and Siobhan Hughes

DETAILS

Subject:	Federal budget; Presidents; Medicaid; Tax cuts; Social security; Legislators; Budget deficits; Tariffs
Business indexing term:	Subject: Federal budget Medicaid Tax cuts Social security Budget deficits Tariffs; Industry: 92111 : Executive Offices 92112 : Legislative Bodies
Location:	United States--US
People:	Trump, Donald J
Company / organization:	Name: Republican Party; NAICS: 813940
Classification:	92111: Executive Offices; 92112: Legislative Bodies
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A7
Publication year:	2025
Publication date:	Apr 5, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance

ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3186486829
Document URL:	https://www.proquest.com/newspapers/u-s-news-republicans-push-ahead-on-tax-cuts/docview/3186486829/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-04-07
Database:	ProQuest Central

LINKS

President Looks to the Past to Remake the Economy --- Trump dreams of new factories and towns revitalized by tariffs, but stocks plunged on fears of hit to growth

Schwartz, Brian; Ip, Greg . Schwartz, Brian; Ip, Greg.

FULL TEXT

As investors and consumers fretted in recent weeks about the fallout if President Trump unleashed a massive trade war, Trump himself kept looking to the past.

The rest of the world has been ripping off the U.S. for 40 years, he told advisers who asked him to articulate his vision. It was, he and his advisers would note, an argument he has been making on television since the 1980s. Before his second term ends, he said, he feels he has to right those wrongs.

If people complained about the tariffs, Trump told his inner circle to remind the public of his view of how the U.S. once was and could be again: a place with thriving Main Streets and hometowns, where American workers made American products sold to the American public.

Trump leaned into that vision with his market-shaking tariff announcement Wednesday. "Empty, dead sites, factories that are falling down . . . will be knocked down, and they're going to have brand new factories built in their place," he said, to an audience that included members of the United Auto Workers union. "We're going to be an entirely different country."

The tariffs Trump announced would lift the average duty above the previous peak of 1930. It is by far the most disruptive component of an agenda that may be one of the most disruptive of any new president since the 1930s, one that includes slashing immigration, government spending, taxes and regulations.

Perhaps the most striking aspect of Trump's dramatic move to reposition the American economy is the timing. The economy he inherited was the envy of the world with growth of 2.8% last year, faster than almost every other major developed economy, an unemployment rate of just 4.1% and inflation of 2.8%. Stocks were at record highs.

Wall Street assumed Trump would prioritize growth-friendly tax cuts and deregulation while delaying and diluting tariffs, as he did in his first term.

Instead, Trump decided to administer shock treatment immediately. The economy, he argued, is a sick patient that needs therapy now, regardless of the pain. "THE PATIENT LIVED, AND IS HEALING. THE PROGNOSIS IS THAT THE PATIENT WILL BE FAR STRONGER, BIGGER, BETTER, AND MORE RESILIENT THAN EVER BEFORE," he wrote on social media Thursday.

Trump's aides see the tariff rollout as part of a comprehensive program, along with tighter borders, lower taxes and less regulation, that will result in a more self-sufficient economy, where Americans produce more and import less of what they consume, fewer jobs are filled by immigrants who came illegally, the private sector is freer and the government less burdensome.

In that economy, "We're making a lot more stuff in America, high-tech manufacturing, security goods, autos, a lot more stuff across the industrial spectrum," said Stephen Miran, chairman of Trump's Council of Economic Advisers. Less regulation and taxes will "make it faster and more flexible to make stuff in America." Families and communities left behind by deindustrialization should benefit, Miran added.

Independent economists and even many Republicans think Trump's theory of the economy is wrong and that his trade policies will leave the U.S. poorer and international relations damaged. Some economists warn they could cause a recession.

U.S. markets slid Thursday in their steepest decline since March 2020, as investors worried the new tariff plan will hurt economic growth. Global markets also sank.

White House spokesman Kush Desai said Trump has made it clear that the U.S.'s decline isn't inevitable, but a choice rooted in bad policies that put it last. "Other peer countries like Germany and Japan have put their citizens first and maintained their manufacturing base and workforce," he said.

On Wednesday, which Trump called "Liberation Day," the president dismissed naysayers, saying: "Every prediction our opponents made about trade for the last 30 years has been proven totally wrong."

Still, he has acknowledged privately and publicly that, in the short run, implementation of his plan is going to be disruptive -- higher inflation, at least temporarily, and an elevated risk of recession. "Will there be some pain? Yes, maybe (and maybe not!). But we will make America great again, and it will all be worth the price that must be paid," he said on social media in early February.

At a Republican National Committee fundraising dinner at the Four Seasons in New York on March 31, donors asked Vice President JD Vance how tariffs could impact Republicans in the 2026 congressional midterm elections.

Vance pivoted to Trump's vision for a realignment of global trade to one that better benefits the U.S., said attendees. He told the crowd that he had met with Ford Motor Executive Chairman Bill Ford, whose family still controls the company, just the previous week, as Trump announced a 25% tariff on imported cars. Ford could suffer from Trump's auto tariffs since the company has supply chains that move through both Canada and Mexico.

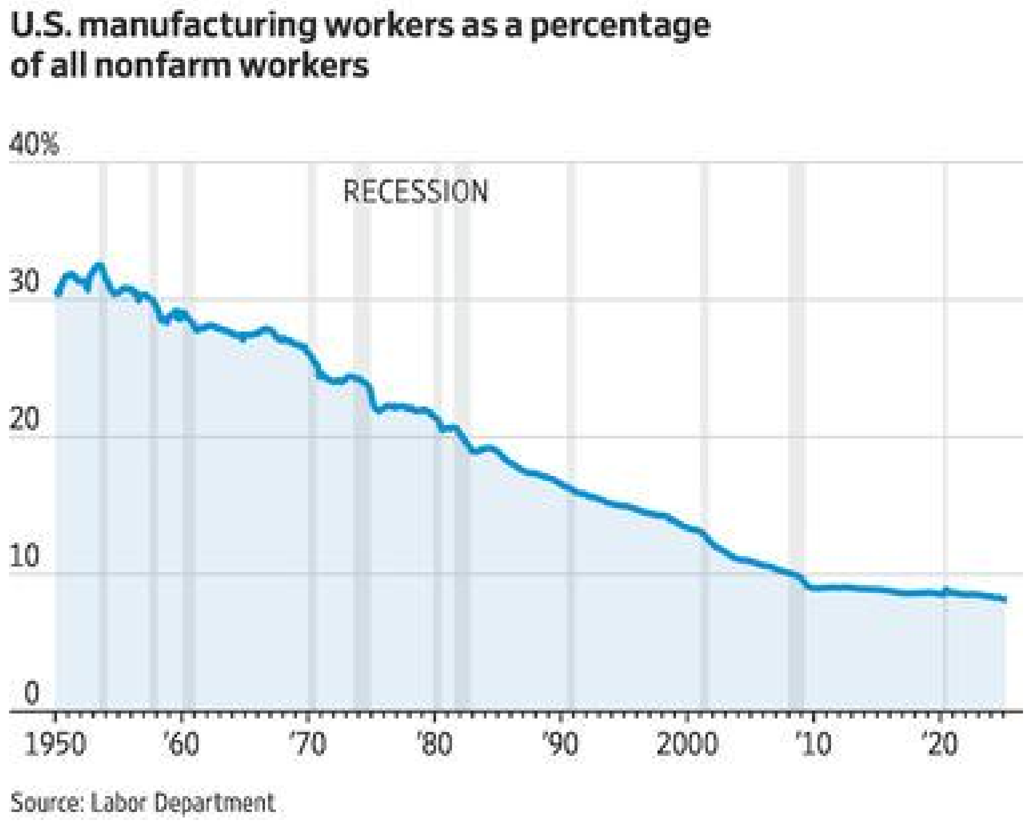
Trump is making policy decisions with his gut after meeting with his advisers, Vance told the roughly 20 donors.

A spokesman for Vance didn't respond to a request for comment. A Ford spokeswoman confirmed the meeting.

Trump's obsession with trade and tariffs is heavily influenced by his background in real estate. "From the very first

time I met him, on trade, it was as if he was talking about developing properties in New York City," recalled Sam Nunberg, who worked for Trump from 2011 to 2015. "He was extremely well versed, he followed the nuances and he knew the history of it."
Marc Short, chief of staff to Trump's first vice president, Mike Pence, and now a critic of the tariffs, said, "The way [Trump] would describe it is to say . . . the American marketplace is the greatest marketplace, and people should be charged to have access to it, like a real-estate fee. And we're suckers not to be charging people not to have access to it."
Trump developed this viewpoint early on as a real-estate developer dealing with deep-pocketed Japanese investors. "Forget about our enemies -- the enemies you can't talk to so easily. I'd make our allies pay their fair share," Trump told talk show host Oprah Winfrey in 1988. "We let Japan come in and dump everything into our markets. It's not free trade. If you ever go to Japan right now and try to sell something, forget about it . . . We make it possible for [Kuwait] to sell their oil. Why aren't they paying us 25% of what they're making?"
The targets of his ire have changed, from Japan, Kuwait and Saudi Arabia to China, Vietnam and Mexico, but his prescription has stayed the same: Make them pay for the privilege of selling to or being defended by the U.S.
His views were honed by listening to protectionist television personalities, including the late Lou Dobbs on CNN and Fox Business, Laura Ingraham on Fox and the late Ed Schultz on MSNBC, according to Nunberg.
Nunberg said Trump would remark on how much cheaper televisions were in the U.S. compared with other countries, a differential he blamed on bad trade deals. He said American workers were being victimized not just by offshoring but by illegal immigrants, citing conversations with union construction workers, Nunberg said.
The central message of his presidential campaigns reflected these ideas -- that American workers and families were being unfairly hurt by prior presidents who had allowed imports and immigrants to flood the economy.
Trump's rhetoric often evokes past eras when American manufacturing was at its zenith.
"As I was driving over, I see these empty old, beautiful steel mills and factories that are empty and falling down," he told an interviewer in Chicago last year. "We're going to bring the companies back."
Princeton historian Julian Zelizer said Trump's vision of the economy is fundamentally a nostalgic one. "It's an older, manufacturing-based, 1950s-'60s auto-producing economy that I think he still envisions is possible, fueled by oil, not fueled by electricity."
Former Republican Speaker of the House of Representatives Newt Gingrich, a supporter of Trump, disagreed. Trump, he said, admires Elon Musk and is enthralled by space travel. But he said Trump has returned the U.S. to its roots when it comes to tariffs and trade.
Trump, he said, is an admirer of President William McKinley, who raised tariffs sharply in the 1890s. Only since Franklin Roosevelt has free trade been "enshrined in modern economic thought," he said.
In his first term, Trump raised tariffs considerably, especially on China. Japan, South Korea, Canada and Mexico all made concessions to secure new trade deals with the U.S.
Yet Trump ended his term with a sense of unfinished business. He has recently told allies at his Mar-a-Lago club in Florida that he felt blocked from larger scale tariffs by people such as National Economic Council director Gary Cohn and Secretary of State Rex Tillerson.
Trump's advisers have often tried to dissuade him of what they said were his misconceptions about trade, such as who pays the cost of the tariff. "That was always a circular conversation," recalled Short. "It would be explained, it's the American importers, and he'd come back . . . and he'd say those countries need to pay."
Trump's current team includes skeptics on tariffs, but they don't try to talk him out of using them.
On Wednesday, Trump affirmed his commitment to both tariffs and prosperity. But the announcement didn't explain how the first would lead to the second.
Doug Irwin, a trade historian at Dartmouth College, noted that moving automotive supply chains with Canada and Mexico, some of which date to the 1960s, to the U.S. will be a costly, decadeslong project.
"What all economists know about tariffs is they reduce efficiency," he said. "Is it plausible that we could make all parts of all cars and be just as efficient, and offer the same cars at the same prices, than when we take advantage of

specialization across borders?"
Even supporters of tariffs say they should be complemented by investment in skills, research and advanced manufacturing, such as the law signed by President Joe Biden that directs $39 billion in subsidies toward chip manufacturing. Trump wants the law repealed, arguing for tariffs on chips instead.
"Tariffs are a very important part of the puzzle, but I think you also need supply side policies for rebuilding in America," said Oren Cass, founder of American Compass, a think tank aligned with Trump's populist agenda that favors more manufacturing at home and less immigration. "The details and subsequent policies are the way to get things done, and they've not done that yet."
Explaining Trump's economic agenda remains a challenge for Republicans who are steeped in the economic orthodoxy that tariffs are a form of taxes and thus bad for growth.
Trump's more mainstream advisers, such as Kevin Hassett, director of the National Economic Council, and Treasury Secretary Scott Bessent, play up the growth potential of his deregulatory and fiscal moves.
While Republicans in Congress have moved toward Trump on tariffs, few have embraced them enthusiastically. Rather than defend the tariffs, most prefer to discuss the parts of Trump's agenda that align with what Republicans have traditionally argued help growth, namely lower regulations, taxes and government spending.
"There's a mosaic," said Tennessee senator Bill Hagerty this week. "Part of it includes tariffs. It also includes taxes . . . there's also a deregulatory effort that's under way right now."
The hope is that the disruptive effects of tariffs, deportations and spending cuts wear off soon, allowing the positive effects of reshoring, cheaper energy and lower taxes to emerge. The anxiety among business, markets and the public that greeted Trump's "Liberation Day" announcement suggests threading that needle has become more treacherous.



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By Brian Schwartz and Greg Ip

DETAILS

Subject:	Immigrants; Economic conditions; International relations; Social networks; Tariffs; Taxes; Presidents; Free trade; Manufacturing; Investors; Recessions; Economic policy; Economic growth
Business indexing term:	Subject: Economic conditions International relations Social networks Tariffs Taxes Free trade Manufacturing Recessions Economic policy Economic growth; Industry: 92111 : Executive Offices
Location:	Mexico; United States--US; Canada; Kuwait; China; Japan
People:	Trump, Donald J
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Apr 4, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3186145304
Document URL:	https://www.proquest.com/newspapers/president-looks-past-remake-economy-trump-dreams/docview/3186145304/se-2?accountid=14681
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Last updated:	2025-04-04

U.S. News: Senate GOP Budget Framework Pencils in $5 Trillion for Tax Relief

Rubin, Richard . Rubin, Richard.

FULL TEXT

WASHINGTON -- Senate Republicans rallied behind a fiscal framework that allows more than $5 trillion in tax cuts over a decade, taking a crucial step toward turning President Trump's agenda -- tax cuts, border security and national defense -- into law.

But the GOP budget resolution released Wednesday won't be the final word along the complicated path to a major tax and spending bill. The plan employs a controversial accounting maneuver, postpones decisions about spending cuts and conflicts with a competing House plan.

The Senate is likely to vote on its budget later this week, but key House members are already objecting, warning that the Senate's approach doesn't guarantee the deep spending cuts they see as necessary.

Trump's tax proposals are a top party priority, and lawmakers view an extension of expiring tax cuts as a must-pass bill. Getting over the finish line won't be easy. The House and Senate must agree twice, first on the budgetary framework and then again on a bill that they can pass without needing any Democratic votes.

In each chamber, Republicans can lose no more than three of their own members, and lawmakers are divided over the broad strokes of deficits and spending as well as dozens of details.

During a speech Wednesday announcing new tariffs, Trump urged Republicans to unite on the budget and eventual legislation while gliding past the differences between the two chambers' approaches.

"The Senate plan has my complete and total support and the House plan likewise is very similar," he said.

Senate Republicans are planning to assume -- contrary to longstanding practice -- that extensions of expiring tax cuts have no fiscal effect. That way, Republicans can attempt to say that the roughly $3.8 trillion cost of extending Trump's expiring 2017 tax cuts is actually $0 and get an easier procedural path to making them permanent. The actual number could be different from $3.8 trillion, as Republicans haven't said precisely yet what they mean by continuing current policies.

Republicans say that's a logical way to look at continuing current tax cuts and point to a section of law that lets the Budget Committee set some official numbers.

"This will allow the tax cuts to be permanent -- which will tremendously boost the economy," said Budget Committee Chairman Sen. Lindsey Graham (R., S.C.).

Democrats, budget experts in both parties and some House Republicans call the accounting move an audacious gimmick and point out that the ultimate outlook for increasing federal budget deficits would be the same either way.

"Senate Republicans are so hellbent on cutting taxes for billionaires, they're now willing to detonate the rules of the Senate, violate norms and traditions, and break their word to get it done," said Senate Minority Leader Chuck Schumer (D., N.Y.)

On top of that roughly $3.8 trillion allowance for extending tax cuts, the budget would let the tax-writing Finance Committee expand deficits by $1.5 trillion. That's designed to provide enough room for lawmakers to make additional tax cuts. Those could include reviving expired business tax provisions, relaxing the $10,000 cap on the state and local tax deduction, expanding the child tax credit and implementing Trump's proposals to remove taxes on tips, overtime pay and Social Security benefits.

That $1.5 trillion is a net number, so the Finance Committee could add more tax cuts if it reduces spending on Medicaid or raises taxes elsewhere.

To maintain flexibility and avoid a procedural flub that could require Democratic votes to untangle, Senate Republicans set low spending-cut targets, tasking four committees with finding just $1 billion or more in savings each. Lawmakers say they aim to cut spending much more than that when they write the actual bill.

The Senate budget also calls for up to $520 billion for border-security and national-defense spending, though Republicans may not use all of that capacity.

The House budget passed in February, meanwhile, calls for at least $1.5 trillion in spending cuts and aims for $2 trillion. It allows up to $4.5 trillion in tax cuts, including the extensions of expiring provisions. That total would shrink as low as $4 trillion if the spending cuts don't hit the $2 trillion target.

House conservatives insisted on yoking the tax cuts and spending cuts together. They have been warning that they wouldn't accept a Senate plan that calls for larger tax cuts and smaller guaranteed spending cuts, and they reiterated those objections this week.

Graham said he was encouraging House conservatives to focus on spending cuts after the budget is adopted and when they are working on the actual bill.

But his House counterpart, Rep. Jodey Arrington (R., Texas), said the budget targets for each committee are the most important, enforceable numbers.

"Everything else is just wishful thinking and I'm tired of wishful thinking," he said Tuesday.

By Richard Rubin

DETAILS

Subject:	Taxes; Tax cuts; Legislators; Budget deficits; Federal budget
Business indexing term:	Subject: Taxes Tax cuts Budget deficits Federal budget; Industry: 92112 : Legislative Bodies
Company / organization:	Name: Republican Party; NAICS: 813940
Classification:	92112: Legislative Bodies
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Apr 3, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.

Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3185524521
Document URL:	https://www.proquest.com/newspapers/u-s-news-senate-gop-budget-framework-pencils-5/docview/3185524521/se-2?accountid=14681
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Last updated:	2025-04-04
Database:	ProQuest Central

LINKS

Markets: Equities Selloff, Rupiah Slide Signal Broad Indonesia Worry

Lee, Amanda . Lee, Amanda.

ProQuest document link

FULL TEXT

A potent mix of policy shifts at home and abroad have raised concerns about Indonesia's economy, sending investors fleeing from the country's stock market and the rupiah plunging to its lowest in more than 20 years.

Southeast Asia's largest economy has been changing as former general Prabowo Subianto, who became Indonesia's president last October, announced a string of populist policies which have cast doubt over the country's fiscal position.

His policies -- along with economic uncertainties -- spooked investors in March. The benchmark Jakarta Composite Index slid as much as 7.1% on March 18 -- its worst performance since September 2011 -- while the rupiah plunged to

its weakest level against the dollar since June 1998. The JCI has lost about 8% so far this year.
This came as Indonesia's economy, which relies on exports for around 20% of its gross domestic product, faces the threat of U.S. tariff uncertainty.
A trade war, combined with a slowdown in the global central bank easing cycle, could be costly for Indonesia, by weakening its currency and raising lending costs, said Chandra Pasaribu, head of research at brokerage house Yuanta Sekuritas Indonesia.
Some of Prabowo's policy moves have raised concerns, including changes from Parliament revising a law to allow armed forces personnel to hold more civilian roles.
The change in the law raised alarms over the potential of backsliding of Indonesia's democratic norms and increased politicization of state institutions, said RHB associate economist Wong Xian Yong in a note.
Another hot issue is Indonesia's sovereign-wealth fund, Daya Anagata Nusantara, also known as Danantara Indonesia, which could eventually manage over $900 billion worth of state assets.
Although the fund's management has big names -- including former Indonesian presidents Joko Widodo and Susilo Bambang Yudhoyono on the fund's steering committee, as well as U.S. economist Jeffrey Sachs and former Thai Prime Minister Thaksin Shinawatra on its advisory board -- there has been skepticism over whether it is subject to political influence and its financial sustainability.
Danantara's funding structure relies on a reallocation of state-owned enterprises' dividend contributions to the budget and state expenditure, which could widen the budget deficit, Maybank economists wrote in a note.
By Amanda Lee

DETAILS

Subject:	Gross Domestic Product--GDP; American dollar; Economic growth; Stocks
Business indexing term:	Subject: Gross Domestic Product--GDP American dollar Economic growth Stocks
Location:	United States--US; Indonesia
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B9
Publication year:	2025
Publication date:	Apr 1, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper

Language of publication:	English
Document type:	News
ProQuest document ID:	3184267322
Document URL:	https://www.proquest.com/newspapers/markets-equities-selloff-rupiah-slide-signal/docview/3184267322/se-2?accountid=14681
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Last updated:	2025-04-06
Database:	ProQuest Central

LINKS

U.S. News: Senate Republicans Devise Two-Phase Budget Strategy

Rubin, Richa rd . Rubin, Richard.

FULL TEXT

WASHINGTON -- Senate Republicans, torn over how much to reduce spending while cutting taxes, have an emerging strategy: Advance the ball now and figure out the hard parts later.

The Senate could vote as soon as this week on a fiscal framework for President Trump's "one big, beautiful bill" that would extend expiring tax cuts, implement his campaign-trail tax-cut promises and boost funding for border security and national defense.

Republican senators are talking about including significant spending cuts -- around $2 trillion over a decade -- in the eventual bill this year. But they aren't planning to lock themselves in at anywhere near that level now.

"It builds in some flexibility where people feel like we're still moving forward," said Sen. John Hoeven (R., N.D.).

The Senate approach invites an immediate conflict with the House, which would need to back any Senate-passed fiscal framework, then vote again later on a final bill. Key House members say the Senate should take the House's approach, which binds at least $1.5 trillion in spending cuts to tax cuts. They warn that they can't accept a framework that ratchets up tax cuts and waters down spending cuts.

"There's high levels of skepticism when people say we're just writing it for maximum flexibility," said House Budget Committee Chairman Jodey Arrington (R., Texas). "The Senate's got to lock themselves in and tie themselves to the

mast like we did in the House."
GOP senators aim to chalk up a win before Congress takes a two-week break in mid-April and give themselves wiggle room down the road. That choice defers pressure as Republicans try turning their unified but narrow control of the House, Senate and White House into unified tax-and-spending legislation.
The GOP is also awaiting a key ruling by the Senate parliamentarian on whether lawmakers can count extensions of expiring tax cuts as cost-free. That move could make it easier, procedurally, to make tax cuts permanent.
Democrats decry that maneuver as "magic math," and they criticize Republicans' plans to extend tax cuts that aid higher-income Americans while paring back health programs such as Medicaid.
The Senate Republicans' strategy papers over internal divisions in a group where Josh Hawley (R., Mo.) and Jim Justice (R., W.Va.) warn about potential Medicaid cuts while Rick Scott (R., Fla.) and Ron Johnson (R., Wis.) seek far deeper spending reductions. Republicans are trying to advance their plans using a special procedure that bypasses the need for Democratic votes in the Senate -- but requires them to stay nearly united.
For now, the Senate aims for relatively low minimum spending-cut levels for various committees. Those favoring spending cuts should come up with ideas and persuade other senators to vote for them during the construction of the actual bill, not now, said Budget Committee Chairman Lindsey Graham (R., S.C.).
"I don't want to hear any more about spending cuts," said Graham, who has been focused on adding border and defense money. "Those who want to cut spending, there will be a process where you can make your case before the authorizing committee."
That, Graham said, will be "the chance of a lifetime" for senators to pitch spending-cut ideas.
"I'm not a nanny here," he said. "You've got to go do your own stuff."
In the House, committee leaders figured out how much they aimed to cut and embedded those minimums into their budget. There, a hard-right faction yoked tax-cut extensions and spending cuts together, and Republicans adopted their budget in February without a single vote to spare.
That House budget set a spending-cut floor of $1.5 trillion and aimed for tax cuts up to $4.5 trillion, including extensions of current policies. The House would shrink the tax cuts by as much as $500 billion if spending cuts don't exceed $1.5 trillion. House Republicans assigned the bulk of the spending cuts to the committee handling Medicaid -- itself a figure-it-out-later strategy as moderates warned they might oppose the subsequent bill.
Republicans are torn over the balance among tax cuts, spending cuts and budget deficits, and that tension simply hasn't been resolved yet. Narrower issues also divide Republicans, such as clean-energy tax credits and the $10,000 cap on state and local tax deductions.
The tax cuts don't expire until Dec. 31, but Republicans want to move faster. They will likely include an increase in the debt limit, which makes the bill's deadline August or September. Republicans say that extending tax cuts soon would give businesses more certainty and let voters see any benefits well before next year's midterm elections.
The House and Senate can have mismatched spending-cut minimums and figure it out later. But they both have to agree to that. They must vote for identical budget resolutions -- even with dual targets -- to use the reconciliation process that sidesteps the Senate filibuster.
Put another way, senators can only set low spending-cut floors if the House lets them do it, and House members have some leverage if they object to the Senate's maximum-flexibility route.
By Richard Rubin

DETAILS

Subject:	Federal budget; Medicaid; Tax cuts; Budget deficits; Congressional committees; Flexibility; Government spending

Business indexing term:	Subject: Federal budget Medicaid Tax cuts Budget deficits Government spending; Industry: 92112 : Legislative Bodies 92313 : Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Company / organization:	Name: Republican Party; NAICS: 813940
Classification:	92112: Legislative Bodies; 92313: Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Apr 1, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3184267302
Document URL:	https://www.proquest.com/newspapers/u-s-news-senate-republicans-de vise-two-phase/docview/3184267302/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-04-06
Database:	ProQuest Central

LINKS

Elon Musk's Mission to Take Over NASA -- and Mars --- The billionaire is in position to speed up plans for a voyage to the planet, with a potentially huge impact on SpaceX

Glazer, Emily; Maidenberg, Micah . Glazer, Emily; Maidenberg, Micah.

FULL TEXT

After spending months and more than $250 million campaigning to elect President Trump, Elon Musk made a call late last year to help roll out his plan for humanity's path beyond Earth.

He reached his friend Jared Isaacman with a request: Would Isaacman become the head of the National Aeronautics and Space Administration? He told Isaacman, the payments entrepreneur who has flown to orbit with SpaceX and invested in the company, that they could make NASA great again and work toward their shared ambition of getting humans to Mars, according to people briefed on the conversation.

Soon after the call, Trump announced Isaacman's appointment.

Musk, the world's richest man and now a top adviser to the president, has extraordinary influence on budgets, personnel and technology systems across federal agencies, including the Federal Aviation Administration, which regulates commercial spaceflights at SpaceX, Musk's rocket and satellite-internet company.

Through the new Department of Government Efficiency, Musk has cut budgets, laid off staff and ditched programs. He also has DOGE reviewing the operations and personnel of agencies that have investigated Musk's companies, including the Federal Trade Commission and Environmental Protection Agency.

It is at NASA, though, where Musk is making the biggest shift in an agency's priorities to align them with his own -- both financially and personally. He is working to recast its programs, reallocate federal spending and install loyalists to aid his decadeslong goal of sending people to Mars.

He has also worked to win backing from Trump by telling the president that getting people to Mars would shine his legacy as a "president of firsts," according to people briefed on the conversations.

The ambition could have a potentially huge impact on SpaceX, which has emerged as the dominant space technology and operations company globally and is already one of NASA's biggest contractors.

The White House plans to propose killing a powerful Boeing-built rocket designed for NASA to launch astronauts to the moon and beyond in a coming budget plan, according to people briefed on the plans. Canceling the vehicle, called the Space Launch System or SLS, would potentially free up billions for Mars efforts and set up a clash with members of Congress who support it.

SpaceX officials have told people outside the company in recent weeks that NASA's resources will be reallocated toward Mars efforts.

SpaceX President Gwynne Shotwell has told industry and government peers that her work is increasingly focused on getting to Mars. Inside SpaceX, employees have been told to prioritize Mars-related work on its deep-space rocket over NASA's moon program when those efforts conflict.

A longtime SpaceX executive moved to NASA to shadow the agency's acting administrator ahead of Isaacman's confirmation. He's in position to monitor the highest levels of decision-making, and is known to some as "Elon's conduit," people familiar with the arrangement said.

And NASA's program known as Artemis, its long-range plan to explore the moon and eventually Mars, is being rethought to make Mars a priority. One idea: Musk and government officials have discussed a scenario in which SpaceX would give up its moon-focused Artemis contracts worth more than $4 billion to free up funds for Mars-related projects, a person briefed on the discussions said.

"We are going to be able to take astronauts to Mars," Musk said in a Fox News interview in mid-March. "And ultimately build a self-sustaining civilization on Mars. That is the long-term goal of the company: make life multi-planetary."

Trump in an interview in October called on Musk to launch a Mars mission during his next term. And in his inauguration speech -- in a line the president himself added -- Trump said he would launch Americans to "plant the Stars and Stripes on the planet Mars."

The White House said the president advanced American leadership in space in his first term and will do so in his second term. "As for concerns regarding conflicts of interest between Elon Musk and DOGE, President Trump has stated he will not allow conflicts, and Elon himself has committed to recusing himself from potential conflicts," White House spokeswoman Karoline Leavitt said.

Musk and his representatives didn't respond to requests for comment.

A NASA spokeswoman said it looks forward to its incoming administrator "setting an agenda that aligns with the bold vision President Trump outlined in his inaugural address." She added: "In that spirit, we remain committed to advancing an ambitious strategy to return Americans to the lunar surface, reach Mars, and push the boundaries of exploration even further."

This article is based on interviews with nearly three dozen people close to Musk and the Trump administration, NASA, lawmakers and SpaceX.

For decades, colonizing Mars has been the stuff of science fiction, and the obsession of a band of devotees scattered across the country. Musk has emerged as a leader in the movement. At his companies, employees have spent years conducting research and working on Mars-related initiatives.

Past U.S. presidents have called for human exploration of Mars, but launching crewed missions has been more of a stretch goal, given the immense technical hurdles and risks to astronauts. It can take roughly a week to get to the moon and back, versus an estimated two to three years for a round trip between Earth and Mars.

NASA currently first wants to carry out a return to the moon's surface. It wants to establish a sustained human presence on the moon, with habitats and rovers. It plans to use that experience to inform a crewed mission to Mars, but when such a flight might occur isn't spelled out in recent agency documents.

Musk wants to move up plans to go to Mars. SpaceX wants to use Starship -- still in the testing phase -- to launch an uncrewed mission to the red planet next year, with crewed missions as early as 2029.

To accomplish a plan to move up a Mars mission would likely mean a massive reordering of NASA's programs -- many of which take place over years -- and staff. The nearly 70-year-old agency has about 18,000 employees and an annual budget of around $25 billion. Along with space exploration, staffers study climate change, research pilotless aircraft, carry out scientific experiments and help operate the International Space Station, among other activities.

NASA staff on Jan. 31 received an email, reviewed by The Wall Street Journal, from the agency's acting administrator to welcome a new senior adviser: longtime SpaceX executive Michael Altenhofen. In his role at SpaceX, he became close to Isaacman and talks to him frequently. He took up his position right away, ahead of the confirmation hearing for Isaacman.

Days later, NASA's top brass gathered on the ninth floor of the agency's Washington headquarters. Present were DOGE staffers, there to analyze the agency's work. It started off on an awkward note: As people around the conference room shared their names and titles, one person whom others knew to be a DOGE staffer described themselves as a staffer at the Treasury Department -- instead of as part of DOGE.

Even before the meeting, some NASA officials had been concerned about how transparent DOGE staffers would be about what they were doing.

Many NASA employees are rattled by changes leaders have made since the inauguration and are worried that a potentially large number of layoffs will upend the agency's work.

NASA is committed to optimizing its workforce and resources in alignment with DOGE initiatives, the NASA spokeswoman said, adding that it ensures taxpayer dollars are directed toward the highest-impact projects while maintaining NASA's essential functions.
NASA's long-range plan to explore the moon and eventually Mars is under the microscope. NASA has been working on the Artemis program and its predecessors for years. The cost from the government's fiscal years 2012 through 2025 is estimated at $93 billion, according to the agency's inspector general.
In January, Musk called the moon program a distraction. Days earlier he had criticized Artemis, saying "Something entirely new is needed."
SpaceX, Boeing and others have billions in contracts to build rockets, ships and lunar landing vehicles, among other technologies, for the program.
Musk has discussed with officials the idea that SpaceX's moon-focused contracts, valued at more than $4 billion, could be dropped in favor of Mars plans.
SpaceX's current Artemis contracts call for it to conduct an uncrewed test landing on the moon ahead of two missions where the spacecraft would transfer astronauts from an orbit to the lunar surface.
Current and former NASA officials have said they are worried that a major overhaul of Artemis would end up stalling U.S. progress after years of effort on hardware and infrastructure for the program. Getting rid of the SLS rocket carries its own risks, those officials say, because new private-sector vehicles, including SpaceX's Starship, aren't operational or are still ramping up.
Starship needs to reach important milestones -- including work related to fuel transfers and operations with Orion, a Lockheed Martin-built craft that would ferry astronauts to the moon -- before it could transport crew. SpaceX has conducted eight test launches, but the last two ended in explosions.
NASA has flown one mission with SLS, an uncrewed test flight in 2022 that launched an Orion spacecraft around the moon and returned it to Earth. It has additional flights scheduled in the years ahead.
Officials from Trump's Office of Management and Budget have told people about discussions under way to move U.S. government dollars toward Mars initiatives and away from programs focused on the moon and science missions.
Killing or dramatically remaking the program would unravel years of development work, but some proponents say much of the hardware for Artemis, from the SLS rocket to ground infrastructure, is too expensive, slow to produce and behind schedule.
Any changes to the Artemis program could also affect Blue Origin, Jeff Bezos's space company, which has a contract to develop a lander for a future moon mission.
Artemis has powerful supporters in Congress. Other lawmakers hold views that clash with Musk on NASA priorities outside of Artemis. The International Space Station, the orbiting research lab that NASA helps operate, generates work at NASA's facility in Houston and is important to Sen. Ted Cruz (R., Texas). NASA plans to decommission the station around 2030, although it could be extended, and wants private companies to develop new stations. But Musk in February said the ISS had served its purpose and should be brought down sooner to better focus on Mars.
SpaceX aims to test Starship aggressively with multiple test flights. Those must be approved by the FAA, the federal air-safety regulator.
Following a test flight of Starship earlier this year, Musk suggested to a group of people gathered at the company's Starbase complex in Texas that he saw space-related regulation as antithetical to achieving what SpaceX wants.
SpaceX said the FAA has at times slowed progress on its Starship rocket, and Musk last year accused the agency of overreach after it said SpaceX violated rocket-launch regulations.
Staffers from Musk's DOGE group have been active at the FAA, focusing in part on air-traffic-control technology.
Isaacman, Trump's nominee for NASA chief, has told people that he and Musk share a vision for making it possible for humans to live on other planets. When asked by an X user if he thought humans could fly to Mars as soon as 2028, Isaacman said it is worth investing in big-picture goals. The billionaire founded payments-technology firm Shift4 Payments and has been interested in space since childhood. A spokeswoman for Isaacman didn't respond to requests for comment.

Musk and his associates have discussed other potential NASA administrator candidates in case Isaacman isn't confirmed, according to a person briefed on the deliberations.
Part of Isaacman's preparation ahead of the hearing, which hasn't been scheduled yet, includes questions about Musk's role in setting government policy and Isaacman's ties to Musk and SpaceX.
In a recent filing, Isaacman reported more than $5 million in capital gains related to SpaceX shares, indicating he sold company stock. He valued agreements with Musk's company, including a space flight deal, at more than $50 million, and said one of his business ventures would terminate them if he is confirmed to run NASA, filings show. His payments company also does business with SpaceX's Starlink division.
Musk founded SpaceX in 2002 with the mission of taking humanity to other planets. Engineers at SpaceX have, at times, worked on how humans might live off the land on Mars, such as by turning materials on the planet into usable resources. And senior technical leaders include an employee whose job it is to focus on landing a future Starship spacecraft on the Martian surface.
By Emily Glazer and Micah Maidenberg

DETAILS

Subject:	Presidents; Astronauts; Budgets; Moon; Employees; Mars; Space exploration; Rocket launches
Business indexing term:	Subject: Budgets Employees; Industry: 92111 : Executive Offices 92711 : Space Research and Technology
Location:	United States--US
People:	Trump, Donald J; Musk, Elon; Isaacman, Jared
Company / organization:	Name: National Aeronautics &Space Administration--NASA; NAICS: 927110; Name: Space Exploration Technologies Corp; NAICS: 336414, 336415
Classification:	92111: Executive Offices; 92711: Space Research and Technology
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Mar 31, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660

Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3183471709
Document URL:	https://www.proquest.com/newspapers/elon-musks-mission-take-over-nasa-mars/docview/3183471709/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-03-31
Database:	ProQuest Central

LINKS

U.S. Trade Risks Global Fallout --- Foreign investors retreat as America's selloff this year reverses their gains

Dulaney, Chelsey . Dulaney, Chelsey.

ProQuest document link

FULL TEXT

What do priests in New Zealand, Taiwanese life insurers and the oil-rich nation of Norway have in common? They have all been riding high on booming U.S. markets -- and are now vulnerable to a reversal in fortunes.

The superior performance of U.S. investments over the past decade-plus has been a giant magnet for the world's money. Foreign investors own almost 20% of all U.S. equities compared with 7% at the start of this century, Goldman Sachs data shows. The bets generated years of windfall profits, making up for dreary returns on offer in many overseas markets.

Now, foreigners are racking up losses as the so-called American exceptionalism trade sputters. The Trump administration's tariff whiplash, doubts about the U.S. artificial-intelligence trade and recession fears have rattled U.S. markets this year, even as European ones have rallied.

The selloff could prove temporary. But it is stoking concern that if U.S. markets really were to crater, the collateral damage would be profound.

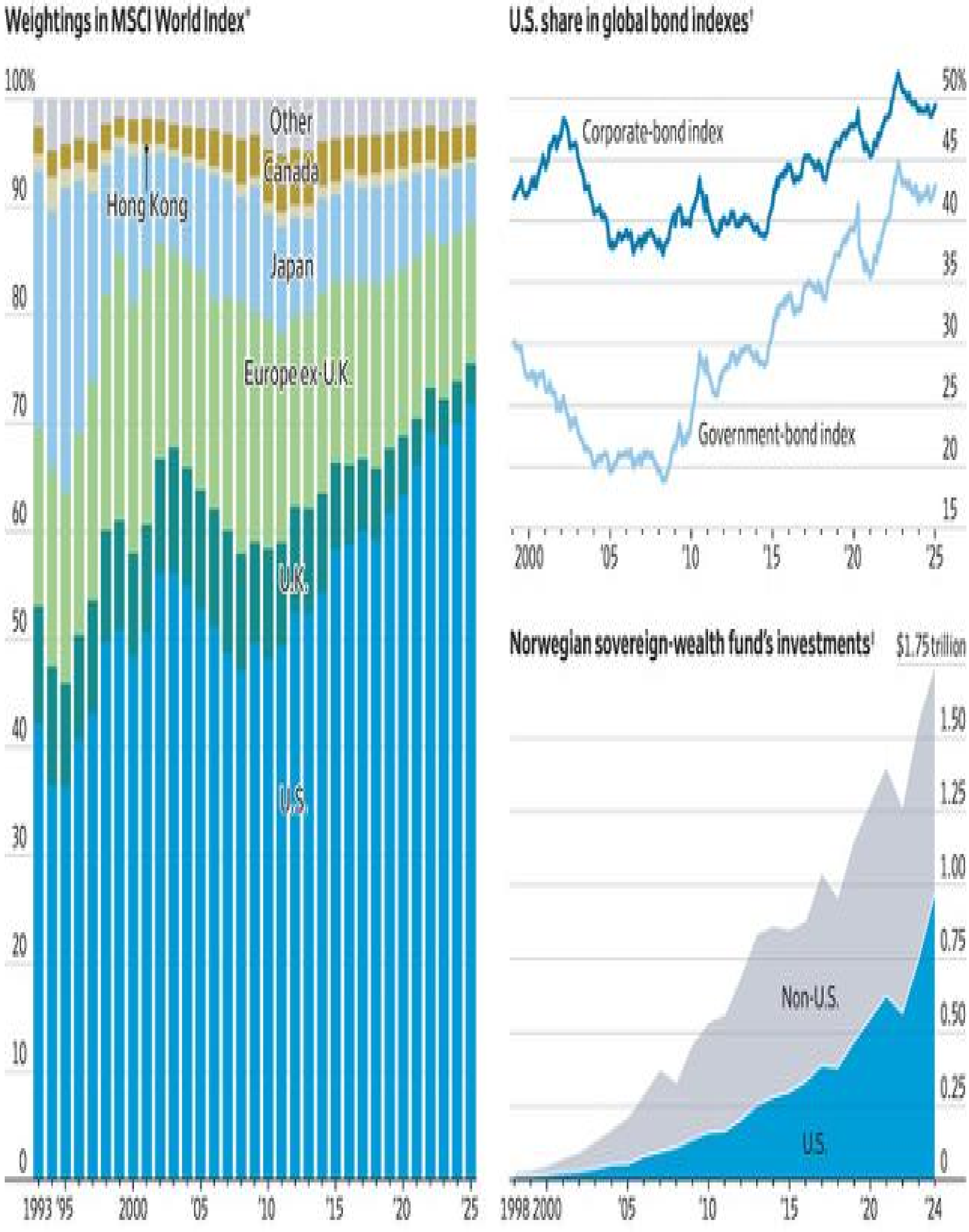
"You've got an enormous global concentration in U.S. financial markets," said Brad Setser, senior fellow at the Council on Foreign Relations and a former U.S. Treasury Department official. "Investors are taking an increasingly big risk."
Overseas investors are more vulnerable to U.S. market turbulence because of their exposure to the dollar. The S&P 500 is down about 9% from its February peak, but eurozone investors have lost about 13% due to the dollar's slide, according to FactSet data.
"Looking back in history at episodes when concentration was so high, it always ends," said Torsten Slok, chief economist at Apollo Global Management. "The finance textbook is clear: You should simply not allow your U.S. share to grow so big."
The large presence of the U.S. in global portfolios is a byproduct of years of measly returns abroad -- and huge success in America, thanks to fast economic growth, thick profit margins, and innovative tech companies such as Apple and Nvidia. The U.K.'s FTSE 100 index is up less than 30% over the past decade. The S&P 500, even after this year's selloff, is up more than 170%.
The rise of passive investing, in which funds track a broad market index, also plays a role. As U.S. markets have grown, so has their share in indexes, creating built-in demand for American assets.
U.S. stocks make up 72% of MSCI's index of international stocks, a benchmark for many global portfolios. That is up from about 47% in 2008. American debt's share in global bond benchmarks also has shot higher.
In one of London's poshest areas, the Royal Borough of Kensington and Chelsea, the local government's pension fund has enough money to pay out all its obligations two times over thanks largely to U.S. stocks.
In New Zealand, the pension fund for Anglican Church clergy notched a 27% increase on its international stock portfolio in its latest fiscal year. Norway's $1.8 trillion oil-wealth fund posted its largest-ever profit thanks to "massive gains" on its tech portfolio, according to Nicolai Tangen, chief executive of Norges Bank Investment Management, which operates the fund.
"We are very happy shareholders in great American companies. For the last 10 years, the U.S. has compounded at twice the rate of Europe," Tangen said.
He and others have concerns, however, especially about the market's reliance on U.S. tech. Previous U.S. financial-market downturns were global events. The 2008-09 subprime mortgage crisis ricocheted across the global financial system, and the dot-com crash in the early 2000s fueled recessions in economies such as Taiwan's that had built up large tech sectors.
Norway's fund has trimmed U.S. tech holdings, but its overall exposure to the U.S. has been rising because of a government decision to put more money in America. U.S. assets made up 53% of the fund's investments last year, up from 32% a decade earlier. It can deviate only slightly from its benchmarks, which are largely dominated by U.S. assets.
The fund's latest stress-test scenario showed it could lose 18% of its value if the AI boom turns to bust. The wealth fund contributes about 20% of Norway's government budget and helps pay for its generous social-welfare programs.
Individual investors have piled in, too. Trading apps have opened up U.S. markets to investors in Europe, where people traditionally stashed savings in cash, bank accounts and insurance policies. The most popular stocks on European trading app Trade Republic last year were Nvidia, Apple and Amazon.com.
Omer Martinet, 29 years old, of Bordeaux, France, started investing in 2020 and now holds 70% of his stock portfolio in U.S. companies.
"I compared the performance of French companies to U.S. companies, and the difference was astonishing," he said.
Martinet, who is up overall on his investments, said he had lost "tens of thousands of euros" this year because of the U.S. market selloff. If they don't recover, he might have to delay his plan to buy an apartment. But he isn't giving up on his U.S. investments.
"I think the U.S. economy will remain, for at least this century, the main economy in the world," he said.
The dollar has weakened this year. A further selloff is a threat to overseas investors, who owned more than $14 trillion in U.S. bonds at the end of 2024, according to Federal Reserve data. Many only partially shield themselves against currency swings, a practice known as hedging.

Taiwanese life insurers are among the most exposed, said Setser of the Council on Foreign Relations. They own more than $700 billion in foreign bonds, he said, mainly U.S. dollar debt. Most of their liabilities are in Taiwan dollars. About 40% of this currency mismatch isn't hedged.

Many foreign investors say the U.S. still has more to offer than much of the rest of the world.

Australia's largest pension fund, AustralianSuper, has about one-third of its $230 billion in assets in the U.S. and is expanding its New York office. John Normand, head of investment strategy, expects the U.S. market turbulence will be temporary.

"The U.S. is first in the league table for interesting investment opportunities that meet all of our criteria: scale, scope, cyclical strength, structural strength," Normand said. "The U.S. is going to have certain advantages for a while."



*2025 data as of March 26 †Shows U.S. weighting in the FTSE World Government Bond Index and FTSE World Broad Investment-Grade Bond Index. Monthly data, through February 2025
‡Excludes cash and derivatives

Sources: MSCI (weightings); FTSE Russell (U.S. share); Norges Bank Investment Management (investments)

Enlarge this image.

By Chelsey Dulaney

DETAILS

Subject:	Stock exchanges; Investments; American dollar; Investment policy; International relations; Windfall profits; Benchmarks; Pension funds; Insurance policies; International finance; Investors; Portfolio management
Business indexing term:	Subject: Stock exchanges American dollar Investment policy International relations Windfall profits Pension funds Insurance policies International finance Portfolio management; Corporation: NVidia Corp; Industry: 52511 : Pension Funds 52394 : Portfolio Management and Investment Advice 52321 : Securities and Commodity Exchanges
Location:	New Zealand; United States--US; Norway; Taiwan; Europe
Company / organization:	Name: Council on Foreign Relations; NAICS: 541720, 813910; Name: NVidia Corp; NAICS: 334413, 513210
Classification:	52511: Pension Funds; 52394: Portfolio Management and Investment Advice; 52321: Securities and Commodity Exchanges
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B1
Publication year:	2025
Publication date:	Mar 31, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3183471692
Document URL:	https://www.proquest.com/newspapers/u-s-trade-risks-global-fallout-foreign-investors/docview/3183471692/se-2?accountid=14681
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U.S. News: Businesses Bristle at a GOP Tax Proposal

Rubin, Richard . Rubin, Richard.

FULL TEXT

WASHINGTON -- Congressional Republicans may consider capping corporations' ability to deduct state and local taxes from federal taxable income, and business lobbyists are rallying to fight the potential change, which would raise hundreds of billions of dollars over a decade.

Repealing or curbing the corporate state and local tax deduction (C-SALT, in tax shorthand) would parallel today's $10,000 cap on SALT deductions for individuals and raise money to pay for tax cuts in the major legislation Congress is assembling this year.

Ending deductions for state corporate income taxes would yield $223 billion over a decade, and ending property-tax deductions would nearly double that, according to the Tax Foundation, which favors a system with lower rates and fewer breaks. That is easily enough to cover, for example, President Trump's no-tax-on-tips pledge or help offset changes to the individual SALT cap.

"It might be something to consider as a pay-for for higher individual SALT, but we'll see," said Rep. Lloyd Smucker (R., Pa.), who is a member of the tax-writing House Ways and Means Committee.

Party leaders are still arguing about the broader fiscal framework and the scope of spending cuts.

Even with that uncertainty, businesses see the C-SALT risk as real, and they are warning that a cap is a tax-rate increase by another name.

"Retaining a 21% corporate rate is by far the No. 1 issue of our members, and we see this as a threat to that," said Catherine Schultz, vice president for tax and fiscal policy at the Business Roundtable, which represents large-company chief executives.

This isn't 2017, when corporate pressure to lower the 35% tax rate and lighten taxes on foreign profits motivated Trump's first-term tax law. Then, Republicans made corporate changes largely permanent and set individuals' tax cuts to expire after 2025.

This time, with those individual expirations looming, large U.S.-based companies are mostly playing defense, trying to preserve 2017's wins. Companies want extensions of some international rates and restoration of lapsed tax provisions on capital investment, research costs and interest expenses. Trump's promised tax break for domestic manufacturers would be welcome, too.

Most congressional action, however, is focused elsewhere, on continuing expiring tax cuts for individuals, estates and closely held businesses. Republicans are seeking ways to include Trump's promises to eliminate taxes on tips, overtime pay and Social Security benefits, and that has them considering spending cuts, changes to clean-energy tax credits and ideas like the C-SALT cap that otherwise might be unpalatable.

Republicans also are re-examining the 2017 SALT cap they imposed on individuals. There, they are likely to lower the tax burden by raising the $10,000 cap. That change would respond to concerns from GOP House members from New York, New Jersey and California.

Like the original $10,000 cap on individual deductions, a C-SALT cap raises significant money but isn't technically a rate increase. It is ultimately paid by higher-income people because much of the burden would be felt by corporate shareholders. And it creates incentives for state and local governments to lower their taxes.

If they pursue a C-SALT cap, lawmakers will encounter several crucial choices.

An income-tax deduction limit would be less far-reaching than one that also applies to property taxes. But because corporate income taxes are calculated largely based on the location of a company's sales, not its headquarters, companies can't avoid them by moving. In that sense, it is quite different from the individual cap.

Congress would also need to consider state taxes on particular industries, such as severance taxes on oil, gas and mineral extraction and premium taxes on insurance policies.

"Done in any way, scoped broadly or narrowly, it is simply a backdoor rate increase," said Aaron Padilla, vice president of corporate policy at the American Petroleum Institute.

For life insurers, premium taxes effectively operate as a gross receipts tax, said David Chavern, president and chief executive of the American Council of Life Insurers. He said his member companies can't change where their customers live or reprice policies sold decades ago.

"I can't quite tell if this is just the intellectual debate that people are having or whether there's something real underneath," Chavern said. "We kind of need to talk about it so people understand it is a really bad idea."

Lawmakers would also decide how to handle businesses such as partnerships and S corporations, which don't face corporate income taxes and instead pay through their owners' personal tax returns.

By Richard Rubin

DETAILS

Subject:	Tax rates; Presidents; Tax deductions; Corporate income tax; Insurance policies; Tax cuts; Commercial real estate
Business indexing term:	Subject: Tax rates Tax deductions Corporate income tax Insurance policies Tax cuts; Industry: 92111 : Executive Offices
Location:	United States--US
Company / organization:	Name: Republican Party; NAICS: 813940
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A2
Publication year:	2025
Publication date:	Mar 26, 2025

Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3181117373
Document URL:	https://www.proquest.com/newspapers/u-s-news-businesses-bristle-at-gop-tax-proposal/docview/3181117373/se-2?accountid=14681
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Last updated:	2025-03-26
Database:	ProQuest Central

LINKS

Technology &Business -- Cybersecurity: Cyberattack Response Shifts to States --- Executive order says preparation for hacks should be handled more locally

Loten, Angus; Rundle, James . Loten, Angus; Rundle, James.

FULL TEXT

The Trump administration wants state and local governments to play a bigger role in protecting water utilities, ports and other critical infrastructure from cyberattacks.
In an executive order signed Tuesday, President Trump directed White House senior security advisers to draw up a national resilience plan to protect critical infrastructure that shifts more responsibilities to the state and local level.
"Federal policy must rightly recognize that preparedness is most effectively owned and managed at the State, local, and even individual levels, supported by a competent, accessible, and efficient Federal Government," he said.
Trump also called for a review of several executive orders and actions from the Biden administration, including those that establish a whole-of-government approach in managing cyber risks to critical infrastructure.
The order comes a week after the Department of Homeland Security cut about half the federal funding, or $10 million, to the Multi-State Information Sharing and Analysis Center, which shares threat intelligence among state-level cyber agencies and staff.
A spokeswoman for the Center for Internet Security, a nonprofit that manages the center, said the cuts will leave state governments exposed to nation-state threats.
"These jurisdictions are on the front lines of supporting much of the nation's critical infrastructure, and they rely on the MS-ISAC for vital resources to monitor and avert cyber threats that arise daily," she said.
U.S. adversaries have stepped up hacking operations against state and local governments and critical infrastructure companies in recent years. Hackers linked to China, in particular, have burrowed deep into the digital plumbing of telecom, water, power and other key sectors across the U.S., said Jen Easterly, former director of the Cybersecurity and Infrastructure Security Agency.
"What we were able to find at CISA was just the tip of the iceberg," she said at a panel discussion in New York on Thursday.
China has shifted cyber tactics, Easterly said, from data gathering and espionage to targeted disruptions of everyday services, including a water utility in Hawaii, a port in Houston and a U.S. oil-processing plant.
Beijing has consistently denied involvement in cyberattacks.
"I think it's important to understand how serious, urgent and different the threat has evolved into it," Easterly said.
Some populous, well-resourced states and cities have already built facilities for managing hacks. In January 2015, New York City started work on a cyber command to coordinate security efforts and incident response among the city's more than 100 agencies. Then-Mayor Bill de Blasio, a Democrat, authorized the command in 2017.
"That was when New York City took ownership of the problem, put its arms around it, and that's what I see in [Trump's] executive order," said Gustavo Rodriguez, chief executive of cybersecurity company Digital First Responders.
Rodriguez helped create NYC Cyber Command when he was a lieutenant in the New York Police Department's Intelligence Bureau.
NYC Cyber Command is part of the city's Office of Technology and Innovation, which has a preliminary budget for fiscal year 2026 of $743.2 million. Such resources are far beyond the capabilities of most cities, many of which struggle to fund effective cybersecurity programs.
Even cities of similar size, such as Los Angeles, have shifted initial plans for cyber commands to looser public-private partnerships or state organizations. States including Texas, Maryland and Virginia often lean on National Guard cyber units to help respond to serious hacks.
Rodriguez said managing cyber risks doesn't always mean spending hundreds of millions of dollars. Even getting the heads of departments in a room with local Federal Bureau of Investigation contacts to share information can be beneficial, and can be done without the megabudgets of a metropolis like New York.
"Human-to-human partnership is free. That's coffee and bagels," he said.
By Angus Loten and James Rundle

DETAILS

Subject:	Cybersecurity; Government agencies; Infrastructure; Executive orders; Cities; Jurisdiction; State government
Business indexing term:	Subject: Infrastructure
Location:	China; New York City New York; New York; United States--US
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B4
Publication year:	2025
Publication date:	Mar 24, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3180489503
Document URL:	https://www.proquest.com/newspapers/technology-amp-business-cybersecurity-cyberattack/docview/3180489503/se-2?accountid=14681
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Last updated:	2025-03-24
Database:	ProQuest Central

LINKS

World News: German Spending Clears Hurdles --- Package for defense and infrastructure aims to jolt economy as U.S. steps away

Bertrand, Benoit . Bertrand, Benoit.

FULL TEXT

BERLIN -- Germany's mammoth spending package cleared its last parliamentary hurdle, paving the way for as much as 1 trillion euros in civilian and defense investments to jolt the region's economy and reduce its military reliance on the U.S.

But economists and defense experts have warned that for Germany and Europe to reap the full benefits, the wall of money would need to be flanked with ambitious -- and not necessarily popular -- structural overhauls, including tax, bureaucracy and labor-market reforms.

Germany's spending plan, equivalent to some $1.08 trillion, has drawn cheers across a continent unnerved by signs that the U.S. is downgrading its security commitment to Europe and seeking a rapprochement with Vladimir Putin's Russia, which is seen as the region's biggest threat.

"Berlin is breaking the piggy bank, and it's doing it even before the next government is in office," said Francois Heisbourg, a Paris-based expert on strategy and defense who has advised the French president. "Germany is giving itself the means to become a military force to match its economic and strategic weight. That's a sea change."

Friedrich Merz, winner of last month's election and the man in line to become chancellor, has pledged to focus on European cooperation after the departing government became increasingly distracted by internal frictions between the coalition's three parties.

The German spending plan he developed marks a U-turn for Berlin, which for years preached fiscal discipline to its European neighbors while letting its military atrophy for lack of investment. The package's scale dwarfs a 158 billion euro defense fund floated by the European Commission this month to support military spending in the European Union and fund future help for Ukraine.

The German decision is especially credible, Heisbourg said, because it would directly benefit German arms manufacturers, including Rheinmetall, an armored-vehicle and ammunition maker, and others that have proven their ability to deliver large orders quickly on behalf of Ukraine.

The package is made possible by a constitutional amendment that effectively exempts defense-related spending from the provisions of Germany's strict fiscal rules, which ban budget deficits bigger than 0.35% of gross domestic product. This exemption will apply not just to spending on military hardware but also on cybersecurity, intelligence and civil protection.

Because Germany has relatively low public debt, the upshot is that it will from now on be able to spend as much on defense as investors are willing to lend it -- at least and as long as overall spending doesn't breach the EU's more lenient spending rules.

The priority "is to make sure that the money is being spent efficiently and not only to plug gaps in hardware," said Ben Schreer, executive director of the International Institute for Strategic Studies' Europe office in Berlin.

The amendment also creates a 500 billion euro investment fund to be spent on long-neglected transport, communication, digital and power infrastructure as well as on measures to combat climate change, over the next 12 years.

The legislation was designed so that only new investment is eligible for funding -- a provision meant to prevent existing investments from migrating from the ordinary budget into the fund.
After the amendment gathered the necessary two-thirds majority in both houses of parliament on Tuesday and Friday, the package's implementation will depend on detailed legislation that will be drafted when the next government takes office.
This is likely to happen at the end of April as Merz's conservatives and their prospective center-left coalition partners are locked in negotiations over the government's policy agenda for the next four years. While the two buried their differences to push the spending package through, they remain at odds on issues ranging from how much should be done to combat illegal immigration to the merits of cutting income and corporate tax.
The spending package has caused some consternation in conservative ranks after Merz campaigned against relaxing the country's fiscal rules. But most economists agree that the combination of rapid rearmament and much-needed infrastructure investments could be a boon for an economy that has barely grown since before the Covid-19 pandemic and has been in recession for the past two years.
The plan could help Germany's GDP grow by 0.3% this year and 2.1% by 2027 if it is implemented quickly, according to insurer Allianz. While Germany's public debt was set to fall rapidly on the previous spending trajectory, it could now reach 68% of GDP by 2027, Allianz said.
By Bertrand Benoit

DETAILS

Subject:	Gross Domestic Product--GDP; Infrastructure; Deficit financing; Economic growth; Budget deficits; Government spending; Defense spending
Business indexing term:	Subject: Gross Domestic Product--GDP Infrastructure Deficit financing Economic growth Budget deficits Government spending
Location:	United States--US; Ukraine; Germany; Europe
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A7
Publication year:	2025
Publication date:	Mar 22, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper

Language of publication:	English
Document type:	News
ProQuest document ID:	3180011451
Document URL:	https://www.proquest.com/newspapers/world-news-german-spending-clears-hurdles-package/docview/3180011451/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-03-24
Database:	ProQuest Central

LINKS

U.S. News: Florida Looks at Scrapping Its Property Tax

Campo-Flores, Arian; Acosta, Deborah . Campo-Flores, Arian; Acosta, Deborah.

FULL TEXT

Florida's leaders are considering a far-reaching remedy to cut the soaring costs of owning a home: ditching property taxes.

Killing property taxes would leave the state more reliant on its sales tax and strip local governments of revenue to fund everything from schools to social services. A full repeal is unlikely soon, but the idea is gaining political traction, reflecting the strain homeowners are under.

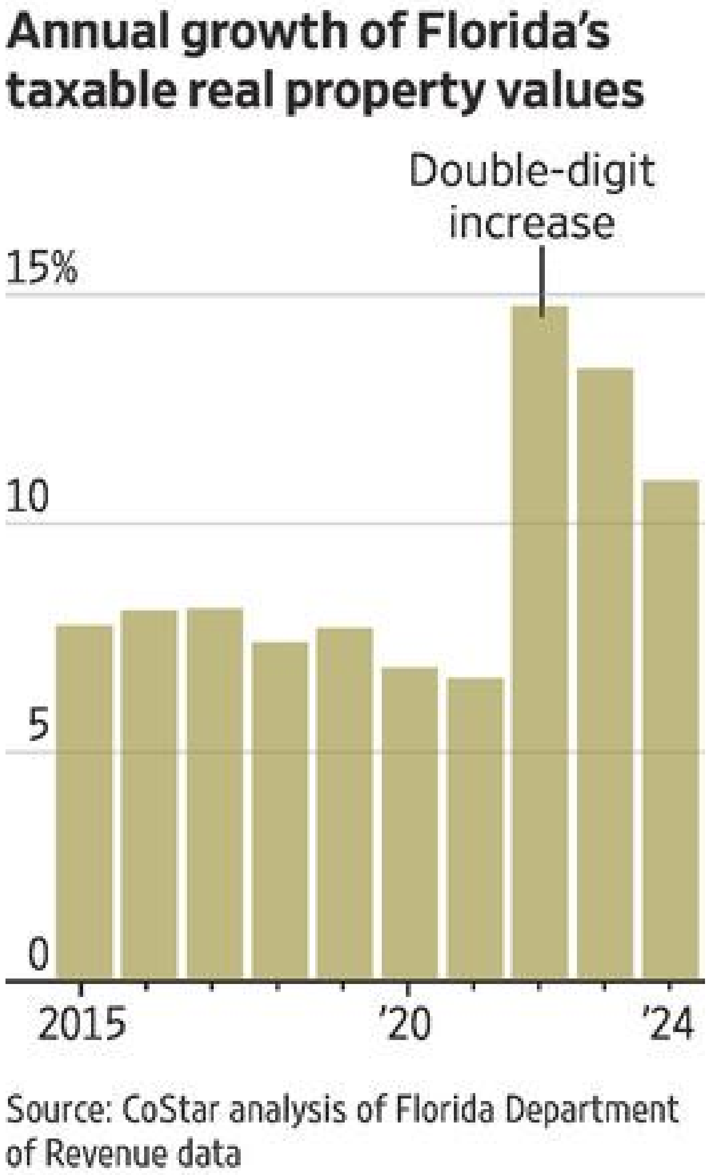
The property-tax system is among the top issues under discussion in the legislative session that began this month. Eliminating property taxes would be the first such move in the nation.

Republican Gov. Ron DeSantis urged the Legislature in his recent State of the State address to provide relief from such taxes. And Florida's lawmakers have filed dozens of bills on the issue, ranging from proposals to end property taxes to smaller tweaks to give targeted help to homeowners.

"People are getting crushed not just by home insurance but by property taxes," said GOP state Sen. Jonathan Martin, who is sponsoring a bill that would require a study on the elimination of property taxes be completed by October. "That American dream in Florida is taking five figures a year in local taxes."

Revolts against property taxes have erupted elsewhere in recent months as homeowners' tax bills have risen

alongside home values. Property values in the U.S. increased 27%, adjusted for inflation, between January 2020 and July 2024, according to the Tax Foundation, a think tank.
"You're seeing a groundswell of opposition to property taxes generally" -- one reminiscent of a wave of protest in the 1970s and 1980s that triggered ballot measures including Proposition 13 in California that capped property taxes, said Jared Walczak, vice president of state projects at the Tax Foundation.
A number of states including Wyoming, Kansas and Montana are weighing significant property-tax limitations, he said. In November, voters in North Dakota rejected a ballot measure that would have eliminated property taxes.
Median home prices in Florida have skyrocketed, quadrupling in the Miami metro area since 2012 and more than tripling in the Orlando and Tampa metro areas, according to real-estate brokerage Redfin. Average home-insurance premiums in Florida have climbed, rising to $3,731 in 2024 from $1,973 in 2018, according to the Insurance Information Institute and state data.
Florida's effective property-tax rate ranked 28th nationally in 2023, according to an analysis by the Tax Foundation. But as real-estate values have surged, the total amount levied has roughly doubled over the past decade, reaching more than $55 billion in the 2024-25 fiscal year, according to a recent presentation by Azhar Khan, staff director of the Florida Senate's finance and tax committee.
In 2022, Zoe Tosteson Losada, now 69, purchased her dream retirement home in Palm Beach Gardens for $809,000. About a year after the purchase, she saw her annual property-tax bill explode, to about $10,700 from about $6,000, because the value of the home was reassessed after changing hands.
She has since realized that the cost of the taxes, coupled with ballooning insurance costs, makes staying there unlikely. "I will not be able to retire in this house," said Tosteson Losada, who lives in the home with her retired husband, Freddy Losada, who is in his 80s, and their son.
DeSantis has said his goal is to get a constitutional amendment abolishing or reducing property taxes on the ballot in 2026, which would require at least 60% approval from voters to pass.



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By Arian Campo-Flores and Deborah Acosta

DETAILS

Subject:	Tax rates; Referendums; Voters; Property taxes; Fiscal policy
Business indexing term:	Subject: Tax rates Property taxes Fiscal policy
Location:	Florida; United States--US
Company / organization:	Name: Tax Foundation; NAICS: 813211
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A3
Publication year:	2025

Publication date:	Mar 21, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	Engl ish
Document type:	News
ProQuest document ID:	3179587518
Document URL:	https://www.proquest.com/newspapers/u-s-news-florida-looks-at-scrapping-property-tax/docview/3179587518/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-03-29
Database:	ProQuest Central

LINKS

World News: German Economic Sentiment Soars in March

Frankl, Ed . Frankl, Ed.

ProQuest document link

FULL TEXT

Financial analysts became much more upbeat about Germany's economic prospects this month as the country's lawmakers closed in on an agreement to raise spending on defense and infrastructure.
The ZEW Indicator of Economic Sentiment, a monthly gauge that tracks the expectations of analysts at around 150 banks, insurance companies and other businesses, jumped 25.6 points to 51.6 in March from February, reaching its highest level since February 2022, ahead of Russia's full-scale invasion of Ukraine. It also beat a consensus of 45.0 from economists polled by The Wall Street Journal, and was the largest monthly increase since January 2023.
The survey is one the first to gauge the response of businesses to a recasting of Germany's economic policies by politicians in response to the threat of higher tariffs on its exports to the U.S. and fresh doubts about the reliability of the U.S. as an ally in a future conflict with Russia. The survey was conducted between March 10 and March 17.
Friedrich Merz, the country's likely next chancellor, on Friday announced a large increase in spending on defense and infrastructure that is likely to be approved by lawmakers this week. Previous German governments were much more reluctant to borrow, leaving the economy dependent on exports for growth and hampered by outdated transport and digital systems.
Positive signals regarding Germany's future fiscal policy, alongside the recent European Central Bank interest-rate cut, are offering more-favorable financing conditions for private households and companies, ZEW President Achim Wambach said. The ECB lowered borrowing costs for the fifth meeting in a row this month.
Despite the rebound in confidence as the next government outlines its ambitious plans, Germany's economy may weaken further before it begins to recover. Economists warn that much of the increase in military spending may initially be directed to imports as domestic producers expand their capacity, while infrastructure projects can take years to initiate, let alone complete.
Meanwhile, the Trump administration has implemented 25% tariffs on all steel and aluminum imports, with a further increase in duties on imports from the European Union likely to be announced at the start of April.
Those tariffs come as Germany's factory output remains well below prepandemic levels, having been hit hard by a jump in energy costs following Russia's full-scale invasion of Ukraine in early 2022. The U.S. was Germany's top export market last year.
Bundesbank President Joachim Nagel said last week that higher U.S. tariffs could push the economy into a recession. The Ifo Institute, which also produces a widely watched gauge of business sentiment, on Monday cut its forecast for the country's economic growth this year to 0.2%, from the 0.4% it expected in December.
However, some economists predict Germany could see a revival of household spending.
By Ed Frankl

DETAILS

Subject:	Infrastructure; Economists; Tariffs
Business indexing term:	Subject: Infrastructure Economists Tariffs
Location:	Russia; United States--US; Ukraine; Germany
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A8
Publication year:	2025
Publication date:	Mar 19, 2025

Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3178421372
Document URL:	https://www.proquest.com/newspapers/world-news-german-economic-sentiment-soars-march/docview/3178421372/se-2?accountid=14681
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Last updated:	2025-03-19
Database:	ProQuest Central

LINKS

World News: OECD Expects Slower Growth, Faster Inflation

Hannon, Paul . Hannon, Paul.

FULL TEXT

Higher U.S. tariffs on imports are set to slow economic growth and push inflation higher around the world, with further increases threatening an even more severe downturn, said the Organization for Economic Cooperation and Development.

In a quarterly report published Monday, the Paris-based research body cut its growth forecasts for most of the world's largest economies over this year and next, the main exceptions being China, Argentina and Turkey.
Its largest downgrades were for the two economies that trade most heavily with the U.S. and face significantly higher barriers to their exports. The OECD now expects Mexico's economy to contract by 1.3% this year and 0.6% in 2026, having previously forecast growth of 1.2% and 2.8%.
For Canada, it now expects growth of 0.7% in both 2025 and 2026, having previously forecast expansions of 2%.
The OECD said the U.S. economy will now likely grow by 2.2% this year and 1.6% next. It previously forecast growth of 2.4% and 2.1%.
"We're already seeing high trade uncertainty and economic policy uncertainty," said Alvaro Pereira, the OECD's chief economist. "This is already having an impact on confidence. We have downgraded almost every single country."
The global economy is now forecast to grow by 3.1% in 2025 and 3% in 2026, having previously been projected to expand by 3.3% in each year.
Those forecasts assume that tariffs on almost all imports to the U.S. from its North American neighbors will be increased by 25 percentage points from early next month, while an increase in tariffs on Chinese imports of 20 percentage points will remain in place, as will higher duties on aluminum and steel imports.
However, future increases in tariffs are likely. President Trump has threatened so-called reciprocal duties on any trading partner that charges tariffs or imposes other trade barriers on U.S. products, with an announcement due April 2.
The OECD said fresh increases would do further harm to the global growth outlook and U.S. prospects. It said an increase in tariffs of 10 percentage points that provoked retaliation would reduce global economic output by 0.3% from 2026.
With consumer prices rising faster, the OECD said real incomes in the U.S. would be 1.25% lower three years after the fresh tariff increase, equivalent to a loss of $1,600 for the average household.
While the tariffs would raise additional revenue for the U.S. government, the OECD warned that would be more than offset by lower revenues from other taxes as the economy slows, "implying that additional tax increases or lower fiscal expenditure are needed to keep the overall budget deficit unchanged."
Even without further increases, the OECD forecast that inflation across the world's largest economies will be a third of a percentage point higher this year and next as a result of higher tariffs. That could lead central banks to cut borrowing costs more gradually than otherwise, another headwind for growth.
"If some countries face additional pressures, we would not be surprised if central banks become more cautious," said Pereira.
The OECD now expects the Federal Reserve to keep its key interest rate at current levels of 4.25% to 4.5% until "well into 2026." It previously expected the Fed to lower its key rate to between 3.25% and 3.5% by the first quarter of 2026.
The research body raised its growth forecast for China in 2025 to 4.8% from 4.7%, since it expects recent efforts by the government to stimulate activity will more than offset the impact of higher tariffs on exports to the U.S.
The OECD lowered its growth forecasts for the eurozone, and Germany in particular. But those new projections don't take into account plans to increase spending on defense and infrastructure. Should those come to fruition, the outlook for the currency area would improve.
"Germany has had an infrastructure gap for a long time," said Pereira. "They definitely need to spend more."
By Paul Hannon

DETAILS

Subject:	International trade; Inflation; Central banks; Economic growth; Global economy; Tariffs

Business indexing term:	Subject: International trade Inflation Central banks Economic growth Global economy Tariffs; Industry: 52111 : Monetary Authorities-Central Bank 92812 : International Affairs
Location:	China; United States--US; Germany
Company / organization:	Name: Organization for Economic Cooperation &Development; NAICS: 541720
Classification:	52111: Monetary Authorities-Central Bank; 92812: International Affairs
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A8
Publication year:	2025
Publication date:	Mar 18, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3178010927
Document URL:	https://www.proquest.com/newspapers/world-news-oecd-expects-slower-growth-faster/docview/3178010927/se-2?accountid=14681
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Last updated:	2025-03-18
Database:	ProQuest Central

LINKS

The Dollar Is Tested by Uncertainty --- Investors are more optimistic about Europe while tariffs cloud U.S. outlook

Goldfarb, Sam; Baer, Justin . Goldfarb, Sam; Baer, Justin.

ProQuest document link

FULL TEXT

President Trump launched an unprecedented challenge to a geopolitical order that prevailed for decades. One potential victim: the U.S. dollar.

In just weeks, a steep increase in tariffs and uncertainty over trade sparked fears that U.S. growth will slow. At the same time, major shifts in U.S. foreign policy led to a surge in optimism about the European economy -- driving the dollar down sharply against the euro, sending stocks in Europe to records and spurring the biggest jump in German bond yields since just after the fall of the Berlin Wall.

The WSJ Dollar Index fell seven of the past nine weeks, nearly erasing gains made since the Nov. 5 election. Such financial upheaval, if sustained, could have ramifications for everything from global investment flows to the direction of trans-Atlantic tourism.

For generations, U.S. political leaders generally embraced the dollar's primacy in the global financial system, in part because it led to inexpensive government borrowing. The country's military spending helped bolster that position by driving up the budget deficit, financed in large part by foreign investors, who hold about a third of U.S. debt.

Now, Trump and some of his advisers are making it clear that they want to expend fewer resources protecting allies. And they are saying they want a weaker currency to boost domestic manufacturing, by making goods cheaper to foreign buyers.

"When you look at these policies in a macro way, they have a method to them," said Lloyd Blankfein, the former chief executive of Goldman Sachs. "The risk to the markets is dislocation in the short term. But I think our republic will be better off if we spend a few thousand dollars more for a car in return for having a workforce that can make things and can afford what they make."

Many on Wall Street fear the downside of such changes. A weaker dollar would make imports more expensive, boosting inflation and making it harder for the Federal Reserve to cut interest rates. Outflows from U.S. assets that depress the dollar could drive down stock prices and lead to higher U.S. borrowing costs.

Few believe a huge decline in the dollar is imminent, partly because U.S. interest rates are higher than almost anywhere else in the developed world, promising continued foreign investment.

Still, "what's happened over the last several weeks has the potential to be a game-changer," said Katie Nixon, chief investment officer at Northern Trust Wealth Management.

The recent decline in the dollar has caught investors off guard. Many had long thought that Trump would mostly govern as a traditional Republican: focusing on cutting taxes and rolling back regulations.

Forecasts for faster economic growth, coupled with modestly higher tariffs, initially helped drive stocks and the dollar higher after Trump's election win.

Investors are now rethinking those assumptions. Trump already slapped major tariffs on goods from America's largest trading partners and threatened more -- prompting immediate retaliation from Canada and China. His administration moved to lay off thousands of federal workers. Talk of tax cuts has largely faded to the background.

All of that has dragged down expectations for U.S. growth, with investors worried almost as much about the uncertainty surrounding tariffs as the levies themselves, which promise to push up consumer prices.

Meanwhile, hopes for Europe have jumped. That is partly attributable to a run of better data, but also stems from Europe's move to boost military spending after Trump's public clash with Ukraine President Volodymyr Zelensky at the White House in late February.

Worried they could no longer count on the U.S. to help defend their interests, German leaders said days later that they would break with decades of history by freeing up borrowing to fund a buildup in their military. European Union officials outlined a plan to raise hundreds of billions of euros for military spending, and a relaxation of fiscal rules at the national level.

For investors, the crucial feature of these announcements was that they promised sustained investments.

The euro has temporarily gained against the dollar at other times in recent decades. But this time the move could be durable because what Europe is promising is "not just a one-off thing, like the Covid stimulus," said Sonu Varghese, global market strategist at Carson Group, a financial advisory firm.

So far, the decline in the dollar's value has been modest, hardly enough to make a major difference for U.S. exporters.

Even so, the move has caught Wall Street's attention because it is consistent with Trump's long-held ambitions.

Trump has often argued that the dollar should be weaker, claiming last year that the currency's strength was "a disaster for our manufacturers."

Stephen Miran, the recently confirmed chair of the White House Council of Economic Advisers, put forward several unorthodox ideas in a paper last year about how Trump could weaken the dollar. They included putting a user fee on foreign buyers of Treasurys.

Some on Wall Street are taking such ideas seriously. One reason the dollar has weakened recently is that investors know what the administration is aiming for, said Eric Stein, head of investments at Voya Investment Management.

Others, however, are doubtful that Trump's policies will play out as intended.

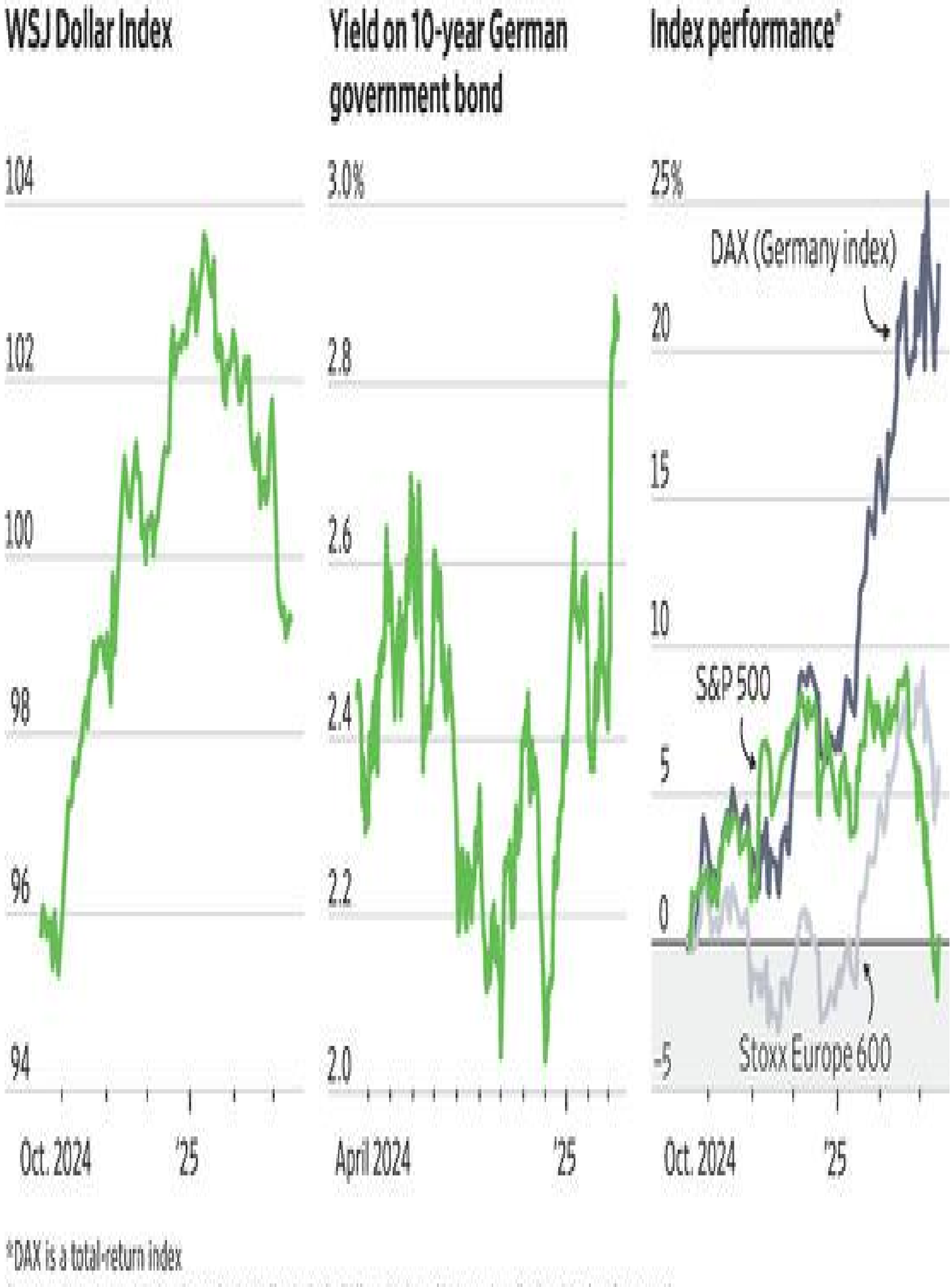
For one thing, Trump's commitment to tax cuts likely means that the federal budget deficit will remain large, said Brad Setser, a senior fellow at the Council on Foreign Relations. The need for more borrowing to fund the deficit should keep U.S. Treasury yields elevated and put upward pressure on the dollar, as global investors seek out high-yielding assets.

In another scenario, the dollar could continue to weaken and Trump could achieve his goal of shrinking the gap between U.S. exports and imports, but only because the U.S. economy is suffering, Setser added.

Foreign investors might be tempted to shift money out of U.S. assets.

But the alternatives, including Europe, have problems of their own.

"All of this is creating uncertainty," said Robert Rubin, who served as Treasury secretary during the Clinton administration and once co-led Goldman Sachs. "On the other hand, where else do foreign companies and investors go?"



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By Sam Goldfarb and Justin Baer

DETAILS

Subject:	Borrowing; US exports; Investments; American dollar; International relations; Defense spending; Tariffs; Interest rates; International finance; Tax cuts; Investors; Budget deficits; International economic relations
Business indexing term:	Subject: Borrowing US exports American dollar International relations Tariffs Interest rates International finance Tax cuts Budget deficits International economic relations; Corporation: Goldman Sachs Group Inc
Location:	United States--US; Europe
Company / organization:	Name: Goldman Sachs Group Inc; NAICS: 523150
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B1
Publication year:	2025
Publication date:	Mar 17, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3177687824
Document URL:	https://www.proquest.com/newspapers/dollar-is-tested-uncertainty-investors-are-more/docview/3177687824/se-2?accountid=14681
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Last updated:	2025-03-17

LINKS

EXCHANGE --- The Score / The Business Week in 6 Stocks: Trump Boosts Tesla, Tariffs Hit Brown-Forman

Font ana, Francesca . Fontana, Francesca.

FULL TEXT

SOUTHWEST AIRLINES

LUV +8.3%

U.S. airlines lost some air on Tuesday, but some carriers managed to buck the trend. Delta Air Lines, American Airlines and JetBlue lowered guidance, as executives and investors digest signs of slowing air travel and shaky consumer confidence. Delta shares fell more than 7% Tuesday, while American shares lost 8.3%. But JetBlue shares gained 4.2% -- the airline's outlook cut was smaller than those of its peers, and the company had already warned of first-quarter weakness back in January. Meanwhile, Southwest unveiled a range of moves to lift revenue -- including charging for checked bags, ending a popular long-held policy. Southwest shares jumped 8.3% Tuesday.

TESLA

TSLA +3.8%

Elon Musk's electric-vehicle maker lost 15% Monday -- its worst trading day since 2020 -- taking its year-to-date losses to 45%. Disappointing sales data and concerns over Musk's role in the Trump administration have weighed on the stock. Just after midnight Tuesday morning, Trump posted on his Truth Social platform that he was going to buy a brand new Tesla. Later that day, the president held a photo-op with Teslas outside the White House. Tesla shares rebounded 3.8% Tuesday.

REDFIN

RDFN +68%

The mortgage giant Rocket agreed to buy online-real estate brokerage Redfin in an all-stock deal valued at $1.75 billion, the companies said Monday. The deal is expected to close later this year, subject to shareholder approval. The owner of Rocket Mortgage said the deal values Redfin shares at $12.50 apiece and connects Redfin's nearly 50 million monthly visitors with Rocket's suite of mortgage products. Redfin shares surged 68% Monday, while Rocket shares fell 15%.

BROWN-FORMAN

BFB -5.1%

The European Union announced retaliatory tariffs against the U.S. on Wednesday, in response to the Trump administration's steel and aluminum levies. The EU said it plans 50% tariffs on imports of American whiskey, motorcycles and motorboats starting April 1. The levy on American whiskey would be a blow to Jack Daniel's maker Brown-Forman and other U.S. distillers. Brown-Forman shares fell 5.1% Wednesday.

KOHL'S
KSS -24%
The department-store operator on Tuesday cut its dividend and projected a larger-than-expected sales decline for fiscal 2025. Kohl's was already facing a decline after a disappointing back-to-school season led the retailer to cut its guidance ahead of the holidays. Chief Executive Ashley Buchanan took the helm in January, as the chain aims to lure back its core customers. Buchanan said Tuesday that consumers are tightening their wallets across income brackets. Kohl's stock plunged 24% Tuesday.
INTEL
INTC +15%
Investors welcomed Intel's new leader with a stock rally. The beleaguered chip maker named former board member Lip-Bu Tan as its new chief executive. Tan's predecessor, Pat Gelsinger, retired abruptly in December, less than four years into the job, after struggling to reboot the company. Tan was previously the CEO of chip-industry player Cadence Design Systems and a widely known venture capitalist. Intel shares surged 15% Thursday.
By Francesca Fontana

DETAILS

Subject:	Airlines; Tariffs
Business indexing term:	Subject: Airlines Tariffs; Corporation: JetBlue Airways Corp Brown-Forman Corp; Industry: 48111 : Scheduled Air Transportation
Location:	United States--US
Company / organization:	Name: JetBlue Airways Corp; NAICS: 481111; Name: Tesla Inc; NAICS: 336110, 336999
Classification:	48111: Scheduled Air Transportation
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B2
Publication year:	2025
Publication date:	Mar 15, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English

Document type:	News
ProQuest document ID:	3177323990
Document URL:	https://www.proquest.com/newspapers/exchange-score-bu siness-week-6-stocks-trump/docview/3177323990/se-2?accountid=14681
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Last updated:	2025-07-22
Database:	ProQuest Central

LINKS

Hard-Landing Fears Grow on Wall Street

Timiraos, Nick . Timiraos, Nick.

ProQuest document link

FULL TEXT

For the past year, U.S. economic policymakers have been singularly focused on achieving a so-called soft landing that brings inflation down without a recession. Now, a new team of pilots are considering a course correction that, by their own acknowledgment, might tip the economy toward a hard landing.

President Trump and his senior advisers in recent days have signaled indifference to rising risks that trade uncertainty chills private-sector investment. They have argued a "detox" might be needed in spending and hiring, that falling stock values aren't a big worry, and that inflation could rise in the short run.

In an interview that aired Sunday on Fox News, Trump sidestepped a question about whether a recession could lie ahead. "There is a period of transition because what we're doing is very big," he said. "What I have to do is build a strong country. You can't really watch the stock market."

Given a chance to explain those comments later Sunday, Trump instead doubled down in remarks on Air Force One that evening. "Tariffs are going to be the greatest thing we've ever done as a country. It's going to make our country rich again," he said.

The comments roiled stock markets. The Dow Jones Industrial Average fell 2.1% Monday, while the S&P 500 fell 2.7% and the tech-heavy Nasdaq 4%, its largest decline since 2022. All three continued their slides Tuesday, and sit below the levels recorded on Election Day last November.

In slashing its first-quarter earnings and revenue guidance after markets closed on Monday, Delta Air Lines said domestic demand had softened. The company saw a "pretty significant shift" in sentiment in February, and

"consumer spending started to stall," said Chief Executive Ed Bastian on CNBC.
Business travel has also softened. "Where there are places where people just aren't quite sure what's going to happen, companies are pulling back," he said.
In recent days, advisers including Commerce Secretary Howard Lutnick have warned tariffs could create a one-time increase in prices. Treasury Secretary Scott Bessent suggested the economy might need a reset following years of growth supported by federal spending and rising asset prices.
To be sure, Trump, a Republican, inherited an economy with steady growth and lofty stock markets but vulnerabilities including a frozen housing sector and a cooling labor market. Investors began the year indifferent to those blemishes because they expected the new administration to focus on revving up growth. Stocks soared after Trump's election in November as investors anticipated a bullish cocktail of tax cuts and deregulation, as occurred in his first year as president in 2017.
"People could only see the good side of what Trump was promising to do. That has basically evaporated, and now, we're back to recession watch," said Dario Perkins, an economist at GlobalData TS Lombard in London.
Analysts saw the shift in tone from the president and his advisers in recent days as particularly portentous. The administration initially seemed to focus on talking down the risks of higher government bond yields from an uptick in inflation or by pre-emptively blaming the departing Biden administration for any growth scare.
"On Friday, I would have said I thought the administration was worried about their policies really slowing down the economy, and they were trying to lay the groundwork for the narrative that they inherited a weakening economy," said Michael Strain, head of economic-policy studies at the right-leaning American Enterprise Institute.
More recent comments seem to have gone beyond that.
"Now, there's almost a sense that if something goes wrong in the economy, then that's fine," Perkins said. "That's making people quite nervous, because if you get to the point where you are pushing the economy into a recession, there is no guarantee that that's just going to pass quickly."
Market economies tend to settle into their own equilibrium. An increase in spending and hiring sustains still more spending and hiring until an outside event -- say, a war, oil-price shock or large increase in borrowing costs -- knocks the economy off track, creating a negative feedback loop.
Economists at JPMorgan Chase said Monday that the risk of a recession had edged up to 40% from 30%, owing to "extreme U.S. policies." Goldman Sachs, which has consistently anticipated above-consensus growth in recent years, now said it expects weaker growth than the rest of Wall Street. Its economists raised their 12-month recession odds to 20% from 15%.
"We still think this is more of a growth scare than a recession," said George Mateyo, chief investment officer at Key Private Bank. "This is very much a man-made situation."
The administration has taken Washington and Wall Street by surprise in recent weeks with a double-barreled blitz to slash the federal workforce and threaten huge tariffs on its largest trading partners. Trump has already imposed large tariff increases on China, hitting a range of goods such as consumer electronics and apparel that received exemptions six years ago.
"The administration seems to be trying to test the boundaries of the economy's willingness to tolerate rising tariffs. And it doesn't quite know where those boundaries are," Strain said. Difficulty forecasting potential changes to prices of imported goods means investment spending could "totally stall out in the first quarter," he said.
Risks abound. For example, efforts to shrink the federal workforce without a sustained rise in joblessness could rely on the private sector to absorb those workers. But are private-sector businesses prepared to do so when they don't know by what magnitude tariffs on goods and materials that they import are set to rise? The Trump administration, in running multiple policy experiments at once, risks upending a fragile "slow-to-hire, slow-to-fire" equilibrium that has defined the postpandemic economy.
Strain said he was worried about the effects on consumer spending from anxious workers -- those directly employed by the federal government and millions more whose businesses rely on federal funding or contracts -- pulling back on purchases.

To be sure, the U.S. government has managed meaningful fiscal cutbacks in the past. The federal workforce shrank by more than 10% between 1992 and 1998. But a steadily growing economy enabled that to occur without any meaningful disruption.

In November, the share of households that expected their financial situation would improve over the coming year reached a 4 1/2-year high, according to a New York Fed survey of consumers. The same survey, released Monday, showed the largest monthly drop in sentiment last month since 2023.

Enlarge this image.

By Nick Timiraos

DETAILS

Subject:	Prices; Consumer spending; Investments; Securities markets; Economic conditions; Recessions; Tariffs; Workforce
Business indexing term:	Subject: Consumer spending Securities markets Economic conditions Recessions Tariffs Workforce
Location:	United States--US
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Mar 12, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States

Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3176131006
Document URL:	https://www.proquest.com/newspapers/hard-landing-fears-grow-on-wall-street/docview/3176131006/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-03-17
Database:	ProQuest Central

LINKS

U.S. News: Republicans' Infighting Stalls Tax Bill --- Disagreements on spending cuts and other matters slow House-Senate pact

Rubin, Richard . Rubin, Richard.

FULL TEXT

WASHINGTON -- President Trump's tax-cut plans are grinding through Congress in slow motion. The tax cuts themselves aren't really the reason why.

Republicans, who control the House and Senate, are divided over the size of spending reductions that accompany tax cuts, which budgetary yardstick they use and whether a debt-ceiling increase should be attached. The Senate still hasn't fully blessed the House strategy to pass one bill that would address the fiscal matters along with border security, after months of debate over whether to split Trump's priorities into two or even three party-line bills.

"There's a lot that we're still working through," Sen. John Hoeven (R., N.D.) said.

Until all the questions are formally resolved with an agreement between House and Senate Republicans, Congress can't unlock the door to the fast-track process that circumvents Senate Democrats. And until they unlock that door -- which could take weeks or months -- Trump's "one big, beautiful bill" is stranded outside in the cold, straining relations between the chambers and testing some lawmakers' patience.

"Clearly, it's not Plan A. They'd like to get this done sooner," said John Gimigliano, a former House GOP aide now at KPMG. "The complexity, the cost, the reality of the politics of the incredibly narrow margins in the House. It's just going to be a very drawn-out, complex negotiation."

The tax piece of the puzzle isn't simple -- tax policy rarely is -- but a solid Republican consensus has developed around the basics. Lawmakers want to extend the 2017 tax cuts that are scheduled to expire at year-end and prevent a tax increase on most households. Given the stakes of failure, Republicans expect they will ultimately get that done somehow.

They also will try to fulfill Trump's campaign-trail promises, such as ending taxes on tips, overtime pay and Social Security benefits. Other Trump ideas might slide in there, such as full equipment deductions retroactive to Jan. 20, lower corporate taxes on domestic manufacturers and a deduction for car-loan interest.

Republicans expect internal tension over how high they set the cap on the state and local tax deduction to placate blue-state House members. They anticipate disagreement over curtailing Democrats' clean-energy tax incentives because those breaks are tied to investments in GOP districts.

For now, none of that is ripe, because Republicans' plans remain in procedural limbo. House members insist that the Senate largely accept its fiscal framework: one bill, with taxes, border money and spending cuts.

"We need the Senate to not be wasting time," Rep. Jason Smith (R., Mo.), chairman of the House Ways and Means Committee, said.

Senators, however, don't have a clear plan. Lawmakers will spend the week ahead trying to prevent a government shutdown before a March 14 deadline, and they are scheduled to be on recess for three of the six following weeks.

"We're socializing the ideas and we're starting to narrow in and bring into focus what some decision points are, so we're getting there," Senate Majority Leader John Thune (R., S.D.) said late this past week. "It's gonna take some time, but I feel like we're making good headway."

House leaders set a crucial marker in late February, rallying 217 of 218 Republicans behind a fiscal framework that leans heavily into spending cuts demanded by conservatives. That plan calls for $4.5 trillion in tax cuts over a decade and at least $1.5 trillion in spending cuts. If the spending cuts don't exceed $1.5 trillion, the tax cuts shrink to $4 trillion.

The House plan calls for at least $880 billion in cuts from the Energy and Commerce Committee. The bulk of the spending overseen by the panel is for Medicaid, the health-insurance program covering more than 70 million low-income people.

Potential Medicaid cuts cause consternation among House GOP moderates, who advanced the fiscal-framework process but haven't committed to backing a future bill. Democrats, meanwhile, are highlighting how Republican plans would simultaneously take money from Medicaid and extend tax cuts for wealthy Americans.

The second obstacle in the Senate is the measuring stick for tax-cut extensions. The House used what is known as a current-law baseline, which assumes tax cuts expire as scheduled and counts extensions as a cost.

Key senators favor the "current-policy baseline," which assumes tax-cut extensions don't cost anything. Some call the approach a gimmick, and it faces procedural challenges and lacks unanimous support. Still, the current-policy baseline is Republicans' easiest path to making tax cuts permanent -- a Trump priority. Smith said House members could accept the baseline switch if the Senate didn't water down spending cuts.

By Richard Rubin

DETAILS

Subject:	Taxes; Medicaid; Tax cuts; Legislators; Tax increases; Fiscal policy; Government spending
Business indexing term:	Subject: Taxes Medicaid Tax cuts Tax increases Fiscal policy Government spending; Industry: 92112 : Legislative Bodies 92313 : Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Company / organization:	Name: Republican Party; NAICS: 813940; Name: Democratic Party; NAICS: 813940
Classification:	92112: Legislative Bodies; 92313: Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Mar 10, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3175482830
Document URL:	https://www.proquest.com/newspapers/u-s-news-republicans-infighting-stalls-tax-bill/docview/3175482830/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-04-07
Database:	ProQuest Central

LINKS

Document 104 of 222

Kroger Moves to Guard Against Price Hikes

Thomas, Patrick . Thomas, Patrick.

ProQuest document link

FULL TEXT

Supermarket chain Kroger said it is working to shift its purchasing of produce and other products to shield consumers from potential price increases.

"Being able to do that gives us the opportunity to keep prices low in our store," said Todd Foley, Kroger's interim chief financial officer, on a call discussing the company's quarterly results.

The impetus for Kroger, which operates more than 2,700 stores, came when President Trump this week levied duties on goods from Mexico, Canada and China.

Trump gave the U.S.'s neighbors and biggest trading partners a one-month reprieve from 25% tariffs on a range of goods, setting up another trade showdown for April 2. It was the second time in a month that Trump retreated from tariffs on Mexico and Canada, highlighting the uncertainty of his trade policies as he raises duties on Chinese goods and moves ahead with plans for tariffs imposed on a host of countries next month.

Kroger shares gained Thursday despite a disappointing profit forecast for the year, days after the abrupt resignation of Rodney McMullen, its longtime chief executive.

Kroger said its quarterly sales fell about 7% to $34 billion, below what Wall Street analysts were expecting. It posted a profit of $634 million for the three months ended Feb. 1, down from $736 million in the same period a year ago.

Kroger said its identical sales, excluding fuel and the effects of store openings and closings, rose 2.4% for the period, above Wall Street estimates.

This year, the company said it expects adjusted earnings between $4.60 and $4.80 a share, a range below what analysts had projected. In the recently completed fiscal year, its profit was $4.47 a share.

Shares rose 2% on Thursday.

Foley said he expects food inflation to rise about 1.5% to 2.5% in 2025, excluding the effects of tariffs. He said Kroger has less exposure to the Trump administration's tariffs on China, versus other retail competitors.

Kroger, the largest supermarket operator in the U.S. by sales, is working to fill the void left by McMullen, who resigned earlier this week after a board investigation into his conduct. Ron Sargent, who had been lead independent director, is serving as interim CEO.

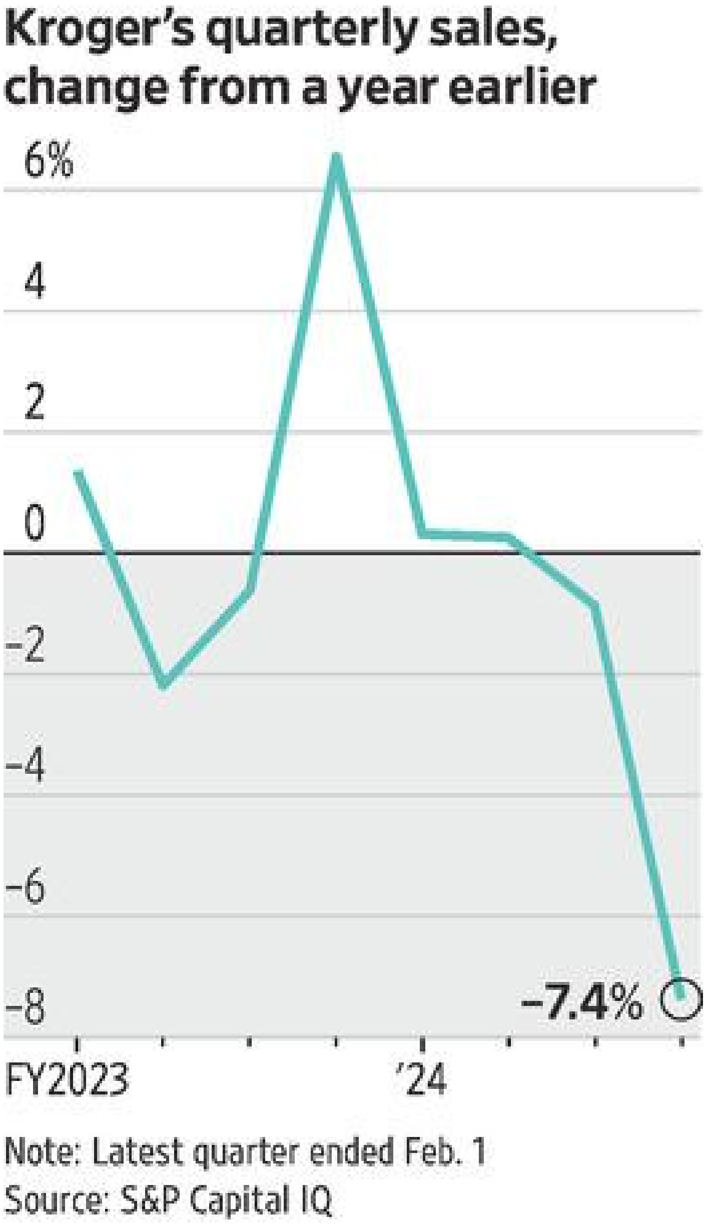
Sargent said Thursday that the company has started a national search for a new leader and that Kroger is confident in its plans for 2025.

"Our board will select the right next CEO, whether from inside the company or outside," he said.

The company has shared limited details on McMullen's resignation, saying his conduct didn't affect Kroger's financial performance and operations and didn't involve a Kroger associate. McMullen hasn't commented.

McMullen led Kroger since 2014, overseeing the expansion of the company's online and advertising presence in stores as well as its attempted $20 billion takeover of rival Albertsons. A federal judge blocked the deal in December, siding with Biden administration antitrust enforcers.

Analysts don't expect Kroger to immediately change its strategy, which has involved building up its private-label, or store-brand, products to cater to consumers looking for ways to lower their grocery bills.



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By Patrick Thomas

DETAILS

Subject:	Chief executive officers; Corporate profits; Tariffs; Price levels
Business indexing term:	Subject: Chief executive officers Corporate profits Tariffs Price levels; Corporation: Kroger Co
Location:	China; Mexico; United States--US; Canada
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B1

Publication year:	2025
Publication date:	Mar 7, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3174591241
Document URL:	https://www.proquest.com/newspapers/kroger-moves-guard-against-price-hikes/docview/3174591241/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-04-06
Database:	ProQuest Central

LINKS

U.S. News: Migrants With No Criminal History Swept Up --- Immigration officers are under pressure to ramp up their arrest numbers

Tarini Parti; Hackman, Michelle . Tarini Parti; Hackman, Michelle.

FULL TEXT

Just a few minutes after he had left home for work, Lucas Dos Santos Amaral was stopped by immigration officers near his home in Marlborough, Mass. The officers told him the name of someone they were looking for, and said the man looked like him.

The Brazilian doesn't have a criminal history or orders for removal from a judge, his lawyer said, meaning he doesn't have the type of background the Trump administration laid out as its priority for deportation.

Dos Santos Amaral, 29, identified himself to assure officers he wasn't who they were looking for. The officers looked him up and learned that he was overstaying a tourist visa from 2017, according to his lawyer, his wife and a state legislator helping with his case. Dos Santos Amaral was arrested and detained on the spot and eventually was moved to a detention center in Texas -- without the knowledge of his lawyer or family.

Immigration officers are under immense pressure to ramp up arrest numbers. The result is the administration, despite largely promoting arrests of criminals, has been detaining a number of migrants, like Dos Santos Amaral, who don't have criminal backgrounds or orders for removal, according to interviews with immigration lawyers, activists, state and local officials and families of migrants arrested.

Living in the U.S. illegally is a civil violation subject to deportation but it isn't a criminal offense.

Overall, Immigration and Customs Enforcement has arrested more than 20,000 migrants living in the U.S. illegally in the first month of the Trump administration, according to the Department of Homeland Security. Arrests are on pace to more than double the 113,000 arrests ICE made under President Joe Biden in fiscal year 2024.

Tricia McLaughlin, spokeswoman for DHS, didn't provide a detailed breakdown of how many of the more than 20,000 arrested had a criminal background. She said of those arrested, 22 were known suspected terrorists and 640 were suspected gang members.

ICE initially provided daily arrest numbers with a breakdown of how many being deported had committed crimes, but stopped after the first few days. On the highest day for arrests that ICE disclosed, roughly half of those picked up by immigration officers had a criminal background.

Senior ICE officials told subordinates after Trump's first week as president that the agency's offices are each responsible for 75 arrests a day, or roughly 1,000-1,500 arrests a day across the country.

Kush Desai, a spokesman for the White House, said the Trump administration "has re-established a no-nonsense enforcement of and respect for the immigration laws."

Immigration officers have used aggressive tactics, including going to schools and dressing in plainclothes while making arrests, and their targets have been unusual, lawyers, activists and migrant families say. Administration officials have described arrests of non-criminals as "collaterals," but in many cases, immigration officers have also been racially profiling and specifically asking for migrants who don't have criminal backgrounds or orders for removal, immigration lawyers said.

"I was very much shocked," said Eloa Celedon, Dos Santos Amaral's lawyer.

Dos Santos Amaral was released on an $8,000 bond about a month after his arrest. His deportation case will now make its way through the immigration courts. Dos Santos Amaral, who owns a painting business, has a 3-year-old daughter who is a U.S. citizen, and his wife is pregnant with their second child.

"Lucas is back home, but the fight isn't over," said his wife, Suyanne Boechat Amaral, 32, a singer and recipient of the Deferred Action for Childhood Arrivals program.

"They were saying they were seeking gang members and drug dealers and criminals," she said. "And all of a sudden, I see my husband in this position."

Tom Homan, Trump's border czar, has said he isn't satisfied with the level of arrests. The acting director of U.S. Immigration and Customs Enforcement, Caleb Vitello, was recently removed from his post.

Didier Melendez was dropping his co-worker off at a check-in appointment with ICE in Little Rock, Ark., last week when officers came downstairs to say they had detained his friend -- and wanted to see his papers, too. Melendez said he

told the officers he was a DACA recipient and in any case was married to a U.S. citizen who is in the process of sponsoring him for a Green Card.
The officers handcuffed Melendez's wrists and ankles and brought him upstairs. Technically, Melendez's DACA protections -- which must be renewed every two years -- had lapsed a week earlier, and though he had applied for a renewal in the fall, the government still hadn't processed it. Melendez, now 35, also had an old deportation order from when he was 13 and his parents didn't take him to a required court hearing.
The officers told him that, given he had no protections at that moment, they could deport him that day if they wanted. They ultimately decided to release him because he hadn't had any previous run-ins with the law -- but warned Melendez they wouldn't be so lenient next time.
"They told me, 'You better get your things in order because we have your info, and we'll be looking for you,'" Melendez recalled.
Melendez's lawyer, Lily Axelrod, said it is unusual for ICE to arrest or detain DACA recipients.
John Cano, an organizer with the Legal Aid Justice Center, said a hotline set up by his group that services certain parts of Virginia has received 100 calls since Trump's inauguration. At least a dozen of those have been from migrants without criminal backgrounds who were arrested at an ICE check-in or at immigration court when they showed up for their scheduled proceeding.
By Tarini Parti and Michelle Hackman

DETAILS

Subject:	Immigration policy; Deportation; Arrests; Attorneys; Criminals; Enforcement; Deferred Action for Childhood Arrivals; Detention centers
Business indexing term:	Subject: Attorneys; Industry: 54111 : Offices of Lawyers 92214 : Correctional Institutions
Location:	United States--US
Company / organization:	Name: US Immigration &Customs Enforcement; NAICS: 921130
Classification:	54111: Offices of Lawyers; 92214: Correctional Institutions
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A3
Publication year:	2025
Publication date:	Mar 1, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660

Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3172407549
Document URL:	https://www.proquest.com/newspapers/u-s-news-migrants-with-no-criminal-history-swept/docview/3172407549/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-03-03
Database:	ProQuest Central

LINKS

Markets &Finance: Exchange Operator HKEX's Earnings Hit Highs

Kao, Kimberley . Kao, Kimberley.

FULL TEXT

Hong Kong Exchanges &Clearing's net profit and revenue jumped to quarterly records as improved market sentiment boosted trading and listing activity in the Asian financial hub, boding well for the exchange operator's prospects in 2025.

The stock-exchange operator said on Thursday that net profit reached a fourth-quarter high of 3.78 billion Hong Kong dollars, equivalent to US$486.2 million, climbing around 46% from a year earlier. Revenue and other income increased 31% to HK$6.38 billion -- a new quarterly record -- as trading and clearing fees rose across the cash, derivatives and commodities markets, the company said.

Both measures were slightly ahead of consensus estimates in a Visible Alpha poll, with analysts expecting net profit of HK$3.71 billion and revenue of HK$6.32 billion.

HKEX witnessed stronger trading volumes during the quarter, with the headline average daily turnover doubling to HK$186.9 billion.

The robust results capped a year of improved fundraising and trading activity, marking the exchange operator's profit comeback after a weak showing in 2023. Hong Kong has been making efforts to get more companies to list in the city over the past year, including optimizing listing procedures, lowering transaction costs to bolster its securities market and adopting new measures aimed at greater capital-market cooperation with mainland Chinese companies to boost dual listings.

"Looking to 2025, ongoing geopolitical and macroeconomic developments will likely continue impacting global markets," HKEX Chief Executive Bonnie Y Chan said.

"However, there are also encouraging signs of economic revitalization, with stimulative policies in mainland China and interest-rate cuts in other major markets providing renewed vibrancy to Hong Kong's fundraising and secondary markets," she said.

On Wednesday, Hong Kong Financial Secretary Paul Chan said funds raised from new listings in the city rose nearly 90% to HK$88 billion last year, ranking it fourth globally. More than 100 new IPO applications are being processed by HKEX, he said.

Increased investor interest has also spurred a revival in Hong Kong's and China's stock markets this year, fueled by a surge in sentiment toward Chinese tech shares after homegrown startup DeepSeek renewed confidence in China's AI technology.

"Since the beginning of this year, trading has been even more active, with average daily turnover exceeding HK$200 billion recently, up by more than 50% over last year's average. Total market capitalization reached HK$40 trillion," he said.

The Hang Seng Tech Index, which tracks the 30 largest technology companies listed in the city, this week hit its highest level since December 2021, gaining more than 30% this year. The benchmark Hang Seng Index has risen nearly 20% and is also at a multiyear high.

Shares of HKEX have climbed about 24% in 2025, closing at HK$365 on Thursday.

DBS Group Research said in a note that improving risk appetite will likely continue in the near term, "supported by recent rerating of tech stocks and a more supportive policy tone from the Chinese government toward the private economy."

Citi Research raised the target price on HKEX's stock to HK$410 from HK$370 after the results as it lifted its average daily turnover forecasts for 2025 and 2026 on the sentiment recovery. Trading activity so far this year remains well ahead of consensus estimates, analyst Michael Zhang said in a note. However, he identified three downside risks to the share price: easing trading volume, new-listing halts and rising geopolitical tensions.

In Wednesday's presentation of the Hong Kong budget for the next fiscal year, Financial Secretary Chan said HKEX will step up its promotion in Southeast Asia and the Middle East and seek areas of cooperation, including the listing of exchange-traded funds to "promote two-way capital flows."

In the middle-to-long term, the new listing overhauls mentioned in the budget, such as improvements to the vetting process and optimizing listing thresholds, could help attract more initial public offerings to Hong Kong, analysts at DBS said. If the IPO applications translate into successful listings, "they could inject more liquidity and trading momentum into the market," they said.

By Kimberley Kao

DETAILS

Subject:	Fund raising; Initial public offerings; Geopolitics; Cooperation
Business indexing term:	Subject: Initial public offerings; Corporation: Hong Kong Exchanges &Clearing Ltd
Location:	China; Hong Kong China

Company / organization:	Name: Hong Kong Exchanges &Clearing Ltd; NA ICS: 523210
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B9
Publication year:	2025
Publication date:	Feb 28, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3172028995
Document URL:	https://www.proquest.com/newspapers/markets-amp-finance-exchange-operator-hkexs/docview/3172028995/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-02-28
Database:	ProQuest Central

LINKS

Document 107 of 222

The Trump 'Special' Staffers Who Get Paid by Private Clients

Dawsey, Josh; C. Ryan Barber; Long, Katherine . Dawsey, Josh; C. Ryan Barber; Long, Katherine.

FULL TEXT

Katie Miller, a top aide to Elon Musk at the Department of Government Efficiency, spends much of her time on White House grounds, helping Musk plan and communicate his efforts to slash the federal government.

But she also spends time working for P2 Public Affairs, a major Republican consulting firm in Washington, which pays her full salary. She has continued to work for Fortune 100 clients, including Apple, offering public relations advice, according to people familiar with the matter. Since starting at the White House, Miller has also helped P2's leaders pitch the firm to new clients for lucrative contracts. Her husband is White House Deputy Chief of Staff Stephen Miller, among the most powerful advisers in the administration, controlling all domestic policy.

She's one of a set of influential Trump employees who are working for the administration while simultaneously doing private-sector work.

They carry a three-letter designation that allows them to wear both hats: "SGE," or special government employee. It's a status under federal ethics laws that permits private-sector employees to work inside the government without having to relinquish their outside salaries or investments. Only a sliver of cases must publicly disclose clients or potential conflicts of interest. While the rules limit work to up to 130 days in any given year, it can be extended if the administration desires.

Others with the status include Steve Witkoff, who is handling peace talks between Ukraine and Russia and in the Middle East, Corey Lewandowski, now a top aide at the Department of Homeland Security, and Musk himself. Top officials such as Musk, Miller and Witkoff aren't receiving government pay, and it wasn't known if any SGEs are.

SGEs have been around since the 1960s, when Congress first enabled administrations to bring in experts without requiring them to leave jobs in academia or the private sector. The designation has typically been used to allow subject matter experts to sit on advisory boards or serve in narrow, specialized roles without giving up their jobs, as regular government employees are required to do.

But the Trump administration has used the status in a way never before seen, installing multiple people at top levels who are setting U.S. policy.

Some ethics experts have accused the administration of using the loophole to permit enormously powerful government workers to shield their finances from public scrutiny. They say that presents opportunities for corruption, and threatens to blur the line between private enrichment and public service.

"This is just taking this loophole to an extreme," said Richard Painter, a University of Minnesota law professor who served as a top ethics lawyer for President George W. Bush. "Special government employees hide their finances from the public, so people can't find out about the extent of their potential conflicts of interest."

The special status is more appropriately used for part-time service on government boards and commissions, he said, or for expertise on a narrow subject area. "This is a false use of the SGE status," he said.

The clients of P2, Miller's firm, include some of the world's most powerful technology companies and other businesses, along with LIV Golf, the Saudi Arabia-backed golf league that plays tournaments at Trump courses. Apple CEO Tim Cook recently met with President Trump in the Oval Office, and LIV Golf chairman Yasir Al-Rumayyan called in for a meeting with Trump and the head of the PGA Tour.

Miller is also working for Jeff Miller, who isn't related, another prominent Washington lobbyist who represents a swath of corporate America and was a major fundraiser for Trump's 2024 campaign. He has paid Katie Miller through P2 to handle his publicity, the people said.

Karoline Leavitt, the White House press secretary, said it was "standard practice" to hire SGEs "based on their outside experience, for a limited period of time."

"President Trump's SGE's are highly-talented and well-respected businessmen and women, policy experts and communications professionals who are bringing a depth of experience and knowledge to help the president implement his agenda," Leavitt said, adding that they are "abiding by all applicable federal laws."
Miller declined to comment on her specific clients and work in the Trump administration. P2 declined to comment. Apple and LIV didn't respond to requests for comment.
A White House official said there are 13 SGE employees working within the White House, along with others across the federal government.
Other SGEs include David Sacks, who advises Trump on cryptocurrency and AI policy and is co-founder and partner of Craft Ventures, a venture-capital firm. Senior digital adviser Ory Rinat has had a wide-ranging career as a digital communications consultant.
The government doesn't release regular data on how many employees are SGEs, but a 2016 Government Accountability Office report found that from 2005 and 2014, the federal government employed an average of around 2,000 SGEs a year, excluding those on federal boards.
Previous administrations have also been criticized for relying on SGEs. Huma Abedin, Hillary Clinton's deputy chief of staff at the State Department, was an SGE for a time while she worked for Teneo, a consulting firm. That arrangement drew the ire of Republican Sen. Chuck Grassley, who said at the time the designation is for "technical outside expertise rather than for a current government employee's convenience or desire for outside employment." Abedin didn't respond to a request for comment.
Anita Dunn, a top aide to President Joe Biden, held the title while keeping her ties to SKDK, a Democratic consulting and lobbying firm. "I entered the Administration on a temporary basis to help with the transition and the beginning of the government. When I returned to the government in May 2022, I did so as a full time employee and not as an SGE," Dunn said.
In the Trump administration, SGEs have extensive ties in the corporate sector and are driving some of the country's most important policies.
Musk embodies the overlap between the administration and the private sector. The world's richest person continues to helm Tesla and SpaceX while simultaneously serving as an SGE advising the president.
As the driving force behind DOGE, he wields unprecedented power to overhaul the executive branch with few restrictions. At the same time, his space company has extensive government contracts, and Trump's policies on electric vehicles could have a significant impact on Tesla's profits. Amid questions about Musk's official role, the White House on Tuesday identified Amy Gleason as acting administrator of DOGE.
Witkoff is negotiating with Russia over the Ukraine war -- which could include mineral rights for the U.S. valued at billions of dollars -- and is also working on a Middle East plan.
He has kept his vast real-estate portfolio while planning a major summit of real-estate developers at the White House to rebuild Gaza.
Leavitt, the White House spokeswoman, said Witkoff will soon divest from his entire real-estate portfolio.
Lewandowski, who has consulted for an array of private-sector clients, joined Homeland Security last month as an SGE. Lewandowski is personally close to Kristi Noem, the secretary, and has sat in on her hiring interviews and in policy meetings. Lewandowski didn't respond to a request for comment.
The SGE designation is ultimately approved by the White House chief of staff's office, according to people familiar with the matter.
While SGEs aren't generally required to file public financial disclosures, federal law still compels them to privately disclose potential conflicts of interest to the Office of Government Ethics. That office earlier this month issued a legal advisory reminding non-SGE presidential appointees they aren't legally allowed to receive outside compensation. Five days later, Trump fired the ethics director, David Huitema, who had been confirmed last year under Biden for a five-year term.
A White House official said the White House Counsel's Office vetted SGE hires for potential conflicts and said the counsel's office has instructed the employees they can't participate in White House discussions that affect their

private business.
Many SGEs are clustered around Musk and his cost-cutters in DOGE. Musk recruited business associates and employees of his own firms, some of whom continue to work for Musk in the private sector as they work for him as government employees.
Steve Davis, a longtime Musk deputy at SpaceX who now serves as the president of Musk's underground tunneling and transportation firm The Boring Company, is leading DOGE's cost-cutting initiatives. Earlier this month, The Boring Company signed an agreement with Dubai's transit authority to begin work on an underground shuttle system in that city. Davis and The Boring Company didn't respond to requests for comment.
Another longtime Musk associate at The Boring Company, Riccardo Biasini, who works as a senior adviser in the Office of Personnel Management, has been copied on emails from his Boring Company colleagues as recently as Feb. 14, according to documents received in response to a Nevada public records request. Biasini didn't respond to a request for comment.
James Burnham, who founded King Street Legal, is a top lawyer at DOGE and an SGE. He has been in charge of vetting DOGE's moves into government agencies and occasionally has told DOGE employees what they can't legally do, according to people familiar with the matter.
Burnham, who served as a top Justice Department official in Trump's first term, has withdrawn from cases while on leave from his law firm, court filings showed.
Tom Krause, the CEO of Cloud Software Group, is working with DOGE as a fiscal assistant secretary in the Treasury Department. Krause has flown across the U.S., meeting with Treasury officials and overseeing cuts, according to people familiar with the meetings.
"I want to share with you that in addition to my duties as CEO of Cloud Software Group, I am advising the US Department of Treasury as a 'special government employee,'" Krause wrote in an email to employees. "I am honored to serve our country. Let me be clear -- as CEO of Cloud Software Group, I am committed to our company and you, our employees."
Krause didn't respond to a request for comment. A spokesperson for Cloud said Krause and the company are "committed to upholding the highest ethical standards and are operating consistent with the strict provisions in place for special government employees to ensure there are no conflicts of interest."
Miller has floated in and out of Trump's orbit since 2017, when her husband became Trump's top immigration guru and speechwriter in the White House. She worked previously as a spokeswoman for Vice President Mike Pence and worked at Homeland Security in the first administration. During the transition, she helped Robert F. Kennedy Jr. in his confirmation process. Trump advisers said she has become a powerful figure in the administration.
When she and Stephen Miller were married at the Trump International Hotel in Washington in March 2020, the president attended the wedding, along with cabinet secretaries and top Trump administration officials.
P2, the firm that Katie Miller works for, is headed by two prominent Republicans, Phil Cox and Generra Peck. The firm touts itself to potential clients as a Republican powerhouse with deep ties in the White House, Congress and elite Washington circles.
The firm's top operatives began working with Musk last year to boost Trump's bid for the presidency. Miller became the main interlocutor between Musk and his team and Trump's campaign, developing a relationship with Musk.
After Trump's win, Miller became a hot commodity in Washington. She had ties to the White House through her husband; to Musk; and also to Kennedy, who would become the Secretary of Health and Human Services. She decided to stay at P2 after discussing jobs with other lobbying firms. The firm's leaders have often touted Miller's work for the firm to clients and potential clients.
When Musk came into the administration, Miller followed. She was with him on Inauguration Day and has frequently been with him since, sitting in the Oval Office and smiling as Musk talked on a recent afternoon about his work, his young son accompanying him.
The firm, people close to its leaders said, is busier than ever.
By Josh Dawsey, C. Ryan Barber and Katherine Long

DETAILS

Subject:	Government employees; National security; Political campaigns; Presidents; Conflicts of interest; Ethics; Consulting firms; Scandals; Professional golf; State laws; Wages &salaries
Business indexing term:	Subject: Conflicts of interest Consulting firms Wages &salaries; Industry: 92111 : Executive Offices 71121 : Spectator Sports
Location:	Middle East; Russia; United States--US; Ukraine
People:	Trump, Donald J
Company / organization:	Name: LIV Golf; NAICS: 711211; Name: Boring Co; NAICS: 237990; Name: Space Exploration Technologies Corp; NAICS: 336414, 336415
Classification:	92111: Executive Offices; 71121: Spectator Sports
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Feb 27, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3171573723
Document URL:	https://www.proquest.com/newspapers/trump-special-staffers-who-get-paid-private/docview/3171573723/se-2?accountid=14681
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Last updated:	2025-02-27
Database:	ProQuest Central

LINKS

House Passes Plan Of Tax, Budget Cuts

Rubin, Richard; Beavers, Olivia; Hughes, Siobhan . Rubin, Richard; Beavers, Olivia; Hughes, Siobhan.

ProQuest document link

FULL TEXT

WASHINGTON -- Republicans squeaked their budget blueprint through the House late Tuesday after party leaders swayed a handful of wavering members to back the framework for President Trump's tax, border and spending-cut agenda.

The 217-215 vote delivered a victory for House Speaker Mike Johnson (R., La.), who united all but one of his GOP members -- Thomas Massie of Kentucky -- around an approach that requires significantly reducing Medicaid costs and likely won't accommodate all of Trump's desired tax cuts. The House-passed plan calls for $1.5 trillion to $2 trillion in spending reductions over a decade and $4 trillion to $4.5 trillion in tax cuts.

Tuesday's vote is a sign that the Republican-controlled Congress might be able to deliver major legislation despite slim majorities in the House and Senate.

Still, the path ahead isn't straightforward. Tuesday's vote sets up a conflict with the Senate, which favors larger tax cuts and plans to alter the House plan rather than accept it. That means another nail-biting House budget vote is on the horizon.

And even after the House and Senate agree on a budget, lawmakers will have to negotiate hundreds of details on taxes, health care, energy and food stamps before they can get a bill to Trump's desk.

"Just one big step," said House Budget Committee Chairman Jodey Arrington (R., Texas) after the vote. "One small step for Budget Committee, one big step for mankind."

Republicans have a 218-215 majority in the House, but the number of Democratic absences had been uncertain and so were the potential GOP defections.

Rep. Brittany Pettersen (D., Colo.) returned for her first vote since giving birth last month, while Rep. Kevin Mullin (D., Calif.) arrived for his first vote since knee surgery -- adding last-minute wrinkles to the vote counting. Rep. Raul Grijalva (D., Ariz.), who is fighting cancer, was the only absent member.

The tight count led to a night of drama and arm-twisting on the House floor as Republicans realized they needed almost every vote. Rep. David Schweikert (R., Ariz.), who routinely makes floor speeches warning about the dangers of the national debt, was one of the final members to cast his ballot. He handed his electronic voting card to Johnson, and the speaker pushed the decisive button.

House Republicans had struggled for weeks to write the budget framework for the "one big, beautiful bill" that they and Trump want. The fractious House majority is an uneasy coalition that includes deficit hawks, spending cutters and blue-state moderates. Finding any fiscal policy that satisfies nearly everyone is an extraordinarily challenging task.

"That small margin forces you to work together," Arrington said. "Everybody had to make some sacrifice."

Trump said each of the rival plans has something he likes. "We'll see if we can come together," he said.

Some House Republicans are sensitive to what such reductions could mean for federal programs such as Medicaid, the federal-state health-insurance program for low-income Americans. Party leaders received support from Trump in the hours before the vote, with the president talking to members who had stated their opposition and urging them to back the framework.

Coming into the vote, a handful of Republicans who weren't fully convinced on the House plan wanted deeper spending reductions.

Rep. Victoria Spartz (R., Ind.) had vowed to vote no. She had said the $1.5 trillion floor for cuts should be at least $1 trillion bigger and then voted for the resolution. Trump called Spartz to persuade her to vote yes, according to people familiar with the matter.

Rep. Warren Davidson (R., Ohio) had said earlier Tuesday that he couldn't support the budget without clarity on the path ahead on securing cuts for federal agency funding in advance of a potential March 14 government shutdown. He ultimately voted yes.

Massie was the only House Republican to vote against the measure. He said he was concerned that the plan would increase budget deficits. The tax cuts and new spending exceed the spending cuts by trillions of dollars. GOP leaders say that their agenda would generate enough economic growth to fill the gap.

Democrats argue the plan will lead to deep cuts in Medicaid to fund tax cuts that go, in part, to high-income households. House Minority Leader Hakeem Jeffries of New York appeared on the Capitol steps backed by about 100 Democrats and argued that the GOP plan would include the "largest Medicaid cut in American history."

After the vote, Rep. Gerry Connolly of Virginia, the top Democrat on the House Oversight Committee, called the proposed cuts "unconscionable attacks on the very fabric of our society, jeopardizing the well-being of millions of Americans."

Republican leaders emphasized to rank-and-file members that the vote for the budget resolution is a procedural step, not a substantive vote on tax or health policy. Once the House and Senate agree on the same budget, a subsequent bill can advance on a simple-majority vote through a special process called reconciliation. That avoids the 60-vote filibuster threshold in the Senate required of most bills.

The vote on the budget blueprint is a critical step that sets the parameters for what Trump calls "one big, beautiful bill" that would extend expiring tax cuts passed by the Republicans in 2017, provide $300 billion for border security and the military and take money from spending programs that Republicans say have grown too quickly

The House budget calls for at least $1.5 trillion in spending cuts over a decade, with more than half to be identified by the Energy and Commerce Committee, which has jurisdiction over Medicaid. It allocates $4 trillion for tax cuts, a total that could climb to $4.5 trillion if spending cuts reach $2 trillion.

House leaders will have to assemble votes again for a final budget resolution coming back from the Senate and then again for an eventual tax-and-spending bill.

Senate Republicans have been skeptical that the House will be able to finish one big bill. They have advanced a narrower plan that aims to pass border and military spending now and leave more complicated debates about taxes and spending cuts for later. But senators, aware of Johnson's slim margins, are open to the House's one-bill plan -- after they alter it.

The compromises and promises House lawmakers are making to push this plan forward illustrate some of the hard choices ahead.

The $4.5 trillion ceiling likely isn't enough to extend the tax cuts permanently and achieve all of the Republicans' other tax priorities, such as ending taxes on tips and relaxing the cap on the state and local tax deduction.

GOP leaders emphasize that their plan doesn't specifically mention Medicaid cuts. But the $880 billion target over the

10-year period in the budget for the Energy and Commerce Committee is likely to require more Medicaid changes beyond that. Medicaid is projected to cost $8.2 trillion over that period.
By Richard Rubin, Olivia Beavers and Siobhan Hughes

DETAILS

Subject:	Taxes; Medicaid; Tax cuts; Political leadership; Budget deficits; Congressional committees; Federal budget
Business indexing term:	Subject: Taxes Medicaid Tax cuts Budget deficits Federal budget; Industry: 92112 : Legislative Bodies 81394 : Political Organizations
Location:	United States--US
People:	Trump, Donald J
Company / organization:	Name: Republican Party; NAICS: 813940; Name: House of Representatives-US; NAICS: 921120
Classification:	92112: Legislative Bodies; 81394: Political Organizations
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Feb 26, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3171143123
Document URL:	https://www.proquest.com/newspapers/house-passes-plan-tax-budget-cuts/docview/3171143123/se-2?accountid=14681

Cross Country: Connecticut Asks Congress to 'Rethink the Jones Act'

Chinault, Bryce; Fowler, Andrew . Chinault, Bryce; Fowler, Andrew.

FULL TEXT

Hartford, Conn. -- In his State of the State Address on Jan. 8, Connecticut Gov. Ned Lamont outlined policy priorities for the 2025 legislative session. While most of his speech focused on state-specific issues such as fiscal responsibility, healthcare, education and energy, he took a moment to call on the U.S. Congress to "rethink the Jones Act." It wasn't the first time Mr. Lamont raised concerns about this particular law. In 2022 he and other New England governors wrote to the Biden administration urging the suspension of the law, which they argued "effectively precludes" the delivery of U.S.-exported liquefied natural gas to New England.

Officially known as the Merchant Marine Act of 1920, the Jones Act blocks foreign-flagged ships from transporting goods between U.S. ports. The law has historically had many detractors from both sides of the aisle. Republican Sen. John McCain was against it. Hawaii Democratic Rep. Ed Case has blamed the law for "artificially inflating the cost of shipping goods" to his state. Rep. Alexandria Ocasio-Cortez called for a "one-year waiver from the Jones Act for Puerto Rico" after Hurricane Fiona hit the island in 2022.

These pages have long editorialized in favor of the Jones Act's repeal. The most recent attempt to do so was introduced by Utah Republican Sen. Mike Lee in January 2024. But the Senate Commerce, Science and Transportation Committee, then led by Democrats, took no action beyond reading the bill. Now the political landscape has shifted and Republicans control the committee. The time is right to revisit Mr. Lee's bill.

The Jones Act has powerful supporters. Most of them represent constituencies that benefit financially in some way from the economic distortions the law creates. Groups such as the AFL-CIO, the Marine Engineers Beneficial Association and American Maritime Partnerships have spent heavily to preserve the Jones Act. Organizations like the Transportation Institute argue it is "critical" for national security and domestic economic stability, ensuring "reliable domestic water transportation service" and employment for hundreds of thousands of U.S. citizens. Some Republicans, including Louisiana Sen. Bill Cassidy and Florida Rep. John Rutherford, support leaving the Jones Act alone.

President Trump has been coy, but in December he posted a link to a pro-Jones Act article on his Truth Social account. If he's serious about bringing costs down for American consumers, he should call Mr. Lamont and listen to his pitch. Connecticut has no natural-gas reserves or production, and the state's consumers pay some of the highest prices for energy in the nation. Almost all the LNG they use to cook and keep warm in the winter enters the state overland from New York.

In addition to driving up gasoline prices, the Jones Act increases the volume of heavy traffic on Connecticut highways by forcing goods to be delivered via long-haul vehicles. The law also makes replacing ferries -- like those that cross Long Island Sound from Connecticut -- difficult since new ships are required to be constructed in the U.S. American-built ships are "far less numerous and far less competitive than their international counterparts," according to the Cato Institute.

Congress intended the Jones Act to bolster domestic shipbuilding. It hoped to spawn a ready supply of merchant mariners during war or national emergency. But by requiring every ship transporting goods between U.S. ports to be built, owned and largely crewed by U.S. citizens, the Jones Act limits competition. This has led to an aging fleet of U.S.-compliant ships, with fewer than 100 vessels left in operation, down from more than 250 in 1980. Contrary to the legislation's original intent, there isn't a single U.S.-flagged, U.S.-built LNG carrier sailing today. The country has few options for moving goods via maritime transport.

The U.S. is the world's largest natural gas producer. But, according to a report by the Competitive Enterprise Institute, the Jones Act means Americans "can't realize many benefits arising from this incredible production." Even progressive outlets like Vox and Slate concede that the law has stifled Puerto Rico's long-term economic growth.

The Jones Act's repeal would reduce energy and transportation costs -- in Connecticut and every state. Mr. Trump has the power to strike a blow against inflation while restoring the American maritime industry to greatness. Smart Democrats like Mr. Lamont and other Northeast governors would likely support him.

Mr. Chinault is director of state government affairs at Abundance Institute. Mr. Fowler is communications specialist at Yankee Institute.

(See related letter: "Letters to the Editor: Keeping Up With the Jones Act Is Hard to Do" -- WSJ Mar. 1, 2025)

(See related letter: "Letters to the Editor: Hochul and Gas Pipelines" -- WSJ March 4, 2025)

By Bryce Chinault and Andrew Fowler

DETAILS

Subject:	Maritime industry; Transportation services; Water transportation; Liquefied natural gas; Natural gas reserves; Natural gas
Business indexing term:	Subject: Maritime industry Transportation services; Industry: 21113 : Natural Gas Extraction 48311 : Deep Sea, Coastal, and Great Lakes Water Transportation 48321 : Inland Water Transportation
Location:	Connecticut; United States--US; United Kingdom--UK; Puerto Rico; England
People:	Lamont, Ned
Classification:	21113: Natural Gas Extraction; 48311: Deep Sea, Coastal, and Great Lakes Water Transportation; 48321: Inland Water Transportation
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.

First page:	A11
Publication year:	2025
Publication date:	Feb 22, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3169311016
Document URL:	https://www.proquest.com/newspapers/cross-country-connecticut-asks-congress-rethink/docview/3169311016/se-2?accountid=14681
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Last updated:	2025-03-03
Database:	ProQuest Central

LINKS

U.S. News: Trump Looks Beyond Fed to Cut Borrowing Costs

Goldfarb, Sam . Goldfarb, Sam.

FULL TEXT

Forget the Federal Reserve. To lower borrowing costs for Americans, the Trump administration says it is going to cut spending and increase energy production.

Although President Trump continues urging the Fed to reduce short-term interest rates, Treasury Secretary Scott Bessent has suggested recently that both he and Trump are focusing less on the central bank and more on bringing down the key rate set by financial markets: the yield on the 10-year Treasury note.

The task isn't easy. A benchmark for rates on everything from mortgages to corporate bonds, the 10-year yield shifts with market and economic forces largely beyond the control of the White House. Yields on Treasurys fall when their prices rise, so any effort to lower them would either need to reduce government borrowing -- thereby decreasing the supply of bonds -- or make U.S. debt more appealing to investors.

Here is a look at how Trump might try to accomplish those things and what he's up against.

How to reduce yields?

The most obvious way that presidents can move Treasury yields is through fiscal policy. A smaller budget deficit means less government borrowing and a reduced supply of new Treasurys. That can push up the prices of existing bonds, driving their yields lower.

Bessent recently leaned into this idea in an interview with Bloomberg Television, arguing that the 10-year yield could decline if the Elon Musk-led Department of Government Efficiency is able to reduce government spending.

Republicans over decades have shown that "we like spending -- we just wanted to raise it less, the Democrats want to raise it more," Bessent said. But, he added, "what if it actually goes down because of everything we're doing right now?"

Are there other options?

Administrations also have discretion over the types of debt they issue. To avoid putting pressure on longer-term yields, Treasury can issue more T-bills, which mature in a year or less, rather than notes and bonds that carry two- to 30-year maturities.

Bessent had previously criticized the Biden administration for relying too much on T-bills and suggested that issuance of longer-term debt might need to increase. But he took a different position in the Bloomberg interview, saying current auction sizes could be maintained "for the foreseeable future."

Finally, Bessent said that the administration could get the 10-year yield "to naturally come down" by increasing the supply of oil and gas. That, he said, would drive down energy prices and help power what he called "noninflationary growth."

Although the Fed often focuses on an inflation measure that excludes energy prices, which can be volatile, that could still help lower rates. Falling oil prices can lower costs for other goods, such as plastics made out of petrochemicals. That, in turn, could bring down Treasury yields, which are heavily influenced by the expected path for rates.

What are the obstacles?

Big changes in Treasury yields are typically driven more by economic data and policy signals from the Fed than anything the White House or Treasury announces. But Trump's goals also face other hurdles.

In the case of the deficit, bond investors have long assumed that Trump's policies would lead to a larger, not smaller, gap between revenue and spending. That was one reason why Treasury yields climbed last fall when a Trump victory started looking more likely.

The House Budget Committee approved a plan in the past week that targets tax cuts of $4.5 trillion over a decade relative to current law. It also aims for $2 trillion in spending cuts, paired with $300 billion in new spending, likely for immigration enforcement and the military.

The 10-year yield settled Friday just below 4.5%, down from around 4.8% in mid-January though still up from around 4.3% right before Trump's election win.

Some analysts are also skeptical that Trump can materially lower energy prices.

The president's advisers have privately conceded that U.S. frackers won't pump much more. Many overdrilled during the 2010s shale boom and fell into bankruptcy. Saudi Arabia, the de facto leader of the Organization of the Petroleum Exporting Countries, is also reluctant to boost global oil supplies, needing higher prices to balance its budget.

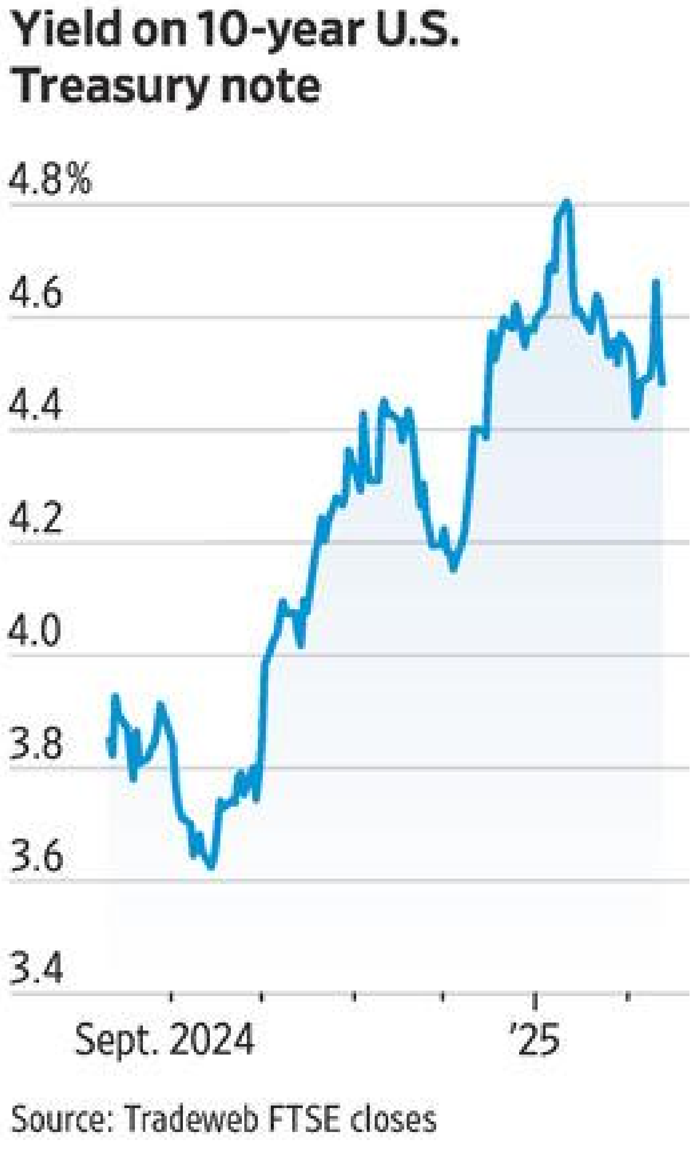
Has anyone pulled it off?

The Trump administration wouldn't be the first to try to lower interest rates by attempting to win over bond investors. President Bill Clinton's White House was famously bond-obsessed, prompting strategist James Carville's quip that he would like to be reincarnated as the bond market because "you can intimidate everybody."

Though Clinton had run for office promising a middle-class tax cut, he dropped that proposal after his win and focused more on deficit reduction, passing a major tax increase in his first year with the aim of boosting growth by pulling down bond yields.

Overall, the strategy seemed to work for Clinton. Yields fell substantially in 1993. They shot back up the following year when the Fed raised rates aggressively but then subsided again afterward.

Meanwhile, economic growth surged, Clinton won a second term and the government produced a rare budget surplus.



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By Sam Goldfarb

DETAILS

Subject:	Borrowing; Interest rates; Treasuries; Government spending; Budget deficits; Energy prices; Tax increases
Business indexing term:	Subject: Borrowing Interest rates Treasuries Government spending Budget deficits Energy prices Tax increases
Location:	United States--US
People:	Trump, Donald J
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A2
Publication year:	2025
Publication date:	Feb 18, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3167824886
Document URL:	https://www.proquest.com/newspapers/u-s-news-trump-looks-beyond-fed-cut-borrowing/docview/3167824886/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-02-18
Database:	ProQuest Central

LINKS

U.S. News: House GOP Aims for Tax Cuts of $4.5 Trillion --- Senate moves ahead with a narrower plan that focuses on border security

Rubin, Richard; Hughes, Siobhan; Beavers, Olivia . Rubin, Richard; Hughes, Siobhan; Beavers, Olivia.

ProQuest document link

FULL TEXT

WASHINGTON -- House Republicans released the first blueprint for their "one big, beautiful bill" that would cut taxes, reduce spending and provide money for border enforcement.

Lawmakers created the outline after weeks of tense internal meetings among their competing factions, and some members indicated they weren't fully on board.

That plan released Wednesday -- headed for a Budget Committee vote Thursday -- calls for a minimum of $1.5 trillion in spending cuts over a decade and a maximum of $4.5 trillion in tax cuts from the Ways and Means Committee. It would increase the federal debt limit by $4 trillion, likely enough to get through about two years. The plan calls for $300 billion in new spending, likely for immigration enforcement and the military.

The spending-cut minimum is below the $2 trillion or $2.5 trillion floor that the most conservative House Republicans wanted to hit. Possible spending cuts would be to energy, education and agriculture programs.

The tax-cut maximum is below the $5.5 trillion that would allow for extending all of the tax cuts that expire at the end of this year and make room for priorities of President Trump, such as tax-free tips, overtime pay and Social Security benefits.

The release of the plan came as Senate Republicans also claimed progress Wednesday in implementing Trump's top priorities. The House and Senate are still moving in different and incompatible directions, however, and they have to resolve that dispute before they can get anything significant to Trump's desk.

The House plan says it ultimately is aiming for $2 trillion in spending-cut reductions and that the goal would be to reduce the Ways and Means deficit-increasing allowance if spending cuts don't hit that target.

The targets are going to test House Republicans' ability to unify their fractious, narrow majority, now at 218-215. Rep. Ralph Norman (R., S.C.), a Budget Committee member, said Wednesday that progress had been made in setting the floor for spending, but he was undecided on whether he would support the plan. And Rep. Eric Burlison (R., Mo.) said the plan was "pathetic" and that the spending cut floor needed to be higher.

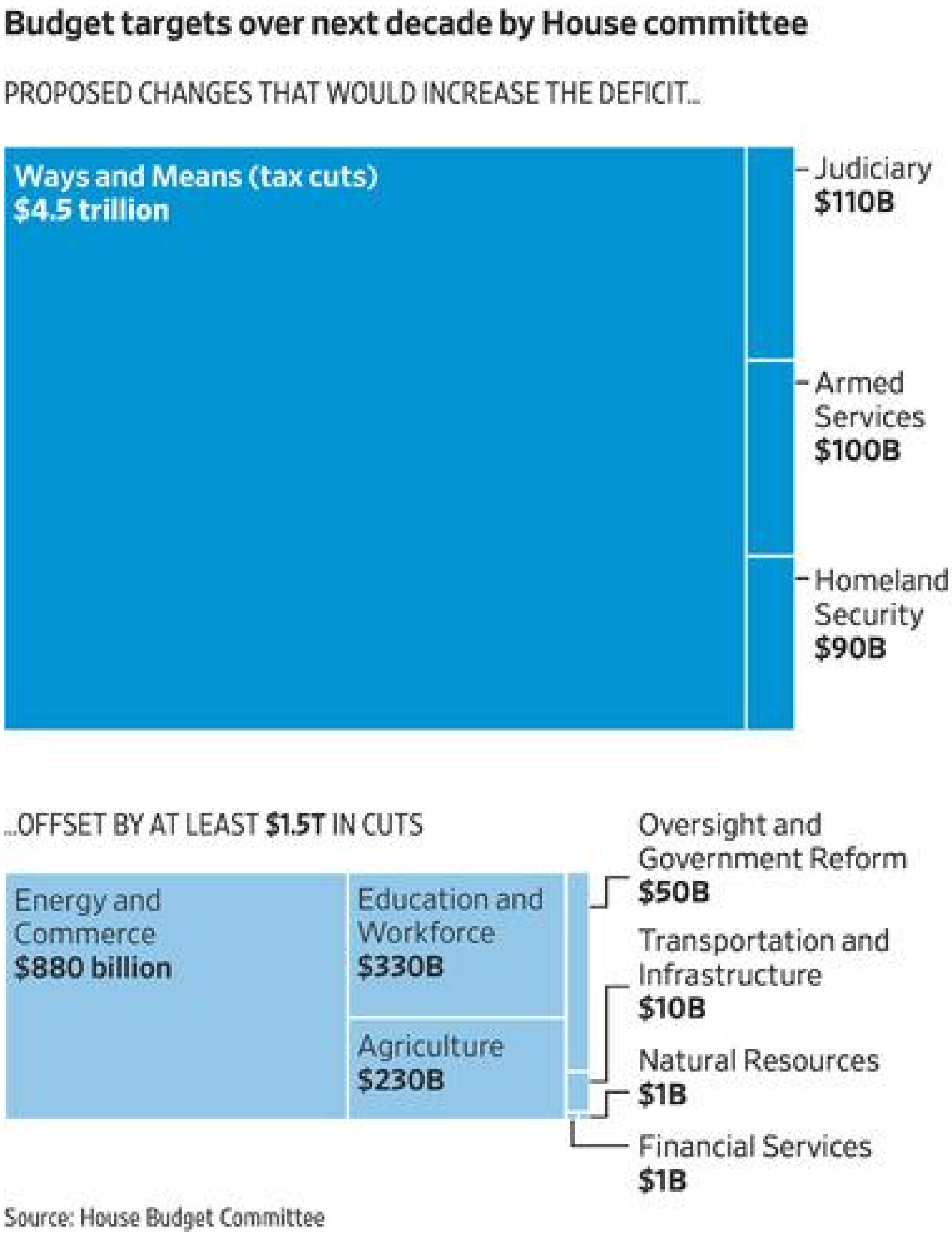
Even if House Republicans adopt a budget, subsequent legislation that stays within those thresholds could prove challenging to write and pass.

"This is Trump's agenda. Would you want to be the person that stands between the president and his agenda?" said Rep. Lisa McClain (R., Mich.), the House GOP conference chair.

Rep. Jason Smith (R., Mo.), the Ways and Means chairman, had previously said that a $4.5 trillion maximum allowed for tax cuts wouldn't be enough to accomplish all of Trump's tax priorities. On Wednesday, he said, "It's a good starting point."

Most of that amount would be consumed by extending tax cuts that expire at the end of this year. If Congress doesn't

act, taxpayers' standard deduction would shrink, rates would climb and the child tax credit would be cut in half. Republicans also want to loosen the cap on the state and local tax deduction and fulfill Trump's campaign-trail promises.
Rep. Lloyd Smucker (R., Pa.), said the administration has backed the $4.5 trillion number.
Republicans have several options that could help hit that target. Ways and Means could cut spending in its jurisdiction, including programs for low-income households and Medicare changes that wouldn't directly hit beneficiaries. The panel could also curb tax breaks, including clean-energy tax credits that the Democratically controlled Congress enacted in 2022.
On the spending side, the largest cuts would be at least $880 billion from the Energy and Commerce Committee, which has jurisdiction over Medicaid, the health insurance program for low-income people. Republicans have talked about a variety of Medicaid changes, including work requirements for able-bodied beneficiaries and revisions to funding formulas for the federal-state program. Other possible spending-cut targets include student-loan programs and food assistance for low-income people.
Republicans are planning to assume that real economic growth -- caused by their plans and Trump's actions on deregulation and fossil-fuel production -- can be higher than the 1.8% forecast by the Congressional Budget Office. That would throw off enough tax revenue so Republicans can claim that their plan wouldn't add to budget deficits. But such growth is difficult to achieve and sustain, economists say, especially because Trump's immigration and tariff policies tend to slow growth.
Democrats highlighted the contrast between the potential cuts to Medicaid and food assistance and the tax cuts that would go to some of the wealthiest households.
"This is the same crew that, when Democrats are in charge, cried crocodile tears about deficits and debt, but then once they're in office, they blow up the debt far more than any Democratic president or Democratic Congress has," said Rep. Brendan Boyle (D., Pa.), the top Democrat on the Budget Committee.
Meanwhile, in the Senate, the Budget Committee advanced the first phase of its two-track plan, voting 11-10 on party lines to back a budget blueprint after rejecting Democratic amendments.
Instead of one big bill, Republican senators wrote a budget aimed at allowing a roughly $350 billion package focused on border-security and national defense. They want to save the messier tax and spending debate until later in the year, though that approach runs the risk that Republicans might struggle to do that and need to seek Democratic votes to avoid a tax increase.
Tom Homan, Trump's border czar, and budget chief Russell Vought met Tuesday with Senate Republicans and emphasized how they are running out of money for the immigration enforcement that Trump wants, said Sen. Lindsey Graham (R., S.C.), the Budget Committee chairman.
"Why would they come over and tell us, begging for money, if they didn't want to move?" Graham said. "I think they came over to create a sense of urgency, that we need the money and we need it now for border and the military."
Graham and Republican senators say they understand the House's approach -- the theory being that the House can only corral its members once in a single pass-fail exercise -- but they just don't think it is doable now. The Senate budget doesn't make room for tax-cut extensions nor does it require spending cuts as large as the House plan.
"This isn't easy," said Sen. Ron Johnson (R., Wis.). "I think we're all finding one big beautiful bill is also one really big, complex and hard to even draft -- much less pass -- bill as well."
Republicans are using the process known as budget reconciliation to advance Trump's priorities. The approach lets them advance a bill in the Senate with a simple majority, avoiding the 60-vote filibuster threshold and the need for Democratic votes.



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By Richard Rubin, Siobhan Hughes and Olivia Beavers

DETAILS

Subject:	Federal budget; Medicaid; Enforcement; Beneficiaries; Low income groups; Fiscal policy; Jurisdiction; Tax cuts; Government spending; Immigration; Budget deficits; Tax increases
Business indexing term:	Subject: Federal budget Medicaid Beneficiaries Fiscal policy Tax cuts Government spending Budget deficits Tax increases; Industry: 92313 : Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Company / organization:	Name: Republican Party; NAICS: 813940; Name: House of Representatives-US; NAICS: 921120

Classification:	92313: Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Feb 13, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3166005601
Document URL:	https://www.proquest.com/newspapers/u-s-news-house-gop-aims-tax-cuts-4-5-trillion/docview/3166005601/se-2?accountid=14681
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Last updated:	2025-02-13
Database:	ProQuest Central

LINKS

U.S. News: Officials in New York Face Lawsuit Over Immigration --- Hochul and James among the

targets; $80 million intended for migrants is pulled

Albert, Victoria; Gurman, Sadie; Hackman, Michelle . Albert, Victoria; Gurman, Sadie; Hackman, Michelle.

ProQuest document link

FULL TEXT

The Trump administration stepped up its immigration fight against New York on Wednesday, announcing a lawsuit against senior state officials and clawing back millions in federal funding earmarked for migrants.

In her first news conference as attorney general, Pam Bondi said the department was suing New York Gov. Kathy Hochul, state Attorney General Letitia James and the commissioner of the state's Department of Motor Vehicles, Mark Schroeder, for what she said was their failure to enforce federal immigration laws.

"This is a new DOJ," Bondi said, flanked by federal agents wearing raid jackets. "New York has chosen to prioritize illegal aliens over American citizens. It stops. It stops today."

A spokesperson for Hochul said she supports deporting criminals but said the governor "believes that law-abiding families should not be targets, and will coordinate with federal authorities who have a judicial warrant."

Trump campaigned on the promise of undertaking a massive deportation effort of people unlawfully living in the U.S. He also, at the direction of Elon Musk's Department of Government Efficiency, has been targeting federal funding that goes against his agenda, including money that was already allocated by Congress.

On Wednesday, New York City Comptroller Brad Lander said the federal government had pulled back $80 million intended to help pay for migrant housing and services.

"Let's be clear: This is highway robbery," Lander said.

The money at issue in New York City was a payment through a program from the Federal Emergency Management Agency. The Shelter and Services Program is a funding stream Congress set up to help cities, states and nonprofits across the country deal with an influx of migration. Since 2022, tens of thousands of migrants have arrived in New York.

Trump officials object to that money on the grounds that it reimburses cities with sanctuary policies they oppose, such as declining to cooperate with federal immigration authorities on arrests.

Homeland Security Secretary Kristi Noem said she had revoked funds sent by FEMA to house migrants in city hotels. "Mark my words: there will not be a single penny spent that goes against the interest and safety of the American people," she said in a post on X.

The funding gained national attention on Monday after Musk tweeted that FEMA "sent $59M LAST WEEK to luxury hotels in New York City to house illegal migrants."

The Trump administration fired four FEMA officials on Tuesday, including the agency's chief financial officer, accusing them of "circumventing leadership to unilaterally make egregious payments for luxury NYC hotels for migrants."

Lander said that federal funds weren't spent on extravagant housing. The Shelter and Services Program has a $12.50 cap per night on hotel and shelter pricing, he said, with the city making up the difference.

The city had received about $200 million already, Lander said, including the $80 million, which was allocated across fiscal years 2023 and 2024. It also expected to receive an additional $37 million. The mayor's office said the city has spent more than $7 billion on migrant services.

New York City Mayor Eric Adams said his office learned about the clawback Wednesday morning and was exploring litigation options.

"While we conduct an internal investigation into how this occurred, our office has already engaged with the White House about recouping these funds and we've requested an emergency meeting with FEMA to try and resolve the matter," the mayor said in a post on X.

At her press conference Wednesday, Bondi criticized New York's Green Light Law, which allows immigrants in the country illegally to apply for driver's licenses and shields state driver's license records from ICE and U.S. Customs and Border Protection. James, New York's attorney general, said state laws protect the rights of all New Yorkers and keep communities safe.
By Victoria Albert, Sadie Gurman and Michelle Hackman

DETAILS

Subject:	Immigration policy; Federal funding; Attorneys general; Litigation; Hotels &motels; Federal state relations
Business indexing term:	Subject: Federal funding Hotels &motels; Industry: 92113 : Public Finance Activities 92213 : Legal Counsel and Prosecution 72111 : Hotels (except Casino Hotels) and Motels
Location:	New York City New York; New York; United States--US
People:	Hochul, Kathleen C; Bondi, Pam; James, Letitia
Company / organization:	Name: Federal Emergency Management Agency; NAICS: 922190
Classification:	92113: Public Finance Activities; 92213: Legal Counsel and Prosecution; 72111: Hotels (except Ca sino Hotels) and Motels
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A3
Publication year:	2025
Publication date:	Feb 13, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3166005597

Document URL:	https://www.proquest.com/newspapers/u-s-news-officials-new-york-face-lawsuit-over/docview/3166005597/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-02-13
Database:	ProQuest Central

LINKS

U.S. News: Restraints Slow Work Of Education Staffers

Barnum, Matt . Barnum, Matt.

FULL TEXT

Civil-rights enforcement at the U.S. Education Department has slowed in recent weeks, with some staff in the office that handles cases being told they can't communicate externally, according to people within the agency.

The Office for Civil Rights is charged with enforcing bans on discrimination based on sex, race, age and disability status in schools and universities nationwide. Families can file a complaint if their child is, for instance, denied access to a school field trip because of a disability. Civil-rights staffers normally communicate with schools and families to investigate and resolve complaints.

The week President Trump took office, some civil-rights staff members were instructed by their supervisors to halt external communications, people in the agency said. In an email viewed by The Wall Street Journal, a supervisor later told staff that they can acknowledge receipt of emails but aren't permitted to say anything else.

It is typical for a new administration to place some limits on work as political appointees reorient priorities, but this scope of restrictions is unusual, according to the people in the office and outside education lawyers.

Selene Almazan, legal director of the Council of Parent Attorneys and Advocates, which aims to protect the legal rights of students with disabilities, said she has already heard from some people in her network that communications from the civil-rights office have lapsed.

"When you file these complaints it's because something is happening or has happened and you need an investigation," she said. "The fact that it seems to be on pause is deeply troubling."

It couldn't be learned how widespread the curbs on communication are. Some regional civil-rights offices are continuing to move forward on regular case work, according to a person familiar with the matter.

"As is standard protocol with a change in administration, [the civil-rights office] has paused issuance of any evaluative or investigative determinations to ensure that determinations are aligned with the law and President Trump's

priorities," Craig Trainor, acting assistant secretary for civil rights, said.
For now, the office generally doesn't need to make any external communications besides acknowledging receipt of complaints, a spokesperson said.
Trump has vowed to abolish the Education Department and is weighing an executive order aimed at doing so. He has also promised to make deep cuts to federal spending and to rid schools of what he views as "woke" policies.
The administration has taken swift action on some politically high-profile civil-rights topics. It launched probes into a Denver high school's all-gender bathroom and into universities that are alleged to have tolerated antisemitism and those with transgender athletes.
The Heritage Foundation's Project 2025 proposed moving the civil-rights office to the Justice Department. The Office for Civil Rights at the Education Department is codified in statute. Last fiscal year, the civil-rights office received over 22,000 complaints, an all-time high.
By Matt Barnum

DETAILS

Subject:	Complaints; Political appointments; Schools; Civil rights; Disability; Education; Transgender persons; Enforcement
Location:	United States--US
People:	Trump, Donald J
Company / organization:	Name: Office for Civil Rights; NAICS: 922190
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Feb 12, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3165777707

Document URL:	https://www.proquest.com/newspapers/u-s-news-restraints-slow-work-education-staffers/docview/3165777707/se-2?accountid=14681
Copyright:	
Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-02-12
Database:	ProQuest Central

LINKS

U.S. News: White House Immigration Moves Chill Businesses in Latino Neighborhoods

Simon, Ruth; Kiernan, Paul . Simon, Ruth; Kiernan, Paul.

ProQuest document link

FULL TEXT

The Trump administration's promise of mass deportations and immigration raids is already having chilling effects on spending by immigrants. The effects are wide-ranging, from sluggish tamale sales on a Los Angeles sidewalk to canceled home purchases in the Virginia suburbs.

Joshua Calderon, who sells guitars and giant teddy bears in South Los Angeles, said he recently cut his hours because nobody is walking by his shop.

"There are no customers," he said. "It's been day after day with practically no sales."

Emilio Sandoval, a nearby street vendor, normally sells out of tamales by midmorning. But at 10:30 a.m. recently, the pot of Mexican corn-flour treats was still half-full.

"People are afraid of going out," said Sandoval, from his perch under a brightly colored umbrella. "I have cousins who don't have papers and don't want to go out because they could be separated from their daughters."

The Trump administration has issued a spate of directives to expedite the removal of immigrants who are living in the U.S. without authorization. It has also launched a splashy public-relations campaign to draw attention to deportation efforts and raids. The flurry of activity has fanned fears in Latino communities -- and a sharp drop in consumer spending, according to business owners.

"Everyone knows somebody who is undocumented," said Sam Sanchez, a Chicago restaurateur and co-founder of Comite de 100, a recently created organization of Latino business owners focused on immigration. "People are saving money." Even people who are in the U.S. legally, he added, are afraid of being picked up by accident.

Since President Trump took office, Immigration and Customs Enforcement has arrested an average of 822 migrants a day, according to the partial records that are available. ICE arrested roughly 310 people a day in the 2024 fiscal year.

A sustained pullback in economic activity in Latino communities would have repercussions for local businesses and

the broader economy. U.S. Latinos of any race accounted for roughly 13% of consumer spending in 2023, according to Labor Department data.
Latinos have been starting businesses at more than twice the rate of the U.S. population as a whole, according to Census Bureau data. Immigrants accounted for 36% of launches in 2023, versus 25% in 2019.
While many Latino entrepreneurs are in the U.S. legally, entrepreneurship is an attractive option for those who are in the country without authorization because it doesn't require a work authorization or a Social Security number.
"The community shifted from peace to fear and uncertainty," said Angie Millan, a small-business owner in Philadelphia who is a U.S. citizen and began carrying her passport after a recent ICE raid at a carwash in her city.
Millan said that demand for her services, which include notary services and tax preparation, is down 40%. When she went to pick up lunch at a local Colombian restaurant, no one was there.
An estimated 2.5 million U.S. citizens live in a family with someone who is in the country without authorization and is married to a U.S. citizen, according to Fwd.us, an immigration advocacy group.
The fear driving the spending slowdown is evident in dinner-table conversations and requests for mental-health services.
At MiSalud Health, an online provider of bilingual healthcare services, two-thirds of consultations are now for mental-health issues, four times higher since just before the election.
"People are very concerned about their kids being picked up from school, their being picked up," said MiSalud CEO Bismarck Lepe.
By Ruth Simon and Paul Kiernan

DETAILS

Subject:	Immigration policy; Hispanic Americans; Consumer spending; Immigrants; Deportation; Neighborhoods
Business indexing term:	Subject: Consumer spending
Location:	Los Angeles California; United States--US
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A3
Publication year:	2025
Publication date:	Feb 11, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper

Language of publication:	English
Document type:	News
ProQuest document ID:	3165260004
Document URL:	https://www.proquest.com/newspapers/u-s-news-white-house-immigration-moves-chill/docview/3165260004/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-02-11
Database:	ProQuest Central

LINKS

U.S. News: For Its Budget Math, GOP Banks on Growth

Rubin, Richard . Rubin, Richard.

ProQuest document link

FULL TEXT

WASHINGTON -- House Republicans are banking on faster economic growth to make their budget math work, and it might not sound like the typical "tax cuts pay for themselves" argument.

Instead, they are preparing to contend that President Trump's entire agenda -- tax cuts, spending cuts, deregulation and fossil-fuel production -- will accelerate economic activity and generate enough tax revenue to leave budget deficits little changed. House Republicans haven't released specific numbers, but they have been talking about $2 trillion in spending cuts over a decade and about $5 trillion in tax cuts, leaving a sizable hole to fill with faster economic growth and other assumptions.

"We have to figure out what's a credible and defensible number, and then we've got to move forward," said House Budget Committee Chairman Jodey Arrington (R., Texas), suggesting Republicans wouldn't rely solely on deficit estimates from the official nonpartisan referees, the Congressional Budget Office and Joint Committee on Taxation.

"We've got to look at other numbers, other scores and our past, our historic performances and then pick it," he said.

House Republican leaders' math and explanations will be crucial to convincing rank-and-file members -- and voters -- that the party isn't making U.S. finances meaningfully worse.

In one sense, the emerging approach is more mainstream than saying tax cuts alone pay for themselves. Economists

aligned with both parties say the GOP's likely tax proposals -- particularly extensions of expiring individual tax cuts -- don't generate much growth and won't pay for themselves that way.
In another sense, however, the emerging Republican approach is a more aggressive position that contends the U.S. economy can routinely grow much faster than forecast. It could incorporate policy changes that haven't happened yet and bank on them to finance tax cuts enacted now.
"You're counting your chickens before they hatch, but you're counting more chickens than you actually have eggs," said Marc Goldwein, senior vice president of the Committee for a Responsible Federal Budget, which favors deficit reduction. "And you have already committed to put them in a meal that you're eating tomorrow."
Republican leaders are walking a tightrope among the party's factions -- tax cutters, border-security proponents, moderates and deficit hawks. Their spending cuts, particularly Medicaid changes, test the limits of what lawmakers can bear. Trump has reiterated priorities -- eliminating taxes on tips, overtime pay and Social Security benefits -- that make the arithmetic harder.
Democrats oppose the spending cuts and disagree with extending tax cuts for top earners. That leaves Republicans seeking votes only in their own ranks. Banking on growth could paper over some of their disagreements.
This year's fiscal debate occurs against the backdrop of rising federal red ink. The U.S. is already running record deficits as a share of gross domestic product, outside of wars, recessions and emergencies. Over the next decade, the U.S. will add $21.8 trillion in debt, sending the total as a share of GDP beyond the post-World War II peak, according to the CBO.
That figure assumes the bulk of the 2017 tax cuts expire as scheduled Dec. 31, so extending them would lower revenue by trillions. It assumes real GDP growth slowing to 1.9% this year, then staying around 1.8%.
Arrington said the U.S. can grow faster, and he points to 2018 and 2019 in Trump's first term. Then, real GDP growth was 2.1% and then 3.4%, measured from fourth quarter to fourth quarter.
Tax cuts can increase incentives to work and invest, spurring a virtuous growth cycle, but those effects aren't often large. Spending cuts themselves can be pro-growth, because lowering deficits can free up money for private investment.
However, getting $3 trillion in additional revenue from economic growth over a decade would require sustained real growth around 3.2%.
By Richard Rubin

DETAILS

Subject:	Gross Domestic Product--GDP; Tax cuts; Economic growth; Budget deficits; Congressional committees; Federal budget; Tax revenues
Business indexing term:	Subject: Gross Domestic Product--GDP Tax cuts Economic growth Budget deficits Federal budget Tax revenues; Industry: 92112 : Legislative Bodies
Location:	United States--US
People:	Trump, Donald J
Company / organization:	Name: Republican Party; NAICS: 813940; Name: Congressional Budget Office--CBO; NAICS: 921120; Name: House of Representatives-US; NAICS: 921120
Classification:	92112: Legislative Bodies
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.

First page:	A4
Publication year:	2025
Publication date:	Feb 11, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3165259991
Document URL:	https://www.proquest.com/newspapers/u-s-news-budget-math-gop-banks-on-growth/docview/3165259991/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-02-11
Database:	ProQ uest Central

LINKS

U.S. News: President's Allies Want Quick Border-Bill Win

Rubin, Richard . Rubin, Richard.

ProQuest document link

FULL TEXT

WASHINGTON -- Senate Republicans are charging ahead with a border enforcement and defense-spending plan, aiming to leapfrog their House colleagues and deliver a quick victory on President Trump's priorities before turning to tax policy later in the year.

Budget Committee Chairman Lindsey Graham (R., S.C.) called for $342 billion in new spending over four years, paired with an equal amount of spending cuts. Graham's panel will meet next week to take the first formal steps on the border-and-defense proposal.

Graham's move puts him at odds with House Republicans, who are still trying to assemble the blueprint for their "one big, beautiful bill" that would add the South Carolina Republican's items to an extension of expiring tax cuts, cuts to programs such as Medicaid and perhaps a debt-limit increase.

Meanwhile, House Republicans said Friday they are making progress on a budget framework and aim to release a plan as soon as this weekend.

The monthslong internal Republican debate over legislative strategy -- one bill or two? -- remains unresolved. Instead of settling on an answer, for now, they are doing both. Next week could bring dueling Budget Committee votes -- one in the House and one in the Senate -- on very different plans.

Eventually, to unlock the path to a party-line bill that can dodge the Senate filibuster, the House and Senate will need to agree on an approach and adopt the same budget resolution. Trump has backed the House's one-bill approach while remaining open to the two-bill plan.

Senate Republicans argue they are funding immediate priorities and that they need more time to work on complicated tax policy before the Dec. 31 deadline when tax cuts from 2017 are set to expire.

House members say packaging everything together in an up-or-down vote that reflects support for Trump or opposition to him is the only way to ensure that the president's ideas get across the finish line.

The Senate plan would provide money for border wall construction, detention beds and immigration enforcement, according to the Budget Committee. It would also expand the Navy and fund air and missile defense. The plan also aims to expand leases for oil-and-gas production and repeal a fee on methane emissions.

"To those who voted for and support real border security and a stronger defense in a troubled world, help is on the way," Graham said.

Meanwhile, House Republican leaders said they were talking to their rank-and-file members with the aim of releasing a budget blueprint soon. Lawmakers met for more than four hours at the White House on Thursday and more than three hours that night at the Capitol.

"We have a framework that I think can work," said Speaker Mike Johnson (R., La.), who indicated that a plan would likely be released by Monday.

The House's narrow and fractious majority -- 218-215 right now -- is a potential advantage for Johnson. If he can somehow get everyone together on a single bill, he can make a case to the Senate that there is no other plausible alternative.

However, getting everyone in the House GOP behind a single plan is a nearly impossible juggle. A change that placates conservative spending-cutters frustrates moderate lawmakers -- and vice versa.

At the White House on Thursday, Johnson and his leadership team had argued for setting a target of $1 trillion in savings over a decade, according to one person in the room, aiming to set a low bar that lawmakers would then be in a position to exceed when they actually write a bill. But conservatives have sought a higher floor of more than $2 trillion.

Republican leaders believe if they can get to $2.5 trillion in cuts over a decade, they will have their entire majority on board with the bill, said a person familiar with the internal discussions.

By Richard Rubin

DETAILS

Subject:	Fiscal policy; Leadership; Federal budget; Tax cuts; Legislators; Border security
Business indexing term:	Subject: Fiscal policy Leadership Federal budget Tax cuts; Industry: 92112 : Legislative Bodies
Classification:	92112: Legislative Bodies
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Feb 8, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3164993593
Document URL:	https://www.proquest.com/newspapers/u-s-news-presidents-allies-want-quick-border-bill/docview/3164993593/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-02-24
Database:	ProQuest Central

LINKS

U.S. News: Tax-Cut Extension Splits Republicans --- House eyes keeping rates low for a while, but Senators view them as permanent

Rubin, Richard . Rubin, Richard.

FULL TEXT

WASHINGTON -- House Republicans, struggling with their narrow majority and lawmakers' demands for spending cuts, are considering an extension of President Trump's expiring tax cuts that would last for as little as five years.

The discussions come as Senate Republicans now plan to move ahead with their own proposal next week. A five-year plan would put House Republicans at odds with Treasury Secretary Scott Bessent and the head of the Senate Finance Committee, Mike Crapo (R., Idaho), who want the tax cuts to be permanent.

A five-year tax cut would limit the total revenue decline in the "one big, beautiful bill" that Republicans are trying to push through Congress this year. It would be a move in the direction of the party's deficit hawks and most conservative members. They want spending cuts that are similar in size to the tax cuts and they are skeptical of the idea that Congress can just say that extending expiring tax cuts is cost-free.

"There is almost no way it's going to be permanent, so I guess the question is how long do you just make it last," said Rep. Andy Harris (R., Md.), chairman of the conservative House Freedom Caucus.

But a temporary tax cut wouldn't provide the same certainty as the permanent policy that many Republicans say is important for taxpayers and businesses. And setting an expiration date would lessen some of the economic growth the tax cuts could generate and leave the tax cuts' fate in the hands of a future president and Congress, when Republicans might not have full control.

"I'm pushing what President Trump wants, and President Trump has only talked to me about permanency," said Rep. Jason Smith (R., Mo.), chairman of the House Ways and Means Committee.

House Republicans have a 218-215 majority in the House currently, and they have been struggling to reach agreement on a budget blueprint for a bill that would extend expiring tax cuts, reduce social-safety-net spending, boost national defense and provide money for immigration enforcement. The effort is still a long way from Trump's desk, and plans could change repeatedly before then.

House Speaker Mike Johnson (R., La.) had said the Budget Committee would vote on its blueprint this week, but that has slipped until at least next week. Committee Chairman Jodey Arrington (R., Texas) said Wednesday that a plan could be formally released this week.

GOP senators are getting antsy at the House's pace, and they are now planning to advance their own approach next week. That's a two-bill plan that would provide $150 billion each for border and military spending, likely offset with spending cuts. Tax cuts would wait until later this year, closer to their Dec. 31 expiration.

"It's time for the Senate to move," said Senate Budget Committee Chairman Lindsey Graham (R., S.C.).

Asked on Fox Business about the idea of a five-year tax bill, Bessent responded: "The goal is still for them to be made permanent."

No matter who goes first, the House and Senate must agree on a budget before moving any bills under a special procedure that dodges the Senate's 60-vote filibuster threshold.

The big divide in the House is over the depth of spending cuts and over whether the bill would increase projected budget deficits. A core group of conservative lawmakers is insisting on significant changes to programs such as Medicaid, looking for about $2.5 trillion in savings over a decade. But others worry about the effects of cuts, including a potential hit to rural hospitals.

As lawmakers try to bump up the spending-cut numbers, they are also looking to limit the tax-cut number on the other side of the fiscal equation.

Republicans generally agree that they want to extend tax cuts enacted in 2017, because the alternative -- higher taxes on most households in 2026 -- is untenable. If Congress doesn't act, the standard deduction and child tax credit will shrink and marginal rates will climb.

Olivia Beavers, Lindsay Wise and Siobhan Hughes contributed to this article.

By Richard Rubin

DETAILS

Subject:	Presidents; Tax cuts; Legislators; Budget deficits; Congressional committees
Business indexing term:	Subject: Tax cuts Budget deficits; Industry: 92111 : Executive Offices 92112 : Legislative Bodies
People:	Trump, Donald J
Company / organization:	Name: Republican Party; NAICS: 813940; Name: House of Representatives-US; NAICS: 921120; Name: Senate-US; NAICS: 921120
Classification:	92111: Executive Offices; 92112: Legislative Bodies
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Feb 6, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News

ProQuest document ID:	3163640505
Document URL:	https://www.proquest.com/newspapers/u-s-news-tax-cut-extension-splits-republicans/docview/3163640505/se-2?accountid=14681

| Last updated: | 2025-02-06 |
| Database: | ProQuest Central |

LINKS

U.S. News: Musk-Targeted Agency Provides Aid Around the World

Pisani, Joseph; McKay, Betsy . Pisani, Joseph; McKay, Betsy.

FULL TEXT

Elon Musk, the billionaire adviser to President Trump, is targeting the U.S. Agency for International Development as part of his directive to slash federal spending.

USAID provides financial aid to countries around the world. Its funds help combat human trafficking, battle diseases, feed people in places ravaged by famine and support American-allied countries affected by war.

What happened to USAID?

Musk's Department of Government Efficiency moved to exert control over USAID over the weekend, clashing with security officials before accessing the foreign-aid organization's classified systems.

The moves marked the start of a far-reaching campaign by Musk to upend the federal government agency by agency, according to his allies.

Trump is planning to fold USAID into the State Department by executive order, The Wall Street Journal has reported, and Secretary of State Marco Rubio told reporters Monday that he is the acting director of USAID.

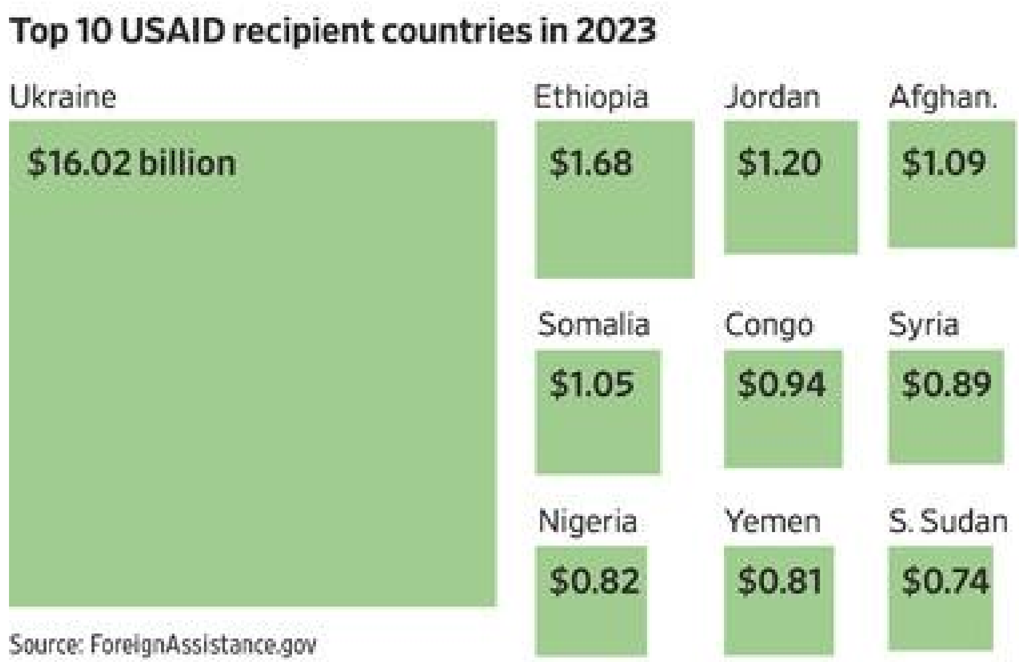
President John F. Kennedy created the agency in 1961, based on a foreign-assistance law Congress passed that year. Congress made it an independent agency in 1998.

The Trump administration removed the agency's website, USAID.gov, and placed it into a subsection of the State Department's website.

The administration closed USAID's headquarters at the Ronald Reagan Building in Washington, D.C., to workers on Monday, instructing them to work remotely.

Can the Trump administration legally do this?

Congress gave USAID independent legal authorities and dissolving it as an independent agency would take another act of Congress, said Matthew Kavanagh, director of the Center for Global Health Policy &Politics at Georgetown University. Article I of the Constitution gives Congress the prerogative to create or abolish agencies, he said.
The White House didn't respond to a request for comment.
Why are Trump and Musk targeting USAID?
Gutting USAID fits into Trump's campaign promise to cut aid to foreign countries.
Republican critics say USAID is wasting taxpayer money on programs that promote liberal causes, such as abortion. USAID has said it is barred from funding abortions by law. It does fund post-abortion care for women to prevent maternal deaths, the agency has said. Rubio said Monday USAID's work has to be aligned with American foreign policy.
Democrats say USAID saves lives and provides foreign aid quickly in times of crisis. USAID supporters also say the agency is an important tool of diplomacy, separate from foreign policy.
How big is USAID?
The agency had a budget of roughly $44.2 billion in fiscal 2024, or 0.4% of the federal budget, according to USAspending.gov. It has more than 10,000 workers. About two-thirds of them serve overseas, according to the Congressional Research Service.
What are some examples of USAID's work?
USAID gave assistance to about 130 countries in fiscal year 2023. The top 10 recipients were Ukraine, Ethiopia, Jordan, the Democratic Republic of Congo, Somalia, Yemen, Afghanistan, Nigeria, South Sudan and Syria.
What would aid cuts do?
Large cuts in humanitarian aid could mean people outside the U.S. lose access to vaccines, food and maternal care, said Maryam Deloffre, associate professor of international affairs at George Washington University.
(See related letters: "Letters to the Editor: Is Scrapping USAID Prudent or Pernicious?" -- WSJ Feb. 18, 2025)



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By Joseph Pisani and Betsy McKay

DETAILS

Subject:	American history; Abortion; Foreign aid; Foreign policy

Location:	United States--US
People:	Musk, Elon
Company / organization:	Name: Agency for International Development; NAICS: 928120
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A6
Publication year:	2025
Publication date:	Feb 4, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3163036197
Document URL:	https://www.proquest.com/newspapers/u-s-news-musk-targeted-agency-provides-aid-around/docview/3163036197/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-03-26
Database:	ProQuest Central

LINKS

Wall Street Frets Over U.S. Debt Plan --- New Treasury head has criticized a tack seen as helping markets keep calm

Goldfarb, Sam . Goldfarb, Sam.

FULL TEXT

The prospect of increased borrowing by a second Trump administration has spooked bond investors in recent months. One major concern is how the government will execute that borrowing.

At issue is a strategy pursued by the Treasury Department since late 2023 to lean more on short-term Treasurys to fund the government. Many on Wall Street credit that approach with calming markets buffeted by sticky inflation and a swollen federal budget deficit.

Key members of the Trump administration, however, have expressed hostility to the strategy, characterizing it as a risky effort to juice the economy. Those include freshly confirmed Treasury Secretary Scott Bessent and Stephen Miran, the president's choice to chair his Council of Economic Advisers.

Investors have generally welcomed Bessent's appointment, seeing the former hedge-fund manager as a potential moderating influence on President Trump on issues such as deficit spending and tariffs.

Still, some worry that he might boost issuance of longer-term debt, or "duration," putting upward pressure on already elevated U.S. Treasury yields -- a key benchmark for borrowing costs throughout the economy. That has raised the stakes for Wednesday's release of the Treasury's quarterly borrowing plans.

"If they're legitimately of that view -- that Treasury should have been adhering to a policy of issuing more duration and less bills -- then that could be a big deal for yields," said Blake Gwinn, head of U.S. rates strategy at RBC Capital Markets.

Investors care about the federal deficit because filling a larger budget shortfall requires selling more Treasurys. That can drive down the prices of existing bonds, pushing yields higher.

Details matter, however: Borrowing in T-bills -- debt that matures in a year or less -- typically has little impact on the 10-year Treasury yield, which is what moves things like mortgage rates.

Investors don't expect the Treasury to change the size of its note and bond auctions this week. The agency typically telegraphs such adjustments well in advance and said in October that it didn't expect changes to longer-term debt auctions "for at least the next several quarters."

Investors instead will be checking for changes to that guidance -- in particular, whether the Treasury at least opens the door to increases in the second half of the year.

Many analysts have been anticipating such a move, even before the change in administration, given the government's projected borrowing needs.

The Congressional Budget Office recently forecast a fiscal 2025 budget deficit of nearly $1.9 trillion. Absent increases in longer-term debt issuance, Treasury would need to rely more on T-bills to meet its funding requirements.

T-bills, which are usually considered as safe as cash, offer advantages to the government as a low-cost funding tool. A downside is that they make borrowing costs more variable. Demand from investors may also not be unlimited. So the Treasury has historically reduced the share of T-bills during economic expansions to leave room for big increases during downturns.

T-bills made up around 22% of the government's stock of debt at the end of December, up from 15% two years earlier, though still a touch below the long-term average.

Even outside of recessions, the share of T-bills has fluctuated over time. It stayed above 20% in the 2000s before falling below 15% in the 2010s when longer-term Treasury yields were at historic lows.
In 2020, the private-sector Treasury Borrowing Advisory Committee known as TBAC suggested that the ideal range for T-bills outside of emergencies was between 15% and 20%. It later clarified that these were only meant as rough guidelines.
That set the stage for the Treasury's actions in the fall of 2023. At the time, a surge in Treasury yields was rattling financial markets -- fueled, analysts said, by a burst of economic growth but also an unexpectedly large increase in the size of note-and-bond auctions that August.
The Treasury continued to increase the size of its auctions, but by a little less than most on Wall Street had expected. Officials also signaled that they didn't view 20% as a hard cap on T-bills.
Bonds and stocks rallied on the day of the announcement. For many, it was an appropriate and modest adjustment at a time when demand was robust for T-bills, but shaky for longer-term bonds.
Josh Frost, then the Treasury Department's assistant secretary for financial markets, was celebrated by CNBC's Jim Cramer as "the most important man in finance."
TBAC last year made an adjustment of its own, recommending "a T-bill share averaging around 20% over time."
Still, some political conservatives have criticized the Treasury, arguing that officials were trying to contain longer-term borrowing costs for political reasons.
In a Nov. 10 Wall Street Journal opinion column, Bessent argued that the Treasury had "distorted Treasury markets by borrowing more than $1 trillion in more-expensive shorter-term debt compared with historical norms."
He added that "terming out that debt in favor of a more orthodox borrowing profile may increase longer-term interest rates and will need to be deftly handled."
Some analysts have played down such statements. Analysts at Citigroup argued in a recent report that fiscal pressures would push Bessent to accept a T-bill share as high as 25%.
Analysts at Goldman Sachs, meanwhile, anticipate that the Treasury will lift auction sizes in November, bringing the share of T-bills down to 20% by the end of 2026.

Enlarge this image.

By Sam Goldfarb

DETAILS

Subject:	Borrowing; Investments; National debt; Costs; Treasuries; Securities markets; Budget deficits

Business indexing term:	Subject: Borrowing National debt Costs Treasuries Securities markets Budget deficits
Location:	United States--US
People:	Miran, Stephen; Bessent, Scott
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B1
Publication year:	2025
Publication date:	Feb 3, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3162691101
Document URL:	https://www.proquest.com/newspapers/wall-street-frets-over-u-s-debt-plan-new-treasury/docview/3162691101/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-02-03
Database:	ProQuest Central

LINKS

U.S. News: Universities Retreat on DEI After Trump's Order

Subbaraman, Nidhi; Belkin, Douglas . Subbaraman, Nidhi; Belkin, Douglas.

FULL TEXT

Universities are suspending research projects, canceling conferences and closing offices in response to a volley of orders from President Trump banning "diversity, equity and inclusion" across the U.S. government. The directives threaten vital federal funding and have thrown university leaders into disarray.

To avoid running afoul of the orders, which include "the termination of all discriminatory programs," some school leaders have assumed a defensive posture on anything associated with DEI.

Arizona State University told researchers to immediately stop work on federally funded DEI-related projects and avoid using unspent funds.

Michigan State University canceled a DEI webinar and began a review of campus programs to understand how they could be affected by the executive orders.

North Carolina State University directed faculty to stop working on any projects that "included the terms diversity, equity and inclusion" in the program's proposal.

Trump pledged during his campaign to end DEI, but the breadth of his executive orders still stunned universities, which have spent years incorporating DEI practices, values and personnel into curriculum, hiring and research.

Among the executive actions recently issued, one order directs federal agencies to end "equity-related" grants. Another would require universities to certify that they don't run "programs promoting DEI that violate any applicable Federal antidiscrimination laws" when they get grants.

Federal funding in the form of research grants is critical to the financial health of major research universities.

For instance, the University of California, San Francisco, received about $815 million in research funding from the National Institutes of Health for fiscal year 2024, making it one of largest recipients in the country. The school keeps about 40% of that for administrative costs.

The University of Arizona is likely to lose more than $10 million in annual diversity-associated grants from NIH and the National Science Foundation intended to pay for current and future postdoctoral scholars and graduate students, said Jacob Schwartz, the associate director for cancer training and education.

Last week, the NIH emailed Northern Arizona University to terminate funding for a project Naomi Lee hosts for mostly Native American high-school students at science labs at the university. The NIH cited a Trump executive order. "We thought we were fine until the end of the fiscal year," Lee said.

Universities are also facing delays in getting money unrelated to DEI. The NIH and NSF paused reviews of grant applications following the directives.

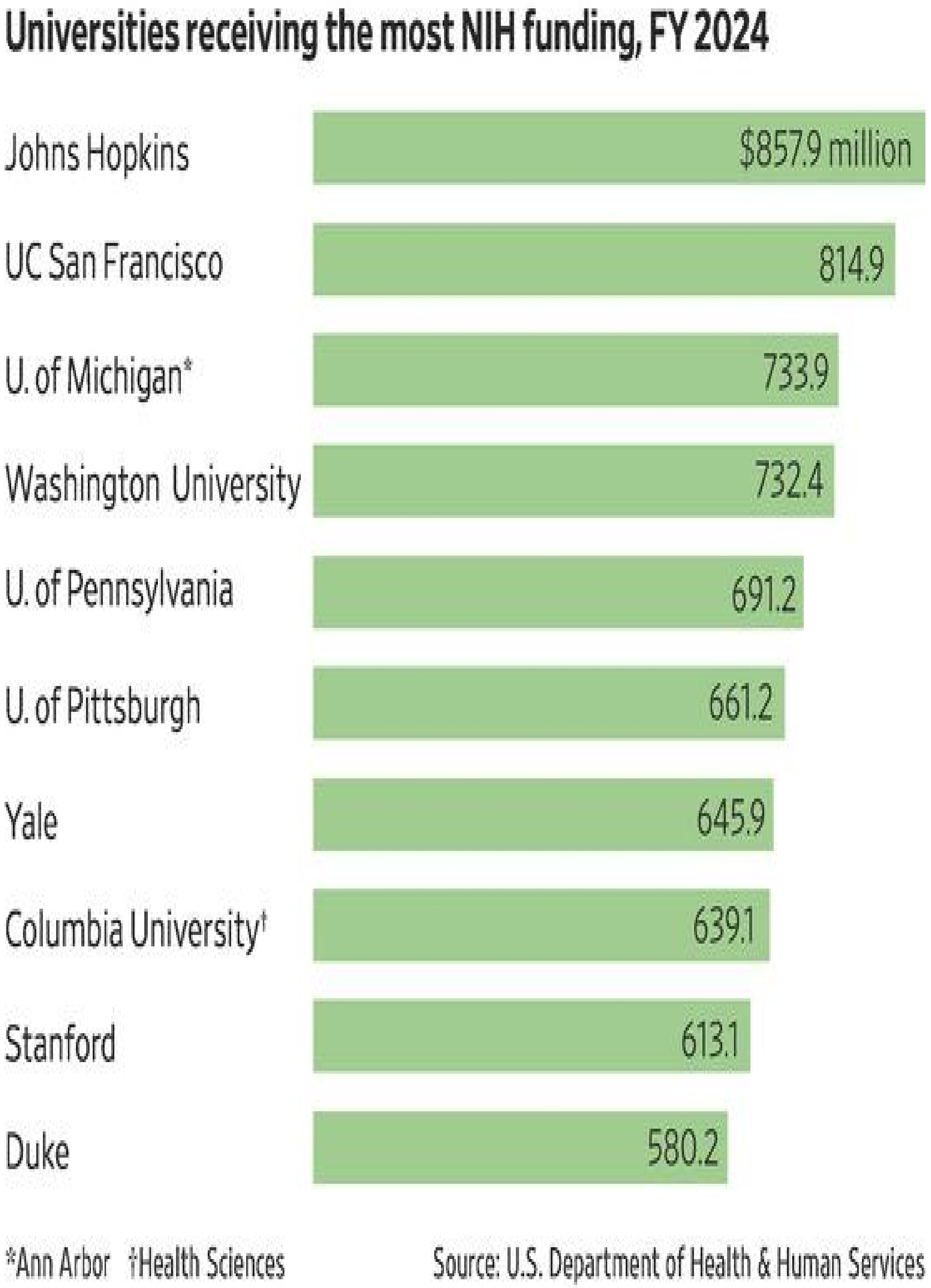
Johns Hopkins University computational biologist Steven Salzberg was reviewing graduate applications and set to make multiple offers for new students until last week. "Right now, I feel like I cannot make any offers because I don't know when the funding situation will be resolved," he said.

Scott Goldschmidt, a lawyer specializing in higher education at Thompson Coburn in Washington, urged universities to look at how public institutions have adapted in states that have already passed legislation banning DEI.

More than a dozen states controlled by Republican legislatures and governors have moved to limit or prohibit DEI. In 2023, Missouri State University stopped requiring diversity statements from job applicants, eliminated diversity hiring policies and removed scholarship requirements that limited eligibility based on race and sex.

On Wednesday, the school said it would stop DEI programs on campus and close its office of inclusive engagement.

"The world didn't end, right?" Goldschmidt said. "They're still able to fulfill their mission."



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By Nidhi Subbaraman and Douglas Belkin

DETAILS

Subject:	Students; Federal funding; Executive orders; Colleges &universities; College campuses; Diversity equity &inclusion
Business indexing term:	Subject: Federal funding Colleges &universities Diversity equity &inclusion; Industry: 92113 : Public Finance Activities 61131 : Colleges, Universities, and Professional Schools
Location:	United States--US
People:	Trump, Donald J
Classification:	92113: Public Finance Activities; 61131: Colleges, Universities, and Professional Schools
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A3
Publication year:	2025
Publication date:	Feb 1, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3162069962
Document URL:	https://www.proquest.com/newspapers/u-s-news-universities-retreat-on-dei-after-trumps/docview/3162069962/se-2?accountid=14681
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Last updated:	2025-02-03
Database:	ProQuest Central

LINKS

President Threatens To Widen Trade War --- Trump plans sector- based levies on eve of expected Mexico-Canada-China duties

Bade, Gavin; Andrews, Natalie; Vipal Monga in Toronto; Santiago Perez in Mexico City . Bade, Gavin; Andrews, Natalie; Vipal Monga in Toronto; Santiago Perez in Mexico City.

ProQuest document link

FULL TEXT

The U.S. will impose tariffs on computer chips, pharmaceuticals, steel, aluminum, copper, oil and gas imports as soon as mid-February, President Trump said Friday, opening a new front in his looming second-term trade wars.

"That'll happen fairly soon," Trump told reporters in the Oval Office, adding that he also wants to hike tariffs on the European Union, which has "treated us so horribly," though he didn't specify when the duties would be imposed or how high they would be.

A representative for the EU didn't respond to a request for comment.

The announcement for those sector-based and EU tariffs appeared separate from the 25% tariffs on Canada and Mexico, and 10% tariffs on China, which he had said would be implemented Saturday.

The duties previewed by Trump would come on top of existing tariffs on those products, he said, waving away any concern about the levies increasing inflation or snarling global supply chains.

"I think there could be some temporary, short-term disruption and people will understand that," Trump said. "The tariffs are going to make us very rich and very strong."

In the short term, leaders in Mexico, Canada and China -- and CEOs of American companies -- were hyperfocused on whether the president would include carve-outs for major industries that have lobbied him hard in recent days. His team has been in negotiations over how to potentially dial back the tariffs on those countries from the across-the-board version the president has pledged, but officials have warned that Trump may still decide to go through with a full-throated approach.

Trump has said the Mexico and Canada tariffs will take effect if the countries don't take steps to stop migration and drug trafficking over U.S. borders. Trump had promised to take a combative position with China over its role in the fentanyl crisis.

White House press secretary Karoline Leavitt on Friday said the Mexico, Canada and China tariffs were coming but declined to speak on exemptions for certain products or what -- if anything -- the trading partners could do to avoid the duties. Trump's team had also been considering a grace period between the announcement of the tariffs on Saturday and when they would actually be imposed, but Leavitt seemed to play down that possibility on Friday, telling reporters Trump would "implement his tariffs tomorrow."

Stocks pared morning gains and turned negative after her remarks.

Trump told reporters in the Oval Office that there was nothing Canada, Mexico and China could do to avoid the tariffs before Saturday. But he did say he was considering a lower tariff on Canadian crude oil -- 10% instead of 25%.

The decision on carve-outs for the first round of duties expected Saturday would provide an early indicator on the level of economic risk the president is willing to take in sparking new trade wars and pushing other nations to adhere to his policy demands. For weeks, large U.S. industries such as the oil and automotive sectors have lobbied him for exemptions from the tariffs, warning of higher prices and continental-wide supply chain issues, while Canada and Mexico have prepared a list of retaliatory measures to hit U.S. products with tariffs in kind.

Trump advisers have considered exemptions for oil imports and automobiles that comply with the U.S.-Mexico-Canada Agreement, the updated Nafta deal that Trump negotiated and signed in his first term.

Trump on Thursday gave some indication that exemptions could be coming, saying that he would consider a carve-out for oil, but reiterating that the tariffs would be imposed on Saturday, despite extensive talks with Canada and Mexico this week. His administration has insisted that none of the duties would add to inflation.

The China tariff threat, meanwhile, has flown under the radar compared with the North American tariff pledges. While Trump said earlier this past week that he was still considering duties on the world's second-largest economy, he has rhetorically targeted Canada and Mexico much more often, and his team had appeared to have less contact with Chinese diplomats than officials from the U.S.'s continental neighbors.

Depending on carve-outs, this round of Trump tariffs could cover more trade in dollar value than his first-term duties. Trump's four tranches of tariffs on Chinese goods in 2018-19 covered imports valued at roughly $360 billion at the time. New tariffs on Canada and Mexico plus additional tariffs on China would -- if all items are subject to the action -- cover imports valued at more than $1.3 trillion in 2023.

Canada and Mexico combined supplied about 28% of U.S. imports in the first 11 months of 2024, according to Census Bureau data. China accounted for an additional 13.5%.

U.S. Customs and Border Protection reported that last fiscal year 21,148 pounds of fentanyl was seized at the southwest border, the vast majority from U.S. citizens coming through legal ports of entry. On the northern border, CBP reported seizing 43 pounds of the drug.

Officials from both U.S. neighbors mounted a concerted campaign this past week to avoid the tariffs, opening new migration and drug working groups with the administration while also preparing retaliatory measures to hit U.S. products with tariffs.

Throughout the process, Mexican and Canadian officials have expressed frustration that they don't know what actions would satisfy Trump's demands, despite weeks of meetings between senior officials. Indeed, the looming tariff announcement Saturday would follow the White House saying publicly this past week that negotiations were progressing well with both nations.

On Friday morning, Canadian Prime Minister Justin Trudeau reiterated that Canada would have a "forceful but reasonable" response to U.S. tariffs. He warned that the Canadian economy could suffer. "I won't sugar coat it," he said.

Canada's central bank warned this past week that trade conflict with the U.S. would throw the Canadian economy into turmoil. Friday, Canada's public safety minister, who is in charge of the border, as well as its immigration and foreign ministers were all in Washington for last-minute meetings with Tom Homan, Trump's border czar.

Mexican President Claudia Sheinbaum, meanwhile, said her government was ready for Trump's tariffs and would respond in kind.

"We have Plan A, Plan B, Plan C for whatever the U.S. government decides," Sheinbaum said. "It's important to remember the implications that imposing tariffs could have for the U.S. economy."

Anthony DeBarros in Washington contributed to this article.
By Gavin Bade and Natalie Andrews in Washington, Vipal Monga in Toronto and Santiago Perez in Mexico City

DETAILS

Subject:	Trade disputes; Presidents; Fentanyl; Tariffs; International economic relations; US imports; Trade relations
Business indexing term:	Subject: Trade disputes Tariffs International economic relations US imports Trade relations; Industry: 92111 : Executive Offices
Location:	China; Mexico; United States--US; Canada
People:	Trump, Donald J
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Feb 1, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3162069361
Document URL:	https://www.proquest.com/newspapers/president-threatens-widen-trade-war-trump-plans/docview/3162069361/se-2?accountid=14681
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Last updated:	2025-02-03
Database:	ProQuest Central

LINKS

U.S. News: GOP Confronts Tough Choices On Spending --- Lawmakers wrestle with how to proceed given slim majority and internal disputes

Richard Rubin in Washington; Beavers, Olivia; Fla. . Richard Rubin in Washington; Beavers, Olivia; Fla.

FULL TEXT

President Trump wants Congress to pass "one big, beautiful bill" that would extend expiring tax cuts and provide money for border enforcement. As House Republicans concluded a three-day meeting at a Trump resort in Florida, that legislation is nowhere near done. Lawmakers are wrestling with their slim majority and internal disputes over the size of spending cuts.

House Speaker Mike Johnson (R., La.) didn't offer details when asked Tuesday if House Republicans made final decisions on cuts, costs or savings.

"We're in the process of working through this," he said, adding he was aiming to have a budget blueprint soon and is sticking to his timeline to finish the bill within a few months.

Here are some choices and obstacles Republicans face between today and the moment a bill lands on Trump's desk.

One or two bills?

Republicans have been stuck for weeks on this basic question. Many House members and Trump want to combine everything -- border money, military spending, cuts to social-safety programs, tax reductions -- into one piece of legislation. The idea is that the House, with a slim majority currently at 218-215, works best if everyone's priorities ride together in a pass-fail test.

Senators haven't bought in, however, and Trump has stayed open to their two-bill plan, telling House Republicans this week that he didn't care how they did it. The two-bill idea: Move quickly on border money, defense expenditures and energy policy and save messy tax-and-spending debates for later in the year.

Measuring cuts

The tax cut's size depends how you look at it, and Republicans have to pick their yardstick.

Normally, Congress measures policies against "current law," or what would happen if lawmakers do nothing. In that case, because Republicans scheduled most of Trump's 2017 tax cuts to expire at year's end, a permanent extension would cost more than $4 trillion over a decade.

Some Republicans, particularly Senate Finance Committee Chairman Mike Crapo (R., Idaho), say that is the wrong way. He prefers what is called a current-policy measurement, in which Congress would assume that expiring tax cuts are all extended. That would make an extension appear cost-free. The actual budget deficit due to extending tax cuts would be the same no matter which way they count, but Crapo's approach bakes those higher deficits into Republicans' assumptions.

How much?

Many Republicans are willing to increase budget deficits somewhat while saying they are concerned about deficits' being too large. The coming budget resolution will, roughly, set a cap on the deficit increase by providing spending-cut minimums for some committees and a tax-cut maximum. The net result, the maximum possible deficit increase, is a big number that lawmakers will watch for.

Republicans willing to accept some deficits highlight two factors. One is Trump's tariffs. Those likely won't be formally included as a revenue source, but Republicans can point to them as offsetting tax cuts.

The second factor is expected economic growth. Lower taxes do spur growth, and that growth does generate tax revenue, but economists affiliated with both parties don't expect that effect to be anywhere near large enough for tax cuts to pay for themselves.

Reduce spending

Trump has promised not to touch Social Security or Medicare benefits, so that means a focus on Medicaid and the Affordable Care Act, health programs that cover tens of millions of Americans. Other programs could be affected, too. House Majority Leader Steve Scalise (R., La.) said one committee alone could have $200 billion to $700 billion in cuts, though that is less than the $1 trillion or more in possible cuts discussed earlier for the Energy and Commerce Committee, which governs Medicaid.

While some Republicans say health programs such as Medicaid can be cut back significantly, others are less eager. Local hospitals and doctors might push back, and Republicans are already facing Democratic criticism about the trade-offs between healthcare for the poor and tax reductions for higher-income households.

Who gets tax cuts?

Even once Republicans agree on their fiscal targets, the tax choices will be tricky.

House Republicans from New York and New Jersey are demanding an increase in the $10,000 cap on deductions for state and local taxes. Trump and some Republicans want to repeal clean-energy tax credits enacted by Democrats in 2022, but other Republicans are wary of curtailing home-state investments tied to those credits.

Lawmakers will contend with Trump's own ideas that could add trillions more to the tally. His "no tax on tips" pledge seems likely to survive in some form. But he also wants a 15% corporate tax rate on domestic manufacturing and favors tax-free overtime pay and tax-free Social Security benefits.

By Richard Rubin in Washington and Olivia Beavers in Doral, Fla.

DETAILS

Subject:	Tax rates; Medicaid; Cost control; Tax cuts; Social security; Legislators; Budget deficits; Congressional committees
Business indexing term:	Subject: Tax rates Medicaid Cost control Tax cuts Social security Budget deficits; Industry: 92112 : Legislative Bodies
Classification:	92112: Legislative Bodies
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A6

Publication year:	2025
Publication date:	Jan 31, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3161648173
Document URL:	https://www.proquest.com/newspapers/u-s-news-gop-confronts-tough-choices-on-spending/docview/3161648173/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-01-31
Database:	ProQuest Central

LINKS

A Letter From Economists to Trump

Gramm, Phil; Summers, Larry . Gramm, Phil; Summers, Larry.

FULL TEXT

In an extraordinary act of unity, 1,028 American professional economists in the spring of 1930 signed a letter urging Congress to reject and President Herbert Hoover to veto the Smoot-Hawley Tariff Act. Yet that June, Congress passed it and the president signed it into law. The Smoot-Hawley Tariff helped turn a stock market rout and a building financial crisis into a worldwide depression and triggered a global trade war that halved American exports and imports.

Today, we write this letter in a similar spirit of unity. While the professional economists who have signed today's letter differ on many issues, we are united in our opposition to tariffs as a general tool of economic policy. Even in efforts to promote national security, tariffs are prone to abuse. Many of the worst restrictions on trade, such as the Jones Act, have been implemented in the name of promoting national security.

Our united opposition to non-defense-related tariffs is based not on our faith in free trade but on evidence that tariffs are harmful to the economy. Protective tariffs distort domestic production by inducing domestic producers to commit labor and capital to produce goods and services that could have been acquired more cheaply on the international market. That labor and capital are in turn diverted from producing goods and services that couldn't be acquired more cheaply internationally. In the process, productivity, wages and economic growth fall while prices rise. Tariffs and the retaliation they bring also poison our economic and security alliances.

The primary argument for the implementation of broad-based tariffs is that they will reverse the hollowing out of American manufacturing and reduce the trade deficit, which is causing a "hemorrhaging of America's lifeblood." Contrary to the repeated claim, there has been no hollowing out of American manufacturing. Industrial production in the U.S. is at an all-time high. The U.S. is producing 2.5 times as much real industrial output as it did when we last ran a trade surplus in 1975. We are producing that record output with the smallest percentage of the labor force involved in manufacturing since America became fully industrialized. The percentage of the civilian nonfarm labor force employed in manufacturing peaked during World War II and has been in secular decline ever since. This has been a great success for productivity and not a failure of trade, as today's full employment attests.

It is telling that the Trump tariffs implemented in mid-2018 and the Biden expansion of those tariffs didn't stop the secular decline in manufacturing employment as a percentage of the total labor force. The decline in manufacturing employment as a percentage of total employment is being driven by the same secular forces that caused employment in agriculture during the 20th century to fall from 40% to 2% of the labor force: a vast increase in labor productivity and a decline in the demand for manufactured products relative to services. This is a worldwide phenomenon occurring in both developed and developing countries.

In the long history of the country, there is little evidence to substantiate the claim that America prospers more when trade deficits fall than it does when they rise. During the Reagan recovery, as the level of economic growth surged, foreign investment rushed into the U.S. and the trade deficit soared. The same phenomenon occurred during the Clinton boom: So strong was the attractiveness of investing in America that the trade deficit continued to grow even as the federal government ran budget surpluses. The annual real trade deficit nearly doubled during the four years in which the U.S. government was running a budget surplus. When the economy started to grow faster in 2017 and 2018 during the first Trump term, the trade deficit rose despite the tariffs that were imposed in mid-2018.

The tariffs on steel and aluminum created only a small number of jobs, but since for every worker in the steel and aluminum industries there are 36 workers employed in American industries that use steel and aluminum in production processes, those modest gains were offset by the jobs losses in industries that use steel and aluminum as inputs. With foreign retaliation, the estimated cost to the economy of jobs created by the 2018 tariffs on washing machines, steel and aluminum clearly amounted to many times what the jobs paid in wages.

In sum, tariffs don't have a predictable effect of reducing trade deficits, and trade deficits aren't necessarily an adverse economic development. Indeed, trade deficits often arise as foreign investors choose the U.S. as a preferred destination for their capital.

Foreign capital has always played an important role in American economic development. The history of America is the history of foreign capital -- initially from Britain and Holland -- and labor from all over the world coming together to create the American economic colossus. Foreign capital today performs the same role. The countries whose citizens today make the largest investments in America -- Japan, Canada, Germany and the Netherlands -- invest in the U.S. because they see the investments as being more productive than the alternatives in their home countries or elsewhere. At least in the modern era, it seems that when the American economy is working well, it becomes an irresistible magnet for foreign workers and foreign investors.

The argument that foreign investment is making America poorer flies in the face of recorded history. From the settlement of Jamestown, foreign investment has enriched America and those who have invested in it. A review of the economic history of our nation yields no credible evidence that broad-based tariffs have benefited the nation as a whole. Protectionists often point to the 19th century as a period of high tariffs and strong economic growth. But a close look at the data for the 19th century shows conclusively that the country industrialized fastest when tariffs were falling, not when they were rising.

Sound fiscal policy and effective incentives to work, save and invest can increase economic growth, but the implementation of broad-based tariffs impedes that growth and in a full-blown trade war would overwhelm it. While we have fundamental differences in our views of how to produce a sound fiscal policy and implement effective incentives for productive efforts, we are united in our belief that broad-based tariffs will impede economic growth, risk triggering a trade war, and inflict long-term harm on the economy.

We therefore urge Congress not to adopt the administration's proposed tariffs and urge the president not to implement those tariffs by executive order.

Mr. Gramm, a nonresident senior fellow at The American Enterprise Institute, served as chairman of the Senate Banking Committee, 1999-2001. Mr. Summers, a Harvard University Professor and president emeritus, served as Treasury secretary, 1999-2001. Economists wishing to sign this letter can go to https://bit.ly/Gramm-Summers .

By Phil Gramm and Larry Summers

DETAILS

Subject:	National security; Labor force; Employment; Foreign investment; Productivity; Tariffs; Trade deficit; Trade disputes; Fiscal policy; International trade; Aluminum; Presidents; Economic development; Manufacturing; Economists; 19th century; Economic growth
Business indexing term:	Subject: Labor force Employment Foreign investment Productivity Tariffs Trade deficit Trade disputes Fiscal policy International trade Economic development Manufacturing Economists Economic growth; Industry: 92111 : Executive Offices
Location:	United States--US
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A15
Publication year:	2025
Publication date:	Jan 31, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.

Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3161648133
Document URL:	https://www.proquest.com/newspapers/letter-economists-trump/docview/3161648133/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-01-31
Database:	ProQuest Central

LINKS

Trump and Congress Need to Attack the U.S. National Debt

Arrington, Jodey . Arrington, Jodey.

FULL TEXT

Treasury Secretary Scott Bessent is concerned about America's large and growing national deficit. "We have never seen this before when it is not a recession or not a war," he said during his confirmation hearings. He's right. Our deficit is unsustainably high, and without a course correction it will undermine efforts to promote economic growth and reduce inflation and threaten our standing as the world's superpower.

Joe Biden's fiscal legacy can be summarized in one shameful milestone: The federal government now spends more paying interest on the national debt than it does on defense. Interest spending nearly tripled during Mr. Biden's term. This is a disastrous result of his reckless spending spree, which ballooned the debt, triggered rampant inflation and

increased borrowing costs for consumers and businesses. As Republicans prepare to turn the page and execute President Trump's America-first agenda, surging interest costs represent a ticking time bomb that must be defused.
Despite the Federal Reserve's cutting interest rates by a percentage point since September, bond yields have been surging, hitting their highest levels in more than a year in mid-January. While multiple factors influence this trend, a major culprit is America's untenable long-term debt. As the debt grows, Washington must borrow more money to finance it. Investors, looking to mitigate risk amid such profligate federal spending, demand higher returns on U.S. Treasurys. This leads to compounding interest payments and even more borrowing and debt.

The average interest rate that the federal government pays on our national debt is 3.3% -- about double what it was when Mr. Trump left office. In 2024 net interest costs accounted for 18% of federal revenue, and nearly half of every dollar we borrowed went to finance the debt. This trend is continuing: By 2035 interest payments will suck up almost a quarter of federal revenues, and about two-thirds of every dollar borrowed will go to finance the debt.

Left unchecked, these payments are on track to become the single largest item in the federal budget by 2051, crowding out private investment and national priorities like infrastructure and national defense. If interest rates exceed expectations, this could happen even sooner. My economics team calculates that if borrowing costs are just 1 percentage point higher than projected, it would add an additional $5 trillion to the national debt over 10 years.
Higher rates of federal borrowing lead to higher borrowing costs for businesses and families on everything from mortgages to car loans to small-business financing. This stifles economic growth and strains household budgets. Rising national debt makes everyone pay more.

It's time to face reality. The era of spending without limits or accountability has reached its breaking point. We must start by reducing the debt, a challenge that's daunting but not insurmountable. Our debt-to-GDP ratio hovers around 123%, an all-time high excluding the height of the Covid-19 pandemic. In 2024 the federal deficit was 6.4% of GDP, higher than most times of peace and relative prosperity throughout history. According to a 2010 study in the American Economic Review, countries with debt-to-GDP ratios exceeding 90% experience median growth about 1 percentage point lower -- and average growth nearly 4 percentage points lower -- than nations with lower debt burdens.

Reversing this trend offers clear benefits. According to the Congressional Budget Office, every 10-percentage-point reduction in our debt-to-GDP ratio could lower interest rates by a quarter point, saving tens of billions of dollars annually. The CBO also estimates that stabilizing our debt-to-GDP ratio could add $5,500 to real per capita income by 2054. Lower debt levels would restore investor confidence, reduce borrowing costs and secure America's economic future. This is why the 119th Congress must focus its attention on reducing the deficit.

It's a perilous path for a nation to spend more to finance its past than to secure its future. If interest costs continue to spiral out of control, it will undermine economic stability and global trust in the dollar. To realize the benefits of pro-growth policies such as tax reform and regulatory relief, we must root out wasteful, fraudulent and unnecessary spending and restore the fiscal health of our country. True fiscal discipline is the only path forward.

Washington has a surplus of possible avenues but a deficit in political will to get the job done. Enter Mr. Trump. His political courage exceeds that of any president in modern political history. He's risked his life pursuing solutions to America's problems, from border insecurity and unfair trade practices to our waning leadership on the world stage. Under his leadership, by cutting spending and controlling the national debt, the U.S. can launch an era of unparalleled strength and prosperity.

Mr. Arrington, a Texas Republican, is chairman of the House Budget Committee

(See related letter: "Letters to the Editor: Attack the Debt, but Don't Forget Entitlements" -- WSJ Feb. 7, 2025)

By Jodey Arrington

DETAILS

Subject:	Federal budget; Borrowing; Interest costs; Debt management; Economic development; Federal Reserve monetary policy; Gross Domestic Product--GDP; Interest rates; National debt; Economic growth; Budget deficits
Business indexing term:	Subject: Federal budget Borrowing Interest costs Debt management Economic development Federal Reserve monetary policy Gross Domestic Product--GDP Interest rates National debt Economic growth Budget deficits; Industry: 92113 : Public Finance Activities 52111 : Monetary Authorities-Central Bank
Location:	United States--US
Company / organization:	Name: Congressional Budget Office--CBO; NAICS: 921120
Classification:	92113: Public Finance Activities; 52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A17
Publication year:	2025
Publication date:	Jan 30, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3161324091
Document URL:	https://www.proquest.com/newspapers/trump-congress-need-attack-u-s-national-debt/docview/3161324091/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-02-06

U.S. News: GOP Tries to Hobble Consumer Agency --- CFPB was created by Democrats in the wake of the 2008 financial crisis

Hughes, Siobhan . Hughes, Siobhan.

FULL TEXT

WASHINGTON -- Republicans, riding high from their election sweep of the House, Senate and White House, are again pushing to hobble the Consumer Financial Protection Bureau, the governmental entity that they have tried to dismantle since its creation by Democrats in the aftermath of the 2008 financial crisis.

The agency has extensive authority to write and enforce rules related to consumer financial products like mortgages and credit cards. Democrats have championed the bureau as a bulwark against abusive banking practices.

Republicans see it as a meddling bureaucracy that lacks accountability. It is insulated from ordinary congressional pressure because its funding comes from the Federal Reserve and not through the appropriations process.

Sen. Ted Cruz (R., Texas), who in past Congresses has introduced legislation to eliminate the bureau, on Wednesday unveiled a new measure with the same target. He is joined by Senate Majority Whip John Barrasso (R., Wyo.) along with Sens. Mike Rounds (R., S.D.), Steve Daines (R., Mont.), Marsha Blackburn (R., Tenn.) and Rick Scott (R., Fla.)

This year, his legislation has a twist. Instead of proposing to repeal the measure creating the CFPB, the Texas senator is proposing to set at $0 the amount of money that the Federal Reserve could transfer to the CFPB.

"The CFPB is an unelected, unaccountable bureaucratic agency that has imposed burdensome and harmful regulations on American businesses, banks, and credit unions," Cruz said in a statement. "It is an unchecked Obama-era executive arm and the Federal Reserve should not be transferring funds to it. Enacting this legislation would save American taxpayers billions of dollars, and I call on the Senate to expeditiously take it up and pass it."

While Republicans had control of Congress and the White House in the first two years of President Trump's first term, they were unable to dismantle the CFPB. This time, a person familiar with the matter said that Cruz's office believes that the proposal could be advanced under a special procedure that bypasses the Senate's 60-vote threshold required of most legislation.

Republicans are currently planning to use that procedure, called budget reconciliation, to advance major parts of Trump's agenda on tax cuts and border enforcement. Republicans currently have a 53-47 majority in the Senate.

To qualify for inclusion under budget reconciliation, which requires just a simple majority, any change must be fiscal in nature and must have a significant impact on the budget that is more than incidental to any policy change being sought. One open question is whether the CFPB is off limits because its funding stream is outside the congressional appropriations process.

The Senate parliamentarian, the arbiter of which provisions are eligible to be included, has disappointed the majority party on reconciliation before. In 2021, when Democrats controlled the White House and both chambers of Congress,

she rejected an attempt to include a provision to raise the minimum wage to $15 an hour and a separate attempt to provide a pathway to citizenship for millions of immigrants living in the country illegally.
Last year, the Supreme Court rejected a challenge that could have dismantled the agency, ruling that Congress had authority, when it set up the bureau, to insulate the bureau's funding stream from political interference. In 2020, the court agreed with a separate challenge, ruling that the Constitution entitled the president to remove the bureau director at will rather than only for cause during a five-year term.
By Siobhan Hughes

DETAILS

Subject:	Appropriations; Federal budget; Legislation; Economic crisis; Funding
Business indexing term:	Subject: Appropriations Federal budget Economic crisis
Location:	Texas; United States--US
Company / organization:	Name: Consumer Financial Protection Bureau; NAICS: 926150
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A2
Publication year:	2025
Publication date:	Jan 30, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3161323926
Document URL:	https://www.proquest.com/newspapers/u-s-news-gop-tries-hobble-consumer-agency-cfpb/docview/3161323926/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-07-01
Database:	ProQuest Central

LINKS

U.S. News: White House Tries to Flip Budget Script --- Some advisers think they need to wrest parts of the process away from Congress

Paletta, Damian . Paletta, Damian.

FULL TEXT

WASHINGTON -- A White House freeze on potentially trillions of dollars in government "financial assistance" was set to go into effect at 5 p.m. Tuesday. But the White House initially couldn't explain which programs would be impacted, lawsuits were immediately filed, and a federal judge intervened.

Welcome to the Budget Chaos of 2025.

Some of President Trump's top advisers think the U.S. budget process has become so contorted -- allowing the budget to become so bloated -- that they need to wrest parts of it from Congress's control to make changes that are long overdue.

This is a tension that isn't just playing out between Democrats and Republicans, but also inside each party, as the budget hawks often get outshouted -- and outvoted -- by big spenders in their respective parties.

"What they are doing is what a lot of people do who are not in the government, which is zero-based budgeting," said former Sen. Judd Gregg (R., N.H.), who at one time chaired the Senate Budget Committee. "You go back to the beginning and take a look at what you are spending money on, and then spend it. The way it usually works is, 'Spend the money, spend it all, and then ask for more next year.'"

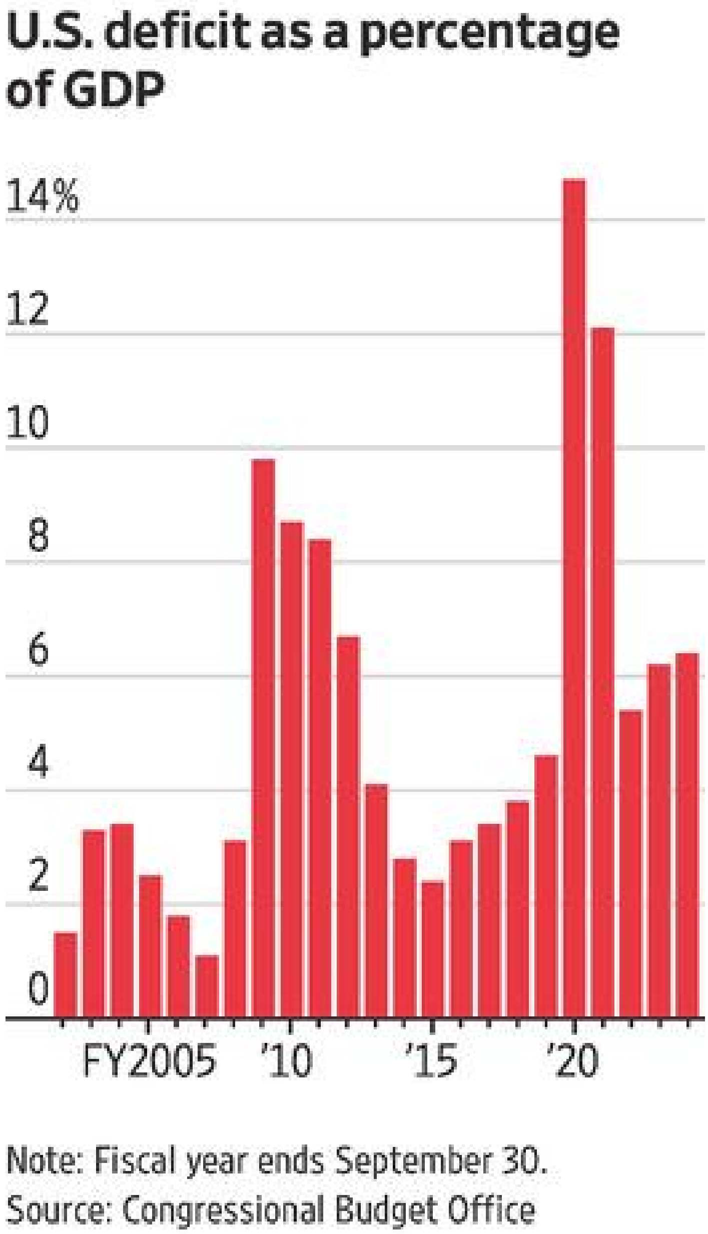
The exact number of affected programs was unclear Tuesday, and even White House officials appeared uncertain at times what was in and what was out.

The U.S. government is projected to spend $7 trillion in the fiscal year that ends Sept. 30, according to the Congressional Budget Office, running a roughly $1.9 trillion deficit. In 2019, the last year before the pandemic, the government spent $4.4 trillion. A number of factors play into the huge change, including big increases in spending categories such as interest on the debt, an aging population and rising Social Security, Medicare and Medicaid costs. But spending bills approved by both parties only allowed the budget to grow even more each year.

The government's budget process is a hard one to arrest, which is one reason spending snowballs.

Early each year, the White House proposes a budget for the entire government, and Congress often ignores nearly all of that and starts its own process. Horse-trading begins. Whenever there is an impasse, Democrats and Republicans

dig in, looking to run out the clock until Washington is on the eve of a government shutdown. Panic ensues, and then -- almost every time, except when there is a government shutdown -- a short-term spending deal is patched together, pushing off tough decisions.
Trump hasn't traditionally been a fiscal firebrand. During his first term, he wanted big increases in military spending, but he needed Democratic votes to get that money. So he agreed to increase spending on other programs, such as housing and education, in exchange for the military cash.
In his second term, Trump and Republicans are looking to push through new tax cuts and border spending using a special budget process that allows them to pass the package without Democratic help. Some GOP lawmakers also are pushing for deep spending cuts, but it isn't clear if they will get traction. The signal Trump is sending now, though, is that he is willing to freeze money that Congress has already allocated if it doesn't fit with the administration's priorities.
"Career and political appointees in the Executive Branch have a duty to align Federal spending and action with the will of the American people as expressed through Presidential priorities," Matthew J. Vaeth, acting director of Trump's budget office, wrote to federal agencies Monday.
The White House probably will run into its own budget strains in the months ahead. Trump already is talking about new initiatives that could add to spending, such as an "Iron Dome" missile-defense shield around the U.S. and a manned mission to Mars.
The freeze might prove so disorganized and disruptive that it ends up setting back efforts to cut the budget later in the year.
"If this stands, then Congress may as well adjourn, because the implications of this is the executive can pick and choose which congressional enactments they will execute," said Sen. Angus King (I., Maine).
A footnote in the White House memo exempts Social Security and Medicare from any cuts. That approach still leaves huge government programs, affecting millions of people, potentially exposed.
The White House sent Capitol Hill staff a memo Tuesday afternoon saying that programs such as Medicaid and the Head Start preschool program would continue without pause, and that pauses for other programs might be as short as a day. States were reporting Tuesday they were unable to tap federal Medicaid funds. Sen. Chris Murphy (D., Conn.,) said his state couldn't access Head Start funds.
Such programs often are used as shields by defenders of government spending. The Vaeth memo says there was $3 trillion in spending last year that he considers "Federal financial assistance, such as grants and loans." It is unclear where he came up with the sum. The memo also says the government spent $10 trillion last year, which is at least $3 trillion more than CBO says.
Still, the $3 trillion identified by Vaeth is the pot of money that the White House wants to take a closer look at.
Gregg, the former senator, projected that there will be enormous political pressure on the White House to eventually back down and let the money start flowing again.
Americans appear torn.
In a January Wall Street Journal poll, most American voters (62%) said protecting funding for education, healthcare and social-safety-net programs was a bigger priority than reducing the national debt (34%).
Democrats say the money has been appropriated by Congress and then signed into law by former President Joe Biden, so it must be spent. The Trump administration's view is much different. Officials note they are calling for a temporary pause in the money, not ending the programs -- yet.
And, in directing the freeze, the memo directs agencies to act "to the extent permissible under applicable law." That phrasing could have been a nod to their anticipation of the same legal challenges that swiftly postponed the enactment of the policy.



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By Damian Paletta

DETAILS

Subject:	Federal budget; Political appointments; Government shutdowns; Medicaid; Social security; Government spending; Medicare
Business indexing term:	Subject: Federal budget Government shutdowns Medicaid Social security Government spending Medicare; Industry: 92313 : Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
Location:	United States--US
Company / organization:	Name: Congressional Budget Office--CBO; NAICS: 921120
Classification:	92313: Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)

Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A6
Publication year:	2025
Publication date:	Jan 29, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3160789035
Document URL:	https://www.proquest.com/newspa pers/u-s-news-white-house-tries-flip-budget-script/docview/3160789035/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-01-29
Database:	ProQuest Central

Judge Pauses Trump Freeze On Aid After It Sparks Chaos

Thomas, Ken; Peterson, Kristina; Whyte, Li z Essley; Haggin, Patience . Thomas, Ken; Peterson, Kristina; Whyte, Liz Essley; Haggin, Patience.

FULL TEXT

WASHINGTON -- A judge temporarily blocked implementation of a sweeping White House effort to pause potentially trillions of dollars in federal grants, loans and other financial-assistance programs, a directive that created chaos as states struggled to access funding portals dealing with Medicaid, emergency aid and low-income education and nutrition services.

Minutes before the White House order was set to take effect, U.S. District Judge Loren AliKhan in Washington, D.C., temporarily blocked federal agencies from taking steps to implement it. Ruling from the bench at the end of a hastily arranged court hearing Tuesday, AliKhan said she was issuing a brief stay that would "preserve the status quo" until she can hold an oral argument, which is set for Monday morning.

The order came in response to a lawsuit filed on Tuesday by organizations who represent grant recipients.

Earlier in the day, federal, state and local government officials sought to assess the impact of the order issued a night earlier by the White House Office of Management and Budget, which set off a temporary pause of the grants to give agencies time to review spending priorities.

The administration spent the day trying to contain the fallout from the late Monday order. The White House said the order wouldn't affect individual assistance programs such as Social Security and Medicare benefits, food stamps and welfare benefits.

But because the Monday order gave few other clues as to what it covered or didn't cover, government officials, lawmakers, nonprofits and others were left to parse through the two-page document -- down to the footnotes -- to try to understand which programs would be halted.

"This is not a blanket pause on federal assistance and grant programs from the Trump administration," said White House press secretary Karoline Leavitt, who made her first appearance in the briefing room Tuesday. "It is the responsibility of this president and this administration to be good stewards of taxpayer dollars."

Confusion was so widespread that the OMB sent Capitol Hill staff an explanation Tuesday afternoon seeking to make clear to lawmakers that programs such as Medicaid and the Head Start preschool program would continue without delay, and that pauses for other programs might be as short as a day.

But despite the White House assurances, multiple states said they had difficulty accessing funding portals from the federal government for Medicaid, the federal health insurance program for low-income people that provides coverage for nearly 1 in 4 individuals in the U.S., community health centers and other funding.

"Connecticut's Medicaid payment system has been turned off. Doctors and hospitals cannot get paid," wrote Sen. Chris Murphy (D., Conn.) on X.

Massachusetts Attorney General Andrea Joy Campbell, a Democrat, said her state had tried to draw $41 million in Medicaid funds Monday and hadn't been able to obtain it yet.

Leavitt wrote on X Tuesday that the portals would be back online and that payments were still being processed and sent.

Lawmakers and others involved in Head Start said the freeze disrupted reimbursements for the federal program providing early childhood education to low-income children. It wasn't clear if the federal aid freeze would affect the Women, Infants and Children supplemental nutrition program, known as WIC, which provides baby formula and healthy food to low-income mothers and young children.

More than a week into his presidency, the move by President Trump represented his most audacious effort yet to disrupt the nation's spending priorities, setting up a constitutional clash with Democrats who swiftly dubbed the freeze as illegal. Democratic lawmakers said the freeze violated Congress's power of the purse and ability to ensure funding for priorities through the appropriations process.

"President Trump plunged the country into chaos," said Sen. Chuck Schumer of New York, the chamber's Democratic

leader. "This decision is lawless, it's destructive, it's dangerous, it's cruel."
A group of 23 state attorneys general, including those in New York and California, said they planned to file a lawsuit later Tuesday seeking to stop enforcement of the funding freeze, calling it unconstitutional.
The memo echoed the Project 2025 policy blueprint drawn up last year by conservative activists, which included a proposal calling for the Environmental Protection Agency to "institute a pause and review for all grants over a certain threshold."
And it was in line with recent arguments made by Russell Vought, a Project 2025 author and Trump's nominee to lead the OMB, to confront "government waste." Vought hasn't yet been confirmed by the Senate, and Democrats said Tuesday that the process should be delayed so that Vought could answer their questions about the freeze.
Trump campaign officials discussed the pause as early as last year, a person familiar with the discussions said. And campaign staff and allied groups helped draft lists of specific grants they considered to be ideological wastes of government money.
Aides on Capitol Hill said Republican lawmakers who write the annual spending bills weren't given a heads-up about the unexpected OMB move.
Nonetheless, Rep. Dusty Johnson (R., S.D.) said: "This shouldn't surprise anybody. Donald Trump was talking about doing this throughout the campaign," adding: "Listen, this guy wants to change how D.C. operates, and I think we need to work through this process to figure out what's best."
The OMB said the temporary freeze pertained to programs affected by Trump's recent executive orders, "such as ending DEI," or diversity, equity and inclusion programs, "the green new deal, and funding nongovernmental organizations that undermine the national interest."
Other groups that rely on federal grants, like the Meals on Wheels program, which provides food to homebound individuals, said they were unsure Tuesday about the future of those funds.
"There's real people that depend on these grants, and real people with real jobs, with missions, and I've heard from people in my district this morning asking me about it," said Rep. Don Bacon (R., Neb.), who represents a competitive Omaha-area district. "All I could say right now, I hope it's short-lived."
The OMB memo said that the federal government spent more than $3 trillion on federal assistance, such as grants and loans, out of nearly $10 trillion spent in the fiscal year 2024.
The memo didn't say where those figures came from. For the current fiscal year, which ends Sept. 30, the government is expected to spend about $7 trillion, according to the nonpartisan Congressional Budget Office.
Early Tuesday, the OMB sent a separate directive reviewed by The Wall Street Journal notifying federal agencies that they were required to fill out an attached spreadsheet answering a series of questions about programs that might require funding and whether they aligned with Trump's agenda. One question, for example, asked if the program supports abortion "in any way." The information requested information related to programs with funding or activities planned through March 15.
The OMB said it may allow the ability to provide exemptions "on a case-by-case basis," adding to the confusion among states.
Dan Jacobson, a former OMB general counsel during the Biden administration, said the lack of clarity from the initial memo may have led agencies to go beyond what was intended.
"I assume that agency officials, because they're afraid in the current environment of being perceived as running afoul of the president's directives, will be overly cautious and err on the side of freezing funds if they're unsure whether it's covered by the directive," Jacobson said.
State officials said they were particularly concerned about how the Monday order might affect Medicaid. That program covers about 80 million people, including an affiliated program for children.
"Even a 'pause' broadly applied will cause real, measurable and immediate harm to people," said Kody Kinsley, a former North Carolina health secretary.
Some former officials of the Centers for Medicare and Medicaid Services, the agency that oversees Medicaid, said they believe that Medicaid disbursements would be exempt because the memo said that the pause only applies where

permitted by law. Medicaid payments are subject to statutes and contracts with states.
But several former federal health officials said its implications for Medicaid remained unclear.
"The memo is very confusing, and states and Medicaid providers will need to get clarification from the administration about whether Medicaid funds are clearly included in the memo," said Thomas Barker, a CMS chief legal officer in the George W. Bush administration.
By Ken Thomas, Kristina Peterson, Liz Essley Whyte and Patience Haggin

DETAILS

Subject:	Government agencies; Government grants; Medicaid; Government waste; Funding; Legislators; Low income groups; Nutrition; Appropriations; Preschool education; Political campaigns; Presidents; Public officials; Medicare
Business indexing term:	Subject: Medicaid Appropriations Medicare; Industry: 92111 : Executive Offices 92112 : Legislative Bodies 92313 : Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs) 62441 : Child Care Services
Location:	New York; United States--US
People:	Trump, Donald J
Classification:	92111: Executive Offices; 92112: Legislative Bodies; 92313: Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs); 62441: Child Care Services
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Jan 29, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News

ProQuest document ID:	3160787320
Document URL:	https://www.proquest.com/newspapers/judge -pauses-trump-freeze-on-aid-after-sparks/docview/3160787320/se-2?accountid=14681

| Last updated: | 2025-01-29 |
| Database: | ProQuest Central |

LINKS

Business News: Diversified Energy, Maverick Near Deal

Thomas, Lauren; Glickman, Ben . Thomas, Lauren; Glickman, Ben.

FULL TEXT

Diversified Energy is in advanced talks to buy private-equity-owned Maverick Natural Resources in what would be its largest acquisition yet, according to people familiar with the matter.

A deal would value Maverick at roughly $1.3 billion, including debt, and could be announced as soon as early Monday, the people said.

The combined company would be valued at about $3.8 billion, including debt, the people said. (Diversified Energy is expected to assume some $700 million of Maverick's debt outstanding.)

Birmingham, Ala.-based Diversified Energy had a market value of more than $800 million as of Friday.

Maverick, a Houston-based producer of oil and natural gas, has its core operations throughout Texas and Oklahoma, including in the Western Anadarko Basin. It is owned by EIG Global Energy Partners, an energy- and infrastructure-focused investment firm.

EIG is expected to remain a big shareholder in the combined company, with Diversified Energy Chief Executive Rusty Hutson Jr. remaining at the helm, the people familiar with the matter said.

Maverick was formed in 2018 after the bankruptcy of Breitburn Energy Partners. Breitburn exited from bankruptcy majority-owned by EIG-controlled funds, renamed as Maverick and with significantly reduced debt.

Diversified Energy is among several companies in the oil-and-gas industry that have pursued deal making at a breakneck pace in recent years, defying a slowdown in mergers and acquisitions.

The deal would expand Diversified Energy's presence into the highest-producing U.S. oil patch. Maverick holds properties in the Permian Basin, an area near the border between Texas and New Mexico.

President Trump has pledged to put policies in place that would bolster the oil-and-gas industry, and reverse course on many of former President Biden's climate initiatives.
Maverick produces 77,000 barrels of oil equivalent a day, on average, according to its website. Diversified Energy, which is also listed in the U.K., churned out roughly 138,000 barrels of oil equivalent a day, on average, in its fiscal third quarter.
By Lauren Thomas and Ben Glickman

DETAILS

Subject:	Bankruptcy; Energy; Gas industry
Business indexing term:	Subject: Bankruptcy Gas industry
Location:	Texas; United States--US
Company / organization:	Name: Diversified Energy Co LLC; NAICS: 325193; Name: Maverick Natural Resources; NAICS: 211120, 211130
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B3
Publication year:	2025
Publication date:	Jan 27, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3159959565
Document URL:	https://www.proquest.com/newspapers/business-news-diversified-energy-maverick-near/docview/3159959565/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-01-27
Database:	ProQuest Central

LINKS

D.R. Horton Tops Wall Street View Though Sales Fall

Denny, Jacob . Denny, Jacob.

FULL TEXT

D.R. Horton's quarterly results beat Wall Street's estimates, a positive sign for the home builder ahead of the critical spring selling season.

The Arlington, Texas, company's top and bottom lines came in ahead of forecasts despite the closing of fewer home sales in the fiscal first quarter.

The use of incentives such as mortgage-rate buydowns helped spur demand. Home builders across the industry have deployed these incentives to nudge would-be buyers off the sidelines as mortgage rates have remained volatile.

While home builders would like to wind down their use of incentives, there may be little reprieve as rates remain elevated and uncertainties linger about some of President Trump's policy proposals. Mortgage rates recently rose above 7% for the first time since mid-2024.

D.R. Horton said Tuesday that its gross profit margin on revenue from home sales in the quarter came in at 22.7%, down 0.9 percentage point sequentially given higher incentive costs.

"Our incentive costs are expected to increase further on homes closed over the next few months, so we expect our home sales gross margin to be lower in the second quarter compared to the first quarter," Jessica Hansen, senior vice president of communications, said on a call with analysts Tuesday.

With Trump back in office, companies are waiting to see how his executive orders and other policies will play out.

Home builders have been peppered with questions about possible impacts from tariffs and immigration crackdowns.

On the call with analysts, D.R. Horton executives said cost increases wouldn't help housing affordability, which they believe to be a goal of the new administration.

D.R. Horton on Tuesday reported net income of $844.9 million, or $2.61 a share, for the three months ended Dec. 31, down from $947.4 million, or $2.82 a share, a year earlier. Analysts polled by FactSet expected $2.35 a share.

Revenue edged down to $7.61 billion from $7.73 billion, ahead of analyst expectations for $7.01 billion.

Homes closed in the quarter totaled 19,059, down 1.5% compared with 19,340 in the same quarter of fiscal 2024.

Shares of D.R. Horton fell 2.7% on Tuesday after paring back earlier gains.

D.R. Horton maintained its forecast for revenue between $36 billion and $37.5 billion, as well as home closings in the range of 90,000 to 92,000, in fiscal 2025.

"We need the spring to show up for us and to see the sales," Chief Executive Paul Romanowski said on the call.

By Denny Jacob

DETAILS

Subject:	Real estate sales; Mortgage rates; Incentives
Business indexing term:	Subject: Mortgage rates Incentives; Corporation: D R Horton Inc
Company / organization:	Name: D R Horton Inc; NAICS: 236115, 237210
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B6
Publication year:	2025
Publication date:	Jan 22, 2025
Section:	The Property Report
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3157793459
Document URL:	https://www.proquest.com/newspapers/d-r-horton-tops-wall-street-view-though-sales/docview/3157793459/se-2?accountid=14681
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Last updated:	2025-01-22
Database:	ProQuest Central

U.S. News: Bird Flu, Bad Weather Send Food Prices Rising Again

Thomas, Patrick; Newman, Jesse . Thomas, Patrick; Newman, Jesse.

FULL TEXT

The specter of rising food prices is back.

The cost of groceries in the U.S. in December increased 1.8% from a year earlier, rising at the fastest pace in more than a year, according to Labor Department data released last week. The cost of food overall was 0.3% higher in December, after increasing 0.4% in November.

There isn't one factor. Bird flu is killing chickens, cutting egg supplies and sending wholesale prices to a record. Extreme heat and dry weather in the world's coffee-growing regions have sent the cost of brews surging. Chocolate and cereal makers have raised prices for their products, too.

It is a problem for consumers, who are still acclimating to a stretch of bruising inflation following the Covid-19 pandemic. Shoppers are picking up more store-branded groceries and scouring multiple stores for the best deals.

Grocery prices in December were roughly 28% higher than they were five years ago, according to the Labor Department.

An uptick in the pace of food inflation presents a challenge for the new administration. President Trump campaigned on consumers' frustration with inflation, though more recently has acknowledged it could be hard to cool rising grocery prices.

Some of the problems underlying food costs, such as disease and bad weather, don't have quick policy fixes. Trump's pledge to implement tariffs on goods from Canada, China and Mexico, some of America's top trading partners, could further roil food-commodity markets.

Eggs are one of the primary drivers of food inflation. The index for eggs was up 37% from a year ago, according to the latest Labor Department figures, and the average retail price of a dozen large eggs increased nearly 14% to $4.15 in December.

The price increase is fueled by the deadliest outbreak of avian flu on record, which first started spreading on U.S. farms in 2022. Egg price surges tend to be seasonal because wild birds -- ducks and geese -- migrate during the winter, carrying the virus to farms as they travel. To limit the virus's spread, whole flocks are killed after an infection is confirmed.

Combined with the more limited supply, demand for eggs tends to peak in December as grocery stores and food manufacturers stock up for the holiday baking season. Price increases have helped increase the profits of egg companies, including Cal-Maine Foods, the largest U.S. egg producer, whose stock has doubled over the past year.

Prices were also higher in December at the meat case. Products such as bacon and breakfast sausage rose 2% in price from November. The Agriculture Department said this month that it expects higher pork, beef and chicken prices in 2025 as meatpackers cut back their slaughter rates.

Other food companies have come under pressure as consumers tighten their spending and choose cheaper options. Executives said they don't want to raise prices further, but their own costs continue to climb.

Food giant Conagra Brands said that for now it would absorb increased expenses tied to the meat and eggs it uses in frozen meals such as Healthy Choice and Marie Callender's. Conagra expects protein costs to moderate in the company's next fiscal year, and executives said keeping those prices in check is in the best interest of consumers and the company's shareholders.

"No one wants to take price, but if costs go up, prices tend to follow," said Sean Connolly, Conagra's chief executive, in an interview.

Higher cocoa and sugar costs have driven price increases from snack giants such as Hershey and Mondelez International. Hershey, which makes Reese's and Almond Joy, said it expected cocoa beans to be the main driver of higher costs for the company in 2025, but that increased prices for related products, like cocoa butter and cocoa liquor, will factor in, too.

Enlarge this image.

By Patrick Thomas and Jesse Newman

DETAILS

Subject:	Avian flu; Eggs; Inflation; Cocoa; Costs; Price increases; Food prices
Business indexing term:	Subject: Inflation Costs Price increases Food prices
Location:	United States--US
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A8
Publication year:	2025
Publication date:	Jan 21, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3157376301
Document URL:	https://www.proquest.com/newspapers/u-s-news-bird-flu-bad-weather-send-food-prices/docview/3157376301/se-2?accountid=14681
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Full text availability:	This p ublication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-01-22
Database:	ProQuest Central

LINKS

EXCHANGE --- TD Bank Accelerates Transition to New Chief Executive

Stewart, Robb M . Stewart, Robb M.

FULL TEXT

Toronto-Dominion Bank will hand the reins to a new chief executive two months sooner than planned, slash executive pay and overhaul its board as it looks to put behind it a costly money-laundering scandal.

Raymond Chun, currently the Canadian lender's chief operating officer, will take the CEO post on Feb. 1 instead of April 10. Bharat Masrani will retire from the role and leave the bank's board, though he will remain as an adviser until the end of July to help with continuing efforts to fix TD's anti-money-laundering systems.

Five long-serving directors will leave TD's board, and Alan MacGibbon plans to step down as chairman by the end of the year. The bank already has launched a search for a new chair and has lined up four new directors with experience in global banking, governance and regulatory compliance.

The decision to accelerate the transition to a new CEO was needed to send a message to shareholders and regulators that the bank is moving quickly to revamp its governance, a person familiar with the moves said. The refreshed board, which will take on two former U.S. banking executives, could address regulatory concerns that former directors were too close to management, the person said.

TD shares rose following news of the changes, rising 4.4% to 83.13 Canadian dollars in Toronto. In New York, shares were 4% higher at US$57.51.

The sweeping changes come in the wake of TD's historic settlement with U.S. authorities in October, when it pleaded guilty to multiple charges for failings in its anti-money-laundering controls and agreed to pay $3.09 billion in fines and accept limits on its growth in the U.S.

To reflect the seriousness of the failings in the U.S., TD said it was cutting executive payouts.

The variable compensation for 41 executives, including many no longer with the bank and those with leadership of front-line operations, control functions and internal auditing, will be reduced by C$30 million in all, the equivalent of US$20.8 million.

Masrani received no cash-incentive award or equity compensation for last year, which reduced his total direct compensation by 89% to C$1.5 million, and the variable compensation of all other members of TD's senior executive team has been reduced by at least 25% from the targets set for 2024.

The charges leveled against TD and its settlements with the Justice Department, prudential regulators and the Financial Crimes Enforcement Network have weighed heavily on the bank.

In December, TD scrapped its financial-growth targets and said it would be difficult to grow earnings over the next year. The bank failed to hit its medium-term financial targets in fiscal 2024, and its net income fell 17% despite a rise in revenue for the 12 months through the end of October.

The Wall Street Journal previously reported the bank's handling of suspicious customer transactions in recent years was behind U.S. regulators' refusal to approve the lender's $13.4 billion bid to buy First Horizon, which was called off in 2023.

Masrani, who retires after 38 years with the bank and more than 10 years as CEO, has taken responsibility for failings in anti-money-laundering monitoring that took place on his watch as CEO.

MacGibbon in a statement said Chun, a TD veteran who until becoming chief operating officer in November was head

of Canadian personal banking and previously led wealth management and insurance, had moved quickly and decisively to launch a review of the bank's strategy, operations and investments. He has engaged with customers, clients and colleagues across the bank, the chairman said.
TD has said it is reassessing priorities and opportunities and looking at productivity, efficiency and capital allocation, but hasn't spelled out what steps it could take or whether it will seek to sell assets.
Some analysts have suggested a first step might be to offload TD's remaining stake in brokerage and money-management firm Charles Schwab, which it last year reduced to roughly 10% from 12% to raise $2.5 billion to set aside money for the U.S. fines.
The bank aims to reintroduce financial targets in the second half of 2025 after the review is completed.
Among the steps TD is taking to refresh its leadership, it reduced the maximum time directors can serve on the board to no more than 12 years, from up to 15 previously.
With the change, Amy Brinkley, Colleen Goggins and Karen Maidment will retire from the board at the annual meeting of shareholders set for April 10.
TD said Claude Mongeau and Brian Ferguson have elected not to seek an extension under the new policy and will also retire at the meeting. Aside from MacGibbon, who will step down as chairman and leave the board by Dec. 31, TD's other sitting directors have joined since 2020.
The bank said four new leaders will stand for board election at the shareholders meeting, including Paul Wirth, who served as deputy chief financial officer and global controller and chief accounting officer for Morgan Stanley, and Frank Pearn, who was global chief compliance officer and firmwide operational risk executive for JPMorgan Chase.

Vipal Monga in Toronto contributed to this article.
By Robb M. Stewart

DETAILS

Subject:	Money laundering; Chief operating officers; Stockholders; Shareholder meetings; Executive compensation; Banking
Business indexing term:	Subject: Chief operating officers Stockholders Shareholder meetings Executive compensation Banking; Corporation: Toronto-Dominion Bank
Location:	United States--US
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B9
Publication year:	2025
Publication date:	Jan 18, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance

ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3156742877
Document URL:	https://www.proquest.com/newspapers/exchange-td-bank-accelerates-transition-new-chief/docview/3156742877/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-04-29
Database:	ProQuest Central

LINKS

U.S. News: Democrats Help GOP Advance Migrant Crackdown

Martinez, Xavier . Martinez, Xavier.

ProQuest document link

FULL TEXT

WASHINGTON -- The GOP-led Senate on Friday voted to move forward with a sweeping bill that would require the Department of Homeland Security to detain undocumented immigrants arrested for theft-related offenses and dramatically expand the power of states to challenge immigration decisions.

Ten Democrats sided with Republicans to advance the legislation, called the Laken Riley Act, a sign of the Democrats' shifting stance on immigration. Polls showed voters consistently favored Republicans' hard line on the border and immigration, following a surge of illegal crossings that has since subsided. A bipartisan bill backed by President Biden stalled last year.

The chamber voted 61-35 to end debate on the bill, above the 60-vote threshold required for most legislation to advance. The vote puts the bill on track to clear the Senate next week on a simple majority, which would then send it back to the House to be approved and forwarded on to Donald Trump's desk once he is president.

Supporters say the measure would provide justice to families who have had loved ones killed by undocumented immigrants and prevent more deaths. Pro-immigrant groups and some law enforcement argue it manipulates a personal tragedy, raises due-process concerns and would require billions of dollars in new spending to be properly implemented.

"We have irresponsible, open-border, soft-on-crime policies, and that must end," said Sen. Katie Britt (R., Ala.), who spearheaded the legislation that was joined by two Democratic co-sponsors, Ruben Gallego of Arizona and Pennsylvania's John Fetterman.

Some Democrats attempted to force votes on amendments to exclude Deferred Action for Childhood Arrivals, or DACA, recipients, as well as minors who arrived in the country illegally but aren't DACA-eligible. Senate Majority Leader John Thune (R., S.D.) declined to bring any to a vote.

Senate Minority Leader Chuck Schumer (D., N.Y.) said he couldn't support the legislation "without more changes to address deficiencies." Schumer noted that, while dozens of amendments had been filed, only two have received a floor vote. "We Democrats want to see our broken immigration system fixed."

The Laken Riley bill would widen the group of people eligible for deportation by including nonconvicted individuals, raising due-process concerns and rapidly expanding the pool of individuals who would be eligible for deportation.

A second provision of the bill would grant state attorneys general legal standing to sue federal immigration officials and to request intervention for individual cases. Some Democrats and legal experts said they expect the standing provision, a doctrine grounded in the Constitution, to be challenged as unconstitutional.

An amendment from Sen. Chris Coons (D., Del.) that would have eliminated the provision granting attorneys general legal standing to sue was rejected in a party-line vote.

The Laken Riley Act could cost billions and take years to fully implement. A memo from U.S. Immigration and Customs Enforcement circulated among senators before Friday's vote estimated the annual cost of encoding the bill to be nearly $27 billion -- about a quarter of the Homeland Security Department's budget for the 2025 fiscal year.

The legislation's namesake, Laken Riley, a 22-year-old nursing student in Athens, Ga., was murdered by a Venezuelan national living in the U.S. illegally.

By Xavier Martinez

DETAILS

Subject:	Immigration policy; Legislation; Deportation; Attorneys general; National security; Deferred Action for Childhood Arrivals
Business indexing term:	Industry: 92213 : Legal Counsel and Prosecution
Location:	United States--US
Company / organization:	Name: Department of Homeland Security; NAICS: 922120; Name: Republican Party; NAICS: 813940
Classification:	92213: Legal Counsel and Prosecution
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A6
Publication year:	2025
Publication date:	Jan 18, 2025

Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3156741200
Document URL:	https://www.proquest.com/newspapers/u-s-news-democrats-help-gop-advance-migrant/docview/3156741200/se-2?accountid=14681
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Last updated:	2025-01-18
Database:	ProQuest Central

LINKS

China's Growth Hits Target for 2024

Douglas, Jason . Douglas, Jason.

ProQuest document link

FULL TEXT

SINGAPORE -- China said its economy expanded by 5% last year, formally hitting its official growth target in a difficult year that saw officials respond to a sharp summertime deterioration in key indicators with its most aggressive stimulus in years.

The country's National Bureau of Statistics said gross domestic product was buoyed by solid growth in investment and exports, which offset weaker consumption, highlighting the unevenness of Chinese growth.

Still, some outside economists say the robust headline numbers contrast with a variety of other data points that paint a weaker picture of economic health, including anemic consumer inflation, tax revenue and online spending. The economy remains mired in a real-estate slump and has been struggling with deflation.

Beijing faces a further risk this year with U.S. President-elect Donald Trump's pledge to impose stiffer tariffs on Chinese imports, which would pummel China's booming exports and throttle growth overall.

Trump on the campaign trail said he would raise tariffs on all Chinese imports as high as 60%, a key plank of a trade agenda focused on reshaping the U.S. trade relationship with adversaries and allies alike. The president-elect, who takes office on Monday, has pitched tariffs as a solution to a host of issues and told Republican allies that he wouldn't wait for Congress to begin implementing his trade agenda after he is sworn into office, The Wall Street Journal has reported.

One possible explanation for the difference between Friday's full-year GDP figures and earlier data can be found in a noticeable perking up of economic activity toward the end of the year after Chinese authorities swooped in with a barrage of monetary and fiscal stimulus measures in late September and October.

Friday's data showed fourth-quarter growth accelerated to 5.4% year over year. Many economists remain skeptical about the durability of any such upturn.

Others go further, arguing that the numbers simply don't add up, suggesting an effort to artificially flatter the top-line figures to meet political goals. These outside economists point to Chinese authorities' official reports of weaker tax revenue, bank lending and retail sales, among other clues.

"These growth figures stretch the bounds of credibility and will do little to build confidence or alter the picture of an economy that is on the ropes," said Eswar Prasad, professor of trade policy and economics at Cornell University and a former head of the International Monetary Fund's China division.

"A better read of the economy is provided by flailing stock markets, continued turmoil in the property sector, a depreciating currency and capital outflows. These indicators are hardly consistent with an economy hitting the growth target on the nose."

China's National Bureau of Statistics couldn't be reached for comment.

Economic data out of China have long been dogged by questions about their reliability, including suggestions that official data have at times understated the economy's performance. Those concerns have intensified in the post-pandemic years as the economy's problems have mounted and business, financial and economic data points have disappeared or been made inaccessible.

Few doubt China's economy has significant strengths: Industrial production is expanding at a rapid clip as Beijing steers investment toward factories. Exports are booming, aided by low prices, a weak exchange rate and China's world-beating expertise in newer products such as electric vehicles.

But other indicators run counter to those strengths. Real estate once accounted for as much as one-quarter of China's annual economic output, but a deep and prolonged property slump means the sector is shrinking, dragging on overall growth. Official measures of consumer confidence are in the doldrums, and income and spending growth are weaker than in the past. China's working-age population is falling.

Other indicators -- such as tax revenue, sales at major online stores, construction activity, bank loans and nominal growth figures that aren't adjusted for changes in prices -- suggest China's economy is much weaker than the headline numbers report, some analysts say.

Producer prices have been falling for more than two years and consumer prices rose just 0.1% in December. Sales at online marketplaces Taobao and Tmall in 2024 were just 0.2% higher than in 2023, according to data provider CEIC. Bank loan growth slowed to an annual 7.6% in December from 11% a year earlier. Government tax revenue in the year through November was 3.8% lower than in the same period in 2023. Cement production fell every month last year.

Without adjusting for inflation, growth over the first three quarters of 2024 slowed to an annual rate of around 4%, from a prepandemic rate of more than 7%, according to China's official statistics agency.

A Wall Street Journal analysis of the financial results of top-tier listed companies in China found 23% reported a net loss for the third quarter, while more than half reported a year-over-year profit decline.

Rhodium Group, a New York-based research outfit, used these and other data to come up with its own estimate for Chinese economic growth in 2024. Rhodium put it at around 2.8%, an improvement from what it estimates was a 2.4% expansion in 2023 but well short of the official number published by the statistics agency Friday.
"There's a big gap between their narrative and economic reality," said Logan Wright, Rhodium's director of China markets research.
Wright also said Chinese authorities have in the last year cut interest rates, rolled out financial support for the stock market and local governments and signaled substantial new government borrowing next year. Such moves would be unnecessary if the economy were only registering a minor slowdown from 2023's 5.2% official pace, he said.
Data published Friday showed industrial production rose 5.8% in 2024, outpacing a 3.5% rise in retail sales.

Rebecca Feng, Grace Zhu and Xiao Xiao contributed to this article.
By Jason Douglas

DETAILS

Subject:	Exports; Net losses; Tariffs; International trade; Political campaigns; Gross Domestic Product--GDP; Economists; Tax revenues; Economic growth; Industrial production; Economic indicators; Retail sales
Business indexing term:	Subject: Exports Net losses Tariffs International trade Gross Domestic Product--GDP Economists Tax revenues Economic growth Industrial production Economic indicators
Location:	Beijing China; United States--US; China
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025
Publication date:	Jan 17, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3156342112

Document URL:	https://www.proquest.com/newspapers/chinas-growth-hits-target-2024/docview/3156342112/se-2?accountid=14681
Copyright:	
Full text availability:	
Last updated:	2025-01-17
Database:	ProQuest Central

LINKS

World News: German Economy Contracts --- Output fell for two years in a row for first time since 2003 ahead of elections

Frankl, Ed . Frankl, Ed.

FULL TEXT

Germany's economy contracted for a second year in a row in 2024, underlining the scale of the challenge that will face a new government after elections set for February, including the possibility of fresh tariffs on its exports to the U.S.

Economic output in Europe's largest economy sank 0.2% last year after it declined 0.3% in 2023, the first two-year contraction since 2003, the federal statistics agency said on Wednesday.

That performance contrasts with the U.S., where growth has been surprisingly rapid during the same period. But Germany also has lagged behind many of its European peers.

Increasing competition for German exports in key markets, high energy costs, interest rates that remained elevated, and an uncertain economic outlook stood in the way of economic growth in 2024, said the agency's president, Ruth Brand.

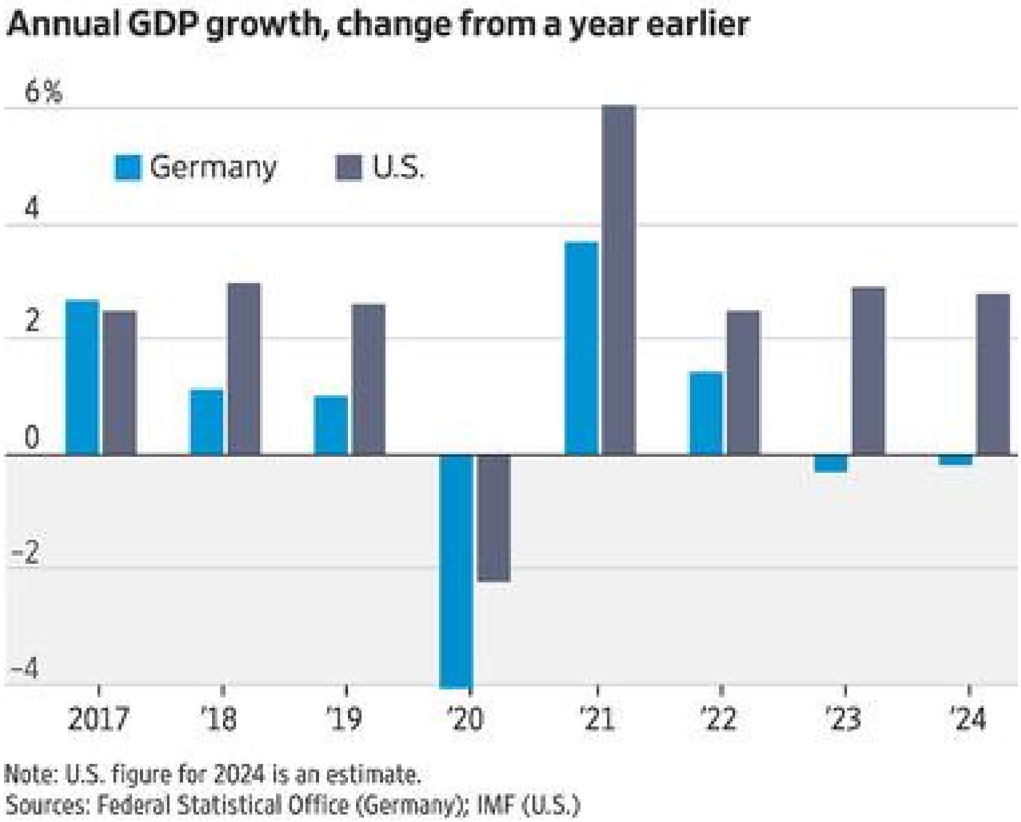
"There are many, many reasons holding back German growth," said Salomon Fiedler, an economist at Berenberg Bank. "Probably we are not going to go back to the growth rates we have seen in recent decades."

Germany's economy was a success story for a decade and a half, growing faster than its European peers as it equipped China's factories with machines and tools it made using cheap energy from Russia.

But the economy began to falter in 2018, the year in which then-U.S. President Donald Trump confirmed a global turn toward increased protectionism by raising tariffs on imports from China and others, including the European Union. At the same time, German exporters faced increasingly tough competition from Chinese counterparts in the more technologically advanced sectors they had previously dominated.

It suffered a further blow when its recovery from the Covid-19 pandemic was hobbled by a sharp rise in energy costs

following Russia's full-scale 2022 invasion of Ukraine.
That series of setbacks left industrial production 15% lower in November than its 2017 record. This came alongside inflationary shocks in 2023 that affected consumers around the world.
The car industry, which supports hundreds of thousands of jobs in Germany, also failed to adapt to electric-vehicle production as fast as rivals in the U.S. and China. Workforces are set to be cut at auto giant Volkswagen, as well as parts makers Bosch and Schaeffler.
While car production was flat in 2024 compared with the year before, it was 12% lower than in 2019, the VDA industry lobby group said.
Outside the auto industry, Intel recently delayed construction of a chip plant in the eastern city of Magdeburg, while a tie-up between Germany's second-largest lender, Commerzbank, and Italy's UniCredit is facing government opposition.
Germany's gross domestic product has been flat since the end of 2019, while the rest of the euro area has grown 5%, and the U.S. economy has expanded 11%, according to Goldman Sachs research.
A moribund economic performance is set to persist, at least in the short term. Germany's central bank forecasts just 0.2% growth in 2025, while others are even more pessimistic. The Kiel Institute for the World Economy expects the economy to stagnate this year.
Now, threats of U.S. import tariffs by the incoming Trump administration could drag the export-driven economy further. The tariffs could cost Germany between 0.6 and 1.2 percentage points of GDP, Goldman Sachs said.
The economic performance likely will be at the forefront of Germans' minds when they head to the polls. The vote is taking place after the governing coalition of embattled Chancellor Olaf Scholz collapsed amid bickering over public borrowing.
Germany has a constitutionally enshrined fiscal rule that restricts all but a small budget deficit each year. Some economists predict that under a new government, perhaps under front-runner Friedrich Merz of the center-right Christian Democrats, spending could be loosened and prompt more leeway for public investment, particularly on military spending. Merz might also offer more pro-business policies including lower corporate taxes and some rolled back environmental policies.



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By Ed Frankl

DETAILS

Subject:	Gross Domestic Product--GDP; Economic growth; Budget deficits; Tariffs; Economic conditions
Business indexing term:	Subject: Gross Domestic Product--GDP Economic growth Budget deficits Tariffs Economic conditions; Corporation: Goldman Sachs Group Inc
Location:	China; Russia; United States--US; Germany
Company / organization:	Name: Goldman Sachs Group Inc; NAICS: 523150
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A18
Publication year:	2025
Publication date:	Jan 16, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3155991344
Document URL:	https://www.proquest.com/newspapers/world-news-german-economy-contracts-output-fell/docview/3155991344/se-2?accountid=14681
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Last updated:	2025-01-16
Database:	ProQuest Central

LINKS

U.S. News: Deaths in the U.S. To Outpace Births By 2033, CBO Says

Kiernan, Paul . Kiernan, Paul.

ProQuest document link

FULL TEXT

The Congressional Budget Office forecast sharply lower population growth in the U.S. during the next three decades than it projected one year ago, reflecting lower rates of immigration and fertility.

As a result, deaths are expected to exceed births in 2033, seven years earlier than the nonpartisan agency projected a year ago. Immigration is also projected to fall, and as a result the populace is likely to be older and smaller in 2054 than previously expected. That would have important implications for everything from economic growth to fiscal policy.

In an annual demographic outlook, released Monday, the CBO raised its population estimate for 2025 to 350 million from 346 million, but lowered its estimate for 2054 to 372 million, 11 million fewer than a year ago. That means the population is projected to grow 6.3% during the next three decades, instead of 10.5%.

"Without immigration, the population would shrink beginning in 2033, in part because fertility rates are projected to remain too low for a generation to replace itself," the CBO said.

Less expected immigration and lower fertility rates were behind the long-term changes to the CBO's outlook, which draws data from a variety of government sources and reflects the laws and policies that were in place as of Nov. 15.

Restrictions at the southern border imposed by the Biden administration in June caused net immigration -- the difference between people coming into the U.S. and people leaving -- to fall short of the CBO's initial projections for last year.

Because the effects of those executive actions are expected to continue, the CBO reduced its cumulative net-immigration forecast for the 2024-28 period to 8.6 million from 9.9 million. Over the longer term, the CBO expects immigration to add about 1.1 million people to the U.S. population a year, about 42,000 fewer than it projected a year ago.

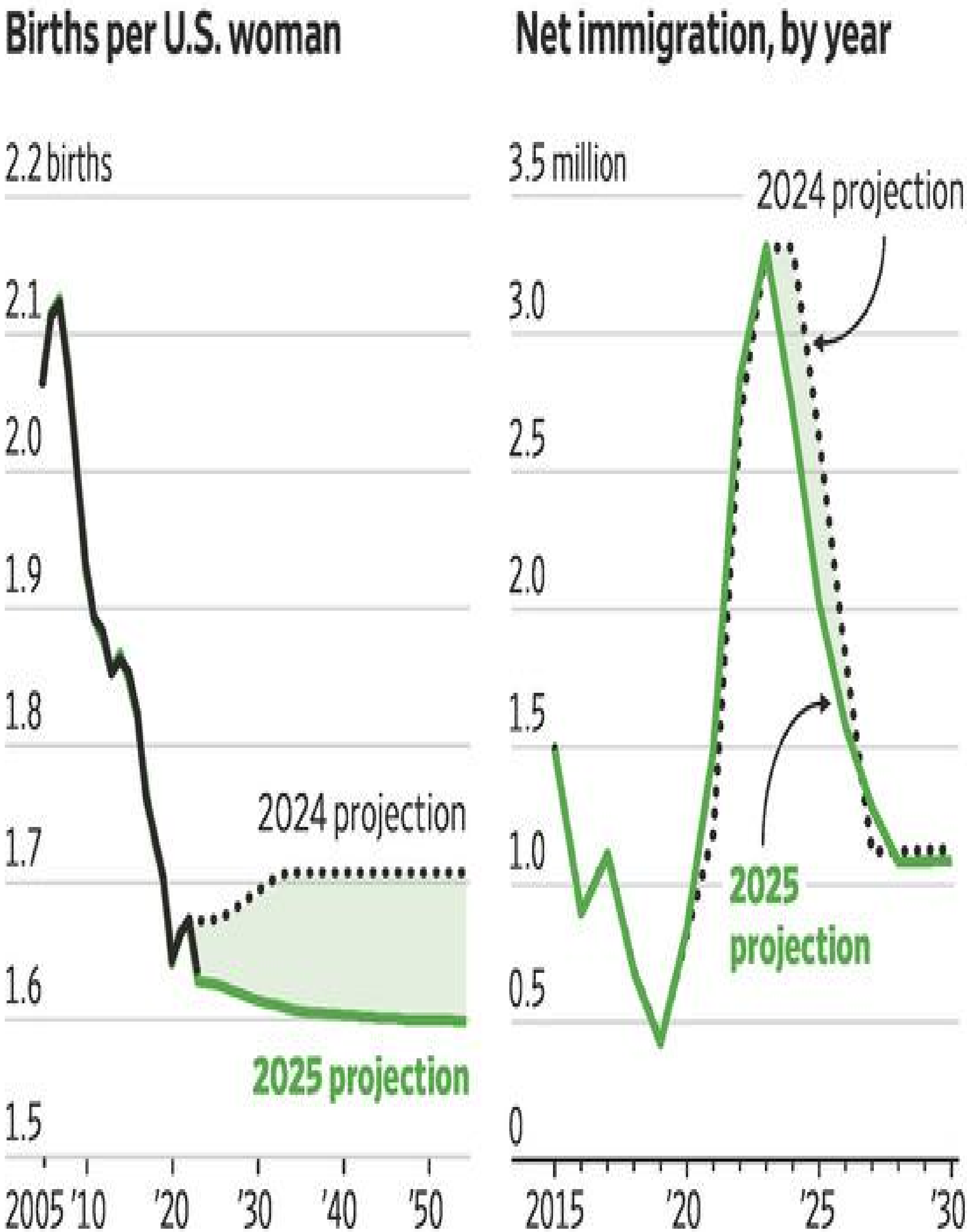
The CBO's outlook doesn't incorporate the possible effects of President-elect Donald Trump's planned crackdown on illegal immigration, which remain highly uncertain. Economists at Goldman Sachs forecast net immigration during Trump's presidency of about 750,000 a year.

The outlook shows how even small demographic changes from one year to the next can add up over several decades to meaningfully alter the makeup of the U.S. population.

For instance, the CBO now expects there to be 93 million people ages 24 or younger in 2054, down from 106 million in 2025. A year ago, the CBO expected that age group to remain mostly stable over the coming decades.

Population growth drives the labor force, which, along with productivity, determines the size of the economy, tax revenue and the relative economic strength of the U.S. compared with competing nations like China.

The expected drop reflects the fact that Americans are having fewer children. Last year, the CBO projected the fertility rate -- the number of children the average woman is expected to have over her lifetime -- would hold steady at 1.7 through 2054. But procreation hasn't recovered much from the pandemic: In 2023, the U.S. fertility rate was a hair above 1.6.



Source: Congressional Budget Office

Enlarge this image.

By Paul Kiernan

DETAILS

Subject:	Immigration policy; Population growth; Fertility
Location:	United States--US
Company / organization:	Name: Congressional Budget Office--CBO; NAICS: 921120
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A3
Publication year:	2025
Publication date:	Jan 15, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3155522360
Document URL:	https://www.proquest.com/newspapers/u-s-news-deaths-outpace-births-2033-cbo-says/docview/3155522360/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-01-15
Database:	ProQuest Central

LINKS

Investors Bet Profits Will Revive Rally --- With Fed unlikely to cut rates as quickly as hoped, earnings are even more critical

Hur, Krystal . Hur, Krystal.

ProQuest document link

FULL TEXT

The postelection stock rally has sputtered. Investors are looking to the coming earnings season to revive it.

The Dow Jones Industrial Average has given up all of its gains since the presidential election, down 0.7% from Nov. 5. The Russell 2000 index of smaller stocks, thought to be one of the biggest potential beneficiaries of a second Donald Trump presidency, has fallen 10% from its recent high in late November.

A spate of hotter-than-expected economic data, including Friday's blockbuster jobs report, has spurred growing doubts about whether the Federal Reserve will cut interest rates this year. Government-bond yields soared in response, putting pressure on stocks.

The central bank began bringing down interest rates from a two-decade high last fall but signaled a more cautious approach going forward. Rate cuts tend to be a tailwind for stock prices because they stimulate economic growth and reduce the appeal of bonds.

Stocks won't be able to maintain their torrid rise of the past two years and are likely to face greater pressure ahead if yields keep rising, analysts warn.

The Dow industrials and the S&P 500 are down about 1% in the early days of 2025, while the yield on the benchmark 10-year Treasury note settled Friday at 4.772%, its highest mark since November 2023.

With the Fed unlikely to cut rates as quickly as investors hoped, analysts say corporate earnings growth -- historically one of the biggest drivers of stock gains -- becomes even more critical to keeping the market afloat.

"This fourth-quarter earnings season is probably one of the most consequential earnings seasons that we're going to see in a long time," said Larry Adam, chief investment officer at Raymond James.

Investors will parse results from big banks including JPMorgan Chase, Wells Fargo and Citigroup in the coming days, along with those of BlackRock, the world's largest asset manager. Fresh consumer inflation numbers are on tap Wednesday.

Analysts expect companies in the S&P 500 to report a roughly 12% jump in profits from the prior year, according to FactSet. That would mark the biggest year-over-year gain since the fourth quarter of 2021, but is down from the 14.5% growth analysts had expected in late September.

Just as important for investors, the coming earnings season, the first since Trump's electoral win, puts corporate leaders in the hot seat to explain how they plan to navigate the president-elect's populist agenda.

Some worry that Trump's proposed tariffs could raise prices for U.S. companies that import overseas products and pass those costs to customers. There are also concerns that Trump's trade policies and plans for mass deportations could reignite inflation if implemented, and in turn further keep interest-rate cuts at bay.

Strong consumer spending helped keep the economy chugging along in 2024. But consumers, particularly lower-income Americans, began reeling in their spending. Holiday shopping data revealed that wealthier consumers splurged on gifts while lower-income shoppers struggled to pay for necessities such as groceries and child care.

Early quarterly results suggest consumers are still tightening their purse strings. Nike last month reported a drop in

quarterly sales from the prior year. FedEx lowered its earnings and sales guidance for the fiscal year.
Conagra Brands, which produces Swiss Miss hot-chocolate mix and Pam cooking spray, reported a decline in sales and warned that sticky inflation and a strong U.S. dollar could weigh on its business this year.
"Economic pressures continue to shape consumer purchasing decisions," Conagra Chief Executive Sean Connolly said on last month's earnings call.
Analysts still expect earnings growth to leap in the year ahead. They are projecting a 15% jump in corporate profits from 2024. Some strategists say blockbuster growth could be hard to achieve, given the political and economic wild cards that investors could face in the coming months.
Stocks are also looking increasingly pricey, putting more pressure on companies to report financial results that justify their towering valuations. The S&P 500 was recently trading at about 22 times its projected earnings over the next 12 months, above its 10-year average of 18.5 times, according to FactSet.
Some strategists say earnings growth will need to broaden beyond technology titans to support the next leg of the stock rally.
Their staggering size has made their ability to deliver profits and positive guidance hugely influential over the market's direction. The Magnificent Seven -- Alphabet, Amazon.com, Apple, Meta Platforms, Microsoft, Nvidia and Tesla -- are expected to post a 22% jump in fourth-quarter earnings. That compares with a 8.7% rise from the other 493 companies in the S&P 500, according to FactSet data as of Thursday.
Analysts expect financial companies to see the highest year-over-year earnings growth among the S&P 500 sectors, at about 40%, followed by a 21% jump from communication-services companies, according to FactSet. The energy sector is expected to report the biggest profit decline, at 26%.
"The healthy next step for this market is for everything, the earnings growth but also valuation, to spread," said Keith Buchanan, senior portfolio manager at Globalt Investments.

Enlarge this image.

By Krystal Hur

DETAILS

Subject:	Dow Jones averages; Stock prices; Federal Reserve monetary policy; Inflation; Consumers; Investments; Interest rates; Investors; Profits

Business indexing term:	Subject: Stock prices Federal Reserve monetary policy Inflation Consumers Interest rates Profits; Industry: 92113 : Public Finance Activities 52111 : Monetary Authorities-Central Bank
Location:	United States--US
Classification:	92113: Public Finance Activities; 52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B1
Publication year:	2025
Publication date:	Jan 13, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3154698894
Document URL:	https://www.proquest.com/newspapers/investors-bet-profits-will-revive-rally-with-fed/docview/3154698894/se-2?accountid=14681
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Last updated:	2025-01-13
Database:	ProQuest Central

LINKS

China Export Boom Raises Vulnerability To Trump Tariffs

Douglas, Jason . Douglas, Jason.

ProQuest document link

FULL TEXT

China's economy is more dependent on exports than it has been for most of the past two decades, leaving it vulnerable to a new broadside on trade from President-elect Donald Trump.

Chinese exports to the rest of the world grew by 5.9% last year compared with a year earlier to $3.6 trillion, figures published Monday showed.

Those figures mean trade is on track to account for about a fifth of the 5% or so growth China is expected to report this year.

Aside from 2021, when consumers the world over were gorging on Chinese-made home appliances, fitness equipment and computer gear during Covid-19 lockdowns, that would mark trade's biggest contribution to Chinese economic growth since 2006, when China's exports were surging in the aftermath of its accession to the World Trade Organization in 2001.

China's growing reliance on foreign purchases of manufactured goods to power growth reflects its economy's struggles with a yearslong real-estate crunch and tepid consumer spending.

In response to those challenges, and to meet longer-term ambitions to transform China into a technological superpower, leader Xi Jinping has been funneling cash into the country's factories. The result has been ballooning industrial capacity, tumbling prices and an export surge in everything from steel and chemicals to cars and machinery.

China's exports exceeded its imports in 2024 by $992 billion, a record, reflecting not just buoyant exports but also subdued Chinese demand for the rest of the world's goods and services.

China's General Administration of Customs said exports to the U.S. rose 4.9% to $525 billion, despite the tariffs levied on Chinese goods during Trump's first term and in some cases extended during the Biden administration. Exports to the U.S. jumped 16% year-over-year in December alone, a sign that firms and their U.S. customers might be rushing to bring in stock ahead of anticipated tariff hikes.

Trump on the campaign trail pledged to jack up tariffs on all Chinese imports to 60%, part of a series of aggressive trade moves aimed at reducing the U.S.'s chronic trade deficits and meeting other policy goals, including limiting immigration and tackling the trade in chemicals used to make the drug fentanyl.

Chinese companies are in worse shape to handle rising tariffs than they were half a decade ago, when Trump first hit China with tariffs. Weak spending at home has contributed to two years of falling prices for manufactured goods, crushing corporate profit margins and pushing many firms into the red.

Economists say such a steep rise in tariffs on U.S. imports from China would be a big drag on growth, reducing gross domestic product in the year following their imposition by anywhere between 0.5% and 2.5%, depending on how aggressively China responds.

In the vanguard of Chinese exports are companies such as BYD, whose electric-vehicle sales overseas rose 72% in 2024, the company said this month, to almost 420,000. China in 2023 displaced Japan as the world's largest car exporter, lifted not just by EVs but also by sales of traditional gasoline-powered vehicles to Russia.

Overall Chinese exports of electric passenger vehicles in 2024 totaled 1.29 million units, a year-on-year increase of

24.3%, the China Passenger Car Association said in a report this month.
As China's exports have accelerated, so has the backlash from other countries. Major emerging markets have hit some Chinese imports with tariffs to shield domestic industries vulnerable to cut-price competition. Steel has been a particular flashpoint.
For Western economies, anxiety has centered on China's growing clout in the auto sector and in renewable energy. The European Union in October imposed tariffs of up to 45% on made-in-China EVs, saying manufacturers benefited from unfair subsidies. The Biden administration last year imposed a 100% tariff on Chinese EVs.
Beijing's hope is that it can offset the pain from Trump's promised tariffs on Chinese goods by selling more to other markets, aided perhaps by a controlled weakening of its currency. Officials have also pledged extra borrowing and other stimulus measures to firm up growth at home, too.
But the big risk for China is that the looming showdown with Washington morphs into a broader conflict with other nations over trade. Already, the European Union, Brazil, India and others are smarting over a flood of cheap Chinese imports as Xi plows money into manufacturing and might push back harder if China seeks to divert exports away from the U.S. in response to heftier U.S. tariffs.
A wider trade fight would make it much harder for Beijing to lean on exports as an engine of growth, economists say, heaping pressure on officials to fire up lackluster domestic spending -- or settle for a much weaker expansion than the 5% or so China is expected to report for 2024.
In the past few months, Beijing has taken bolder steps to boost China's domestic economy, including easing restrictions on home buying, juicing the stock market and offering consumers discounts for trading in old cars and home appliances for newer models. A debt-swap program is being rushed out to ease the financing burden at cash-strapped and overindebted local governments.
Beijing is due to announce new fiscal support for the economy in March, when leaders convene for the National People's Congress, China's top legislative body. Economists say Beijing will need to increase fiscal spending substantially to maintain economic growth in the teeth of worsening trade headwinds.
By Jason Douglas

DETAILS

Subject:	International trade; Political campaigns; Gross Domestic Product--GDP; Consumers; Manufacturing; Exports; Economists; Economic growth; Tariffs; International economic relations; US imports; Trade relations
Business indexing term:	Subject: International trade Gross Domestic Product--GDP Consumers Manufacturing Exports Economists Economic growth Tariffs International economic relations US imports Trade relations
Location:	China; Beijing China; United States--US
People:	Trump, Donald J
Company / organization:	Name: European Union; NAICS: 926110, 928120
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2025

Publication date:	Jan 13, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3154652053
Document URL:	https://www.proquest.com/newspapers/china-export-boom-raises-vulnerability-trump/docview/3154652053/se-2?accountid=14681
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Last updated:	2025-01-13
Database:	ProQuest Central

LINKS

U.S. News: Fed Official Says Further Cuts Can Wait --- Musalem suggests he favors greater caution in trimming interest rates more

Timiraos, Nick . Timiraos, Nick.

FULL TEXT

ST. LOUIS -- A Federal Reserve official said he viewed last month's decision to lower interest rates as a "close call" because the economic outlook appears to be different now than it was when the central bank started cutting rates four months ago.

St. Louis Fed President Alberto Musalem said by the time of last month's meeting the risk that inflation might get stuck between 2.5% and 3% had increased. As a result, he thought greater caution would be appropriate in making further reductions.

Musalem had previously indicated he was supportive of the Fed's decision to begin cutting rates with a bolder half-point rate cut in September. "Since September, the picture changed," he said in an interview at the bank on Thursday. "The economic data came in stronger . . . and the inflation numbers printed higher than desired. So I changed my assessment of risks."

Going forward, rate reductions "have to be gradual -- and more gradual than I thought in September," he said.

Musalem, an economist who spent much of his career in finance, joined the bank last April and will take a turn as a Fed voter this year. He said he wasn't one of four officials last month who suggested a rate cut wasn't needed in projections submitted at the meeting. He said he penciled in two cuts for this year in those projections, putting him in line with the median of 19 participants who submitted them.

Among the puzzles facing Musalem and his colleagues this year is what constitutes a "normal" or neutral interest rate that neither spurs nor slows growth. That question hadn't been relevant for most of last year because the Fed had lifted rates to a two-decade high to combat inflation.

But with inflation declining and worries mounting about weaker labor-market conditions last summer, the Fed began lowering rates. Officials cut rates at each of their last three meetings by a combined percentage point. Fed officials have broadly signaled they are inclined to hold rates steady at their meeting Jan. 28-29.

Musalem said the labor market is in good shape and needs to be watched carefully, but the part of the Fed's mandate that is "still out of bounds is on the inflation side."

Musalem said that because his estimate of the neutral rate is slightly higher than most of his colleagues', the current setting of interest rates might be slightly less restrictive than would be appropriate.

He said it was too soon to say how the Fed might need to adjust its interest-rate stance if the incoming Trump administration follows through with threats to impose broad new tariffs that send up the price of consumer goods and services. The "textbook response" would call for not changing the Fed's policy outlook if prices rise in a one-off fashion, Musalem said.

"Will it be a 'one-and-done' or will it be two years of a sequence of tariffs in many different sectors of the economy?" he said. "If it's over two years, incrementally, every month or every two months, it gets harder to parse out."

Fed officials are uneasy because they believe consumers' and businesses' expectations of future inflation can be self-fulfilling. After several years of high inflation triggered by the pandemic and a policy response that showered the economy with ultralow interest rates and fiscal stimulus, it is harder to predict how a new round of price hikes could influence expectations.

"It's a $30 trillion economy. It's very complex. It's not a textbook," said Musalem. "We're going to have to wait and see what is implemented, how it's implemented, what's the size, what's the duration, what are the interactions with other countries."

Long-term interest rates have climbed notably in the months since the Fed's first cut, with yields on the 10-year Treasury note hitting their highest level in more than a year on Friday. But Musalem said he thinks financial conditions are still supporting economic activity.

Musalem said higher long-term rates mostly reflect an increase in "real" or inflation-adjusted yields, meaning they don't reflect expectations of higher inflation by investors.

"That's not to say that inflation expectations didn't rise a little bit. They did. But I think 70% of the move has been the real rate," Musalem said. Higher real rates, in turn, mostly reflect an increase in what's known as the "term premium" or the extra yield that investors demand for the risk of buying longer-dated securities, he said.

By Nick Timiraos

DETAILS

Subject:	Federal Reserve monetary policy; Inflation; Interest rates; Tariffs
Business indexing term:	Subject: Federal Reserve monetary policy Inflation Interest rates Tariffs; Industry: 92113 : Public Finance Activities 52111 : Monetary Authorities-Central Bank
People:	Musalem, Alberto
Classification:	92113: Public Finance Activities; 52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A6
Publication year:	2025
Publication date:	Jan 11, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3154028330
Document URL:	https://www.proquest.com/newspapers/u-s-news-fed-official-says-further-cuts-can-wait/docview/3154028330/se-2?accountid=14681
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Last updated:	2025-01-13

Canada's Trudeau Plans to Step Down

Monga, Vipal; Vieira, Paul . Monga, Vipal; Vieira, Paul.

FULL TEXT

OTTAWA -- Prime Minister Justin Trudeau on Monday said he would resign, making him the latest global progressive leader to fall from power and leaving Canada rudderless as it prepares to contend with President-elect Donald Trump's threats to upend free trade in North America.

Trudeau's resignation caps a decadelong political career during which the 53-year-old rose to global political stardom as a young, handsome and unabashed progressive whose appeal faded over time, until he became so unpopular that his Liberal Party forced him to step down before elections that must happen no later than October.

Trudeau said he would stay on until the party picks a new leader, a process that could take months and draw from the ranks of critics who pushed him out. The Liberal Party trails badly in the polls to the Conservatives, led by Pierre Poilievre, a populist who would be elected prime minister if the election were held now.

"It has become clear to me that if I'm having to fight internal battles, I cannot be the best option in that election," Trudeau said.

Trudeau is the latest standard-bearer for progressive politics to suffer from a voter backlash, amid economic stagnation in Europe, discontent with aggressive climate policies and a growing resistance to immigration. With Trump set to return to the White House on Jan. 20, conservatives and populist right-wing parties have also made unprecedented gains in the European Union, where three-quarters of governments are either led by a right-of-center party or are ruled by a coalition that includes at least one.

The Canadian leader would exit as one of the most unpopular political figures in the country, leaving his party in a weakened position and his country facing an uncertain economic future. Voters blame Trudeau for rising costs and housing shortages that were aggravated by looser immigration policies. His approval rating fell to about 20%, and the Liberal Party trails the Conservatives by over 20 percentage points.

"In the last couple of years, Trudeau has not been an effective politician," said Bruce Anderson, a longtime pollster, communications strategist and political commentator in Ottawa. "He's kind of lost his political antenna."

On top of Canada's other economic woes, Trump is promising, among other measures, to impose 25% tariffs on Canadian imports unless drugs and migrants stop coming across the northern border. While that threat is seen to be aimed more at Mexico, it still presents a political headache for Canada's leaders.

Trudeau's hold on power grew tenuous in December, after the left-leaning New Democratic Party, which had been propping up his minority government, said it was withdrawing its support.

That setback came days after the resignation of the finance minister, Chrystia Freeland, his deputy and trusted ally. She said she left the cabinet because she thought Trudeau wasn't taking adequate steps to prepare for a possible trade war with Washington.

Freeland is now seen as a top contender to succeed Trudeau, along with Mark Carney, the former Bank of England

and Bank of Canada governor. He also moved to suspend the current session of Parliament until March 24, to avoid facing a no-confidence vote that would trigger a snap election while the party is still searching for a new leader.
Trudeau's luster began to fade in 2019, four years after taking office, after his former justice minister accused him of interfering in a corruption investigation into Montreal engineering company, SNC-Lavalin Group. The country's ethics watchdog ruled that actions by Trudeau and his aides were "tantamount to political direction." Trudeau accepted responsibility for what unfolded, although he said he disagreed with some of the watchdog's findings.
Pictures then emerged of Trudeau in brown makeup and wearing blackface at separate parties, undermining his reputation for inclusivity.
He never regained his standing, leading minority governments for the past five years.
Capitalizing on Trudeau's misfortune has been Poilievre, 45, who has pulled from the same playbook that has animated right-wing populists in the U.S., Argentina, and across Europe. Poilievre has promised to lower taxes, including cutting an unpopular carbon tax, restrain government spending and cut red tape to accelerate home construction. He has blamed Trudeau's relatively loose fiscal policy for fueling higher prices.
Poilievre also channeled Canadian anger at Trudeau's Covid-era policies and sided with the Freedom Convoy trucker protests, which shut central Ottawa and parts of the border with the U.S.
Trudeau's government used emergency powers to quell the protests, which further inflamed anger toward his government, and added weight to Poilievre's argument that Trudeau was guilty of flouting people's freedoms.
The sharp rise in postpandemic prices, combined with the aggressive interest-rate increases required to tame inflation, was a double whammy for Canadian households, which on a per capita basis are among the most indebted in the developed world. Pollsters said it was a miscalculation for Trudeau government to press ahead with carbon tax increases when people were struggling with high prices.
"There was a delay in understanding the pain points for Canadians," said Shachi Kurl, president of the Angus Reid Institute, a polling firm.
She added Trudeau had fallen victim to voter fatigue, after almost 10 years in power and three election campaigns.
Only four Canadian prime ministers -- among them Trudeau's father, Pierre -- have won more than three elections.
Trudeau said he spent the holiday break weighing his future, and on Sunday night revealed his decision over dinner with his family.
On Monday, Trudeau tried to recall the spirit of his first days as leader. "I've always been a fighter," he said, but acknowledged that his presence on the ticket might have been too much for Canadian voters. "It's time for a reset," he said.
By Vipal Monga and Paul Vieira

DETAILS

Subject:	Conservatism; Progressivism; Political parties; Environmental tax; Political campaigns; Voters; Prime ministers; Populism; Immigration; Elections; Resignations
Business indexing term:	Subject: Environmental tax Resignations; Industry: 81394 : Political Organizations
Location:	United States--US; Canada; Europe
People:	Trudeau, Jus tin
Classification:	81394: Political Organizations
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.

First page:	A1
Publication year:	2025
Publication date:	Jan 7, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3152110329
Document URL:	https://www.proquest.com/newspapers/canadas-trudeau-plans-step-down/docview/3152110329/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-01-07
Database:	ProQuest Central

LINKS

U.S. News: House, Senate Vary on Pace of Legislation

Hughes, Siobhan; Rubin, Richard . Hughes, Siobhan; Rubin, Richard.

ProQuest document link

FULL TEXT

WASHINGTON -- Republicans are wrestling over how quickly they can deliver President-elect Donald Trump some legislative wins on his agenda, with House and Senate leaders divided over the speed and scope of action early in his term.

House Speaker Mike Johnson (R., La.) on Sunday laid out a plan for combining all of Trump's legislative priorities into a single package that could be brought up for a House vote as soon as the first week in April. But Senate Majority Leader John Thune (R., S.D.) sounded more cautious on the pace of legislation, saying Republicans would "work through" the drafting process.

Trump, who hadn't previously weighed in publicly, said in a social-media post Sunday night that the measure should include border security, energy-policy changes and tax cuts, including extensions of his expiring 2017 tax cuts and the "no tax on tips" pledge from his 2024 campaign. Trump claimed that "it will all be made up with tariffs," not mentioning the spending cuts to programs such as Medicaid and food stamps that congressional Republicans have been considering -- and that some may insist on including.

"Republicans must unite, and quickly deliver these Historic Victories for the American People," Trump wrote.

There is no bill yet. Lawmakers still have to agree on the fiscal parameters for the bill to unlock fast-track procedures that can avoid the Senate filibuster, and then they have to write and agree on the bill itself.

In the House, a legislative package would fold in tax cuts, spending cuts, energy measures and funding for border security, as well as an increase in the debt ceiling, Johnson said on Fox News.

"At the end of the day, President Trump is going to prefer, as he likes to say, one big beautiful bill," Johnson said in remarks that intensified a debate with Senate Republicans. The newly re-elected speaker went on to say that passing the bill in one fell swoop would help keep Republicans unified, "because no one's going to love every element of a large package like that, but there'll be enough elements in there to pull everyone along."

Theoretically, that strategy can work to unite a disparate coalition that can coalesce behind something that Trump deems important. But some lawmakers might object to pieces that others view as essential. And complicated legislative debates have a tendency to consume time until there is a real deadline -- in this case the midyear need to raise the debt limit or the tax-cut expiration looming on Dec. 31.

Trump hasn't publicly weighed in on the strategy, and lawmakers say they'll take their cues from him. The president-elect plans to host assorted groups of Republicans at his Mar-a-Lago resort next weekend, according to people familiar with the matter.

Congress will hold a joint session Monday to certify Trump's electoral victory.

The aggressive House plans -- Johnson proposed a vote as soon as April 3 and projected enactment by May -- will pose a major test for the Republican-majority Congress, whose members are divided into factions that don't see eye to eye on top priorities and must separately vote to keep the government open before then. Military hawks, backed by Thune, want to lock in defense-spending increases as part of an initial package that also wraps in border spending. Spending hawks are focused on cutting deficits and are wary about raising the debt ceiling without significant changes to safety-net programs. Some Republicans have more parochial interests, such as raising the cap on state and local tax deductions that was imposed in the 2017 tax law and that hit residents of high-tax states such as New York.

Senate Republicans balked at some parts of the House plan, which among other things runs counter to their push for a two-bill strategy. That approach would prioritize border spending in a quick bill that could reach Trump's desk shortly after his inauguration and delay legislation that would extend expiring 2017 tax cuts and incorporate at least some of Trump's plans to eliminate taxes on overtime pay, tips and Social Security benefits.

"I'm very worried that if we don't put border first and get it done, it's going to be a nightmare for our national security," Sen. Lindsey Graham (R., S.C.) said on Fox.

Sen. Ron Johnson (R., Wis.), who will have a prime seat in the tax-cut fight as a member of the Senate Finance Committee, also said he supported a two-step process. He sounded a note of caution on increasing the debt ceiling as part of a single, sprawling bill. The U.S. currently has more than $36 trillion in debt outstanding, including

obligations under programs such as Social Security. That is up more than $16 trillion since the start of Trump's first presidency, fueled in part by pandemic-related spending under both Trump and President Biden.
"Very few Americans really do specifically understand how out of control government spending is," Johnson said on Fox. He ruled out eliminating the debt ceiling and said that he wanted a plan to return to prepandemic spending levels.
Any hastily written plans could crash down quickly given the narrow GOP House majority and limited maneuvering room in the Senate, where Republicans will hold a 53-47 edge. Republicans are planning to drive through their agenda using a procedural tool that gives them a limited opportunity to circumvent the Senate's filibuster.
By Siobhan Hughes and Richard Rubin

DETAILS

Subject:	Political campaigns; Presidents; Tax cuts; Filibusters; Social security; Legislators; Border security; Federal legislation
Business indexing term:	Subject: Tax cuts Social security; Industry: 92111 : Executive Offices 92112 : Legislative Bodies
Location:	United States--US
People:	Trump, Donald J
Company / organization:	Name: Republican Party; NAICS: 813940; Name: Democratic Party; NAICS: 813940
Classification:	92111: Executive Offices; 92112: Legislative Bodies
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2025
Publication date:	Jan 6, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News

ProQuest document ID:	3151761661
Document URL:	https://www.proquest.com/newspapers/u-s-news-house-senate-vary-on-pace-legislation/docview/3151761661/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-01-06
Database:	ProQuest Central

LINKS

U.S. News: Attack Puts Trump's Border Emphasis in a New Light

Salama, Vivian; Ward, Alexander . Salama, Vivian; Ward, Alexander.

ProQuest document link

FULL TEXT

President-elect Donald Trump had planned to prioritize operations aimed at protecting the southern border over traditional counterterrorism efforts, a strategy shift that faces fresh scrutiny after a U.S. Army veteran unleashed an attack in New Orleans.

When a Ford pickup truck rammed into a crowd on Bourbon Street in New Orleans, killing 14 people and injuring dozens more, federal officials initially believed that the driver had crossed the southern border shortly before the attack -- providing potential fodder for Trump's attacks on the Biden border policy.

On Thursday, even after it was shown that 42-year old Shamsud-Din Jabbar wasn't in the rented truck when it crossed the border, Trump still blamed the current administration.

Yet the attack in New Orleans and the explosion of a Cybertruck in Las Vegas demonstrate the difficulties Trump will face in trying to leverage the terrorism threat at the border amid what could signal a rising wave of domestic terrorism.

While Jabbar appears to have been inspired by Islamic State, authorities believe the men alleged to be behind the incidents -- both U.S.-born -- acted alone, and neither appears to have had any contact with a foreign group. Matthew Alan Livelsberger, the driver of the Cybertruck that exploded, died of a self-inflicted gunshot wound.

"This is impossible to ignore," Bruce Hoffman, a terrorism expert at the Council on Foreign Relations, said of the recent incidents. "It will have repercussions that will indeed influence and shape the Trump administration's approach to terrorism. There will be a different approach precisely because this attack occurred on the watch of the previous administration."

Some in government, however, say it is too soon to draw broader conclusions about the violent acts, let alone outline the need for broad policy shifts. Trump has given no indication that last week's events might alter that course, but he may at least be forced to contend with the domestic terrorism threat.

"It's a couple of losers who chose the same day to act up," a Senate staffer said. "They're being looked at as isolated incidents for now."

Rep. Mike Waltz (R., Fla.), Trump's incoming national security adviser, and other future senior aides have received briefings from the Biden administration about the two incidents. Waltz told Fox News on Thursday the events in New Orleans and Las Vegas underscored the need to rapidly confirm Trump's national security nominees.

"That has to be in place day one, guys, because this is a moment in transition of vulnerability," he said.

What those officials will do about domestic terrorism once in office, however, is unclear.

When he arrived at the White House in 2017, Trump took aim at Obama administration programs that funded efforts to counter the threat of white supremacist attacks, shifting the money to focus on Muslims and other minority groups, according to the Brennan Center for Justice, a nonprofit based in New York.

Biden, shortly after taking office in 2021, ordered a review of domestic terrorism threats, saying, "Terrorism from white supremacy is the most lethal threat to the homeland today. Not ISIS, not al Qaeda -- white supremacists."

Trump has already indicated he has a different focus, giving priority to fighting Islamist terrorist groups and vowing to designate certain Latin American drug cartels as terrorist organizations, which may grant him authority to use the military on certain counternarcotics operations in Mexico.

He is also likely to keep his focus on crossings at the southern border, though Biden administration officials say they have no evidence of coordinated, planned efforts by terrorist groups to smuggle members into the U.S. through Mexico. In June, federal agents arrested eight Tajik nationals with alleged Islamic State ties, all of whom entered the U.S. via the southern border.

Homeland Security Department data show a total of 26 non-U.S. citizens on a terrorist watchlist showed up at the southwestern border between fiscal years 2017 and 2021.

The number jumped to 98 for fiscal year 2022 alone, and further surged to 169 people in the 2023 period. The agency reported 103 known encounters at the border in fiscal year 2024, a dip that followed Biden strengthening entry restrictions last June.

A senior Customs and Border Protection official said the numbers rose partly because of a rise in the number of people placed on the watchlist.

By Vivian Salama and Alexander Ward

DETAILS

Subject:	White supremacy; National security; Domestic terrorism; International relations; Counterterrorism; Border security
Business indexing term:	Subject: International relations
Location:	Mexico; United States--US; Las Vegas Nevada; New Orleans Louisiana
People:	Trump, Donald J
Company / organization:	Name: Islamic State of Iraq &the Levant--ISIS; NAICS: 813940
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4

Publication year:	2025
Publication date:	Jan 6, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3151761655
Document URL:	https://www.proquest.com/newspapers/u-s-news-attack-puts-trumps-border-emphasis-new/docview/3151761655/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-01-06
Database:	ProQuest Central

LINKS

Year-End Review &Outlook: Markets &Finance --- How Five Pros Aim to Inflation-Proof Their Investments: Some on Wall Street think the fight to stabilize prices isn't over

Wirz, Matt; Vicky Ge Huang . Wirz, Matt; Vicky Ge Huang.

ProQuest document link

FULL TEXT

Some on Wall Street are worried that inflation and interest rates could rebound.

Stock indexes are setting new records, bitcoin hit $100,000 and the Federal Reserve just cut rates for the third time in less than six months. Still, some investors are switching to defensive strategies as they enter 2025 because they think the fight to stabilize prices isn't over.

There was persistently hot economic data even before Donald Trump won the election on a platform of trade tariffs and immigration crackdowns, both historically inflationary policies. Bond yields also rose sharply in the last quarter of the year, stoking fears that rates and inflation would jump in tandem, sparking a repeat of the 2022 market selloff.

Here is a look at what some money managers are doing to protect their portfolios:

Greg Lippmann

You know him as the trader played by Ryan Gosling in "The Big Short" who made a fortune betting against subprime mortgage bonds. Nowadays Greg Lippmann runs his own $11 billion hedge-fund firm called LibreMax Capital. It made money in 2022 -- a down year for most investors -- thanks to another unconventional bet, this time on interest rates.

Lippmann doubted consensus views that postpandemic inflation was transitory. He purchased derivatives that gained when rates rose, outweighing, or hedging, losses from the asset-backed bonds LibreMax primarily invests in. The firm profited from the hedges in 2023 and 2024 too, and still holds about 50% more interest-rate swaps than it normally owns, a person familiar with the matter said.

"There is complacency out there that rates are going to go down and there's an unappreciated risk of the 10-year suddenly spiraling to 5% or 5.5% in a matter of weeks," Lippmann said.

Chances of a rate surge are less than 50% but will increase if Trump boosts spending and lowers taxes, pushing the already worrying deficit higher, Lippmann said. The danger is that the Fed's already waning influence over the U.S. economy and, by extension, bond yields, keeps weakening.

Typically economic activity slows when the Fed raises the interest rate it charges banks to borrow, making bank loans more expensive for their customers. But more than 70% of all U.S. consumer debt consists of mortgages, over 90% of which are fixed rate, Lippmann said. That means interest rates will need to stay higher for longer to dampen spending.

In 2023, "the Fed raised rates faster and higher than anyone thought and yet we're not in a recession," Lippmann said.

Mina Pacheco Nazemi

Ask Mina Pacheco Nazemi what worries her going into 2025 and it is a no-brainer: inflation. Pacheco Nazemi heads up diversified alternative equity at Barings where she advises pensions, endowments and other investors on private-equity strategies. Right now she is steering them toward funds that specialize in real assets that she says should hold their value if costs escalate again.

Handicapping what the Trump administration will do in January is speculation at best, but taken at face value, his campaign promises would push prices up, she said.

Tariffs -- like the tax Trump pledged on Chinese, Mexican and Canadian goods -- will increase costs for U.S. manufacturers and retailers that they will pass on to consumers. Deporting undocumented immigrants will shrink the supply of labor in industries like home-building, hotels, food processing and restaurants. Fewer workers usually means higher wages.

Pacheco Nazemi is urging clients to put cash in a Barings fund that takes stakes in new-economy infrastructure projects such as data centers and renewable power like industrial batteries and geothermal energy.

"Regardless of what ends up happening, we believe there's going to continue to be a demand for power and bandwidth, whether it's from AI or our kids playing more videogames or more people working from home," Pacheco Nazemi said.

There is one potential check on inflationary policy: popular opinion, Pacheco Nazemi said. Rising costs are already forcing more Americans to spend most of their income on staples such as rent, food, vehicles and internet access.

"What is the administration going to do if the public realizes, 'Oh wait, inflation isn't going down, it's actually going up?'" Pacheco Nazemi said.
Tim Schmidt
Tim Schmidt is chief investment officer for Prudential Financial, the Newark, New Jersey-based insurer with $1.5 trillion of assets under management. A lifelong insurance executive, Schmidt expects the Fed to tame inflation, but only after a difficult battle that threatens to catch corporate America in the crossfire.
Insurers are relatively insulated from interest-rate moves. They sell life insurance policies and annuities, then invest the money they collect in long-term bonds. Rising rates may temporarily push bond prices down, but that isn't a problem as long as the bonds pay out on time.
What worries Schmidt about prolonged high rates and inflation is their impact on the companies Prudential lends to.
"We're going to be more defensive in our overall corporate investments, especially in lower quality credits that tend to finance themselves with floating-rate debt," Schmidt said. "Syndicated bank loans, direct lending and private equity, those are the sectors that tend to be more exposed to floating rates."
Direct lending is part of the private-credit craze that has swept Wall Street and much of the interest expense on that debt "floats" in tandem with benchmark rates, increasing the risk of default.
Default rates on private debt were 4.7% in October, according to Fitch Ratings. That is more than twice the 1.6% default rate on junk bonds, which have fixed interest rates.
Prudential will buy private debt, Schmidt said, but primarily fixed-rate private bonds arranged by banks for mostly investment-grade companies.
Will Smith
Will Smith is director of high-yield credit at AllianceBernstein, where he manages the mutual-fund company's $31 billion holdings of below investment-grade corporate bonds. His market has had a good year, outperforming most other types of bonds, but that performance comes at a cost.
High-yield bond prices have run up so much that they are more susceptible now to fallout if interest rates jump again this year. Junk bonds gained 8.7% this year through November. That is double the return for U.S. credit broadly and slightly more than the 7.86% of emerging-markets bonds, according to research by Barclays.
As Trump's victory and expectation of Fed rate cuts drove bullish sentiment, investors bought riskier corporate debt, echoing the ebullience lifting stocks. Now high-yield bonds look expensive relative to safer kinds of debt because when bond prices go up, their yields go down.
The difference, or spread, between the yield of double-B rated bonds and Treasury-bond yields fell to about 1.58 percentage points in November, the lowest level since at least 2019, according to Barclays. That makes high yield more sensitive than usual to moves in benchmark interest rates.
"There seems to be more ways to lose than win if spreads are this tight," Smith said. AllianceBernstein started to reduce high-yield bond risk in the portfolio about six months ago and redoubled those efforts in September he said.
Smith increased purchases of corporate bonds in Europe, the Middle East and other emerging markets, where economic growth and inflation risk are lower than in the US. About 11% of his portfolio is now invested in emerging-markets corporate debt, up from a median exposure of 5.5%. He has also bought more short-term bonds.
Sonal Desai
Sonal Desai, chief investment officer of fixed income at Franklin Templeton, oversees more than $200 billion in assets and doesn't expect inflation to return to the Federal Reserve's 2% target even at the end of 2025.
Fiscal deficits are already alarmingly high, with deficit spending reaching $1.83 trillion in fiscal year 2024. Absent significant reductions in expenditures, the country's debt will expand further. President-elect Trump's proposed tax cuts, tariff increases, military expansion and mass deportations would widen budget deficits by an estimated $7.5 trillion over the next decade, keeping inflation high over the long term.
Meanwhile, investors have dialed back rate-cut expectations. The Federal Reserve signaled greater doubt over how much it would continue to cut after agreeing to a reduction at its December meeting.
If economic strength holds up and rate-cut expectations scale back, yields on the 10-year Treasury note could grind

higher to 5% next year, she said.
Plus, monetary policy may not be as tight as previously thought. Desai believes the Fed's "neutral" rate, one that neither spurs nor slows growth, is closer to 4% rather than the 2.5% to 3% anticipated by most economists.
After a stellar year of bond returns, Desai said she doesn't see fixed-income securities providing stocklike returns in 2025 but investors should stay invested rather than being in cash.
"This is not a great time to be positioned in cash," she said. "Rates are going to be cut so you can start getting invested within the fixed income space. At this point, I don't see fixed income providing massive capital gains, but I do see it providing income."
By Matt Wirz and Vicky Ge Huang

DETAILS

Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	R1
Publication year:	2025
Publication date:	Jan 2, 2025
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Languageof publication:	English
Document type:	News
ProQuest document ID:	3150662977
Document URL:	https://www.proquest.com/newspapers/year-end-review-outlook-markets-finance-how-five/docview/3150662977/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-01-02

Database: ProQuest Central

LINKS

U.S. News: Soda Titans Push to Stay Food-Stamp Eligible

Cooper, Laura; Peterson, Kristina . Cooper, Laura; Peterson, Kristina.

ProQuest document link

FULL TEXT

Robert F. Kennedy Jr. wants to take sugary drinks out of the shopping carts of food-stamp recipients. Coca-Cola, PepsiCo and Keurig Dr Pepper are mobilizing to stop him.

Kennedy, President-elect Donald Trump's nominee to run the Health and Human Services Department, aims to remove soda and processed foods from federal programs such as the Supplemental Nutrition Assistance Program, also known as food stamps. The move could have big repercussions for the beverage industry.

Lobbyists for Coke and its biggest rivals are pressing their case on Capitol Hill, highlighting that soda companies are selling more zero-sugar drinks and that beverages carry clear calorie labels -- allowing consumers to make healthier choices, they say.

Soda lobbyists also note that some groups fighting hunger, such as Share Our Strength, argue that instead of restricting SNAP recipients' options, Congress should fund programs that help low-income families access healthier foods. Coke and PepsiCo are corporate sponsors for Share Our Strength's No Kid Hungry campaign.

Coke is looking to hire more lobbyists from among a small number who have close relationships with Trump, according to a person familiar with the matter. Lobbyists for the big soda companies are also trying to get in front of people close to Kennedy and Brooke Rollins, Trump's nominee to head the Agriculture Department, which administers SNAP benefits. Rollins hasn't endorsed Kennedy's agenda, and it is unclear where she stands on making sugary drinks and foods ineligible.

The American Beverage Association, an industry group that represents Coke, PepsiCo and Keurig Dr Pepper, plans to donate money to Trump's inauguration, as it has for past presidents, said Kevin Keane, chief executive of the group.

Coca-Cola "is always active in engaging on policies important to our business," a company spokeswoman said. PepsiCo and Keurig referred questions to the association.

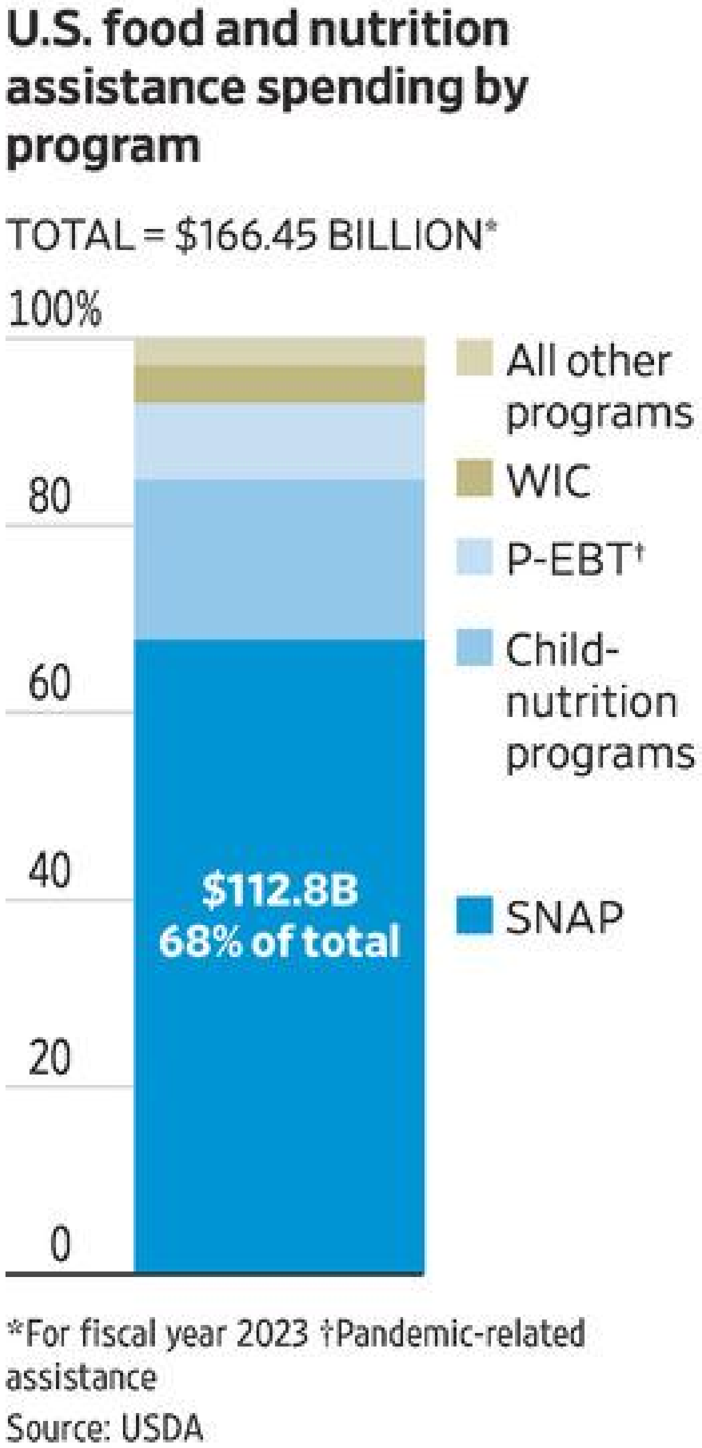
SNAP is a federally funded food-benefits program that provides money for low-income families to buy groceries. In fiscal year 2023, an average of 42.1 million people a month, or 12.6% of Americans, used the benefit, according to data from the Agriculture Department.

Federal spending for the program was $112.8 billion, and monthly benefits averaged $211.93 per participant, the data show. The USDA said it doesn't have national data on how much of that is spent on soft drinks.

Lawmakers have tried unsuccessfully for decades to restrict soda, desserts and candy from food-assistance programs. They have argued that government funds shouldn't be used to buy unhealthy foods and that including such foods in benefits programs has contributed to higher rates of obesity and diabetes.

In 2023, Sen. Marco Rubio (R., Fla.) co-sponsored legislation with Rep. Josh Brecheen (R., Okla.) to make soda, prepared desserts and other sugary foods ineligible for SNAP benefits. Brecheen said he plans to reintroduce the

legislation in January, and is counting on help from Trump and Kennedy to get it passed.
Soda companies are more concerned now about the prospect of a restriction on SNAP benefits because Trump has adopted Kennedy's "Make America Healthy Again" agenda. Kennedy also has argued for restricting consumption of high-fructose corn syrup and certain dyes.
"It's nonsensical for U.S. taxpayers to spend tens of billions of dollars subsidizing junk that harms the health of low-income Americans," Kennedy wrote in an opinion piece published in The Wall Street Journal.
If the Trump administration does pursue changes to the food-stamp program, they wouldn't happen overnight. It could take years to implement new restrictions, industry analysts said.
"Congress can push a lot of things, but when the [executive branch is] already on board, it makes it a lot easier to get things done," Rubio said in an interview, speaking about renewed efforts to remove junk food from the food-aid program. "But there will be resistance."
The Republican Party has long been divided over policing what people on food stamps eat.
"I believe in educating consumers on what is in their best interest," said Rep. Frank Lucas (R., Okla.), a senior member of the House Agriculture Committee. "I've always had a hard time telling people what they cannot have."
As consumers shift away from full-sugar sodas, Coke and other beverage makers are selling more low- and no-sugar drink options, including seltzers, sports drinks, bottled waters and teas.
The American Beverage Association in conversations with lawmakers is highlighting this shift, saying zero- or low-calorie drinks represent 60% of nonalcoholic packaged and fountain drinks sold in the U.S. by volume.
"No other industry is doing what we are doing in terms of offering choice in zero-sugar products," said the association's Keane.



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By Laura Cooper and Kristina Peterson

DETAILS

Subject:	Hunger; Political campaigns; Nominations; Lobbyists; Food stamps; Low income groups; Corporate sponsorship; Beverages; Soft drink industry
Business indexing term:	Subject: Corporate sponsorship Soft drink industry; Corporation: PepsiCo Inc Coca-Cola Co; Industry: 31211 : Soft Drink and Ice Manufacturing
Location:	United States--US

People:	Kennedy, Robert F Jr
Company / organization:	Name: PepsiCo Inc; NAICS: 312111; Name: American Beverage Association; NAICS: 813910
Classification:	31211: Soft Drink and Ice Manufacturing
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A3
Publication year:	2024
Publication date:	Dec 24, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3148722478
Document URL:	https://www.proquest.com/newspapers/u-s-news-soda-titans-push-stay-food-stamp/docview/3148722478/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-01-28
Database:	ProQuest Central

LINKS

Xi Sticks to His Guns As Economy Teeters

Wei, Lingling . Wei, Lingling.

FULL TEXT

Some are calling it a "Lost Decade."

More than 10 years into the Xi Jinping era, it has become clear that much of China's growth under his watch was driven by unsustainable borrowing, real-estate speculation and investments in factories and infrastructure the country didn't really need. Difficult overhauls that could have unlocked more-durable growth, such as steps to lift consumer spending, were neglected in favor of policies designed to bolster Communist Party control.

Now, China is drowning in debt, reeling from a property bust that wiped out trillions of dollars of household wealth, and verging on a deflationary spiral. Growth has slowed, Western investment has collapsed and consumer confidence is near a record low.

And yet, as China squares off with the U.S. for a second showdown over trade, Xi is digging in. He is convinced his top-down approach to managing China's economy, with plans to make it an even-bigger industrial power, offers the best path for China to surpass the U.S. in economic might.

People close to Beijing's decision-making say nothing that has befallen China in recent years has changed Xi's belief that the U.S. is fading as the singular superpower.

"Xi still believes that the East is rising and the West is in decline," a foreign-policy adviser in Beijing said, referring to a pronouncement the leader made three years ago when China's economy, driven by Western demand for its exports, experienced a short-lived recovery from the Covid pandemic. "It might just not be a straight line in his view."

To achieve his vision, Xi is building out a sweeping industrial supply chain intended to make whatever China needs, including semiconductors, to withstand more conflict with the U.S.

His government is also drawing up plans to hit back at any tariff increases by President-elect Donald Trump, through retaliatory measures such as restrictions on sales of raw materials the U.S. needs to make chips, car engines and defense-related products. He is cultivating allies in the developing world to try to add pressure on the U.S.

What Xi hasn't done, many economists argue, is take hard-but-necessary steps to fix China's wounded economy. While Beijing has rolled out some stimulus recently, it hasn't acted decisively to clean up the troubled property sector, fully restructure local-government debt, and significantly increase consumption, which would support growth in the long run.

"A lot of the problems are of the government's own making," said Richard Koo, chief economist at Nomura Research Institute. Like many economists, Koo believes China faces what he calls "a race against time" to address the country's mounting growth problems before it slips into a long-term downturn, made worse by unfavorable demographics.

The State Council Information Office, which handles inquiries about China's leadership, referred questions to the country's top economic-planning agency, China's central bank and the ministries overseeing industry and commerce. None of those government institutions responded to questions.

Over the past decade, Xi had opportunities to fix China's economy. Every time, he took the fork in the road that led to more state control, and away from the kinds of changes that many Chinese economists say are necessary. Although some of China's economic problems started before Xi was in power, he failed to resolve them, leading even some of the government's own advisers to talk privately about a lost decade.

Meanwhile, as Xi consolidated power, he asserted control over managing the economy, which had been overseen by China's premier, and surrounded himself with loyalists who had limited experience in economic policymaking.

The Xi leadership let China's property bubble inflate for years, even though it was clear the market was overheated. Although Xi finally popped the bubble in 2020, restricting credit to overleveraged developers, Beijing still hasn't come up with a comprehensive plan to clean up the mess. Tens of millions of units sit empty and the market continues to languish.

Year after year, Beijing warned local governments against excessive borrowing. But it never strictly enforced the rules. By this year, local governments had taken on as much as $11 trillion in off-the-books debt to build transit systems and other projects, including many that failed. The borrowing made growth look better in the short term, but leaves China more vulnerable to financial instability.

Beijing also made repeated pledges to promote consumer spending. Yet household consumption makes up only about 39% of gross domestic product in China, relatively unchanged in recent years, compared with around 68% in the U.S. To change that, Beijing would need to do more to encourage people to spend more and save less, including by expanding China's relatively meager social safety net with greater health and unemployment benefits.

However, Xi views American-style consumption as wasteful, and fears providing too much state support to households could encourage "welfarism."

As storm clouds gathered over China's economy this year, a key Communist Party advisory body prepared a report for leaders in Beijing. It warned that China could slip into a deflationary spiral -- the kind of disaster that befell the U.S. during the Great Depression -- if more-urgent steps weren't taken to rejuvenate growth.

Xi was unperturbed. "What's so bad about deflation?" he asked his advisers, people close to Beijing's decision-making said. "Don't people like it when things are cheaper?"

Xi's dismissal made the topic all-but-taboo in Chinese policymaking circles, the people said, despite concern among economists that China could fall into a vicious cycle of falling prices and weak demand. At a high-level conference this month, the leadership acknowledged the need to realize "reasonable price recovery" but left key details of how it would do this unclear.

China handled economic challenges more assertively before the Xi era.

In the late 1990s, when China suffered from overproduction and deflation, then-Premier Zhu Rongji forced weak state-owned enterprises to close or merge, resulting in massive job cuts but also making the remaining companies stronger.

In 2008, amid a global financial crisis, Beijing put together a fiscal-stimulus program amounting to about 12% of the country's GDP at the time. Although that planted the seeds of China's subsequent debt problems, it won Beijing's economic policymaking credibility among international investors by showing it would do whatever it took to keep growth on track.

Xi's words and actions since the U.S. election have shown he isn't backing down.

In his Nov. 7 congratulatory message to Trump, Xi offered a veiled warning about engaging in economic fights with China. "History tells us that both countries stand to gain from cooperation and lose from confrontation," Xi said.

About a week later, Xi used a meeting with President Biden in Peru to warn Trump not to challenge Beijing on major issues over which the two powers are at odds, including China's sovereignty claim over Taiwan, human rights, its party-state system, or what Xi calls China's "right to development" -- a reference to U.S. restrictions on Chinese access to Western chips and other technologies.

People close to Beijing's decision-making say Xi views the economic challenges China faces as necessary pains in the process of replacing old growth drivers, including real-estate investment, with newer sources, such as high-value manufacturing, including cars and chips.

They say Xi and his team have been buoyed by progress they have seen in reducing Chinese reliance on Western products, while increasing the world's dependence on China.

"The strategy has been working," one of the people familiar with decision-making in Beijing said, "even as the overall economy struggles."

A November report by research firm Gavekal Dragonomics shows that China has become steadily less reliant on manufacturing imports for some types of semiconductors, as well as medical devices, industrial robots and devices

used in self-driving vehicles.
But China still relies on American technology, capital and know-how, especially in areas such as high-end chipmaking, aviation and biotechnology.
And as exports are among the few bright spots in the Chinese economy these days, China needs to maintain its ability to sell to its major trading partners as much as possible to prevent another big hit to overall growth.
With a rematch of Trump vs. China coming, hopes are emerging among some Chinese economists that a new trade war will finally force the Xi leadership to shift its manufacturing-centric economic policy toward one more focused on empowering consumers. If Trump follows through with his promise to impose higher tariffs, they reason, Chinese exports would inevitably decline and Beijing would have to bolster domestic demand to keep the economy going.
But the world has changed since Trump's first term. Both sides are more dug in.
Evan Medeiros, a former senior national-security official in the Obama administration, said Xi's leadership style will make it hard for China to manage Trump 2.0 effectively.
"I just don't see Xi forging a grand bargain," he said.
By Lingling Wei

DETAILS

Subject:	Borrowing; Exports; Semiconductors; Deflation; Political leadership; Decision making; Political parties; Consumption; International trade; Medical equipment; Gross Domestic Product--GDP; Consumer spending; Manufacturing; Economists; Economic growth; Economic conditions
Business indexing term:	Subject: Borrowing Exports Deflation Consumption International trade Gross Domestic Product--GDP Consumer spending Manufacturing Economists Economic growth Economic conditions; Industry: 81394 : Political Organizations 33911 : Medical Equipment and Supplies Manufacturing 33451 : Navigational, Measuring, Electromedical, and Control Instruments Manufacturing
Location:	Beijing China; United States--US; China
People:	Xi Jinping
Classification:	81394: Political Organizations; 33911: Medical Equipment and Supplies Manufacturing; 33451: Navigational, Measuring, Electromedical, and Control Instruments Manufacturing
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2024
Publication date:	Dec 24, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States

Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3148722473
Document URL:	https://www.proquest.com/newspapers/xi-sticks-his-guns-as-economy-teeters/docview/3148722473/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-01-28
Database:	ProQuest Central

LINKS

U.S. News: Spending Revolt Is Ominous for GOP --- Party tensions present challenges for tackling tax and spending priorities

Rubin, Richard . Rubin, Richard.

FULL TEXT

WASHINGTON -- The DOGE caught the CR, and the road only gets bumpier from here.

The latest episode of House Republicans' fiscal-policy psychodrama featured a familiar problem -- how to unite a fractious and slim majority around a continuing resolution, or CR, to keep the government open. That was tough enough before Elon Musk, co-head of President-elect Donald Trump's Department of Government Efficiency, or DOGE, spurred Republicans to chuck a bipartisan agreement that included a series of unrelated deals.

The denouement was familiar, too. After scrapping the 1,500-plus page bipartisan bill at Musk's urging, Republicans tried a Trump-blessed version. That failed, too. The ultimate bill to keep the government open and provide aid to

farmers and disaster victims relied on Democratic votes and it excluded Trump's main demand -- an increase in the debt ceiling that would keep that hot potato out of his lap next year. Trump and Musk showed their power to tear apart legislation but didn't demonstrate a way to put it back together.
It is an ominous sign for next year's all-Republican government, when the GOP will try to push Trump's border, energy, defense, tax and spending priorities into law through narrow majorities while keeping the government open and legally able to borrow.
There can be healthy tension inside a governing coalition. But fractures among Republicans on spending and tactics are tough to paper over, especially with, at best, a 220-215 majority in the House and a 53-47 majority in the Senate.
"We share a lot of things in common as a party -- the border, the economy, inflation -- and this is a time that our family's having some good discussion on how we go forward," Rep. Nick LaLota (R., N.Y.) said.
For more than a decade, House Republicans have been hard to corral. The most antispending, antileadership members demand deep cuts that trouble moderates. Then, they get restless when major spending bills become law without them. Like three speakers before him, that dynamic is threatening Mike Johnson's survival when the House convenes Jan. 3 to elect a speaker.
"It's maddening to see the same thing play out each time," said Rep. Mike Quigley (D., Ill.)
House Republicans have racked up some accomplishments -- tax cuts in 2017 under Trump, spending-cut deals with President Barack Obama in 2011 and President Biden in 2023. But they have also been left out of some spending agreements.
While some GOP lawmakers prioritize deep spending cuts and smaller budget deficits, others seek increases in military spending or agriculture assistance, and so there typically aren't enough votes to force the depth of cuts that hard-line conservatives want. Just last week, alongside the spending bill, a majority of Senate Republicans joined with Democrats to pass a $196 billion deficit-increasing expansion of Social Security that removes 41-year-old limits on what benefits some public-sector workers can receive.
The narrow majorities next year will empower every Republican to make demands. That will be true on spending bills that require cooperation with Senate Democrats and on tax and border-funding legislation Republicans will try to pass alone while sidestepping the Senate filibuster. A handful of Republicans in either chamber -- or a social-media post from Trump or Musk -- could take down a long-gestating piece of legislation.
Chances for chaos abound. On taxes alone, New York and New Jersey lawmakers are insisting on a significant increase in the $10,000 cap on state and local tax deductions.
Some Republicans say Congress must repeal Biden's clean-energy tax breaks while others warn against disrupting clean-energy investments. Some House Republicans worry about tax cuts increasing deficits unless spending cuts are attached, while senators are planning ways to make extending expiring tax cuts look costless.
Still, Trump is the party's one unifying force.
"We're going to need a lot of help from President Trump and the rest of the Republican Party to keep this together," said Rep. Max Miller (R., Ohio).
But, in his first term, Trump engaged haltingly and fitfully in the legislative process, not diving into most details -- until he did. Last week showed the limits of his influence. He demanded that Republicans include an increase in the debt ceiling and said failing to do so would betray the country.
When Republicans moved a bill that included Trump's demand, 38 Republicans voted no. The final bill passed without it.
Musk's involvement is another wild card. In Trump's first term, Republicans had one influential billionaire tossing flames into legislative dealmaking with tweets. Now, they will have two. Musk is animating the party's right flank, the antileadership faction that evolved into the House Freedom Caucus. Still, the prospect of significant tax and border legislation could be clarifying and produce the unity.
Lawmakers are waiting for Trump to decide how to structure their legislative agenda. Senators generally prefer a two-bill strategy, starting with a border bill and following with major tax legislation. Their idea is to build momentum with something that unifies the party, and then move on to something more complex.

Rep. Jason Smith (R., Mo.), chairman of the House Ways and Means Committee, wants everything together, partly because border spending and other GOP priorities may be needed to pass the tax bill. Lawmakers see the tax bill as must-pass legislation because failure means a tax increase for most households in 2026.
"This week is a clear indicator that the best and quickest approach to deliver on all of President Trump's priorities that he campaigned on is to have a big, beautiful package," Smith said Friday.
By Richard Rubin

DETAILS

Subject:	Presidents; Legislation; Bipartisanship; Tax cuts; Clean technology; Legislators; Budget deficits; Tax increases; Fiscal policy; Government spending
Business indexing term:	Subject: Tax cuts Budget deficits Tax increases Fiscal policy Government spending; Industry: 92111 : Executive Offices 92112 : Legislative Bodies
Company / organization:	Name: Republican Party; NAICS: 813940; Name: Department of Government Efficiency; NAICS: 921130
Classification:	92111: Executive Offices; 92112: Legislative Bodies
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A4
Publication year:	2024
Publication date:	Dec 24, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3148722455
Document URL:	https://www.proquest.com/newspapers/u-s-news-spending-revolt-is-ominous-gop-party/docview/3148722455/se-2?accountid=14681
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Last updated:	2025-01-28
Database:	ProQuest Central

LINKS

U.S.'s Agricultural Downturn Hits Farmers, Company Profits

Thomas, Patrick . Thomas, Patrick.

ProQuest document link

FULL TEXT

In northeastern North Dakota, Greg Amundson's 3,000-acre farm this year produced corn, soybeans, canola and rye. It also produced thousands of dollars in losses.

A bag of corn seed cost Amundson roughly $150 a few years ago. Now he has a hard time finding one for less than $230. Earlier this year it took three weeks to fix a mechanical problem on his combine that broke down during harvest, resulting in a four-figure repair bill.

"Everything is so expensive," Amundson said. "It's killing us."

Some farmers anticipate a boost from a multibillion-dollar bailout attached to the federal spending bill that passed in Congress and that President Biden signed over the weekend.

America has long provided subsidies to its farmers, dating back to the 1930s as a way to tackle rural poverty when a quarter of the population lived on farms. Today, subsidies largely come in the form of insurance that enables farmers to secure loans needed to grow crops. Direct cash payments, while at times controversial, have been used to bolster farmers during agricultural downturns.

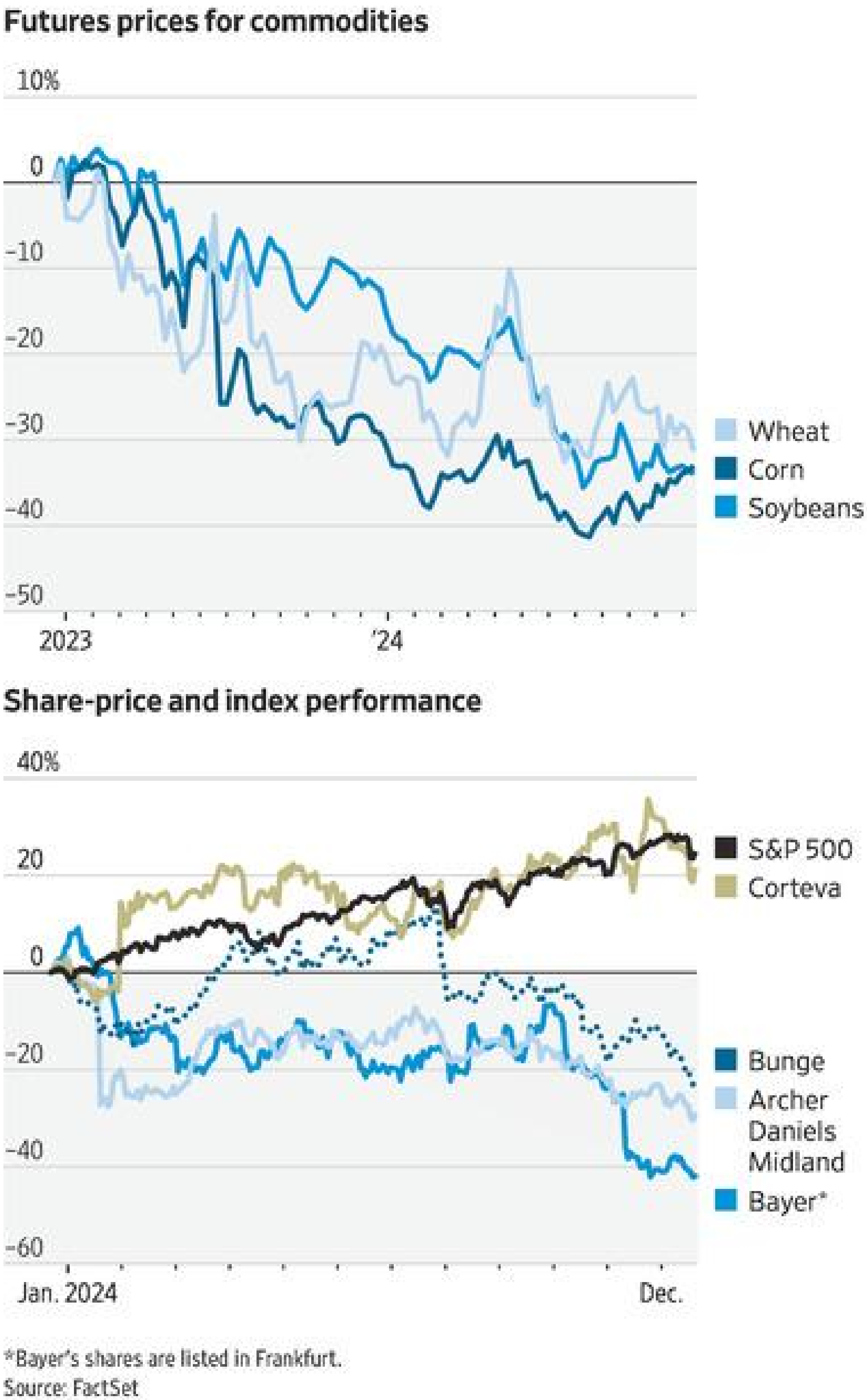
The U.S. farm sector finds itself in another rough patch. Net farm income declined 4% this year to $141 billion after falling about 20% last year, according to the Agriculture Department. Weaker prices for commodities such as soybeans and wheat have weighed on farmers' earnings after growers in the U.S. and elsewhere reared big crops, swelling supplies. Their costs for essentials such as fertilizer and equipment are also higher.

"The ag industry is continuing to get weaker," Damon Audia, chief financial officer for farm-equipment maker Agco, said at a December investor meeting.

Those challenges are expected to continue next year. Some of the world's largest grain shippers and pesticide suppliers are girding for a shrinking farm economy by cutting costs or laying off workers. Per-acre losses for corn growers are expected to be steeper in 2025 than the prior two years, according to the National Corn Growers Association, a trade group.

President-elect Donald Trump has also pledged tariffs on Mexico and China, key importers of U.S. crops, and Canada, a major fertilizer producer. Government policies that subsidize biofuel production, which can boost crop prices for

farmers, could also be in flux under the new administration, analysts and company executives said.
Agriculture trade groups are circulating lists of requests to lawmakers extending beyond direct payments that could buffer against the current market slump.
Financial pain on the farm comes after one of the ag industry's strongest runs on record. Grain prices soared during the Covid-19 pandemic in 2021 and again in 2022 after Russia invaded Ukraine, one of the world's top breadbaskets. The war pushed up prices for wheat and corn, contributing to rising global food prices. It also pushed net farm income to a record in 2022, the USDA said.
Since then, grain exports have resumed via the Black Sea, and better weather in key growing regions in South America helped bolster global crop supplies, pushing prices down.
In Iowa, the top corn-producing state, farmland values decreased by 3% this year, breaking a five-year streak of rising prices, according to an annual survey by Iowa State University. Farmland value often represents the largest portion of a farmer's assets, making up roughly 80% of their total wealth, according to the USDA.
Agriculture giant Bayer, maker of the world's most-used weedkiller, Roundup, cut its full-year earnings forecast in November as farmers pulled back spending on some seeds and pesticide products.
Grain traders such as Cargill, Bunge and Archer Daniels Midland have also been under pressure, posting sharply weaker sales or profits. The companies buy and store crops, sell commodities to food makers and governments and run plants that turn corn and soybeans into fuel and cooking oils.
Cargill, one of the world's biggest privately held companies, said this month it is laying off 5% of its global staff, or roughly 8,000 workers. Cargill reported $160 billion in revenue in its most recent fiscal year, compared with $177 billion the prior year.
Shares in St. Louis-based Bunge and Chicago-based ADM have both fallen by more than a fifth this year. Bayer's stock, which trades in Germany, is down about 40% over the past year.
In North Dakota, Amundson is holding off purchasing fertilizer for next year's crop, hoping that prices will come down. One thing he isn't concerned about: tariffs in a Trump administration.
"Everyone hears the word tariff and everyone gets all afraid," he said. "American farmers are getting screwed now because of how lopsided trade is."
Trump's election lifted many farmers' spirits, and some believe that his policies may benefit the agricultural economy, analysts say. In 2018 and 2019, during Trump's first term, about $23 billion in taxpayer money was paid to farmers to offset the impact of trade disruptions.
The latest federal spending bill called for $10 billion of support to farmers. The bill also includes about $21 billion in natural disaster aid for farmers and ranchers affected by drought, wildfires and hurricanes over the past two years.
Agricultural groups are also looking for other means of support.
Some companies and industry trade groups are calling on the Trump administration to restrict used cooking oil imports from China and increase the use of U.S.-produced soybean oil in biofuels. Farm groups are also lobbying for expanded use of corn-based ethanol in aviation fuel.
"That could have a pretty big impact on the farm economy," said John Neppl, Bunge's CFO, on a recent investor call.
The farm economy hasn't gone bust for everyone. Profits are booming for poultry processors like Tyson Foods as their biggest expense -- grain used to feed chickens -- plummets.
Shares in seed and pesticide maker Corteva are up 20% over the past year, helped by the growing popularity of its Enlist-branded crop seeds. Chuck Magro, chief executive of the Indianapolis-based company, said that the farm economy is mixed, with some growers willing to spend more on cutting-edge seeds to boost harvests while prices are low.
Even if Trump's actions spur another trade war, Magro says it is unlikely farmers will cut production.



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By Patrick Thomas

DETAILS

Subject:	Agriculture; Farm income; Pesticides; Corn; Fertilizers; Seeds; Tariffs; International trade; Agricultural land; Crops; Corporate profits; Soybeans; Subsidies

LINKS

Private Prisons Foresee A Border Bonanza --- Firms line up to aid Trump deportations, and some consider family detentions

Findell, Elizabeth; Hobbs, Tawnell D; Tarini Parti . Findell, Elizabeth; Hobbs, Tawnell D; Tarini Parti.

FULL TEXT

Private prisons and other companies that provide detention services are getting ready to cash in on what President-elect Donald Trump has billed as "the largest domestic deportation operation in American history." That includes scouring for as many detention beds as possible in their networks of facilities, and scouting sites for new buildings to house migrants.

Some executives are considering whether to take up the controversial work of detaining families or unaccompanied children. Others are preparing to hire new staff and snapping up well-connected lobbyists.

"This is, to us, an unprecedented opportunity," George Zoley, executive chairman of GEO Group, a private prison company, told investors on an earnings call days after the November election.

Pulling off a deportation on the scale Trump has promised would constitute an unprecedented logistical feat for the U.S. government, involving identifying, locating, arresting, detaining, adjudicating and transporting potentially millions of men, women, and children.

The actual scale of Trump's plans remains unclear. While he repeatedly promised mass deportations during his first term in office, Immigration and Customs Enforcement deported about 935,000 people under his administration who had been in the U.S. illegally, according to an analysis by the Migration Policy Institute -- fewer per year than during the presidency of Barack Obama. The Biden administration, which deported relatively few people in its first year, deported more than 271,000 in fiscal year 2024 -- the most in 10 years -- according to new figures from ICE. The administration deported some 545,000 over its four years.

Trump and his advisers have said in recent weeks that they intend to focus initially on migrants who crossed the border illegally and have a criminal background, causing some allies to worry that Trump may water down his plans.

Tom Homan, who was chosen by Trump to run the deportation effort, told CNN recently that ICE will need enough beds to detain a minimum of 100,000 migrants. The agency currently has funding to maintain 41,500 beds.

The American Immigration Council, an immigrant advocacy group, has estimated deporting one million people in one year would cost $88 billion, a figure that includes expenses associated with arrest, detention, legal processing and removal. There were an estimated 11 million undocumented migrants in the U.S. as of 2022.

GEO, which currently houses about 40% of ICE detainees, is looking at a potential doubling of all its services, Zoley said on the call.

Zoley said GEO has enough empty or idle detention beds to quickly spin up the number of migrants it detains from a current 13,500 to more than 31,000. They would bring GEO more than $400 million in annual revenues if reactivated for a mass deportation, CEO Brian Evans said. The company also said it could move hundreds of thousands of people as they boost air and ground transportation.

Under its subsidiary BI Inc., GEO holds the ICE contract for electronic monitoring of migrants awaiting court dates, which could be increased exponentially from a present 182,500, said Wayne Calabrese, president and chief operating officer.

"We have assured ICE of our capability to rapidly scale up to monitor and oversee several hundreds of thousands, or even several millions, of individuals," he said.

CoreCivic, the other major player in ICE detention centers, had a similar message for investors after the election. The company believes it could quickly bring its detention capacity to 25,000 beds by bringing unused ones online, including at a facility previously used to hold families in Dilley, Texas, CEO Damon Hininger said in an interview. The Biden administration chose to close the site earlier this year, but CoreCivic kept it in "warm status," Hininger said.

CoreCivic has also identified other sites that could be used for detaining entire families, should the Trump administration decide to do so, Hininger said. The company hasn't previously detained unaccompanied children, who are typically housed by nonprofits. A statement on its website says, "We have not, do not and will not operate facilities for the purpose of housing unaccompanied migrant children."

But in an interview, Hininger said he is "very willing to have that conversation."

"We've had those conversations in the past," he said. "We can handle that population, for sure, in a safe and humane way."

Trump transition officials have told CoreCivic that the incoming president is considering emergency orders to allow detention operators to hire staff more quickly, accelerating a background-check process that sometimes can take up to six months, Hininger said. He also expects emergency orders to accelerate the normal competitive bidding process for immigration-related contracts.

In addition to identifying already-existing beds it could open, CoreCivic is also exploring adding new buildings or temporary facilities on land it already owns, Hininger said.

One thing that is different for both CoreCivic and GEO this time around is that they hold less bank debt, said Brian Violino, an analyst for Wedbush Securities who covers both companies, making them less vulnerable to public outrage. During the prior administration, the outcry against immigrant detentions led some banks to withdraw funding from the companies, he said. Now, they don't need that capital to bring new or idle facilities onboard.

Representatives of GEO Group and BI didn't respond to requests for comment. A spokeswoman for private-prison industry group Day 1 Alliance said in a statement that its members offer "healthcare services, recreational amenities, and on-site or online courtrooms, among other features" to detained migrants, and "are subject to multiple layers of oversight and accountability that often exceeds that of their public sector counterparts."

To bolster its ties to the incoming administration, GEO Group recently hired a Trump-connected lobbying firm called Continental Strategy, according to federal lobbying disclosures. The Florida firm is run by Carlos Trujillo, who advised Trump on Latino voters and immigration issues in the campaign. It also employs Katie Wiles, daughter of Trump's new chief of staff Susie Wiles.

Both CoreCivic and GEO -- through their executive leadership or political-action committees -- contributed heavily to Trump's re-election efforts.

Smaller companies involved in federal immigration detentions are also preparing to ramp up. This month, Asset Protection &Security Services, based in Corpus Christi, Texas, signed an agreement with Reeves County officials to bring a 3,700-bed former prison back online, which it could potentially lease to the federal government for immigrant detention, Asset founder Scott Mandel said.

Mandel said he is also interested in detaining families and children, noting that his company was contracted to house more than 1,000 unaccompanied minors in San Antonio at Lackland Air Force Base in 2021.

"Our subcontractors have been on standby and ready to go," said Gwen Carson, president of Classic Air Charter, a Florida company that has been a main contractor of deportation flights for the federal government.

Michelle Hackman contributed to this article.

By Elizabeth Findell, Tawnell D. Hobbs and Tarini Parti

DETAILS

Subject:	Immigration policy; Political campaigns; Presidents; Deportation; Lobbying; Detention centers; Prisoners
Business indexing term:	Corporation: GEO Group Inc; Industry: 92111 : Executive Offices 92214 : Correctional Institutions
Location:	Texas; Florida; United States--US
People:	Trump, Donald J
Company / organization:	Name: GEO Group Inc; NAICS: 561210, 561612, 922140; Name: CoreCivic; NAICS: 561210
Classification:	92111: Executive Offices; 92214: Correctional Institutions
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A1
Publication year:	2024
Publication date:	Dec 23, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3148106574
Document URL:	https://www.proquest.com/newspapers/private-prisons-foresee-border-bonanza-firms-line/docview/3148106574/se-2?accountid=14681
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Last updated:	2025-01-28
Database:	ProQuest Central

LINKS

World News: Brazil Weighs Spending Cuts As Currency Is in a Tailspin

Pearson, Samantha; Vyas, Kejal . Pearson, Samantha; Vyas, Kejal.

FULL TEXT

SAO PAULO -- For months, Brazilian leaders have thrown nearly everything they have to stop the country's currency from a precipitous yearlong plunge. But nothing worked, including hiking its benchmark interest rate above 12%.

Now, as the Brazilian currency, the real, slipped in recent days to its lowest level against the dollar since its introduction in 1994, lawmakers rushed to do something that is anathema to leftist President Luiz Inacio Lula da Silva: cut government spending.

Da Silva and his leftist allies in Congress have spent lavishly on pensions and social benefits since he defeated the far-right firebrand Jair Bolsonaro in the 2022 election. But worries about Brazil's soaring deficit have torpedoed the currency of Latin America's biggest economy, just as this country of more than 200 million faces the prospect of a trade battle with President-elect Donald Trump that could weaken the real further.

For the leftist leaders who rule most of Latin America's biggest countries, Trump's incoming administration promises significant political challenges. His government will pressure drug-producing countries -- among them Mexico and Colombia -- to slow the exportation of fentanyl, methamphetamine and cocaine. Trump has pledged to slow illegal migration, which courses from South America to the Mexico border.

And he's outlined how the U.S. will freely use tariffs to achieve trade and other goals. From Mexico to Brazil, economies are bracing for higher taxes on their exports to the U.S. The exception may be Argentina, where President Javier Milei has built close ties to both the incoming president and tech mogul Elon Musk. Milei has expressed hope Trump would support his free-market overhaul and even initiate trade talks.

While Trump has yet to outline details of how he will deal with Latin America, his presence is already being felt in the currency markets.

Comments by Jerome Powell, Chair of the U.S. Federal Reserve, this past week on inflation risks under the incoming administration strengthened the dollar, adding to the weakness of Brazil's currency. The Brazilian real has lost about 20% against the dollar this year despite a series of massive dollar auctions by the Central Bank to reverse the trend.

"Most of the Brazilian economic challenges are domestic," said Alberto Ramos, an economist at Goldman Sachs. But a stronger U.S. dollar and fewer rate cuts ahead by the Fed "require even more policy discipline by the Brazilian

authorities."
Brazil's Senate on Friday approved the remainder of the government's long-awaited fiscal package that wasn't approved the night before. The goal is to cut annual spending by some $11.6 billion to calm fears over the country's widening deficit.
The fiscal package caps minimum-wage increases to which pension spending is linked, restricts benefits for the elderly and disabled, limits lawmakers' ability to allocate public funds, and reduces a series of tax benefits. Investors say it still might not be enough.
Da Silva has been under growing pressure as the country's budget deficit -- long the Achilles' heel of Latin America's biggest economy -- has crept closer to 10%. The deficit reached 9.52% of GDP in October, up from 4.6% in January last year, according to the latest central bank data.
The government was facing a race against the clock to approve the proposed cuts in Congress when da Silva was rushed to the hospital for emergency brain surgery this month, causing more delays.
J.P. Morgan estimates that the Brazil and Mexico economic growth will taper off in 2025.
The region as a whole is still expected to expand by 2.2% next year, compared with 1.8% in 2024, buoyed by a turnaround in Argentina under Milei, whose deregulation and budget cuts have helped tame runaway inflation.
By Samantha Pearson and Kejal Vyas

DETAILS

Subject:	Presidents; Federal Reserve monetary policy; Central banks; American dollar; Budget deficits; Currency; Foreign exchange rates
Business indexing term:	Subject: Federal Reserve monetary policy Central banks American dollar Budget deficits Currency Foreign exchange rates; Industry: 92111 : Executive Offices 92113 : Public Finance Activities 52111 : Monetary Authorities-Central Bank
Location:	Argentina; Mexico; Brazil; United States--US; Latin America
Classification:	92111: Executive Offices; 92113: Public Finance Activities; 52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A8
Publication year:	2024
Publication date:	Dec 21, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660

Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3147607742
Document URL:	https://www.proquest.com/newspapers/world-news-brazil-weighs-spending-cuts-as/docview/3147607742/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-01-29
Database:	ProQuest Central

LINKS

EXCHANGE --- Friday's Markets: Stocks Rally on Hopes For More Fed Rate Cuts

Dezember, Ryan . Dezember, Ryan.

ProQuest document link

FULL TEXT

The Dow Jones Industrial Average and the S&P 500 had their best day since last month's big postelection rally, ending an otherwise downbeat week for stocks on a high note.

The Dow added 498 points, or 1.2%, the day after the blue-chip index narrowly ended a 10-session skid. The S&P 500 rose 1.1% while the technology-heavy Nasdaq Composite gained 1%.

Each of the major U.S. indexes still ended the week down at least 1.8%, the result of Wednesday's selloff following the Federal Reserve's signal that interest rates might stay higher in 2025 than investors had expected. The Dow ended 2.3% lower, its third straight weekly decline. Ahead of the opening bell, it looked as though stocks would wind up losing more.

Rising yields in the aftermath of the Fed's Wednesday meeting had investors second-guessing expensive stocks. Tariff threats by President-elect Donald Trump against Europe sank overseas stocks. Disappointing trial results for Novo Nordisk sent the Ozempic-maker's shares into a tailspin. Nike, a Dow component, warned investors to expect lower sales and margins this fiscal quarter.

Yet the Fed's preferred measure of inflation showed prices rising 0.1% in November, below the 0.2% that economists had predicted. That gave traders a green light to buy.

After opening lower, stocks rebounded sharply. "The market was already trading on the edge of a knife, so the smallest thing can have such an outsized reaction," said David Volpe, president and deputy chief-investment officer at investment manager Emerald Advisers.

Television interviews by two Fed officials on Friday stoked traders' optimism that the central bank intends to continue to cut rates in 2025, even if at a slower pace, Volpe said. Meanwhile, more than $6 trillion in options expired Friday, an unusually high volume that added to the wild trading action.

Friday's gains were across the board. All 11 of the S&P 500's industry segments closed higher, led by interest-rate sensitive real-estate and bank stocks. Greg Wilensky, head of U.S. fixed income at Janus Henderson Investors, said that Friday's reading of the Commerce Department's personal-consumption expenditures price index wasn't low enough to necessitate a January rate cut. "This data does help improve the outlook for more cuts over 2025 than the market currently has priced in," he said.

Bond yields declined Friday. The yield on benchmark 10-year Treasury notes ended at 4.522%. Yields had been climbing for two days to settle at 4.569% on Thursday.

Bitcoin prices also whipsawed Friday. The cryptocurrency reached a record above $108,000 this past week and had fallen below $93,000 early Friday. It rebounded to end at $96,377.74, lifting stocks, such as Coinbase, MicroStrategy and Robinhood.

By Ryan Dezember

DETAILS

Subject:	Dow Jones averages; Stocks; Federal Reserve monetary policy; Interest rates; Investors
Business indexing term:	Subject: Stocks Federal Reserve monetary policy Interest rates; Industry: 92113 : Public Finance Activities 52111 : Monetary Authorities-Central B ank
Location:	United States--US
Classification:	92113: Public Finance Activities; 52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B10
Publication year:	2024
Publication date:	Dec 21, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660

Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3147607712
Document URL:	https://www.proquest.com/newspapers/exchange-fridays-markets-stocks-rally-on-hopes/docview/3147607712/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2025-01-22
Database:	ProQuest Central

LINKS

U.S. News: In Indiana Town, Many Are Eager for Deportations --- Immigration has become a focal point for Seymour; 'kind of heartbreaking'

Campo-Flores, Arian . Campo-Flores, Arian.

ProQuest document link

FULL TEXT

SEYMOUR, Ind. -- Willard Everhart was incensed. After seeing this small town receive hundreds of migrants in recent years, he heard about a proposal to create an immigrant welcome center that he thought would bring even more. He joined other critics of the plan at a city council meeting in late March that drew hundreds of people, producing a line that snaked down the street.

Mayor Matt Nicholson opened the meeting by saying he wanted to clear up misinformation circulating online about the proposal -- part of a broader economic-development agenda -- such as the notion that the center would be a magnet for more unauthorized migrants. The gathering quickly grew raucous, including chants of "Shut it down!"

"I do not support this agenda, not in any way, shape or form," said Everhart, a 73-year-old retired environmental-affairs director and lifelong Seymour resident, during his turn at the lectern. "We do not need this in Seymour."

Seymour is one of many cities across the U.S. feeling the effects of a historic wave of immigration, where residents seeking to integrate migrants are clashing with others calling for them to be rooted out and sent home, saying that a flood of unauthorized migrants under the Biden administration strained schools, hospitals and housing. Now, with President-elect Donald Trump promising mass deportations and an end to illegal border crossings, the pro-crackdown forces are feeling emboldened. They are organizing opposition to illegal immigration and pushing for legislation and action at the state level.

"Trump brought hope," said Dana Clark, 66, who also spoke at the city council meeting. "Day one is going to see the biggest deportation ever."

Seymour is a town of about 22,000 south of Indianapolis whose surrounding county, Jackson, voted 77% for Trump in the election. It is the birthplace of singer John Mellencamp, who sang about his experiences growing up here in his 1985 hit "Small Town."

Incorporated in the 1860s, Seymour sits at the intersection of two major railroads. Jobs are plentiful at large manufacturers such as auto-parts suppliers and agricultural businesses, including the country's second-largest egg producer.

Jackson County's unemployment rate was 3.3% in October, compared with 4.4% statewide. Median household income in Seymour was $63,000 and the homeownership rate 57% in 2023, both below statewide averages.

The hunger for labor has long drawn immigrants, who began arriving in significant numbers in the 1990s. For most of the period since, the flow of arrivals was manageable and generated few flashpoints, residents say.

Seymour's population was 26% Hispanic in 2020, compared with 5% in 2000 and less than 1% in 1990, according to Census Bureau data. New immigration cases filed for people in the county -- a proxy for migrant arrivals -- jumped to 435 in the fiscal year ended in September, from 66 in 2021, according to the Transactional Records Access Clearinghouse at Syracuse University.

Isabel Ponce, a 52-year-old Mexican immigrant and legal permanent resident, arrived in Seymour 26 years ago and began working at a printing facility. She later started a beauty salon and more recently opened a cafe. She said she sympathizes with longtime residents concerned about the burdens of new arrivals, but added that migrants play an essential economic role.

"Latino labor is very important here," Ponce said. "You tell a Latino to work from 8:00 in the morning until 10:00 at night, they will work it."

Mayor Nicholson, 47, who once was executive director of a literacy agency that helped immigrants learn English, said the city was approached in 2022 by the Indiana Economic Development Corporation to participate in a study aimed at creating an agenda to boost economic opportunity for disadvantaged groups. It resulted in a 68-page draft, with proposals like developing more housing, that Nicholson said he provided to the city council in September 2023 and posted online. He heard no adverse reaction for months, he said, until some residents got wind of the welcome center proposal and set off a social-media outcry. It proved to be the spark that ignited frustration over illegal immigration.

At the March meeting, speakers fumed about migrants allegedly failing to assimilate, committing crimes and crowding multiple families into small homes.

Nicholson said later that of 21 metrics tracked by the police department, such as disorderly conduct and sex offenses, 17 were down over the past year. Seymour Police Chief Greg O'Brien said the overall crime rate is flat or down, but traffic-related cases are up.

The meeting concluded with council members passing a resolution opposing the economic-development agenda.

Tension deepened further. The following day, an immigrant with no driver's license collided with the vehicle of James Bradley Castner, 27, who later died. Jon Stahl, Mike Wright and Bob Beatty, now a council member -- pledged to try to channel the anger into action. They created a Facebook page that documents alleged crimes committed by migrants and pushes authorities to respond. It now has more than 4,500 followers.

Wright, 55, a former Marine and Indiana National Guard member, said he felt help was on the way with a new Trump administration.

In recent months, Indiana Attorney General Todd Rokita, a Trump supporter, has issued civil investigative demands to the Seymour Police Department on whether it had "sanctuary city" policies that limit cooperation with federal immigration authorities.

Mayor Nicholson said, "We are not a sanctuary city," adding that data don't support the notion that the city is overwhelmed by migrants.

Unauthorized migrants in Seymour seemed largely unaware of local disputes but are fearful of Trump's return to office. "We are all waiting to see what happens," said Vicente Gaspar, a 27-year-old Guatemalan who crossed the border illegally six years ago and works at an auto supplier.

For Brandon Rodriguez, a 19-year-old college student born in Seymour and raised there by Mexican immigrant parents, the past year has been painful. He watched a video stream of the March city council meeting and said some comments made him feel rejected by certain members of the community he grew up in.

"I can't believe this is what our town has come to," Rodriguez told his parents afterward. "It's kind of heartbreaking."

One recent day at Larrison's Diner downtown, Tim Smallwood, 63, said he thinks the Trump administration should first target unauthorized migrants with criminal records and then pressure others to "self-deport."

"It's the only way they'll solve this problem," Smallwood said. "You've got to make it hard enough on them that they don't want to come here in the first place."

By Arian Campo-Flores

DETAILS

Subject:	Immigration policy; Mayors; Deportation; Councils; Immigrants; Cities; Social networks
Business indexing term:	Subject: Social networks; Industry: 92111 : Executive Offices
Location:	United States--US; Seymour Indiana
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A3
Publication year:	2024
Publication date:	Dec 21, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News

ProQuest document ID:	3147607708
Document URL:	https://www.proquest.com/newspapers/u-s-news-indiana-town-many-are-eager-deportations/docview/3147607708/se-2?accountid=14681

| Last updated: | 2025-01-29 |
| Database: | ProQuest Central |

LINKS

World News: Canada Unveils Border Plan to Avert Trump Tariff Threat

Vieira, Paul . Vieira, Paul.

FULL TEXT

OTTAWA -- Canadian officials unveiled a spending plan to bolster border security to allay concerns after President-elect Donald Trump pledged to put a 25% tariff on imports from the U.S.'s North American trade partners until the countries limit the flow of migrants and illegal drugs.

The administration of Prime Minister Justin Trudeau said Tuesday it would spend $1.3 billion Canadian dollars, or the equivalent of $900 million, over six years for border security. The additional cash would be used to acquire dogs, drones, helicopters and mobile-surveillance towers, and deploy hundreds of new border agents, officials said.

According to the most recent documents, Canada's government spends about C$2.2 billion a year on border enforcement and management.

Averting the tariff is crucial for the Canadian economy. Most economists predict a recession should Trump fulfill his 25% tariff pledge.

Bank of Canada Gov. Tiff Macklem said a 25% tariff presents a major new uncertainty for the economy.

"It's going to be difficult for businesses to take decisions against that background," Macklem said this month.

How quickly the government can begin spending the border funds remains unclear. Officials said they might need to initially rent helicopters to do some of the additional work, and deploy individuals from other departments to the border patrol.

Finance Minister Dominic LeBlanc, who also oversees public security, said he spoke this week with Trump's nominee for commerce secretary, Howard Lutnick, and his pick for border czar, Tom Homan, and is optimistic that the two countries will come to an understanding on border security.

"I'm confident that as we continue to work with our American partners, they'll see that our resolve is absolute, that we share completely their concerns around the integrity of the border," LeBlanc said.
In a social-media post, Trudeau said the additional money shows Canada "is stepping up to keep our borders strong and secure." Trudeau is mired in a political crisis following the shock departure of Chrystia Freeland, an ally in the cabinet.
Freeland, via a letter to Trudeau she made public, said she is worried the government's policy is misdirected, relying too much on fiscal stimulus, and not focusing enough on attracting investment to counter Trump's economic nationalism. Some lawmakers in Trudeau's Liberal Party are now publicly calling for him to step down.

Vipal Monga in Toronto contributed to this article.
Credit: By Paul Vieira

DETAILS

Subject:	Budgets; Border patrol; Border security; Tariffs; Canada-US relations; International economic relations; US imports
Business indexing term:	Subject: Budgets Tariffs International economic relations US imports
Location:	Canada
People:	Trump, Donald J
Publication title:	Wall Street Journal, Easter n edition; New York, N.Y.
First page:	A.9
Publication year:	2024
Publication date:	Dec 18, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3146019190

Document URL:	https://www.proquest.com/newspapers/world-news-canada-unveils-border-plan-avert-trump/docview/3146019190/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-12-18
Database:	ProQuest Central

LINKS

Congress Reaches Accord To Avert Shutdown --- Stopgap package has funding for disaster and farm relief, but some in GOP object

Katy Stech Ferek . Katy Stech Ferek.

ProQuest document link

FULL TEXT

WASHINGTON -- Congressional leaders reached a bipartisan deal Tuesday to keep the government funded through mid-March and provide more than $100 billion in relief to disaster victims and farmers, but the sprawling nature of the package angered some House Republicans.

The legislation was released just days ahead of Friday's deadline to avoid a partial government shutdown. While keeping federal operations running for several months, the bipartisan proposal also includes many other measures, including funding the rebuilding of Baltimore's collapsed Francis Scott Key bridge, expanding the sale of ethanol and limiting some investments in China.

The proposal would extend current government funding until March 14, punting until the next Congress decides how much money to allocate to each federal agency for the remainder of the fiscal year, which runs until Sept. 30. Republicans will control both chambers of Congress as well as the White House in the new year, when they are expected to pursue ambitious proposals related to border spending, energy policy and tax cuts.

The legislation provides roughly $110 billion for disaster and farm relief, including funding to help residents, businesses and government agencies such as the Defense Department and NASA rebuild from damage caused by Hurricanes Helene, Milton and other natural disasters.

The final 1,547-page package ignited a firestorm among some Republicans, who complained about its "Christmas tree" nature and the short time to review it, echoing complaints they have made repeatedly since the party won the House majority two years ago. Speaker Mike Johnson (R., La.) has aimed to give members roughly 72 hours to review bills, but that would be unlikely this time.

"Terrible night for the taxpayer, but what's new," said Rep. Tim Burchett (R., Tenn.) ticking off what he saw as wasteful provisions.
"They are cramming everything into one giant bill and guilt-trip you if you vote against it," said Rep. Nancy Mace (R., S.C.) on X.
However, Rep. Rosa DeLauro (D., Conn.), the top Democrat on the House Appropriations Committee, called the package a "responsible and necessary measure" that "provides communities across the country with critical relief."
Ahead of the deal's release, Johnson made clear he was aware of the grumbling from his GOP colleagues about the various measures attached to the measure, known as a continuing resolution or CR.
"It was intended to be, and it was until recent days, a very simple, very clean CR, a stopgap funding measure," Johnson said. But other urgent needs emerged, he said.
Expected Republican defections will likely force Johnson to rely heavily on Democratic support, just as he has in previous votes to keep the government funded. Johnson said he was hopeful that a majority of House Republicans would support the measure. Both chambers need to move quickly to get it to President Biden's desk in time to avert a shutdown, with the bill going to the Democratic-majority Senate if it passes the House.
Representatives for Johnson didn't immediately say when they expected House lawmakers to vote on the proposal.
The package contains reauthorizations for public health programs, a federal flood insurance program and a national security drone program. Lawmakers also agreed to a one-year extension to the farm bill, giving them more time to negotiate broader agricultural and food program-related changes.
Healthcare provisions in the funding package aim to lower drug prices by more tightly regulating drug industry middlemen known as pharmacy-benefit managers, after years of the companies receiving bipartisan criticism on Capitol Hill.
Other provisions greenlight year-round sales of ethanol fuel and aim to prevent U.S. companies from making investments in China that lawmakers say could harm national security and defense interests. The package also contains a provision that will allow Washington, D.C., to redevelop the site of its derelict Robert F. Kennedy Stadium, clearing the way for a potential new football stadium, while transferring a D.C. National Guard fighter squadron to Maryland.
The deal omits language that Democrats were seeking to unfreeze $20 billion in funding for the Internal Revenue Service.
The U.S.'s disaster relief fund, which is managed by the Federal Emergency Management Agency, is dwindling despite a $20 billion infusion at the end of September. Lawmakers on both sides of the aisle have said it is a priority to replenish it. The White House last month requested roughly $100 billion for disaster relief.
One House Republican said that the infighting spurred by the legislation signals that the conference's deep fissures are likely to spill over into the next Congress, despite individual lawmakers pledging that they are unified behind President-elect Donald Trump's conservative policy agenda. For the next Congress, Republicans won 220 seats in the November elections, to 215 for Democrats, but that tiny majority will shrink even further as several members aren't remaining in their seats.
"This is going to be a bumpy road ahead," the lawmaker said.
The new round of frustration broke out less than a month before Johnson goes up for re-election as speaker. House Republicans already agreed in a private tally last month to nominate Johnson for another term, but lawmakers aren't bound by that decision on Jan. 3 when a full House floor vote will be held.
Nearly two years ago, it took Republicans 15 rounds of voting to select Kevin McCarthy (R., Calif.) as speaker. He was ousted later in the year, leading Johnson to take the gavel.
Johnson said Tuesday that he is "not worried" about the speaker vote.

Lindsay Wise, Liz Essley Whyte and Richard Rubin contributed to this article.
Credit: By Katy Stech Ferek

DETAILS

Subject:	Bipartisanship; National security; Funding; Legislators; Disaster relief; Disasters; Government shutdowns; Legislation; Provisions; Federal budget
Business indexing term:	Subject: Government shutdowns Federal budget; Industry: 92112 : Legislative Bodies 62423 : Emergency and Other Relief Services
Location:	United States--US; China
Company / organization:	Name: Republican Party; NAICS: 813940
Classification:	92112: Legislative Bodies; 62423: Emergency and Other Relief Services
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.1
Publication year:	2024
Publication date:	Dec 18, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3146019171
Document URL:	https://www.proquest.com/newspapers/congress-reaches-accord-avert-shutdown-stopgap/docview/3146019171/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-12-18

LINKS

World News: Canada's Finance Minister Quits Over Policy Conflict

Vieira, Paul . Vieira, Paul.

FULL TEXT

OTTAWA -- Canadian Finance Minister Chrystia Freeland quit the Liberal government cabinet on Monday, a surprise departure that raises further doubts about how long Prime Minister Justin Trudeau can keep his job, given the government's unpopularity.

The departure of one of Trudeau's most loyal and trusted lieutenants -- after publishing a stinging letter on the government's fiscal policy -- roiled the capital. It came the day Freeland was scheduled to introduce a fall economic statement, which showed sharply wider budget deficits than the government promised just a year ago.

In a letter, addressed to Trudeau and posted on X, Freeland said she and the prime minister have "found ourselves at odds" about policy. Freeland said Trudeau informed her last Friday that he wanted her to shift to a different cabinet position.

Trudeau named longtime ally Dominic LeBlanc as the finance minister.

"The government continues to focus on the work that Canadians want us to focus on," the new finance minister told reporters. "I have a lot of confidence in the decisions our government, our cabinet has made."

Trudeau didn't speak publicly until Monday evening at an event for Liberal Party donors. He told attendees it was an "eventful day, it's not been an easy day," and made no further reference to Freeland's decision in his roughly six-minute speech.

Market reaction to the uncertainty was muted. The Canadian dollar fell roughly 0.1% against the U.S. dollar, while the S&P/TSX Composite Index declined slightly. Freeland's resignation "would seem to cast serious doubt on Trudeau's capacity to manage the challenges ahead, but currency markets seem largely unworried," said Karl Schamotta, chief market strategist at foreign-exchange firm Corpay.

Darrell Bricker, head of polling firm Ipsos Public Affairs, said Freeland's resignation and the accompanying letter "is the biggest crisis the prime minister has ever faced."

Polls show the Liberals trailing the Conservative Party by roughly 20 percentage points. Trudeau has repeatedly said he would stay on as prime minister and seek re-election next year.

The letter indicates Freeland opposed the recent direction of fiscal policy amid the threat of a 25% tariff from President-elect Donald Trump on imports from Canada -- which economists say would likely trigger a recession in the country. Freeland said that during the fall, she made "strenuous efforts" to limit spending growth, given heightened uncertainty. Trudeau and Freeland in November unveiled a mini-stimulus package that envisaged spending more than 6 billion Canadian dollars, or $4.2 billion, on a broad sales-tax exemption and a one-time payment to about 18 million Canadians.

Freeland said the government needs to take the Trump tariff threat "extremely seriously," adding, "That means

eschewing costly political gimmicks, which we can ill afford and which make Canadians doubt that we recognize the gravity of the moment."
"She's walking away saying, 'I don't have confidence in you,'" said Duane Bratt, a political-science professor at Mount Royal University in Calgary, Alberta, in reference to Trudeau.
Trudeau leads a minority government; the Liberals need the support of at least one opposition party to pass legislation and survive confidence votes in Parliament. About two-thirds of the public disapproves of Trudeau's performance. His Liberal Party is losing once-safe seats, and some members of his caucus have argued that he needs to go. A poll this month from Ottawa-based Abacus Data indicated he is less popular in Canada than Trump is.
A number of cabinet ministers have said they won't seek re-election. Earlier Monday, Housing Minister Sean Fraser said he would be leaving the cabinet, citing family reasons.
Some Liberal Party lawmakers on Monday said it was time for Trudeau to step down as prime minister. "I have been a great defender, but I don't just see how we move forward," Francis Drouin told the Canadian Broadcasting Corp. about Trudeau's future. Anthony Housefather, a Montreal-area Liberal lawmaker, told CTV News that Trudeau has passed his "shelf life" and that voters tell him they believe the Liberal Party has drifted too far to the left.
Freeland said she intends to remain a Liberal Party lawmaker and run for re-election next year.
Credit: By Paul Vieira

DETAILS

Subject:	Fiscal policy; Prime ministers; Canadian dollar; Budget deficits; Tariffs; Cabinet; Resignations
Business indexing term:	Subject: Fiscal policy Canadian dollar Budget deficits Tariffs Resignations
Location:	Canada
People:	Freeland, Chrystia
Company / organization:	Name: Liberal Party-Canada; NAICS: 813940
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.9
Publication year:	2024
Publication date:	Dec 17, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper

Language of publication:	English
Document type:	News
ProQuest document ID:	3145259248
Document URL:	https://www.proquest.com/newspapers/world-news-canadas-finance-minister-quits-over/docview/3145259248/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-12-18
Database:	ProQuest Central

LINKS

World News: Beijing Grasps for Ways to Halt Deflation --- Companies pump out goods as prices fall, creating a cycle that erodes confidence

Miao, Hannah . Miao, Hannah.

FULL TEXT

The country that invented paper is making way too much of it.

So Shandong Chenming Paper, one of China's biggest paper manufacturers, did what any company faced with overcapacity would do: It cut prices to unload more supply while it tried to ride out the storm.

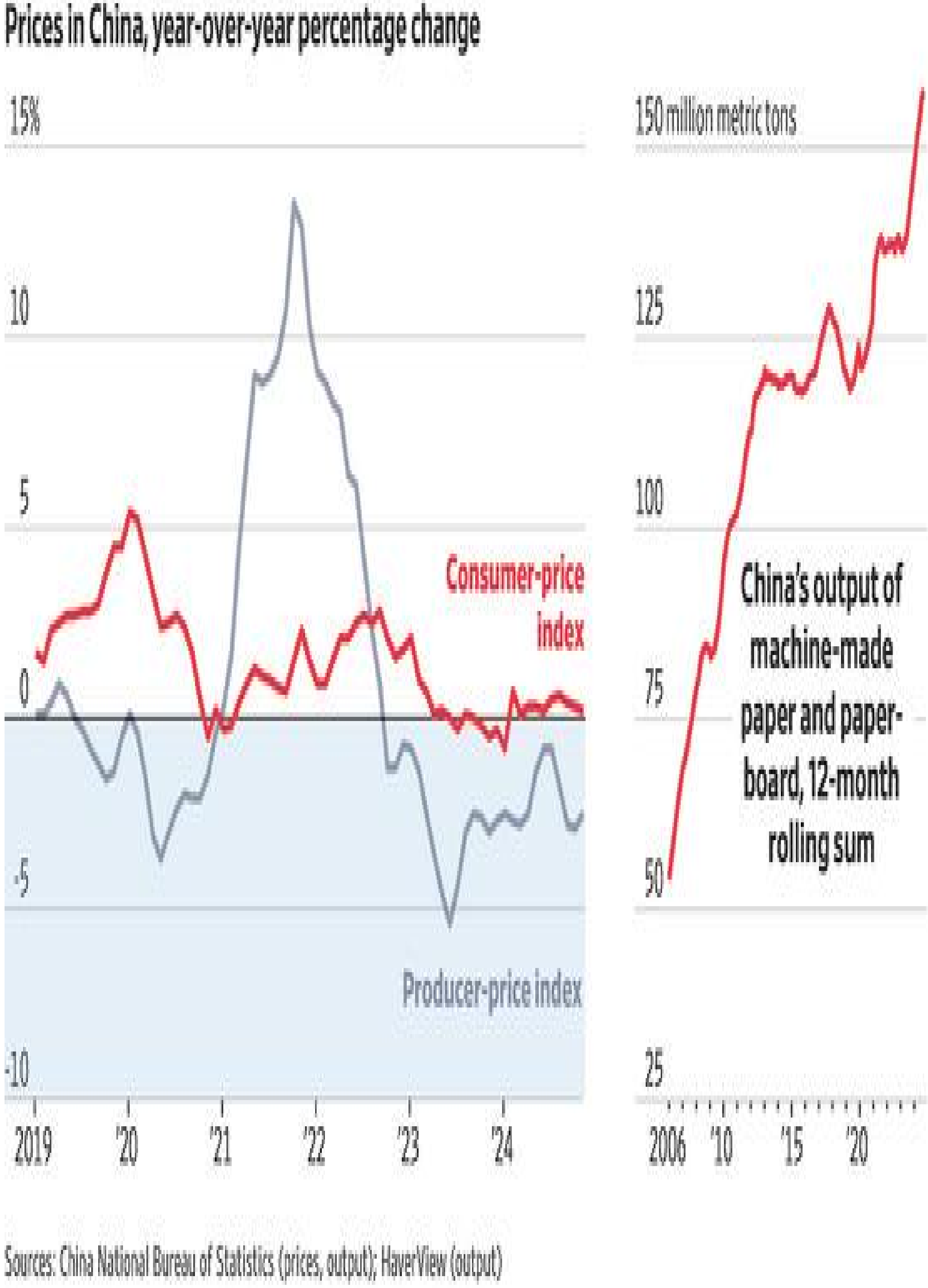
Instead, its losses mounted. Last month, the company said it racked up about $250 million in overdue debts. Creditors sued, and some of the manufacturer's bank accounts were frozen, it said.

The papermaker's troubles are only the latest sign of the havoc caused by falling prices in China, as factories struggle to cope with overcapacity and weak demand.

Chinese leaders this past week pledged to do more to stimulate the economy, including by cutting interest rates and boosting government borrowing. But pressure is building on Beijing to take more forceful action to prevent a downward spiral of deflation that becomes self-reinforcing, potentially landing China in a longer-term recession.

Prices for goods leaving Chinese factories have fallen year-over-year for 26 consecutive months, dropping 2.5% in November from a year earlier, and there is little sign of them rising again soon. China's gross domestic product deflator, a broader gauge of price levels across the economy, has been in negative territory for six consecutive

quarters, the longest stretch since the late 1990s.
A potential new trade war with President-elect Donald Trump could worsen the problem, by making it harder for China to unload excess factory production on the U.S., leaving it with more goods it can't absorb at home.
The fear is that deflation is becoming ingrained in China. As falling prices sap profitability, companies could postpone investments or shed workers, leading more people to cut back on spending. Others might put off purchases because they think prices will drop even more.
China's consumer-price index is still above zero -- but only barely, gaining just 0.2% in November from a year earlier, compared with a 2.7% increase in the U.S. The Chinese rate is well below the roughly 2% level that most central banks consider healthy.
Many economists are watching China's producer-price inflation data -- which captures factory-level prices -- especially closely, given the country's reliance on manufacturing as a growth driver.
Chinese leaders have taken steps to put a floor under the economy, which has struggled with a real-estate market bust and rising debt loads in many cities. Authorities have cut interest rates, and last month, policymakers approved a $1.4 trillion debt-swap plan to shore up local government finances.
This past week, China's 24-man Politburo said it would implement more proactive fiscal policy and adopt a "moderately loose" monetary policy next year -- the first introduction of such language since 2008. The leaders also vowed to boost domestic demand and stabilize the housing market, which some economists have said is needed to reignite inflation.
While there have been signs that China's economy is regaining some momentum, the policies so far don't seem to be boosting prices. One reason is that the policies mainly have focused on fending off immediate financial risks rather than triggering a sustained increase in consumer spending.
Another is that Beijing has been extending loans and subsidies to Chinese factories. That supports growth, but it exacerbates the problem of excess supply, adding to downward pressure on prices.
Some economists expect producer prices to continue in negative territory at least through 2025. "The longer deflation lasts, it becomes entrenched into people's expectations about future economic prospects," said Eswar Prasad, professor of trade policy at Cornell University and a former head of the International Monetary Fund's China division.



Enlarge this image.
Credit: By Hannah Miao

DETAILS

Subject:	Gross Domestic Product--GDP; Manufacturing; Interest rates; Consumer Price Index; Deflation; Economists; Economic growth; Factories; Economic conditions
Business indexing term:	Subject: Gross Domestic Product--GDP Manufacturing Interest rates Consumer Price Index Deflation Economists Econo mic growth Factories Economic conditions
Location:	China; Beijing China; United States--US
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.8
Publication year:	2024
Publication date:	Dec 14, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3144232870
Document URL:	https://www.proquest.com/newspapers/world-news-beijing-grasps-ways-halt-deflation/docview/3144232870/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-12-16
Database:	ProQuest Central

LINKS

OPEC Trims Its Forecast For Growth in Oil Demand --- Fifth consecutive month of reductions reflects bearish data for third quarter

Petroni, Giulia . Petroni, Giulia.

FULL TEXT

The Organization of the Petroleum Exporting Countries cut its forecast for oil-demand growth for the fifth consecutive month after further postponing plans to increase output amid softer prices and market concerns over weaker global consumption.

The Vienna-based cartel now expects demand to grow by 1.61 million barrels a day this year and 1.45 million barrels a day next year, from previous estimates of 1.82 million and 1.54 million barrels a day, respectively. Estimates are roughly 28% and 22% lower compared with July.

The trim mainly reflects bearish data for the third quarter, but the group's overall forecast remains significantly more optimistic than others in the industry, as growth is still seen above the historical average of 1.4 million barrels a day before the pandemic.

Total world demand is estimated to reach around 103.8 million barrels a day and 105.3 million barrels a day on average in the respective periods.

The cartel further lowered its forecast for Chinese demand growth to 430,000 barrels a day this year from previous expectations of 450,000 barrels a day, after consumption contracted in October. Growth is still estimated at 310,000 barrels a day next year, OPEC said, as fiscal and monetary stimulus measures should support the country's economy.

Last week, the OPEC+ alliance -- which pumps more than half the world's crude oil -- further extended voluntary production cuts of 2.2 million barrels a day until the end of March, with producers then set to return the full amount to the market over a period of 18 months. The planned production increase -- originally set to start in October 2024 and run through September 2025 -- had already been delayed twice.

The group led by Saudi Arabia and Russia also extended cuts of 2 million barrels a day and 1.65 million barrels a day by one year until the end of 2026.

The move suggested the group is prioritizing price-support efforts over market share, as lifting production would risk tipping global markets into a surplus and further weaken prices.

Strong supply from the Americas and weak demand growth in top crude importer China have fueled fears of an oversupplied market next year, putting significant pressure on prices. But political turmoil in the Middle East after the fall of Syrian President Bashar al-Assad and positive signals from China after the country vowed to boost stimulus measures have provided some support this week.

OPEC raised its forecast for supply growth from countries not participating in the Declaration of Cooperation, or DoC, to 1.3 million barrels a day from 1.2 million barrels a day for 2024, driven by the U.S. and Canada.

The DoC, the cartel's formal name for OPEC+, was formed in 2016 and comprises the 12 OPEC members and 10 nonmembers, of which Russia is the largest producer.

Meanwhile, OPEC lifted its U.S. economic-growth estimates to 2.8% for this year and 2.2% the next, from previous expectations of 2.7% and 2.1%, but said projections could be affected by new policy measures under the Trump administration, such as trade tariffs. Estimates for global economic growth were kept at 3.1% for this year and 3% the

next.
The International Energy Agency, another major energy market forecaster, is due to release its monthly oil report on Thursday.
Credit: By Giulia Petroni

DETAILS

Subject:	Cartels; Production increases; Global economy; Crude oil prices; Consumption
Business indexing term:	Subject: Cartels Global economy Crude oil prices Consumption
Location:	China; Russia; United States--US
Company / organization:	Name: Organiza tion of Petroleum Exporting Countries--OPEC; NAICS: 813910
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B.6
Publication year:	2024
Publication date:	Dec 12, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Fina nce
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3143113657
Document URL:	https://www.proquest.com/newspapers/opec-trims-forecast-growth-oil-demand-fifth/docview/3143113657/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.

Last updated:	2024-12-12
Database:	ProQuest Central

LINKS

Document 156 of 222

U.S. News: House Approves $900 Billion Defense Bill --- Measure would authorize a 14.5% pay raise for some service members

Martinez, Xavier . Martinez, Xavier.

ProQuest document link

FULL TEXT

WASHINGTON -- The House voted on Wednesday to approve a nearly $900 billion annual defense-policy bill that includes a controversial provision that would block some transgender medical care for minors covered by the military's healthcare program.

The package, which sets national defense standards and priorities for the 2025 fiscal year, notably calls for a 14.5% pay raise for junior enlisted service members, dwarfing the 4.5% pay raise included for all other members of the armed forces. The package passed 281-140.

The 1,800-page National Defense Authorization Act would increase the national-security budget to $895 billion, about a 1% increase from last year's total, less than inflation. It authorizes $25 billion less in funding for the Pentagon than the approach favored by Sens. Roger Wicker (R., Miss.), who in January will take over as the chair of the Senate Armed Services Committee, and Mitch McConnell (R., Ky.), who will take charge of the Defense panel of the Appropriations Committee next year.

House Speaker Mike Johnson (R., La.) on Tuesday said the bill "ensures our military has the resources and the capabilities needed to remain the most powerful fighting force on the planet." The final number keeps projected spending in line with a debt-ceiling agreement struck in 2023.

But Wicker said the lack of a meaningful increase in defense spending "is a tremendous loss for our national defense."

The NDAA authorizes appropriations but doesn't provide budget authority, making it a guide to what military spending is ultimately passed separately by Congress. It is set to be the 64th consecutive NDAA successfully passed through Congress -- a rarity in what has increasingly become a divided and chaotic legislature.

The bill is now expected to be fast-tracked in the Senate, where the chamber will likely pass it before Congress leaves at the end of next week. From there, it would go to President Biden's desk, where he is expected to sign it.

The compromise bill, which the House and Senate Armed Services committees released over the weekend, includes a provision from Johnson that blocks minor children of military members from receiving treatment for gender dysphoria through military health insurer Tricare.

The bill text says that "medical interventions . . . that could result in sterilization" can't be provided to minors.

The gender provision injected new drama into the vote, which typically passes with majorities of each party.

Rep. Adam Smith (D., Wash.), the lead Democrat on the House Armed Services Committee, said on Tuesday that he

planned to vote against the package, saying that Johnson's addition "may force thousands of service members to make the choice of continuing their military service or leaving to ensure their child can get the healthcare they need."
Some Republicans also signaled annoyance at the provision. "This stuff does not belong in our bill," said House Armed Services Committee Chair Mike Rogers (R., Ala.), noting that President-elect Donald Trump is already expected to end transgender care for service members and dependents once he takes office on Jan. 20.
The Pentagon hasn't publicly released statistics on how many minor children of service members receive gender-affirming care via Tricare or how much it has paid to support them.
Smith estimated that up to 7,000 children could be affected by the provision.
The provision is tied to a broader push by Republicans to push back on transgender rights. While on the campaign trail, Trump repeatedly suggested that allowing transgender service members had weakened the force and vowed to "make the military great again."
Pete Hegseth, his defense chief nominee, has argued the military has come to value diversity and "wokeness" over lethality and readiness.
Another bill amendment would restrict the Pentagon from creating additional positions related to diversity, equity and inclusion -- another issue that conservatives have decried. But the bill doesn't include any provisions restricting military members' access to abortion, a controversial issue in last year's NDAA negotiations.
Both the House and Senate committees advanced their respective versions of the bill this summer, and leaders have negotiated a compromise bill in the months since.
The NDAA pledges to fully fund programs providing financial assistance for child-care programs and increase the pay of child-care staff, and extend a pilot program that connects military spouses with employment opportunities.
It also establishes a program to prevent and manage mental-health conditions arising at or around the time of giving birth, and does away with copays for some contraceptives bought at retail pharmacies and through the mail. It also reauthorizes tele-health eligibility for service members living abroad.
The bill expands the U.S. military presence in the Indo-Pacific, a region where China and other foreign adversaries have recently ramped up spending and infrastructure development. It authorizes $2 billion -- a large chunk of the $17.5 billion authorized for military construction projects overall -- for the Pacific Deterrence Initiative.
It also authorizes the construction of one nuclear-powered submarine and three guided-missile-destroyer warships as part of a $33.5 billion authorization for expanded shipbuilding, and 92 fighter aircraft. It would also free up some money by authorizing the divestment from outdated systems and machinery, including some aging ships and aircraft.
It excludes an amendment that would have limited some investment into China, an effort that has been spearheaded by Sens. John Cornyn (R., Texas) and Bob Casey (D., Pa.). "It's high time that the United States becomes serious about limiting the flow of U.S. dollars into the arsenal of our biggest strategic adversary," Cornyn said, citing issues including quantum computing and artificial intelligence.

Lindsay Wise and Nancy Youssef contributed to this article.
Credit: By Xavier Martinez

DETAILS

Subject:	Aircraft; Raises; Health care; Gender; Transgender persons; Political campaigns; Children &youth; Defense; Military personnel; Armed forces; Defense spending
Business indexing term:	Subject: Raises; Industry: 92811 : National Security
Location:	United States--US; China

Company / organization:	Name: House of Representatives-Armed Services, Committee on; NAICS: 921120; Name: Department of Defense; NAICS: 928110
Classification:	92811: National Security
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.4
Publication year:	2024
Publication date:	Dec 12, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3143113646
Document URL:	https://www.proquest.com/newspapers/u-s-news-house-approves-900-billion-defense-bill/docview/3143113646/se-2?accountid=14681
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Full text availability:	This publication may be subject to r estrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-12-12
Database:	ProQuest Central

LINKS

U.S. News: Senate Passes Delayed Disaster Tax Breaks

Rubin, Richard . Rubin, Richard.

FULL TEXT

WASHINGTON -- A long-stalled set of tax breaks for natural-disaster victims is headed to President Biden's desk, promising relief for people who suffered property damage from hurricanes, wildfires and other disasters.

The Senate passed the bill without opposition late Wednesday, following a 382-7 House vote in May.

The $4.9 billion legislation would aid disaster victims from events as far back as December 2020. The bill would also offer tax breaks to people affected by recent hurricanes, including those in Florida and North Carolina.

The key provision would let disaster victims deduct casualty losses exceeding $500, instead of only being allowed to deduct losses above 10% of adjusted gross income under the tax law that would otherwise apply. They could take those tax deductions atop the standard deduction instead of needing to itemize to claim them.

The bill would also let people exclude from income certain payments received due to wildfires since 2014 or due to last year's train derailment in East Palestine, Ohio.

"I applaud the Senate for putting this relief within arm's reach for Floridians. We're talking about hundreds of millions of dollars in Floridians' pockets," said Rep. Greg Steube (R., Fla.), who has been working on the issue since Hurricane Ian hit his district in 2022 and employed a rarely used parliamentary technique to advance the bill earlier this year.

The disaster tax provisions were part of a larger bipartisan tax deal between House Republicans and Senate Democrats earlier this year.

That bigger legislation would have revived expired business tax breaks, expanded the child tax credit and cut off claims for the employee retention tax credit, a pandemic-era program that officials say is riddled with fraud and ineligible claims.

But Senate Republicans blocked that bill, citing concerns about the child-credit expansion and arguing they could do better if they gained the majority in the election. During that impasse, Steube filed a discharge petition, an end-run around House leadership, and he got the disaster-tax bill through the full House in May.

Senate Democrats were unwilling earlier this year to break up the broader tax bill but decided after the election to advance the disaster measure on its own.

Credit: By Richard Rubin

DETAILS

Subject:	Disasters; Tax cuts; Tax credits; Fiscal policy
Business indexing term:	Subject: Tax cuts Tax credits Fiscal policy
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.6
Publication year:	2024

Publication date:	Dec 6, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3141242250
Document URL:	https://www.proquest.com/newspapers/u-s-news-senate-passes-delayed-disaster-tax/docview/3141242250/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-12-10
Database:	ProQuest Central

LINKS

U.S. News: Congressional Republicans At Odds Over 2025 Strategy

Rubin, Richard . Rubin, Richard.

FULL TEXT

WASHINGTON -- House and Senate Republicans are already clashing over which issue gets top billing when they take full control of the government in January.
GOP lawmakers, united behind President-elect Donald Trump, are trying to figure out how to use their postelection momentum and political capital to get as many of their priorities through Congress as fast as possible. The current dispute: Two meals, or one big bite?
Senators' emerging view favors the two-chunk approach. Pass a quick bill full of shared priorities -- border security, energy policy, national defense -- to rack up an early win for Trump and save a potentially messy tax fight for later in the year.
But senior House Republicans worry about pushing two large bills through their slim and fractious majorities, and they warn that the tax bill could falter if it is delayed or isn't linked to other issues. Under this approach, they could still attempt a second bill even after a tax package advances.
The internal disagreements over how to proceed on Trump's agenda offer an early look at the policy tensions within the party and how they could be exacerbated by the narrow nature of the Republican majorities, particularly in the House. So far, members have pledged to work together, and they will be unified by Trump's popularity among Republicans and the prospect of tax cuts lapsing on Dec. 31, 2025. But open intra-GOP warfare is common. And at times, under any party configuration, the divide between the often-impatient House and the often-glacial Senate is a source of frustration.
A resolution to the priorities dispute is expected in the next few weeks as Republicans prepare to start moving legislation once the new Congress opens Jan. 3. They are planning to use the process known as budget reconciliation, which lets them bypass the typical 60-vote threshold in the Senate and pass fiscal measures with simple majorities.
But with a 53-47 margin in the Senate and a House margin of 220-215 -- which will be as small as 217-215 for months because of resignations -- there are no simple majorities in the next Congress.
"There are some constituencies within the House and the Senate who would be more inclined to vote for, for example, a tax package or a spending package if there was border," said Rep. Jodey Arrington (R., Texas), chairman of the House Budget Committee. "And there are people who would vote for a border package if there was tax."
Sen. Todd Young (R., Ind.) said he liked the two-bill approach, starting with an issue where Republicans agree.
"The last election was in large measure about border security. We have a mandate to address border security," he said. "This unifies our party and it will send a very positive message if we can start off fulfilling one of the major campaign promises that our candidates made."
House Speaker Mike Johnson (R., La.) played down the dispute this week and said he is working to hash it out with the incoming Senate majority leader, John Thune (R., S.D.).
"The sequence is less important than the idea that we actually put those points on the board, and we will, and everybody's excited," Johnson said on Fox News on Wednesday.
Trump and Johnson were informed about Thune's pitch for a two-phase plan before he outlined it, according to a person familiar with the discussions.
The deadline driving the tax bill doesn't happen until Dec. 31, 2025, when many of the cuts enacted in 2017 are scheduled to expire. That could give Republicans more time to consider options and figure out how to deal with divisions on the state and local tax deduction, clean-energy tax credits and other policies.
"I actually want to take time to do whatever we can to simplify and rationalize our tax code," said Sen. Ron Johnson (R., Wis.).
Rep. Jason Smith (R., Mo.), chairman of the House Ways and Means Committee, said lawmakers shouldn't wait to move on taxes. "A lot of politicians, they don't want to address the real problems at hand and they want to kick the can down the road," Smith said on Fox Business.
Credit: By Richard Rubin

DETAILS

Subject:	Political campaigns; Border security; Congressional committees; Political power
Business indexing term:	Industry: 92112 : Legislative Bodies
Company / organization:	Name: Republican Party; NAICS: 813940
Classification:	92112: Legislative Bodies
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.6
Publication year:	2024
Publication date:	Dec 6, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3141242229
Document URL:	https://www.proquest.com/newspapers/u-s-news-congressional-republicans-at-odds-over/docview/3141242229/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-12-10
Database:	ProQuest Central

LINKS

Business News: Scandal Shows Risks of India's Bets on Big Firms

Lahiri, Tripti; Li, Shan . Lahiri, Tripti; Li, Shan.

FULL TEXT

In the wake of U.S. bribery allegations against top executives of India's Adani Group, the country faces a reckoning with an economic model that took hold during Prime Minister Narendra Modi's decade in power -- one that allowed a small group of politically connected entrepreneurs to grow rich at a cost to the country.

Economists and policy experts say Modi promoted "national champions," allowing a small number of conglomerates to become giant actors across swaths of the economy. Those companies can deliver on the massive infrastructure projects -- from roads to high-speed telecom networks -- that India needs to boost its growth. But the concentration of so much economic might crowds out other firms and weighs on private investment, economists say.

Adani Group, an empire that stretches from ports to coal and renewable energy, and whose founder Gautam Adani is close to Modi, lost more than $50 billion in stock market value since the U.S. Justice Department alleged in an indictment recently that Adani and associates orchestrated a $250 million bribery scheme to ensure buyers for their solar power in India.

Gautam Adani and his nephew Sagar Adani were charged with securities fraud and two counts of fraud conspiracies, in connection with misrepresenting the company's anticorruption practices to raise money from investors. The Securities and Exchange Commission brought civil charges against the two defendants, who are Indian nationals.

The group denied any wrongdoing. It didn't respond to a request for comment.

France's TotalEnergies, which has a nearly 20% stake in Adani Green Energy, the unit that is at the center of the allegations, said it would pause further investment into Adani businesses. A U.S. government development agency is reviewing its plan to invest in a port Adani is developing in Sri Lanka, while Kenya canceled plans for Adani Group to expand its main airport. Rating firms downgraded their outlook for some of the group's debt.

The indictment cast a negative light on business practices in a country that attracted more investor interest in recent years as China's economy slowed. India grew at more than 8% in its last fiscal year, in part due to infrastructure spending by the government carried out by large private firms.

Regulators approached such firms with caution, knowing they enjoy close ties with powerful decision makers. By raising investment overseas, Adani Group entered the scrutiny of U.S. regulators.

The prime minister's office didn't respond to a request for comment.

The Modi government has said every company competes on equal footing.

Adani's business expanded most significantly in the past decade, amid regulatory, technological and geopolitical shifts after Modi entered national office.

Adani's renewable-energy business got off the ground a decade ago, as Modi announced ambitious renewable-energy goals for the country. It has since grown to become the world's second-largest solar developer, the firm said.

India aims to have 500 gigawatts of renewable energy installed by 2030, up from about 200 gigawatts now. Adani Green has said it aims to be the world's largest renewables developer by the same year.

The U.S. indictment focused on a deal to supply eight gigawatts of solar power that was awarded to Adani Green in 2020 by the Solar Energy Corporation of India, an enterprise set up by the Indian government to promote renewable-

energy development, and to act as a broker between developers and state utilities.
The deal was dependent on state utilities entering into deals with the government corporation for the power from Adani. But India's utilities have sometimes been reluctant to buy renewable energy amid concerns over the variability in its supply, and the expectation that prices will decline further.
U.S. prosecutors allege that Adani and his associates decided to offer bribes to entice the state utilities to sign deals with the Solar Energy Corporation of India. The indictment said a senior official in the southern Indian state of Andhra Pradesh was offered the majority of the bribe money, and the state entered into a deal for seven gigawatts of power to be supplied by Adani Green.
The political party in power at the time of that deal denied any wrongdoing and said the government intermediary offered the state a low-cost deal for the solar power.
Credit: By Tripti Lahiri and Shan Li

DETAILS

Subject:	Bribery; Solar energy; Investments; Alternative energy sources; Energy industry; Prime ministers; Renewable resources; Economic models
Business indexing term:	Subject: Energy industry Renewable resources Economic models; Corporation: Adani Group; Industry: 22111 : Electric Power Gener ation
Location:	United States--US; India
People:	Modi, Narendra
Company / organization:	Name: Adani Group; NAICS: 212115, 212210
Classification:	22111: Electric Power Generation
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B.5
Publication year:	2024
Publication date:	Dec 5, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English

Document type:	News
ProQuest document ID:	3140682594
Document URL:	https://www.proquest.com/newspapers/business-news-scandal-shows-risks-indias-bets-on/docview/3140682594/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-12-06
Database:	ProQuest Central

LINKS

World News: China Studies How Russia Skirts Sanctions --- Officials report back with lessons it could use to prepare for a Taiwan conflict

Kantchev, Georgi; Wei, Lingling . Kantchev, Georgi; Wei, Lingling.

FULL TEXT

China has been supporting Russia's economy since the start of the Ukraine war by buying its oil while supplying it with everything from microelectronics to washing machines.

Meanwhile, Beijing has been getting its own strategic benefit: a real-world case study in how to circumvent Western sanctions.

An interagency group, set up by China in the months following the full-scale invasion, has studied the impact of sanctions and produced reports regularly for the country's leadership, according to people familiar with the matter. The goal is to draw lessons about how to mitigate them, particularly in case a conflict over Taiwan prompts the U.S. and its allies to impose similar penalties on China, the people said.

As part of the effort, Chinese officials periodically visit Moscow to meet with the Russian Central Bank, the Finance Ministry and other agencies involved in countering sanctions, the people said.

The Chinese study effort, which hasn't previously been reported, is emblematic of the new age of economic warfare unleashed by Russia's invasion of Ukraine, where the lines between economic policy and geopolitical strategy are increasingly blurred. That trend is only likely to be amplified by Donald Trump's second presidential term, where he plans to turbocharge the use of tariffs as a tool for negotiation and coercion.

Russia's economy has been surprisingly resilient throughout the Ukraine war, but it has shown fresh signs of cracking under Western pressure recently. In the past week, the Russian ruble plunged to its lowest point since the early days of the conflict after the U.S. imposed new banking sanctions.

Moscow owes much of its economic durability to its oil exports and its cooperation with Beijing, as the leaders of both countries seek to challenge the U.S.-led world order. The group that was established shows how deep that collaboration has been, and that Beijing's support hasn't entirely been a one-way street with Moscow as the beneficiary.

"For the Chinese, Russia is really a sandbox on how sanctions work and how to manage them," said Alexander Gabuev, director of the Carnegie Russia Eurasia Center. "They know that if there is a Taiwan contingency, the tool kit that will be applied against them will be similar."

People close to Beijing's decision-making cautioned that the study group doesn't mean the country is readying an invasion. Rather, Beijing is preparing for the "extreme scenario" of an armed conflict and its economic repercussions, the people said.

The Chinese Foreign Ministry said that the country "has always been committed to conducting normal exchanges and cooperation with all countries in the world, including Russia, on the basis of equality and mutual benefit."

The Russian Central Bank and the Russian Finance Ministry didn't respond to requests to comment.

One area of particular concern for China is its more than $3.3 trillion in foreign-exchange reserves, the world's largest. The moves by the U.S. and its allies to freeze Russian assets abroad following the Ukraine invasion prompted Beijing to more actively look for ways to diversify its stockpile away from dollar-denominated assets, such as U.S. Treasury bonds.

In a sign of heightened top-level attention on sanction risks associated with the reserves, China's leader Xi Jinping paid a rare visit to China's State Administration of Foreign Exchange in the fall of 2023, the people close to Beijing's decision-making said. During the visit, Xi raised the question of how to safeguard the reserves, the people said.

The Chinese interagency group on Russian sanctions reports to He Lifeng, China's vice premier overseeing economic and financial affairs. He, who has a direct line to Xi, has been the chief architect for ringfencing China's economy from Western sanctions.

Beijing is "very interested in practically everything: from ways of circumventing them to all sorts of positive effects, such as incentives for the development of domestic production," said a person familiar with China's outreach to Russia on sanctions.

The Russia-China relationship has blossomed since the invasion. Bilateral trade reached a record $240 billion last year, juiced by Russian oil sales. Around 60% of newly sold cars in Russia are Chinese, according to Russian data provider Autostat.

But the relationship has been lopsided: While China accounts for around a third of Russia's overall trade, Russia makes up a small part of China's. Much of Russia's exports is made up of oil and natural gas that China can get elsewhere.

That means that, if the tables were turned, Moscow wouldn't be able to provide as much support to China's economy. That is why Xi has been directing officials to promote trade and deepen economic ties with Russia to achieve a greater "internal driver" for the relationship, according to the people close to Beijing's decision-making.

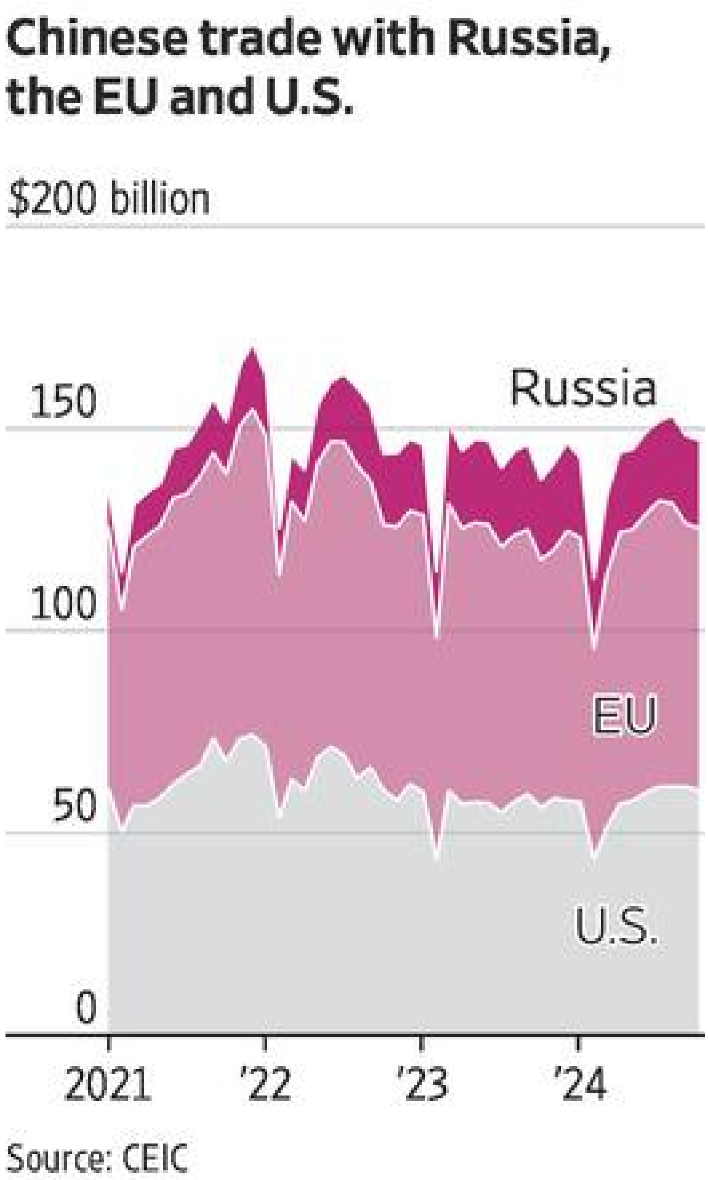
Full-scale financial sanctions by the West would disrupt the country's financial system, interrupt trade and put $3.7 trillion in Chinese overseas bank assets and reserves at risk, according to a report last year.

Russia reacted to Western sanctions by redirecting commodity flows, injecting massive fiscal stimulus into the economy and evading export controls via neighboring countries.

One major lesson for China from Russia's experience has been the importance of preparation, analysts say. Before the war, Russia had sought to diversify its foreign reserves, de-dollarize its economy and build domestic financial plumbing. Even though its success was mixed, those moves helped shield the Russian economy and buy it time to adapt.

Another lesson for China is the value -- and limits -- of coalitions. The U.S., the U.K., the European Union and other allies worked in unison to expel major Russian banks from the Swift financial network and impose an oil price cap, while Russia countered by strengthening ties with China, Iran and North Korea.

China also learned from Russia's experience about the potential pitfalls of being connected to global supply chains.



Enlarge this image.

Credit: By Georgi Kantchev and Lingling Wei

DETAILS

Subject:	Central banks; Cooperation; Decision making; Sanctions; International relations-US
Business indexing term:	Subject: Central banks Sanctions; Industry: 52111 : Monetary Authorities-Central Bank
Location:	China; Beijing China; Russia; United States--US; Ukraine; Taiwan
Classification:	52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.

First page:	A.18
Publication year:	2024
Publication date:	Dec 2, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3134597442
Document URL:	https://www.proquest.com/newspapers/world-news-china-studies-how-russia-skirts/docview/3134597442/se-2?accountid=14681
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Last updated:	2025-01-30
Database:	ProQuest Central

LINKS

U.S. News: Blue States Are Gearing Up for New Legal Fights

Bravin, Jess . Bravin, Jess.

ProQuest document link

FULL TEXT

A want ad posted by the Maryland Attorney General's Office promises applicants "a unique and exciting opportunity" to safeguard civil rights, protect the environment and ensure the rule of law -- by fighting Donald Trump. A new litigation unit, staffed by five lawyers and a paralegal, "will play a pivotal role in protecting Marylanders' rights and defending against federal overreach," the posting says.

"The president-elect has touted a lot of things that he's going to do on Day One. So we need to be ready by Day One," said Maryland Attorney General Anthony Brown, a Democrat. He is asking the state Legislature to fund his Federal Litigation Unit before the start of the new fiscal year.

A host of blue states are staffing up and building out legal battle plans for Trump's return trip to the White House after their justice departments enjoyed frequent success in lawsuits arguing that some of his first administration's policies exceeded his authority or skirted legal requirements. This time, however, Democratic states might find the Trump administration a tougher foe.

Instead of piecemeal actions to ease business regulations and roll back other liberal policies, the president-elect is promising an across-the-board attack on the structure of the executive branch itself, armed with legal arguments conservative lawyers have drafted asserting sweeping presidential power to control the federal workforce, cancel regulations and dismantle agencies.

The litigation sure to follow will come before a federal judiciary that Trump reshaped during his first term, appointing more than 200 conservatives to the bench, most significantly three Supreme Court justices.

Paul Nolette, a Marquette University political scientist, said Democratic attorneys general are better coordinated than they were in 2017, but the incoming administration also likely learned lessons from previous litigation Trump lost in his first term. "The Trump administration won't be as legally sloppy as they were the first time," he said.

Top state law enforcers in both parties have found success in citing state interests as a basis for pressing lawsuits that challenge boundary-pushing presidential policies. In the past four years, Republican attorneys general successfully blocked a broad Biden administration mandate on Covid-19 vaccinations, as well as the president's plan to provide across-the-board student debt relief. In all, GOP attorneys general prevailed in 74% of 58 decided cases, said Nolette, who tracks state-federal litigation.

Democratic attorneys general fared even better against the first Trump administration, winning 83% of 112 decided cases, Nolette said. Still, some of Trump's biggest efforts survived the courts, including his third attempt to bar travel to the U.S. by citizens from several nations.

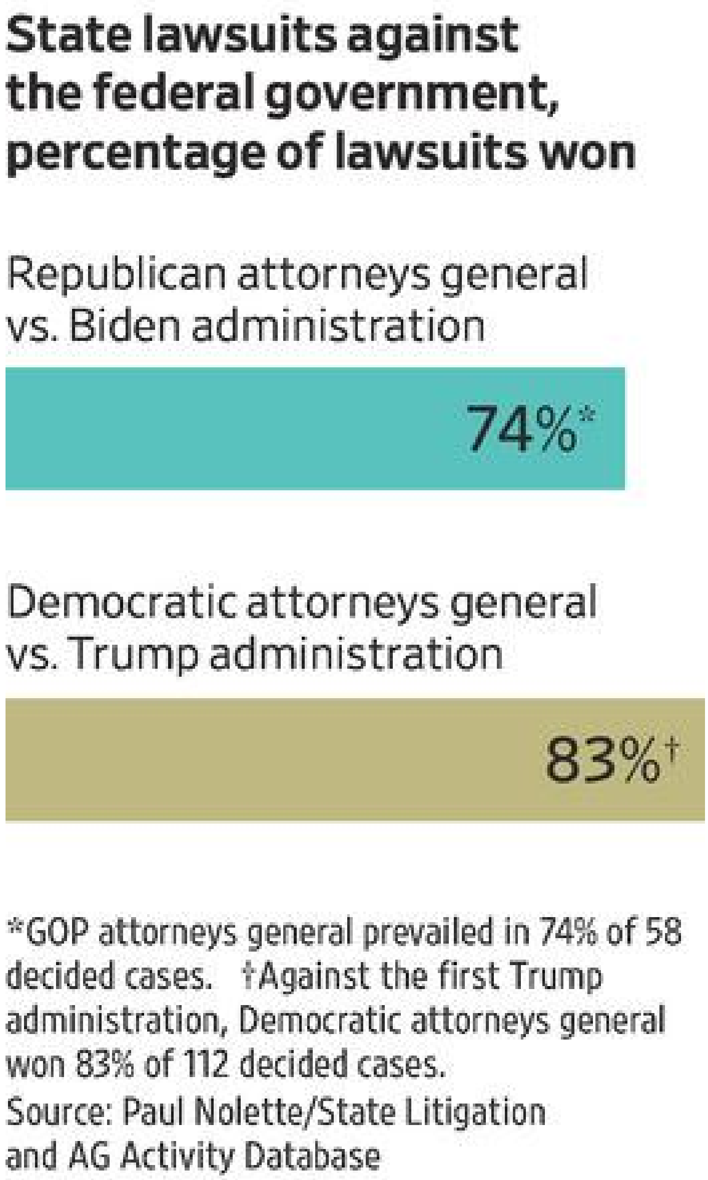
With large budgets and left-leaning courts in their jurisdictions, New York and California are likely to lead many of the Democrats' multistate lawsuits. The New York attorney general, Letitia James, has some state-specific concerns, including the prospect of federal funding cuts after she successfully sued Trump for civil fraud and a Manhattan jury convicted him on 34 felony counts in the Stormy Daniels hush-money case. (Trump is appealing the civil case and pushing for the dismissal of the criminal charges.)

In California, Attorney General Rob Bonta has cited priorities including safeguarding legal rights for immigrant and LGBTQ communities, as well as protecting the state's special authority to set fuel-economy standards stricter than those of the federal government.

The state's Democratic governor, Gavin Newsom, has called a special legislative session in the coming week to provide more funding for challenging Trump administration policies and defending California laws the new leadership in Washington may attack. By contrast, Colorado Attorney General Phil Weiser, a fellow Democrat, says he will work within his current budget. "We're used to being the David against the Goliath."

Weiser says that involves focusing on areas where he believes the state's interest is greatest. Like nearly all blue states, Weiser says, Colorado is intent on defending abortion rights against further limitation by the federal government. He is particularly concerned about efforts to restrict access to mifepristone, the drug used for most abortions in the U.S.

In Maryland, Brown is relying on special authorities the state Legislature gave the attorney general to fight the federal government after Trump first took office in 2017.



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Credit: By Jess Bravin

DETAILS

Subject:	Attorneys general; Rule of law; Political polarization; Litigation
Business indexing term:	Industry: 92213 : Legal Counsel and Prosecution
Location:	Colorado; Maryland; California; New York; United States--US
People:	Trump, Donald J
Classification:	92213: Legal Counsel and Prosecution
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.

First page:	A.4
Publication year:	2024
Publication date:	Nov 30, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3134229866
Document URL:	https://www.proquest.com/newspapers/u-s-news-blue-states-are-gearing-up-new-legal/docview/3134229866/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-12-03
Database:	ProQuest Central

LINKS

World News: ECB VP Warns of 'Lose-Lose' Trade War

Frankl, Ed . Frankl, Ed.

FULL TEXT

U.S. tariffs could set off a "lose-lose" trade war with Europe, the European Central Bank's vice president said.

"When you impose tariffs, you need to be prepared for the other side to retaliate, which can start a vicious circle. Eventually, this could turn into a trade war, which would be extremely detrimental to the world economy," Luis de Guindos said in an interview Tuesday with Finnish newspaper Helsingin Sanomat.

President-elect Donald Trump's tariff policy for Europe isn't yet clear, de Guindos said, so an assessment of the impact is difficult. During his campaign Trump said he could impose tariffs of up to 20% on all goods coming into the U.S. On Monday he declared on his Truth Social platform that on his first day as president he would impose a 25% tariff on products coming in from Mexico and Canada and an additional 10% tariff on products from China.

Last week ECB President Christine Lagarde said the European Union is especially exposed to threats to free trade should the global trade environment becomes tougher.

U.S. fiscal policy will also need to be in focus, de Guindos argued. "By reducing taxes but maintaining public spending, fiscal policy becomes more expansionary, which, paired with a very high fiscal deficit and public debt ratio, could cause fiscal sustainability issues," he said.

Growth remains fragile in the eurozone, with the European Commission forecasting just 0.8% growth in 2024. The ECB will offer its own projections at its next meeting in December.

Credit: By Ed Frankl

DETAILS

Subject:	Trade disputes; Fiscal policy; Political campaigns; Presidents; Central banks; Tariffs
Business indexing term:	Subject: Trade disputes Fiscal policy Central banks Tariffs; Industry: 92111 : Executive Offices 52111 : Monetary Authorities-Central Bank
Location:	United States--US; Europe
People:	Lagarde, Christine
Classification:	92111: Executive Offices; 52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.8
Publication year:	2024
Publication date:	Nov 27, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660

Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3133095463
Document URL:	https://www.proquest.com/newspapers/world-news-ecb-vp-warns-lose-trade-war/docview/3133095463/se-2?accountid=14681
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Last updated:	2024-12-03
Database:	ProQuest Central

LINKS

U.S. News: Bessent's To-Do List: Taxes, Tariffs, Spending

Rudegeair, Peter; Zuckerman, Gregory . Rudegeair, Peter; Zuckerman, Gregory.

ProQuest document link

FULL TEXT

Scott Bessent spent the past 40 years studying economic history. Now, as Donald Trump's choice to lead the Treasury Department, he has the chance to make his mark on it.

As a hedge-fund manager, first at George Soros's firm and later at his own, Bessent specialized in macroinvesting, or analyzing geopolitical situations and economic data to wager on big-picture market moves. He generated billions of dollars in profits betting on and against currencies, interest rates, stocks and other asset classes around the world.

He was motivated to get involved with Trump's campaign in part because of a view that time is running out for the U.S. economy to grow its way out of excessive budget deficits and indebtedness.

Around 4:30 p.m. on Friday, the president-elect called Bessent at his Palm Beach, Fla., hotel, telling him he was Trump's choice. In his first interview following his selection, Bessent said his policy priority will be to deliver on Trump's various tax-cut pledges. Those include making his first-term cuts permanent, and eliminating taxes on tips, social-security benefits and overtime pay.

Enacting tariffs and cutting spending will also be a focus, he said, as will be "maintaining the status of the dollar as the world's reserve currency."

Bessent became one of Trump's closest advisers by adding depth to his economic proposals and defending his plans for more-activist trade policies. He has argued that the president-elect's plans to extend tax cuts and deregulate parts of the U.S. economy would create an "economic lollapalooza."

Trump selected him from several candidates jockeying for the job partly because he trusted him to execute the administration's policies more than the other contenders, The Wall Street Journal has reported. The decision came after Elon Musk criticized Bessent as a "business-as-usual choice" while lobbying for Cantor Fitzgerald Chief Executive Howard Lutnick. (Trump later nominated Lutnick to lead the Commerce Department.)

Many on Wall Street, including hedge-fund managers Daniel Loeb and Bill Ackman, applauded the selection of Bessent. Investor Kyle Bass said on X that Bessent was "the single best choice."

People who have worked with Bessent describe him as reserved and professorial. He once taught economic history at Yale University, his alma mater, and, as an investor, he would often research forgotten financial analogues to inform views on current events.

"We are going to have to have some kind of a grand global economic reordering," Bessent said at a June event. "I'd like to be a part of it. I've studied this."

He joined Soros Fund Management in 1991, where his research on weakness in the U.K. housing market was a catalyst behind the firm's enormously successful bet that the British pound would collapse.

From 2011 to 2015, Bessent served as Soros's chief investment officer, earning more than a billion in profits for successful bets in Japan, including a wager against the yen. He left to launch his own hedge-fund firm, Key Square Capital Management, which he still manages.

Key Square's hedge fund had years of unremarkable performance until it gained about 31% in its main fund in 2022. In 2023 and so far this year, the fund has gained more than 10%, according to an investor. November has been the best month for the fund, in part because it bet that a Trump victory would bolster the market. By comparison, the S&P 500 is up around 25% so far this year, though macro-hedge funds haven't done nearly as well.

Since 2020, Bessent and his husband, former New York City prosecutor John Freeman, have primarily lived in Charleston, S.C., near Bessent's childhood home. They have two children.

Bessent, should he be confirmed at Treasury, will oversee the sale of trillions of dollars of U.S. government bonds of the type he used to trade. His other responsibilities will include advising on fiscal policy, handling tax collection, enforcing sanctions and more.

Bessent has long been worried about the U.S.'s heavy debt and thinks the main way it can be reduced is by boosting growth, which increases tax revenues.

He has advised Trump to pursue a policy he calls 3-3-3, inspired by former Japanese Prime Minister Shinzo Abe, who revitalized the Japanese economy in the 2010s with his "three-arrow" economic policy. Bessent's "three arrows" include cutting the budget deficit to 3% of gross domestic product by 2028, spurring GDP growth of 3% through deregulation and producing an additional 3 million barrels of oil or its equivalent a day.

Bessent has advocated extending the 2017 Tax Cuts and Jobs Act but with what are called pay-fors to lower its cost. That would involve either reducing spending or increasing revenue elsewhere. He also proposed freezing nondefense discretionary spending and overhauling the subsidies for electric vehicles and other parts of the Inflation Reduction Act.

Earlier this year, Bessent thought about tariffs as a negotiating tool, telling investors in a letter that the "tariff gun will always be loaded and on the table but rarely discharged." He has since argued for them more forcefully, especially as a source of tax revenue.

In a speech last month titled "Make the International Economic System Great Again," Bessent argued for increasing tariffs on national-security grounds and for inducing other countries to lower trade barriers with the U.S.

*Adjusted for seasonality and inflation
Sources: U.S. Office of Management and Budget via St. Louis Fed (deficit); Commerce Department (change in GDP); U.S. Energy Information Administration (oil production)

Enlarge this image.

Credit: By Peter Rudegeair and Gregory Zuckerman

DETAILS

Subject:	Political campaigns; Economic development; Gross Domestic Product--GDP; Hedge funds; Economic growth; Tax cuts; Economic indicators; Budget deficits; Tariffs; Economic history; Nominations; Political appointments
Business indexing term:	Subject: Economic development Gross Domestic Product--GDP Hedge funds Economic growth Tax cuts Economic indicators Budget deficits Tariffs Economic history; Industry: 52394 : Portfolio Management and Investment Advice
Location:	United States--US
People:	Bessent, Scott
Company / organization:	Name: Department of the Treasury; NAICS: 921130
Classification:	52394: Portfolio Management and Investment Advice
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.2
Publication year:	2024
Publication date:	Nov 26, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3132731994
Document URL:	https://www.proquest.com/newspapers/u-s-news-bessents-do-list-taxes-tariffs-spending/docview/3132731994/se-2?accountid=14681

Last updated:	2024-12-03
Database:	ProQuest Central

LINKS

U.S. News: GOP to Pack Goals Into One Bill

Rubin, Richard . Rubin, Richard.

ProQuest document link

FULL TEXT

WASHINGTON -- The tax-bill squeeze is on.

Republicans are trying to fit as many priorities as possible into one bill early next year, combining tax cuts, spending cuts, energy policy, border security and President-elect Donald Trump's campaign promises.

Engineering the legislation that way can help the party completely sideline Democrats, and it is Republicans' best chance to quickly exploit unified control of the House, Senate and White House. Strike first, strike hard, no mercy, to borrow an '80s movie catchphrase.

But balance is key. The path ahead is a political, arithmetical and procedural tightrope. As Republicans squeeze proposals into the tax bill, they must follow the rules of a special process called reconciliation that lets them dodge the Senate's usual 60-vote filibuster threshold.

They also must maintain near-perfect party unity, finding compromises on issues that divide Republicans, including budget deficits, clean-energy subsidies and the state and local tax deduction.

The intraparty debate will determine how much Republicans can cut taxes, how much money they can provide for beefed-up border security, how much federal land they can open for oil exploration and whether they can accommodate Trump's no-tax-on-tips promise.

Rep. Jodey Arrington (R., Texas), chairman of the House Budget Committee, said he wants the first step -- rolling out a budget that sets fiscal parameters for the bill -- within "days, not weeks" of the new Congress starting Jan. 3. "We ought to be able to unleash growth through tax cuts . . . and we ought to be able to bend the spending curve," Arrington said.

The 2025 fiscal debate will echo 2017, the last time Republicans had full control. Then, Republicans cut taxes and set major pieces to expire after 2025. The core of the 2025 bill would remove or extend those expiration dates.

In late 2017, beyond their tax policy aims, Republicans faced a political imperative. They had just failed to repeal and replace the Affordable Care Act, and they needed a win heading into midterm elections.

This time around, the pressure is greater. Failure to pass a bill wouldn't just make Republicans look bad. It would mean tax increases for 62% of households in 2026, because inaction brings higher tax rates, no deduction for closely held businesses and smaller standard deductions and child tax credits.

That is all unacceptable to Republicans and it means they will probably find a way to extend tax cuts, eventually.

Still, the legislative math is daunting. They will have a 53-47 Senate majority. The House will be super-tight, potentially reversing the typical dynamic where the Senate dictates terms.

House Republicans, at most, will have a 222-213 majority. It could be as narrow as 220-215 depending on final votes

being tallied. Because of lawmakers leaving to join the Trump administration or for other reasons, House control could be as slim as 217-215 for months. That would empower every single Republican to make demands.
Credit: By Richard Rubin

DETAILS

Subject:	Political campaigns; Federal budget; Tax rates; Tax cuts; Budget deficits; Border security; Tax increases; Fiscal policy; Federal legislation
Business indexing term:	Subject: Federal budget Tax rates Tax cuts Budget deficits Tax increases Fiscal policy
People:	Trump, Donald J
Company / organization:	Name: Republican Party; NAICS: 813940
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.2
Publication year:	2024
Publication date:	Nov 26, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Countryof publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3132731992
Document URL:	https://www.proquest.com/newspapers/u-s-news-gop-pack-goals-into-one-bill/docview/3132731992/se-2?accountid=14681
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Last updated:	2024-12-04
Database:	ProQuest Central

LINKS

Markets Shine Spotlight on Deficits --- Stocks keep hitting records, but the past includes episodes of market unrest

Pitcher, Jack; Goldfarb, Sam . Pitcher, Jack; Goldfarb, Sam.

FULL TEXT

Worries about government deficits are making one of their periodic tours of Wall Street.

Investors say the prospect of bigger budget imbalances in the second Trump administration is a factor behind the recent climb in Treasury yields, which help set borrowing costs throughout the economy. This year's projected budget deficit of $1.9 trillion is already likely to reach more than 6% of economic output, a threshold crossed previously only during World War II, the 2008-09 financial crisis and the Covid-19 pandemic. Yet stocks keep hitting records.

With President-elect Trump's proposed tax cuts -- and soaring Social Security and Medicare costs -- projected to keep annual deficits at a historically high level, the debate over deficits is raging anew. Here's a look at how fiscal policy has affected investments during some recent administrations:

Ronald Reagan 1981-89

President Ronald Reagan's 1981 tax cuts contributed to a sharply higher federal deficit by the midpoint of his two-term administration. It reached as high as 5.7% of GDP in 1983 -- enough to prompt concern among investors. In that year, economist Edward Yardeni coined the term "bond vigilantes" for investors who will demand higher rates to buy Treasurys to compensate for the risks tied to budget imbalances and inflation.

"The idea of the bond vigilantes is that they intervene and maintain law and order if monetary and fiscal policy aren't going to do it," he said in a recent interview. "In the '80s, I think it actually had more to do with a fear that inflation would make a comeback than it had to do with the deficit."

The 10-year Treasury yield peaked above 15% in Reagan's first year, because of the Paul Volcker-led Federal Reserve's inflation fight. The combination of high rates and expansive fiscal policy attracted overseas money. The dollar got so strong that a group of developed countries agreed to deliberately weaken it during a 1985 meeting in Manhattan's Plaza Hotel.

George H.W. Bush 1989-93

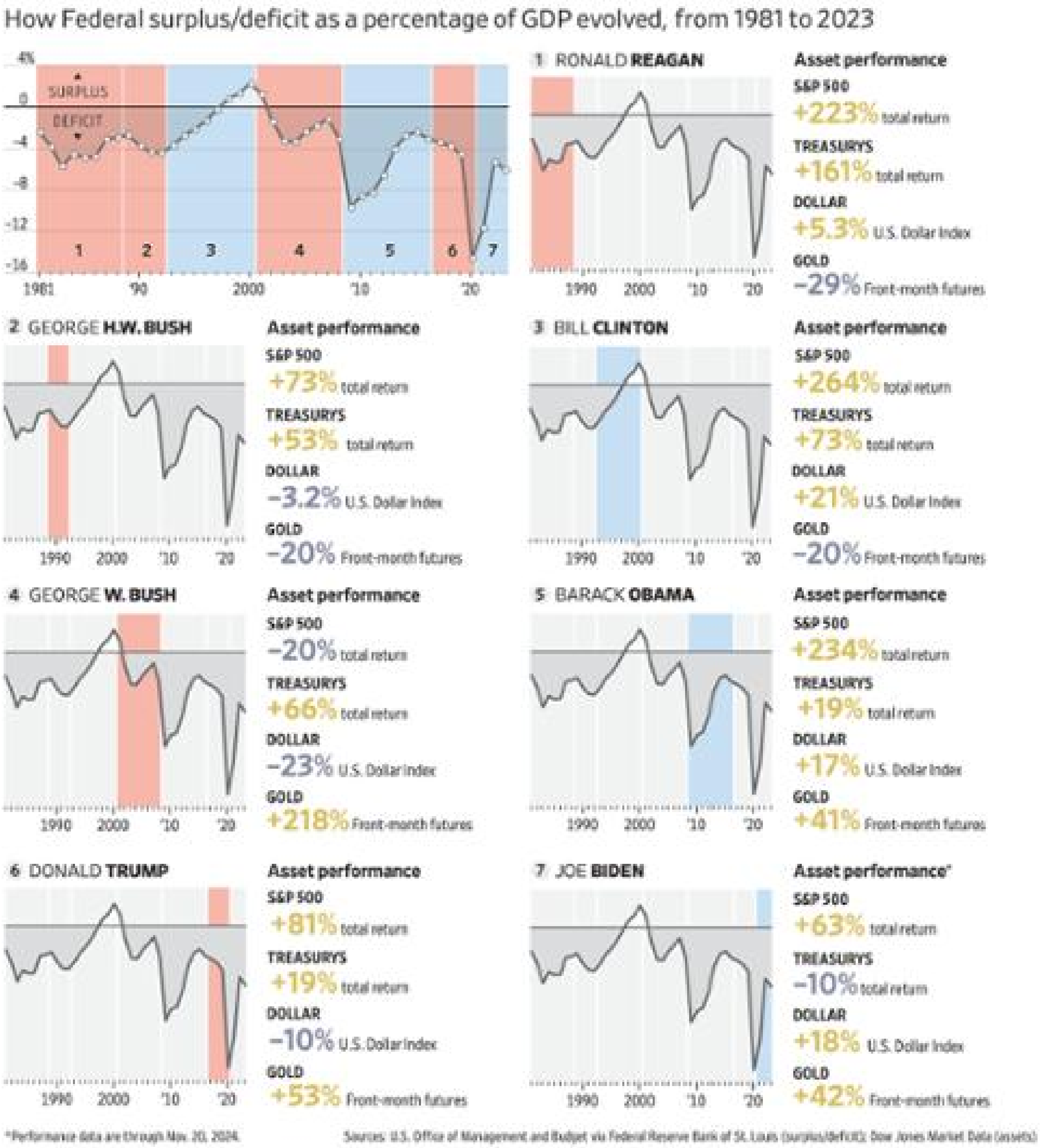
Deficit reduction then became a priority in Washington, D.C. President George H.W. Bush reneged on his "no new taxes" pledge after concluding that any agreement to cut the national deficit would need both spending cuts and tax increases.

"In '81 we passed the giant tax cut. And by '82 it was pretty clear they had gone way too far. And so from '83 to '97, across three administrations, all we did was deficit reduction," said Marc Goldwein, senior policy director for the

Committee for a Responsible Federal Budget.
The deficit as a share of GDP peaked around 4.4% after the 1991 recession before falling to 3.7% by the end of 1993.
The 10-year Treasury yield fell nearly 2.5 percentage points to around 6.4% at the end of Bush's term.
Bill Clinton 1993-2001
Entering the White House in 1993, Bill Clinton was caught between campaign promises to reduce the deficit and to deliver a middle-class tax cut. Economic advisers including Robert Rubin persuaded him to give priority to deficit reduction to help bring down longer-term Treasury yields. That prompted political adviser James Carville's quip that he would like to be reincarnated as the bond market because "you can intimidate everybody."
It wasn't a completely smooth ride: the 10-year yield surged above 8% in 1994 when the Fed was aggressively raising short-term rates. But yields retreated again afterward, as the Clinton-era boom briefly turned the deficit into a surplus.
"The world actually behaved the way economists think it should -- you cut deficits, interest rates fall, you get more investment," said David Wessel, director of the Hutchins Center on Fiscal and Monetary Policy at the Brookings Institution.
George W. Bush 2001-09
Deficits grew to records after the Bush administration's 2001 and 2003 tax cuts and a major increase in military spending that followed the Sept. 11 terrorist attacks in 2001. Stocks mostly rebounded from the dot-com collapse, and short-term rates topped 5%.
Then the collapse of the housing market fueled the financial crisis of 2008-09. Stocks plunged, and the Fed cut short-term rates to zero.
Barack Obama 2009-17
Deficits soared again when the Obama administration, seeking to help the economy revive, launched early stimulus packages. But tighter fiscal policy followed, which some economists blame for a slow recovery.
Rates stayed near zero and the Fed bought bonds to ease strains on the banking system. That helped support stocks, while easy borrowing conditions helped fuel the technology boom.
Political brinkmanship around the debt ceiling in 2011, however, led to fears of a missed payment on Treasurys, the world's safest investment, and sparked a credit downgrade of the U.S.
Stocks fell and investors sheltered in Treasurys before a deal was reached.
Donald Trump 2017-21
The Trump administration's early tax cuts put the deficit as a share of GDP back on the rise. Shares of banks, industrials and smaller companies soared along with bond yields, in what investors called the "reflation trade." Stocks hit records.
The unprecedented response to the Covid-19 pandemic in Trump's final year then widened the deficit again. A multitrillion-dollar bipartisan spending package kick-started a furious economic recovery, and sent the deficit as a share of GDP to the highest level since World War II.
Stocks recovered quickly after the Fed cut rates to near zero. Treasury yields hit rock bottom.
Joseph Biden 2021-present
The Biden administration kept the spending rolling. The Fed began rapidly raising interest rates to combat inflation, driving up the government's interest costs. Meanwhile, tax revenues slipped.
The government sold more bonds to cover the gap, exacerbating a bond rout that raised the 10-year yield to 5%.
Officials shifted the mix of borrowing a little toward debt with shorter maturities, helping calm markets.
Wall Street has since had little trouble absorbing the government's borrowing binge.
Continuing economic strength -- and the prospect of bigger deficits under the next Trump administration -- have helped drive bond yields higher in recent months. But some investors said that could still boost markets for some time.
"Generally speaking, deficit spending adds to corporate profits," said Sonu Varghese, global macro strategist at Carson Group. "Where things could get hairy is if the bond market feels like now rates have to be higher for longer, and that starts to crimp investment spending."

Note: Asset performance provided by Dow Jones Market Data except the S&P 500 total return for Reagan's presidency, which was provided by S&P Dow Jones Indices. Total returns for Treasurys are based on the Bloomberg US Treasury Index. Both Treasurys and the Reagan-era total stock returns are based on monthly readings and don't correspond precisely with inaugurations. Asset performance refers to either four-year or eight-year periods, depending on the presidency.

Peter Santilli and Mike DeStefano contributed to this article.



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Credit: By Jack Pitcher and Sam Goldfarb

DETAILS

Subject:	Federal budget; Investments; Economic crisis; Treasuries; Fiscal policy; Economic development; Federal Reserve monetary policy; Inflation; Interest rates; Tax cuts; Investors; COVID-19; Tax increases; Borrowing; Pandemics; Bond markets; World War II; Stocks; Political campaigns; Gross Domestic Product--GDP; National debt; Budget deficits
Business indexing term:	Subject: Federal budget Economic crisis Treasuries Fiscal policy Economic development Federal Reserve monetary policy Inflation Interest rates Tax cuts Tax increases Borrowing Bond markets Stocks Gross Domestic Product--GDP National debt Budget deficits; Industry: 92113 : Public Finance Activities 52111 : Monetary Authorities-Central Bank
Location:	United States--US
People:	Reagan, Ronald Wilson; Bush, George; Clinton, Bill
Classification:	92113: Public Finance Activities; 52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B.1
Publication year:	2024
Publication date:	Nov 25, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3132486050
Document URL:	https://www.proquest.com/newspapers/markets-shine-spotlight-on-deficits-stocks-keep/docview/3132486050/se-2?accountid=14681
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Last updated:	2024-11-25
Database:	ProQuest Central

LINKS

Trump Selects Bessent To Lead Treasury --- Hedge-fund manager has been an economic adviser to campaign team

Restuccia, Andrew; Schwartz, Brian; Timiraos, Nick; Leary, Alex . Restuccia, Andrew; Schwartz, Brian; Timiraos, Nick; Leary, Alex.

FULL TEXT

WASHINGTON -- Donald Trump selected hedge-fund manager Scott Bessent to lead the Treasury Department, elevating one of the finance world's most vocal supporters of the president-elect to a crucial position overseeing the incoming administration's economic agenda.

Bessent in recent months has become a key economic adviser to Trump and his team. He has defended Trump's economic proposals in the midst of opposition from some on Wall Street, who worry that the president-elect's pledge to impose sweeping tariffs will trigger trade wars and ultimately lead to higher prices for American consumers.

If confirmed by the Senate, Bessent would be tasked with turning Trump's campaign-trail promises into policy, and he would help determine whether the president-elect follows through on some of his most eye-catching economic policy proposals -- from eliminating taxes on tips to slapping across-the-board tariffs on U.S. imports.

"Scott has long been a strong advocate of the America First Agenda," Trump said in a statement Friday. "We will ensure that no Americans will be left behind in the next and Greatest Economic Boom, and Scott will lead that effort for me, and the Great People of the United States of America."

Also on Friday, Trump said he was nominating Rep. Lori Chavez-DeRemer (R., Ore.) to be his secretary of labor.

Trump picked Russell Vought, a key figure in Project 2025, to lead the Office of Management and Budget. Vought's nomination, which will need to be approved by the Senate, would bring him back to OMB, where he served as director during Trump's first term. Project 2025 is a sweeping 900-page policy blueprint for the federal government.

The Treasury Department is the premier economic policymaking agency in the federal government. It implements tax policy, manages the nation's debt, leads financial regulators, controls sanctions and conducts economic diplomacy. While the U.S. trade representative takes the lead on tariffs, the Treasury secretary typically plays a central role on that issue as well.

Bessent, 62 years old, is the founder of investment firm Key Square Capital Management. He was the chief investment officer at George Soros's Soros Fund Management from 2011 to 2015. He primarily lives in Charleston, S.C.

Bessent appeared alongside Trump on the campaign trail, and the president-elect has called him "one of the most brilliant men on Wall Street." He impressed the president-elect, according to Trump's aides, with his public predictions that the stock market would crash if Vice President Kamala Harris won the election.

The longtime investor's allies executed a behind-the-scenes campaign to persuade Trump to choose him for the Treasury post. Among his supporters was Larry Kudlow, who led the National Economic Council during Trump's first term. Bessent for his part wrote an opinion piece in The Wall Street Journal this month in which he rejected a group of Nobel laureates who warned that Trump's economic agenda would harm the U.S. economy.

Recent days "prove markets' unambiguous embrace of the Trump 2.0 economic vision," Bessent wrote. "Markets are signaling expectations of higher growth, lower volatility and inflation, and a revitalized economy for all Americans."

Trump's advisers said they took note of the opinion piece.

As Bessent's stock rose among some of Trump's advisers, some allies of the president-elect tried to undercut him. They took issue with his work for Soros and argued that he hadn't done enough to defend Trump's pledge to impose stiff tariffs. Bessent subsequently wrote a Fox News opinion piece in which he argued the economic case for tariffs, pushing back on assertions by economists that they would raise prices for consumers.

That wasn't enough to sway everybody in Trump's orbit. Billionaire Elon Musk had endorsed Bessent's leading opponent for the job, Howard Lutnick, the chief executive of financial-services firm Cantor Fitzgerald. Lutnick, Musk wrote on his social-media platform, X, would "enact change." Bessent, he argued, is a "business-as-usual choice." Musk has been by Trump's side at Mar-a-Lago since the election, advising him on personnel, including whom he should pick as Treasury secretary.

Bessent has advised Trump to pursue a "3-3-3" policy: cutting the budget deficit to 3% of gross domestic product by 2028, spurring GDP growth of 3% through deregulation, and producing an additional 3 million barrels of oil or its equivalent a day.

He has suggested that Trump's tariff threats are a negotiating strategy aimed at extracting concessions from other countries. "My general view is that at the end of the day, he's a free trader," Bessent told the Financial Times last month. "It's escalate to de-escalate."

Last month, Bessent suggested that Trump should announce whom he plans to select as Federal Reserve Chair Jerome Powell's successor so that this "shadow" chair could try to undercut Powell, making him a lame duck. Bessent recently told the Journal that based on recent criticism of the idea, he no longer thought it was worth pursuing.

While Bessent is known in New York financial circles, he doesn't have the fame of the biggest Wall Street players. Having spent little time in Washington, he will have to build relationships on Capitol Hill, which will be crucial as Republican lawmakers embark on a bid to extend trillions of dollars in expiring tax cuts.

Bessent will have to navigate competing influences in Trump's orbit. While Bessent in the Journal opinion piece extolled the prospect of stronger growth driving up the U.S. dollar, other Trump advisers including former U.S. Trade Representative Robert Lighthizer have touted prospects for boosting exports with a weaker dollar. Trump and Bessent inherit a tricky fiscal backdrop, with the Treasury set to roll over trillions of dollars in debt in coming years that it borrowed at much lower interest rates.

Bessent in a speech earlier this year was sharply critical of President Biden and his advisers' use of a narrow margin of victory in 2020 to push through transformative policy changes in the midst of an unfolding economic upswing.

Credit: By Andrew Restuccia, Brian Schwartz, Nick Timiraos and Alex Leary

DETAILS

Subject:	International trade; Investment advisors; Political campaigns; Presidents; Gross Domestic Product--GDP; Hedge funds; Economic growth; Tariffs

Business indexing term:	Subject: International trade Investment advisors Gross Domestic Product--GDP Hedge funds Economic growth Tariffs; Industry: 92111 : Executive Offices 52394 : Portfolio Management and Investment Advice
Location:	United States--US
Classification:	92111: Executive Offices; 52394: Portfolio Management and Investment Advice
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.1
Publication year:	2024
Publication date:	Nov 23, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3131986136
Document URL:	https://www.proquest.com/newspapers/trump-selects-bessent-lead-treasury-hedge-fund/docview/3131986136/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-11-23
Database:	ProQuest Central

LINKS

Irresistible March of Energy Realism

Jenkins, Holman W; Jr. . Jenkins, Holman W; Jr.

ProQuest document link

FULL TEXT

The publishing gods have smiled on French energy historian Jean-Baptiste Fressoz. His book, whose U.S. edition is coming out in August, is already getting wide notice. Its French title essentially means "there is no transition." Mr. Fressoz tells a podcaster he's even happier with the English title, "More and More and More."

Energy sources are additive and symbiotic, he writes. Coal, oil, gas, wood, nuclear and renewables all grew together, they didn't replace each other.

An increase in coal provided steel piping to enable oil and gas production. More wood than ever was consumed to support British coal mines. The world's biggest maker of wooden barrels at one time was John D. Rockefeller. A car in the 1930s consumed more coal via its required steel than it would consume in fossil fuels in its lifetime.

In the U.K. today, a single wood-burning electric plant consumes more wood than Britain's entire 18th-century economy and yet accounts for a small fraction of Britain's current energy output. The only transition has been to more energy consumption.

As this column has pointed out, subsidies for green energy, adopted globally by the Obama imitators in lieu of carbon taxes, only end up subsidizing more energy use, including copious fossil energy to make batteries, wind turbines and solar panels.

In a blue moon, honest greens will admit as much and argue that when green energy has been sufficiently built up with government aid, the U.S. will lead the nations to introduce carbon taxes.

The faulty assumption here is that phasing out fossil energy will be any easier in 50 years when the world is consuming twice as much energy and half is still fossil energy, producing the same emissions as today. A likelier outcome: When the green subsidies stop, as inevitably they must, the result will be a burst of emissions as the formerly subsidized users shift to fossil energy to stay solvent.

The Trump election poses a special puzzle for domestic U.S. automakers: How much of their $110 billion investment in electric vehicles to write off? In the absence of subsidies and mandates, what's the natural market for EVs and, importantly, what kind?

The Rube Goldberg effect of U.S. policy has led to heavily subsidized status pieces for high-end consumers, whose large batteries are mainly used to haul around their large batteries.

These are net losers for the stated goal of reducing CO_2 emissions. Unknowables loom. An Oxfam report finds up to $41 billion in World Bank climate spending, backed by U.S. taxpayers, unaccounted for. This is only the beginning. What happens when voters realize not billions but trillions doled out to the green-energy lobby have had no effect on atmospheric CO_2 levels or climate?

Meanwhile, hard to find are detailed climate or emissions projections that don't effectively assume successful efforts to stabilize warming at the putative 1.5 or 2 degree Celsius levels.

These efforts at stabilization aren't happening. In the peer-reviewed journal of the American Association for the Advancement of Science, a study finds that of 1,500 "climate" policies announced around the world, a mere 63, or 4%, produce any reduction in emissions.

Mr. Fressoz, in the "Decouple" podcast, delves into the fascinating 1970s. Governments everywhere, along with the oil industry, well recognized the CO_2 problem. The British government of Margaret Thatcher realized its emissions were

becoming too small a share of the total for reductions to make a difference. A U.S. panel calculated that even a heroic U.S. effort would delay warming only by a few years.
A Chinese representative warned a 1979 conference that by 2000, his country intended to burn more coal than the world's then-annual total.
Our path -- unavoidable adaptation -- was laid down long before today's believer-denier debate, a language effectively developed and deployed to promote climate pork, not meaningful climate action. Last year, by one accounting, global emissions topped 40 billion tons for the first time. I suspect carbon taxes may yet be adopted, albeit for fiscal reasons. Solar geoengineering, using particulates to adjust the amount of sunlight landing on Earth, is probably in the cards at some point.
In Chris Wright, the Liberty Energy CEO, Donald Trump has nominated to head the U.S. Energy Department a determined evangelist for energy realism. This is why I introduced him to readers earlier this year.
Mr. Wright, founder of a fracking services company, believer in climate change, enthusiast for nuclear energy, is the antidote to what Mr. Fressoz calls the "troubling" politics of climate change, which has consisted entirely of false promises.
Mr. Trump isn't the climate outlier you think. Any U.S. presidential race in the past 40 years was a contest of two versions of doing nothing about climate change. The only difference: Certain versions of doing nothing were a lot more expensive for taxpayers than others.
Credit: By Holman W. Jenkins, Jr.

DETAILS

Subject:	Government aid; Alternative energy; Realism; Emissions; Energy consumption; Carbon; Subsidies; Climate change; Coal; Geoengineering; Environmental tax
Business indexing term:	Subject: Subsidies Environmental tax
Location:	United States--US; United Kingdom--UK
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.13
Publication year:	2024
Publication date:	Nov 20, 2024
column:	Business World
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660

Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3130534912
Document URL:	https://www.proquest.com/newspapers/irresistible-march-energy-realism/docview/3130534912/se-2?accountid=14681
Copyright:	Copyright 2024 Dow Jones &Company, Inc. All Rights Reserved.
Full text availability:	This publication may be subject to restrictions within certain markets , including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-11-20
Database:	ProQuest Central

LINKS

Walmart Is Upbeat About Holiday Sales --- Retailer lifts outlook for year as demand for toys, other goods fuels strong quarter

Nassauer, Sarah . Nassauer, Sarah.

FULL TEXT

Walmart said U.S. sales rose during the most recent quarter, propelled by shoppers buying groceries, home goods and toys -- a sign that spending is off to a strong start this holiday season.

The retail giant raised its sales and profit estimates for the year.

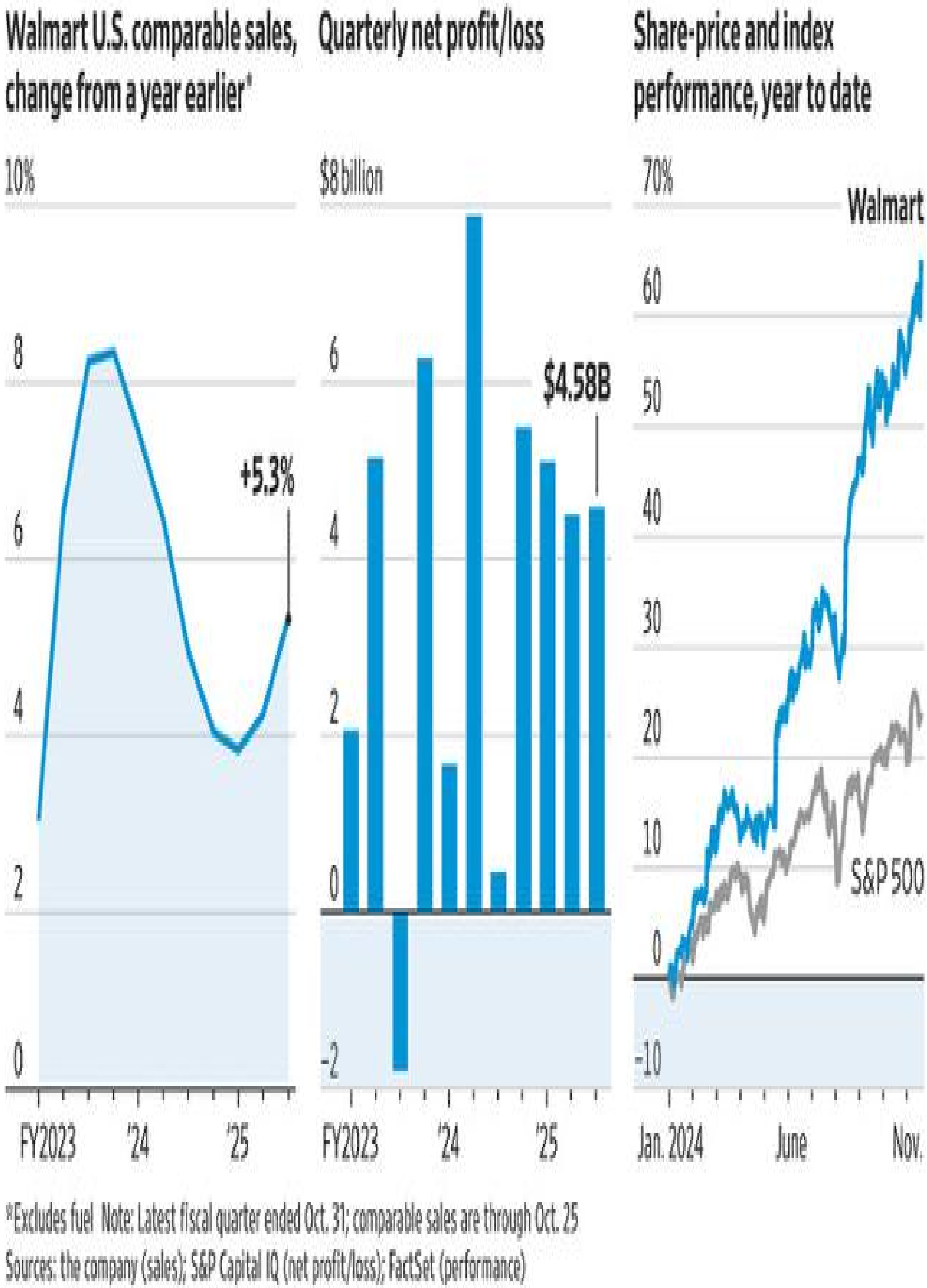
The results were better than analysts expected and Walmart shares rose about 3% in Tuesday's trading.

Walmart executives said they are watching potential policy moves by the coming Trump administration, particularly on import taxes. The retailer said it is importing some products early in case of new tariffs or potential port strikes in January.

U.S. comparable sales, those from stores and digital channels in operation for at least 12 months, rose 5.3% for the quarter ended Oct. 25, driven by broad demand for its goods and market share gains across economic groups, including higher-income households. Analysts were expecting growth of about 3.9%, according to FactSet.

Most shoppers are spending consistently to enjoy holidays, said John David Rainey, Walmart's chief financial officer.

Toys are selling well, along with some everyday needs such as tires, he said. Apparel is weaker as unseasonably warm weather has likely delayed some purchases, he said.
"Overall, we are feeling good about holiday," Rainey said. But "consumers are still discerning," he said. "They are spending more of their wallets on food than they have historically."
That means overall sales of nonfood items are still growing slower than spending on consumables, he said.
The retailer said profit increased in the most recent quarter, helped by fewer discounts, lower e-commerce delivery costs and higher revenue from advertising. Adjusted earnings were 58 cents a share, better than the estimate of 53 cents among analysts polled by FactSet.
Global e-commerce sales rose 27% from the same period last year and now account for 18% of global revenue.
Shoppers weighed down by higher prices for many everyday necessities such as food and health insurance are still opening their wallets. Retail sales rose more than expected in October as the holiday shopping season kicked off.
Holiday sales are expected to increase slightly this year compared with last, according to estimates from the National Retail Federation and consultants that track seasonal sales.
Earlier this month, Amazon.com said that revenue grew 11% from a year earlier, beating Wall Street's targets. Executives said demand for everyday essentials lifted sales.
Walmart, known for low prices, has reported consistently strong sales for years, gaining market share in many categories. The retail behemoth also has worked to keep more high-income shoppers coming by offering a new store brand of premium food items, refreshed home goods and a wider online selection.
Walmart raised its forecast for comparable sales growth for its fiscal year and for adjusted earnings.
Executives now expect comparable sales growth of 4.8% to 5.1% for the year, up from a prior forecast of 3.75% to 4.75%. They said most customers are sticking with their holiday spending plans despite any concerns about the election and economic outlook.
Tariffs implemented during Donald Trump's first term in the White House and maintained by President Biden have been a factor for the past seven years, Rainey said, but any new tariffs would raise prices, "so we would rather not have that."



Enlarge this image.

Credit: By Sarah Nassauer

DETAILS

Subject:	Retail stores; New store openings; Sales; Toys; Profits; Market shares; Tariffs
Business indexing term:	Subject: Retail stores New store openings Sales Profits Market shares Tariffs; Corporation: Walmart Inc; Industry: 45912 : Hobby, Toy, and Game Retailers
Location:	United States--US
Company / organization:	Name: Walmart Inc; NAICS: 454110, 455110, 455211
Classification:	45912: Hobby, Toy, and Game Retailers
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B.1
Publication year:	2024
Publication date:	Nov 20, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3130534899
Document URL:	https:/ /www.proquest.com/newspapers/walmart-is-upbeat-about-holiday-sales-retailer/docview/3130534899/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-11-20
Database:	ProQuest Central

Biden's Approach to Inflation Left a Big Opening for Trump

Timiraos, Nick . Timiraos, Nick.

ProQuest document link

FULL TEXT

President Biden hadn't even been inaugurated when he and his advisers made a monumental gamble in January 2021 that would reverberate through his presidency. Fresh on the heels of a $900 billion Covid-relief bill that Congress had approved weeks earlier, Biden proposed a $1.9 trillion stimulus bill.

Biden and many of those advisers had been part of the Obama administration. Barack Obama took office under similarly gloomy circumstances in January 2009, during the low point of the global financial crisis. Years of high unemployment followed, with much of the world mired in a trap of low growth and very low interest rates.

One lesson Democrats learned: Spend aggressively when interest rates are low. It is better to overfill the cup than underfill it.

The result was the American Rescue Plan, a package that boosted a child tax credit, sent $1,400-per-person direct payments to households, and directed $350 billion to state and local governments.

Politically, those choices backfired. Billions of dollars in Covid-19 aid were already coursing through the economy, the aftereffect of bipartisan spending measures under Donald Trump. Strong demand from Biden's additional fiscal stimulus, ultralow interest rates and a successful vaccine rollout ran headlong into crippled supply chains and discombobulated labor markets.

Bad luck piled on. New Covid variants, Russia's invasion of Ukraine and China's Covid lockdowns continued to upend global supply chains and commodity markets. Inflation soared in most of the world's richest economies.

Democrats had bet voters would reward them for a strong labor market recovery. Instead, voters recoiled at the sudden cost-of-living increases. Consumer prices during Biden's term have risen 20%, compared with 8% in Trump's term.

"If inflation had been less severe in that first year, if it had peaked at a lower level, could Vice President Harris have survived that? My intuition is yes," said Michael Strain, head of economic-policy studies at the right-leaning American Enterprise Institute.

On Election Day, about 40% of voters said the economy was their top issue, far outstripping any other. Those voters backed Trump by a 22-percentage-point margin. Inflation has declined without a recession, but many were thinking instead about how prices are still high.

White House officials interviewed for this story defended their record by pointing to how the ARP was designed when it wasn't clear the country was about to escape the pandemic. Virus counts and deaths were rising as Biden took office. And after a swift rebound in hiring through the second half of 2020, the number of people working fell in December 2020.

White House and Democratic officials have argued that overall U.S. economic outcomes were better than those achieved in nearly every other advanced economy. But politically, those arguments fell flat and gave Trump his opening.

"It comes off as cold comfort to say that people have it worse in Germany, the U.K., France," said Rep. Brendan Boyle (D., Pa.). "People naturally compare their experiences today to what things were like prepandemic."

Republicans were opposed to another stimulus package in early 2021. So Democrats had to maneuver with a one-vote majority in the Senate, with Vice President Kamala Harris able to break a 50-50 tie.

Sen. Joe Manchin of West Virginia, the most conservative Democrat in the chamber, was stunned when colleagues told him the $1.9 trillion price tag and warned it was a massive overreach, he said in a recent interview.

Manchin soon found himself face-to-face in the Oval Office with Biden. He begged the president to pump the brakes. The country hadn't digested the stimulus approved weeks earlier. It didn't make sense to spend $2 trillion more. Biden was unmoved.

Manchin ultimately swallowed his reservations and gave his support. The package passed in March 2021.

The loudest criticism came from Larry Summers, who had been a top Obama adviser but wasn't part of Biden's team. Many Democrats faulted Summers for insufficient stimulus in 2009 and were in no mood to listen to him in 2021.

He pointed to how Democrats had lost badly at the ballot box during other bouts of inflation in 1968 and 1980. "The sense of serenity and complacency being projected by the economic policymakers, that this is all something that can easily be managed, is misplaced," he said that spring.

Inflation jumped that April, driven by used cars, airfares and other items that could be traced to reopening the economy. Officials at the White House and Federal Reserve highlighted the temporary nature of price readings by describing high prices as likely to be "transitory." And for the first few months, the story held. Price growth initially eased through the summer.

White House advisers kept telling Manchin not to worry. One pointed to how 17 Nobel laureates said inflation would be transitory. Manchin shot back: "You've got 17 educated idiots telling you what you want to hear."

When price growth broadened and reaccelerated that fall, the Fed abandoned "transitory" and sped up plans to withdraw stimulus. By December 2021, inflation hit 7%.

Fiscal stimulus, approved by both Trump and Biden, accounted for about 3 percentage points of the rise in inflation through 2021, according to the San Francisco Fed. A separate analysis by the bank's economists estimated the ARP boosted inflation, excluding food and energy items, by 0.3 percentage point a year in 2021 and 2022.

Raw politics, and not just economics or health concerns, were at work. The administration had faced heavy pressure from progressives to make $1.9 trillion the floor, not the ceiling, for any spending on the ARP.

Focus shifted to passing Build Back Better, a separate $3.5 trillion spending bill that Democrats envisioned as Biden's signature economic initiative. A meaningful acknowledgment that inflation was a problem would raise alarm bells over further spending. That, in turn, could kill the sprawling healthcare, education and climate package.

Many economists, inside and outside the White House, genuinely believed inflation would be transitory. Still, Democratic-affiliated analysts and economists outside the administration faced pressure to play down inflation risks to avoid imperiling the administration's broader agenda, said Strain, the economist at the American Enterprise Institute.

"They kept insisting it was transitory because they were trying to shove BBB down my throat," said Manchin, who ended negotiations over the package at the end of 2021.

The postpandemic economic response will be debated for decades. Outside analysts fault the White House for a tepid response that compounded misfortunes on Election Day.

First, officials treated inflation as a communications problem that could be improved with better messaging. Second, economic advisers were overruled at times when it came to proposing measures that might have lowered consumer prices.

In April 2022, for example, some of the president's economic team pushed for rolling back tariffs on certain Chinese imports that had been imposed by the Trump administration. Even if it might not make a noticeable dent in consumer price gauges, they argued it was better for the White House to be viewed as throwing its back into bringing down prices.

For nonstrategic goods, "there's not much of a case for those tariffs being in place," economic adviser Daleep Singh

said at the time. "Why do we have tariffs on bicycles or apparel or underwear?"
Political advisers sympathetic to concerns from labor groups and foreign-policy advisers who wanted to maintain leverage against Beijing argued against the move. Biden sided with them when his economic advisers said removing tariffs wouldn't move the needle on inflation.
"President Biden said inflation was his No. 1 priority, and I don't think he acted like it was his No. 1 priority," Strain said.
White House officials pointed to a raft of measures they took to lower costs as it became clear inflation might take longer to decline. That included releasing oil from the U.S. strategic reserve, capping the cost of insulin and prescription drugs for seniors and taking steps to ban junk and other hidden fees.
Credit: By Nick Timiraos

DETAILS

Subject:	Federal legislation; Tariffs; Supply chains; Presidents; Inflation; Interest rates; Consumer Price Index; Economists; Voters; Labor market; Economic policy
Business indexing term:	Subject: Tariffs Supply chains Inflation Interest rates Consumer Price Index Economists Labor market Economic policy; Industry: 92111 : Executive Offices
Location:	United States--US
People:	Harris, Kamala; Biden, Joseph R Jr; Trump, Donald J
Company / organization:	Name: American Enterprise Institute for Public Policy Research; NAICS: 541720
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.1
Publication year:	2024
Publication date:	Nov 19, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English

Document type:	News
ProQuest document ID:	3129896104
Document URL:	https://www.proquest.com/newspapers/bidens-approach-inflation-left-big-opening-trump/docview/3129896104/se-2?accountid=14681
Copyright:	
Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-12-06
Database:	ProQuest Central

LINKS

World News: Milei Looks for Trump's Assistance To 'Make Argentina Great Again'

Dube, Ryan . Dube, Ryan.

ProQuest document link

FULL TEXT

Argentine President Javier Milei is a star among President-elect Trump's closest aides, a self-described anarcho-capitalist with wild hair and a bromance with Elon Musk. Now, Milei has a big ask -- billions of dollars in loans to jump-start a capitalist makeover of his country.

At a black-tie gala last week at Mar-a-Lago, Milei praised Trump. "Make Argentina Great Again," Trump joked with him. "He's a MAGA person."

In Milei's view, what Argentina needs to be great again is a new International Monetary Fund loan to help him complete the fiscal transformation he has launched that includes, as he says, taking a chain saw to rampant state spending and squelching runaway inflation. The request comes as Milei's austerity program hits Argentines hard, with poverty and unemployment on the rise.

A new IMF program could help solidify Argentina's finances and allow the government to lift currency controls that stifle business and discourage foreign investments. With Trump back in power, the U.S., which is the largest shareholder of the IMF, could accelerate the approval of a new program for Milei, economists say.

"The government-elect feels much more comfortable working with me than with other governments," Milei said about Trump on Argentine radio. "And that has commercial and financial implications."

But the IMF has been hesitant to provide fresh capital to Argentina, a serial defaulter that has been locked out of international markets since 2018. The country still owes the fund about $40 billion from a 2018 loan -- the largest IMF

bailout in the multilateral's history. A new program likely would entail rescheduling payments of a current IMF loan, and possibly additional funds of $10 billion to $15 billion, economists say.
The Biden administration and IMF have backed Argentina's efforts to balance its budget, as Milei implements a tough austerity program that has included devaluing the peso currency, closing state agencies, cutting subsidies, halting public construction and ending price controls. Inflation fell from 25% a month in December, when he took office, to 2.7% in October. His government has posted the first quarterly fiscal surplus in more than 15 years.
A point of contention that has held up a new program is a disagreement over Argentina's exchange-rate policy. The fund supports a more flexible foreign-exchange rate because economists say the peso is overvalued, creating a gap with the black-market rate. A weaker currency, however, could drive inflation back up, hurting Milei's support at home.
Milei is hoping some ideological affinities with Trump and his world will help push the loan through anyway.
Milei's contempt for left-wing politics and his vows to slash state spending to fix inflation has won him accolades from Trump's closest aides, including SpaceX founder Musk, and Trump himself.
Milei is constrained by a dearth of Central Bank reserves, which leaves Argentina unable to cope with capital flight because of a pent-up demand for dollars, economists say.
"Foreign investors are saying, 'I don't want to bring money in if I don't have a guarantee that I can get the money out,'" said Argentine economist Claudio Loser, a former high IMF official. He predicted Trump will help Argentina.
Without an IMF loan, the government would be forced to devalue the peso by at least 53% to lift capital controls, according to Oxford Economics. Capital controls hamstring companies from repatriating profits and force ordinary Argentines to stash away dollars.
A good relationship between Milei and Trump might not be enough for U.S. companies concerned about Argentina's decades of economic turmoil.
"There's a pretty high threshold for U.S. companies to have confidence in Argentina," said Benjamin Gedan, director of the Latin America program at the Wilson Center.
Milei and Trump diverge on some important policies. Milei has been Latin America's strongest supporter of Ukraine since Russia's invasion. Trump has blamed the invasion on Ukrainian President Volodymyr Zelensky.
Milei also is a staunch capitalist who supports free trade and opposes tariffs, while Trump has pledged higher tariffs that could spark a trade war with China. That could undermine the economies of emerging markets, including Argentina, economists say.
"He thinks that he's going to benefit with Trump's victory," said Sergio Berensztein, a political analyst in Buenos Aires. "But a more closed global economy won't benefit Argentina."
Credit: By Ryan Dube

DETAILS

Subject:	Economists; American dollar; Wage &price controls; Tariffs; International relations-US; Political leadership
Business indexing term:	Subject: Economists American dollar Wage &price controls Tariffs; Industry: 81394 : Political Organizations
Location:	Argentina; United States--US; Latin America
People:	Trump, Donald J; Milei, Javier
Classification:	81394: Political Organizations

Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.8
Publication year:	2024
Publication date:	Nov 19, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3129896043
Document URL:	https://www.proquest.com/newspapers/world-news-milei-looks-trumps-assistance-make/docview/3129896043/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-12-06
Database:	ProQuest Central

LINKS

U.S. News: Trump's Plans Complicate Outlook for Trade

Trevisani, Paulo . Trevisani, Paulo.

FULL TEXT

Investors are scrambling to figure out where to put their money across emerging markets while bracing for potentially disruptive policies under the new Trump administration.

The policies are expected to include higher tariffs and lower taxes in the U.S., which may result in a stronger dollar and stickier inflation as the new administration takes shape. This combination is making big exporters like China and Mexico look perilous for investors, while the likes of India and Brazil emerge as potential winners, analysts said.

"A lot of things have to fall in a certain order" before investors have more clarity on the global impact of Trump policies, said Malcolm Dorson, head of EM strategy at Global X ETFs. He said the expected U.S. policies will come at a time when the largest emerging market, China, is struggling to revive growth.

"EMs should be in a good place, but there is definitely a lot of room for people to push back on each of those individual drivers," Dorson said.

Some economists say Trump tariffs, combined with proposed tax cuts and other policies, would send prices for goods higher in the U.S., putting a floor on how much the Federal Reserve could cut interest rates. That would keep the dollar strong, with mixed consequences for emerging markets.

The MSCI Emerging Market index has been trending lower since the election, as the dollar strengthens. The WSJ Dollar Index, which weighs the greenback against a basket of 16 currencies, including emerging markets, has been rising.

"When the dollar is strong, financial conditions tighten and financing trade and exports become more complicated and more expensive," said Valentina Bruno, a finance professor at American University.

Jake Schurmeier, portfolio manager at Harbor Capital, said he has trimmed exposure to emerging-market debt, citing the strengthening dollar.

"That's the terror for us," Schurmeier said about the currency factor. "EMs will have to deal with the fact that the dollar will be stronger."

Beyond currency markets, Trump's promised higher trade tariffs threaten a key source of revenue for countries heavily dependent on exports like China, Mexico and Vietnam.

China is expected to bear the brunt of the Trump tariffs. The president-elect has promised a 60% blanket levy on Chinese imports. If applied in full, the policy could lead American importers to procure shipments from other countries at a time when Beijing struggles with a slowing economy.

Mexico, which is highly reliant on sales to the U.S., is also among the countries likely to be closely watched by investors worried about an economic slowdown. Vietnam is often mentioned as another potential victim of Trump's tougher stance on trade.

On the bright side, some experts say stiff U.S. tariffs could leave big exporters sitting on massive inventories they may try to sell cheaper elsewhere.

The resulting tide of cheaper goods sloshing around global markets could help cool down inflation in some countries, allowing their central banks to lower borrowing costs and boost economic growth.

"China would still have a lot of manufacturing capacity and inventory" and will be looking for new buyers, Global X's Dorson said.

India could be on the winning side of Trump policies. The country is already booming and could gobble up U.S. market share when tariffs send Chinese competitors in retreat. Prime Minister Narendra Modi is considered to have a good relationship with the president-elect.

"India is the highlight in emerging markets," Dorson said. "It is a key beneficiary from uncertainty around China and supply diversification out of China," he said.

The World Bank expects India's gross domestic product to grow 7% in the year ending in March 2025, after expanding

8.2% in the previous period. Exports play a key role in the country's economic outlook.
Half a world away, Argentina is led by another Trump ally. Since his inauguration late last year, President Javier Milei has pushed for fiscal discipline and his efforts seem to be bearing fruit: 12-month inflation was 193% in October, down from 289% in April, according to official data. Borrowing costs are falling but remain among the highest in the world.
Neighboring Brazil is often cited by analysts as another potential gainer under Trump. It is less reliant on trade than other emerging markets, so higher U.S. tariffs are unlikely to be a major problem. Brazil's central bank is raising interest rates to fight a new surge in inflation and might benefit from cheaper Chinese imports.
On the other hand, a weakened currency and declining stock prices could make local assets look cheap for investors shopping with dollars.
Credit: By Paulo Trevisani

DETAILS

Subject:	Currency; Borrowing; Investments; Exports; American dollar; Economic conditions; Tariffs; International trade; Emerging markets; Gross Domestic Product--GDP; Inflation; Interest rates; Economic growth; Trade relations
Business indexing term:	Subject: Currency Borrowing Exports American dollar Economic conditions Tariffs International trade Emerging markets Gross Domestic Product--GDP Inflation Interest rates Economic growth Trade relations
Location:	Mexico; United States--US; India; Vietnam; China; Brazil
People:	Trump, Donald J
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.2
Publication year:	2024
Publication date:	Nov 15, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News

ProQuest document ID:	3128486069
Document URL:	https://www.proquest.com/newspapers/u-s-news-trumps-plans-complicate-outlook-trade/docview/3128486069/se-2?accountid=14681

| Last updated: | 2024-11-18 |
| Database: | ProQuest Central |

LINKS

World News: Latin American Trade Is Dominated by China

Areddy, James T; Dube, Ryan; Ruiz, Roque . Areddy, James T; Dube, Ryan; Ruiz, Roque.

FULL TEXT

South of the border, China is ascendant.

Chinese leader Xi Jinping this week arrives in a region where China has replaced the U.S. as the dominant trading partner for most big economies, with the exceptions of Mexico and Colombia. Beijing has signed up most of Latin America and the Caribbean to an infrastructure program that excludes the U.S. In Peru, Xi will inaugurate a megaport to speed trade with Asia.

China is a voracious buyer of lithium from Argentina, Venezuelan crude oil and Brazilian iron ore and soybeans. The $286.1 billion in Chinese projects in the region tallied by the AidData research lab at William and Mary in Virginia -- such as metro lines in Bogota and Mexico City and hydroelectric dams in Ecuador -- is approaching the value of China's work in Africa, but with a new lending model and less backlash.

Xi is visiting South America to take part in leadership summits, including an Asia-Pacific Economic Cooperation forum this week in Lima, Peru, and a Group of 20 summit next week in Rio de Janeiro. Both are likely to illustrate what some have called China's economic marginalization of the U.S. in the region. While President Biden is expected, too, his stature will be diminished in the wake of Donald Trump's re-election -- and Xi has visited the region more than both of them.

Few see Latin America as the U.S.'s "backyard" anymore.

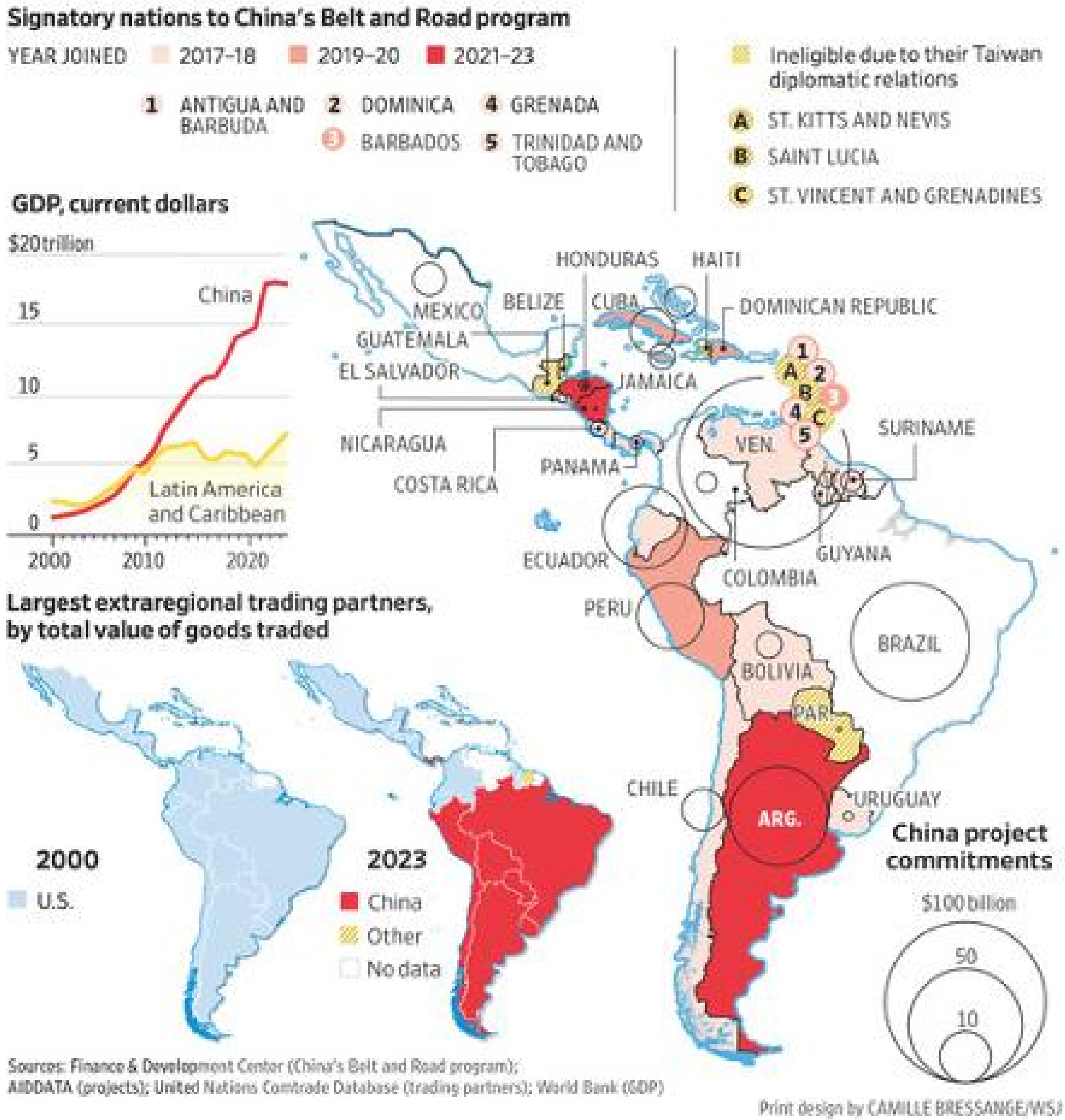
The region's nations generally pine for warm relations with the U.S., but often are seen as a secondary priority in Washington. Beijing's diplomats and executives, meanwhile, actively engage with local and national governments almost regardless of their political leanings.

"It's super frustrating because this region has everything you'd think American companies would want," says Ryan Berg, director of the Americas program at Washington's Center for Strategic and International Studies.
In addition to deepening economic ties, Xi promotes a governance model that breaks with the U.S.-led postwar order that he suggests is an outdated relic of colonialism. Xi's sustained attention to the region "is symbolic, and countries of the Global South need that recognition," said Alvaro Mendez, director of a unit at the London School of Economics and Political Science that studies China's influence.
Trump, who in his first term mostly focused on the region as a source of unwanted immigration, could force some of its countries into difficult choices if he pushes them to limit their China ties.
"Many Latin Americans are apprehensive about what's in store for them over the next four years on this critical issue," said Michael Shifter, a scholar of Latin America at the Inter-American Dialogue policy group in Washington.
Meanwhile, higher Trump tariffs could drive some nations closer to Beijing.
Chinese trade and investment has boomed across the roughly 40 nations of Latin America and the Caribbean, home to over 660 million people stretching from Mexico to Chile and Argentina, plus island-nations like Jamaica and Cuba.
China's construction of infrastructure including ports to move commodities mirrors how, all over Asia and Africa, China under Xi has cemented its presence by building bridges, power plants and stadiums. China also has less of the debt-collector image in Latin America than it has in other developing parts of the world, in part because Beijing has slowed new project commitments and adjusted how it has financed some work.
Beijing's largess isn't always beneficial. Is exports of capital and consumer goods in addition to chemicals and machinery give China a trade surplus with the region overall.
China is crowding in with manufactured exports such as Huawei Technologies telecommunication hardware and electric vehicles from BYD, which has taken over an abandoned Ford plant in Brazil. An influx of Chinese steel recently forced the closure of a large Chilean mill.
Some countries are raising tariffs on Chinese goods, and others see threats from big Chinese entrants to traditional sectors, like fishing. China's image also has been tarnished by shoddy construction, such as on a hydroelectric project in Ecuador, and limited regard for the environment and indigenous people, such as around copper mines in Peru.
China is attracted by the same attributes that should make U.S. multinationals eager to compete in the largely democratic region: abundant natural resources including critical minerals, human capital to deploy for manufacturing products like pharmaceuticals, growing consumer bases and rule of law.
Trade has given a lift to broader Beijing influence in a region that traditionally has allied itself with the U.S. Brazil recently joined China in putting forward a plan for ending the Ukraine war, and gives voice to its vision of a Global South to challenge the traditional U.S.-led order.
Argentina allows China to run a satellite tracking station for its space program, one of a growing number of quasi-military linkages. And Washington's nemeses in the region -- Cuba and Venezuela -- consider Beijing a friend and protector.
Washington worries that China's growing economic clout will provide Beijing deep influence over Latin American governments. The head of the U.S. Southern Command, Gen. Laura Richardson, has warned about Beijing's encroachment in the region. In response to China's advances, the White House has sought to build lasting institutions in developing nations to attract investment.
"This administration has focused very much on how we try to bring private-sector investment overseas, the important impact that can have in high standards and ensuring that the terms of agreements are such that they are contributing to host countries' longer stability or long-term fiscal stability," a senior administration official said, noting that China has slowed its commitments amid headwinds at home and problems with some overseas projects.
A leading motivation for Xi's attention to the region is isolating the democratically governed island of Taiwan: Seven of the 11 nations worldwide that maintain diplomatic relations with Taipei are in the region, including Guatemala, Paraguay and Haiti. Five that switched recognition to Beijing under Xi's watch, including Honduras and Panama, got showered with Chinese deals.
Beijing has locked in mineral and foodstuff purchase agreements, plus deals to operate ports in places like Peru and

trade in yuan, to fortify supply lines against risks that Chinese militarism one day sparks calls among Western powers to embargo it. In such a scenario, Beijing could be expected to offer positive inducements toward G-20 nations like Brazil to diffuse the kind of decoupling pressure Russia faced after it invaded Ukraine, according to a new report from the Rhodium Group and Atlantic Council.

Not everything cuts Beijing's way: Shortly before Xi's trip, Brazil appeared to reject its overtures to formally join the Belt and Road Initiative, a blow to a program that by the CSIS's count includes 22 of the 26 Latin America and Caribbean nations eligible for it.

Today, U.S. policymaking toward the region is heavily slanted toward illegal immigration and narcotics, instead of how its more recent general political stability and growing middle classes could work to America's advantage.



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Credit: By James T. Areddy, Ryan Dube and Roque Ruiz

DETAILS

Subject:	Immigration policy; Diplomatic &consular services; Tariffs; Developing countries--LDCs; International economic relations; Trade relations
Business indexing term:	Subject: Tariffs Developing countries--LDCs International economic relations Trade relations; Industry: 92812 : International Affairs
Location:	Mexico; Beijing China; United States--US; Latin America; Peru; Africa; Argentina; Cuba; China; Brazil; Ecuador; Asia; Ukraine
People:	Xi Jinping
Company / organization:	Name: Group of Twenty; NAICS: 926110
Classification:	92812: International Affairs
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.8
Publication year:	2024
Publication date:	Nov 14, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3128117670
Document URL:	https://www.proquest.com/newspapers/world-news-latin-american-trade-is-dominated/docview/3128117670/se-2?accountid=14681
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Last updated:	2024-11-18

U.S. News: Republicans Eye Deficit Amid Tax-Cut Plans

Rubin, Richard . Rubin, Richard.

FULL TEXT

As Republicans prepare the party-line tax bill at the core of their 2025 agenda, the key to everything is, simply, "The Number."

The Number is the maximum budget-deficit increase that Republicans are willing to tolerate as they extend tax cuts scheduled to expire after 2025 and advance the rest of President-elect Donald Trump's plans. To unlock the gate to the legislative fast track that lets them sidestep Democratic objections, Republicans must agree, with virtually no defections, on The Number.

It is a fraught conversation that is just starting, now that Republicans have won the Senate and stand close to winning enough seats for narrow control of the House. The intraparty debate will expose the tensions between deficit hawks and tax cutters and perhaps require Trump to be a referee.

Lawmakers are starting to lay down markers on The Number before the new Congress takes office in January.

Sen. James Lankford (R., Okla.) said Republicans should emphasize tax policies that spur economic growth, knowing they would be estimated to increase deficits. "We're not going to have something that's going to have zero deficit impact. That's not going to happen," he said.

But, he said, the GOP appetite for higher deficits isn't unlimited. The federal government spent $1.8 trillion more than it collected in fiscal 2024, hitting levels unprecedented outside of wars, recessions and emergencies.

House Republicans say they intend to move a bill in the first 100 days of the new Congress. It is likely to include tax cuts, border-security spending and energy policies such as expanded drilling on federal land. They can't do that until they agree among themselves and with senators on The Number.

"I want us to be bold and creative so we can include as many reforms in this package as possible," House Majority Leader Steve Scalise (R., La.) wrote to lawmakers last week.

But there is no firm agreement yet on what should go in that bill, how big it should be and how quickly it should move.

Sen. Ron Johnson (R., Wis.) said a straight extension of tax cuts would be a mindless approach that would prevent Republicans from pursuing the kinds of rate-lowering, base-broadening tax policies they campaign on.

"We've got a year. I'd rather take that year," he said.

Republicans are planning to use a procedure known as reconciliation. It is clunky, because it is restricted to budgetary items and because Congress can't use it to increase budget deficits beyond a 10-year window. But reconciliation's advantage is that the Senate can pass bills with a simple-majority vote. That is why Republicans used it for the 2017 tax law and why Democrats used it for party-line bills in 2021 and 2022.

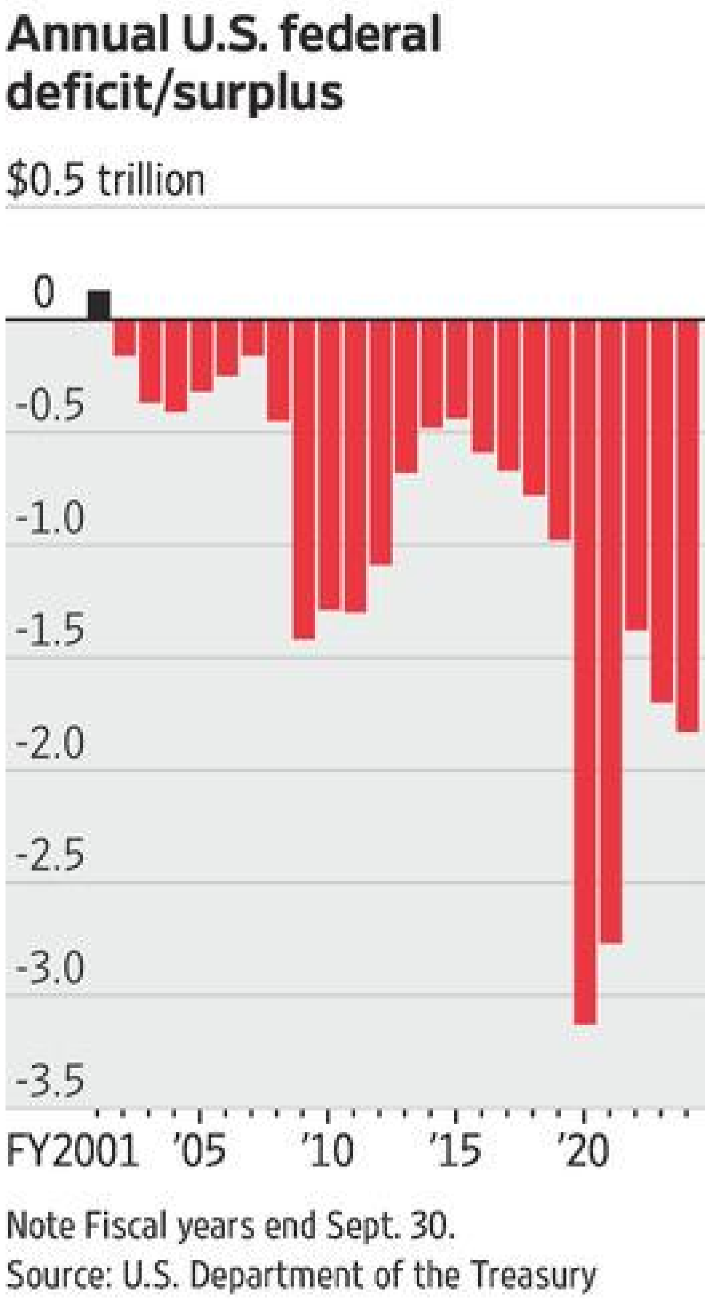
First, the House and Senate must agree on a budget with fiscal targets, with some general idea of what policies they are pursuing. Then, they advance bills that fit in those targets. Those fiscal targets will include The Number. (Technically, it could be several numbers, with benchmarks for several committees.)

The bigger The Number, the more net tax cuts Congress can pass.

The smaller The Number, the more those tax cuts must be dialed back or offset with spending cuts, tax increases or tariffs.

Trump has proposed large tax cuts on top of extensions and promised to protect major programs such as Social Security and Medicare while talking generally about spending cuts.

As the debate advances, wavering Republicans might look to him for a decision.



Enlarge this image.

Credit: By Richard Rubin

DETAILS

Subject:	Fiscal policy; Political campaigns; Federal budget; Tax cuts; Budget deficits; Reconciliation; Tax increases
Business indexing term:	Subject: Fiscal policy Federal budget Tax cuts Budget deficits Tax increases
Company / organization:	Name: Re publican Party; NAICS: 813940; Name: House of Representatives-US; NAICS: 921120; Name: Senate-US; NAICS: 921120
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.5
Publication year:	2024
Publication date:	Nov 12, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	312 6842376
Document URL:	https://www.proquest.com/newspapers/u-s-news-republicans-eye-deficit-amid-tax-cut/docview/3126842376/se-2?accountid=14681
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Last updated:	2024-11-12
Database:	ProQuest Central

LINKS

The Election Results And Your Money

Ebeling, Ashlea; Moise, Imani; Adedoyin, Oyin . Ebeling, Ashlea; Moise, Imani; Adedoyin, Oyin.

ProQuest document link

FULL TEXT

The second Trump administration stands to pursue tax cuts and policy initiatives that millions of Americans will feel in their wallets.

President Biden's push to curb credit-card late fees could be sidelined, analysts say. They don't expect his student-loan relief efforts to survive, either. With a Republican-leaning Congress, President-elect Donald Trump's 2017 tax cuts are more likely to be extended.

Pocketbook issues have already been a focus of the election, especially inflation. Investors greeted the election results by sending stocks soaring.

Much of the president's personal-finance agenda would need congressional action, and some of the biggest proposals could take years to become reality. Here are a few areas of financial impact:

Extending tax cuts

In 2017, Trump signed the Tax Cuts and Jobs Act, which lowered taxes for 80% of taxpayers. Many of those tax cuts will expire at the end of next year unless Congress acts. Trump has vowed to extend the tax cuts and to build on them, by eliminating taxes on tips and Social Security benefits.

Renewing the measures would retain the higher standard deduction and lower income-tax rates, keeping the top bracket at 37%. Affluent families could continue to pass on huge amounts of wealth to heirs tax-free if the higher threshold for the federal estate tax remains. The maximum wealth someone can die with -- or give away -- without owing the estate tax in 2025 is nearly $14 million.

Trump has separately said he wants to eliminate the state and local tax deduction cap of $10,000 that was put in the 2017 law to help pay for the cuts.

Congress could extend the cuts temporarily, or make some permanent.

Student-loan relief

The Biden administration forgave more than $175 billion in student loans for more than 4.8 million Americans, according to the Education Department. Some proposals have been struck down while others have met legal challenges.

The Saving on Valuable Education plan, known as SAVE, has been tied up in the courts because of lawsuits from Republican-led states arguing the president overstepped his administrative authority. The plan made the path for debt relief easier for longtime borrowers and those with low balances. Millions of borrowers enrolled in SAVE have had their loans put in temporary forbearance pending the legal outcome.

Trump is unlikely to continue the legal defense of the SAVE plan, said Tristan Stein, associate director for higher education at the Bipartisan Policy Center. He could also push Congress to replace the program.

"Trump has generally spoken in opposition to the Biden administration's student-loan forgiveness initiatives," Stein said.

Credit-card late fees

Trump's victory would also likely halt or reverse some rules developed by the current Consumer Financial Protection Bureau, like the $8 cap on credit-card late fees, according to Tobin Marcus of financial analysis firm Wolfe Research. Under the Biden administration, the CFPB also penalized corporate giants like Goldman Sachs and Apple, and sought

to expand its authority to regulate fintech companies such as PayPal and buy now, pay later providers.
Now, the CFPB is likely to take a more business friendly stance, similar to its approach during Trump's first term, industry analysts say.
During his last term, Trump sought to limit the CFPB's regulatory powers over financial institutions. The agency ordered banks, debt collectors and other financial companies to provide about $2 billion in consumer relief during his last term, compared with $6 billion during Biden's first three years.
Trump has floated a long-shot proposal to cap credit-card interest rates at 10%.
Child tax credit
Extending the 2017 tax cuts would mean retaining the child tax credit of up to $2,000 per child under 17. Vice President-elect JD Vance has said that he would like to raise the credit to $5,000, but such a measure could meet Republican resistance in Congress.
Democrats will push for an expanded credit as part of negotiations around the 2017 tax law's future. Vice President Kamala Harris called for a credit of up to $3,000 per child, with a bump up to $3,600 for a child under 6, and $6,000 per child under 1.
The credit begins dropping to zero for single parents with adjusted gross income more than $200,000 and married couples with adjusted gross income more than $400,000.
Credit: By Ashlea Ebeling, Imani Moise and Oyin Adedoyin

DETAILS

Subject:	Tax rates; Election results; Presidents; Gross income; Financial analysis; Tax cuts; Estate taxes; Child tax credit; Fiscal policy
Business indexing term:	Subject: Tax rates Gross income Financial analysis Tax cuts Estate taxes Child tax credit Fiscal policy; Industry: 92111 : Executive Offices
People:	Trump, Donald J
Company / organization:	Name: Consumer Financial Protection Bureau; NAICS: 926150; Name: Congress-US; NAICS: 921120
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.13
Publication year:	2024
Publication date:	Nov 11, 2024
Section:	PERSONAL JOURNAL
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States

Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3126621117
Document URL:	https://www.proquest.com/newspapers/election-results-your-money/docview/3126621117/se-2?accountid=14681
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Last updated:	2024-11-11
Database:	ProQuest Central

LINKS

EXCHANGE --- Markets &Finance -- Friday's Markets: Stocks Hit Records in Best Week of Year --- Dow Jones Industrial Average touches 44000 for the first time

Pitcher, Jack . Pitcher, Jack.

FULL TEXT

A blockbuster election week for U.S. stocks ended on Friday with records.

The prospect of tax cuts and reduced regulation under a unified Republican government drove major indexes to new highs.

The Dow Jones Industrial Average rose 0.6%, or around 260 points, touching 44000 for the first time before settling at 43988.99. The S&P 500 briefly hit the 6000-point milestone. Both posted their best weeks of the year, adding more than 4.6%.

All 11 of the S&P 500's sectors ended the week higher, with banks, energy companies, industrials and tech firms posting big gains.
Smaller stocks have done even better, with investors betting an America-first agenda will boost profits at domestic companies. The Russell 2000 index added more than 8% in its best week since 2020.
The Federal Reserve cut interest rates by a quarter point as expected on Thursday, with inflation continuing to moderate while the economy looks strong.
A Friday reading from the University of Michigan showed consumer sentiment climbed for a fourth straight month to a higher level than expected, while inflation expectations fell.
That combination creates "a potential Goldilocks scenario," said Jeffrey Roach, chief economist at LPL Financial.
Assets with direct links to President-elect Donald Trump got a boost again on Friday. Tesla shares jumped 8.2%, extending their weekly gain to 29% and taking them from a year-to-date loss to a substantial gain in the span of a few days. Tesla founder Elon Musk became one of Trump's biggest donors in 2024.
Bitcoin touched a fresh record above $77,000, adding to a rise powered by investors' expectations that the Trump administration will be friendly to the crypto industry.
While investors welcomed the gains, several said a high degree of uncertainty remains about the details of the administration's policy. Investors will be watching closely as the new administration takes over next year, said Aniket Ullal, head of ETF data and analytics at CFRA Research.
Concern that a Trump administration's fiscal plans and tariffs could stoke inflation initially fueled a bond selloff, before Treasurys rebounded in the week's final days.
On Friday, the 10-year Treasury yield, which falls when bond prices rise, inched lower to close at 4.307%, down from more than 4.4% the day after the election.
Other investors worry that stocks are already trading at relatively high multiples of companies' earnings compared with recent history.
Still, many think indexes have room to climb from here. Some investors pointed to the record assets in cash-like money-market funds and said that as lower benchmark interest rates start to make cash look less attractive, more money could flow into stocks and bonds.
"With strong fundamentals and cash sitting on the sidelines, this new administration should give a pretty good kicker to multiple expansions in what's already a strong bull market," said Paul Feinstein, chief executive of Audent Capital Partners.
Elsewhere Friday, China's latest move to shore up its economy fell flat with investors.
U.S.-listed shares of Chinese companies like Alibaba fell after Beijing extended a lifeline to local governments, but held off on big fiscal stimulus measures.
Overseas stocks mostly fell. European stocks headed for weekly losses, as investors braced for protectionist trade policies from a new Trump administration.

Enlarge this image.

Credit: By Jack Pitcher

DETAILS

Subject:	Dow Jones averages; Stocks; Inflation; Interest rates; Investors
Business indexing term:	Subject: Stocks Inflation Interest rates
Location:	United States--US
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B.10
Publication year:	2024
Publication date:	Nov 9, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3126278838
Document URL:	https://www.proquest.com/newspapers/exchange-markets-amp-finance-fridays-stocks-hit/docview/3126278838/se-2?accountid=14681
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Last updated:	2024-11-11
Database:	ProQuest Central

LINKS

World News: China Holds Off on New Stimulus Package --- Investors are disappointed there wasn't a big push to revive the economy

Feng, Rebecca . Feng, Rebecca.

FULL TEXT

HONG KONG -- China's top legislative body approved a $1.4 trillion package to help local governments swap some of their mounting off-balance-sheet debts. But lawmakers disappointed many investors by not revealing new fiscal stimulus to revive an economy poised to face new headwinds with the impending return of Donald Trump.

Anticipation for a massive stimulus package was high, especially after Trump was elected as U.S. president this past week. Trump repeatedly has said he would toughen his trade policies toward China by imposing much higher tariffs on imports from the country, which would hit one of China's key growth pillars as it attempts to stabilize its economy after the Covid-19 years.

After a five-day meeting this week, the Standing Committee of China's legislature, the National People's Congress, approved the issuance of 6 trillion yuan, about $837 billion, worth of local-government special-purpose bonds to replace local governments' hidden debt that piled up in recent years to worrying levels.

The new debt, to be issued over three years, will bring the upper limit of outstanding local-government special-purpose bonds to the equivalent of $5 trillion by the end of this year, Xu Hongcai, a deputy director of the NPC Financial and Economic Affairs Committee, said during a briefing on Friday.

Separately, Chinese Finance Minister Lan Fo'an said at the briefing that, over the next five years, local governments would be able to use an additional $560 billion worth of special-purpose bonds -- originally issued mainly for infrastructure projects -- to replace off-the-books debt.

Collectively, the package would replace $1.4 trillion worth of so-called "hidden debt" at the local government level, which Lan said stood at $2 trillion at the end of 2023 -- though many private economists put the figure at somewhere between $7 trillion and $11 trillion. They also estimated that as much as $800 billion of that debt is at a high risk of default.

The details of Friday's announcements are likely to disappoint investors, who expected a fiscal-stimulus package to be unveiled alongside the debt-swap program, which economists cautioned shouldn't be characterized as stimulus because it adds no incremental government borrowing.

Many were looking for stimulus measures that would include roughly $140 billion worth of special treasury bonds to recapitalize Chinese banks and another $140 billion to stop the downward spiral in the property market, such as helping local governments buy unsold homes and idle land parcels from developers. Friday's news briefing hinted at action on both fronts but offered no concrete figures -- a move that points to Beijing's desire to hold some dry powder in reserve should trade tensions with the U.S. intensify.

Further, debt swaps don't actually pay down local governments' risky debts and instead simply push their maturity dates into the future. The economic impact of these debt swaps will be indirect and imperceptible, said Raymond Yeung and Zhaopeng Xing, economists at ANZ.

This isn't the first time Beijing has tried to ease local governments' debt burden by swapping out hidden debt. In 2015, Beijing approved the issuance of $2.2 trillion worth of local government bonds to swap out hidden debt. In the end,

$1.7 trillion of that promised sum was issued. Two smaller debt-swap programs were completed between 2020 and this year.
Markets weren't impressed by the government's package. After Friday's briefing, which began after the end of regular trading hours in Asia, U.S.-listed Chinese stocks, such as Alibaba Group Holding, JD.com and PDD, fell in premarket trading. Hong Kong's Hang Seng Index futures fell 2.3%.
The stakes are high for Chinese policymakers. Beijing's effort to perk up flagging growth and reduce debt strains in the economy comes as Trump's return to the White House threatens a sharp escalation in tensions on a range of issues, including trade, technology, Taiwan and national security.
Trump has suggested he could hit all Chinese imports to the U.S. with tariffs of 60% to narrow Washington's trade deficit with its principal geopolitical rival -- a sharp increase on levies that average about 12.5% currently.
Most economists don't expect Trump to follow through on his warning, going instead with a more moderate range of between 20% and 22%. But if Trump does follow through, China's economy would face a substantial hit, they say.
That extreme scenario would effectively end China's current growth model, which is heavily reliant on exports and manufacturing, said Larry Hu, chief China economist at Macquarie. "Under the next growth model, domestic demand, especially consumption, could become the main driver again as it was during the 2010s," he said. "If that happens, Beijing will have no choice but to escalate stimulus, especially in housing."

Investors Had Plenty of Time to Build Up False Hopes
Investors -- many of them first-time Chinese individuals with little stock-market experience -- had been eagerly awaiting Friday's government briefing for the past month. Since late September, various officials have telegraphed plans to stimulate the world's second-largest economy, which has suffered a sharp downturn as the property-sector keeps slumping and consumer confidence declines.
In the absence of any concrete figures from officials, rumors about the scale of any government package have run wild on social-media platforms, causing gyrations in the domestic stock market. On Thursday, rumors began circulating on China's internet that the government was preparing a "bazooka" package of up to $1.7 trillion, including some $840 billion for property bailouts and consumption stimulus.
Stocks surged Thursday afternoon as Chinese individual investors piled into the market in preparation for Friday's briefing.
Credit: Rebecca Feng

DETAILS

Subject:	International trade; Growth models; Local government; Investments; Economists; Government bonds; Debt restructuring; Investors; Tariffs; Consumption; Government spending
Business indexing term:	Subject: International trade Economists Government bonds Debt restructuring Tariffs Consumption Government spending
Location:	China; Beijing China; United States--US
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.8
Publication year:	2024

Publication date:	Nov 9, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3126278791
Document URL:	https://www.proquest.com/newspapers/world-news-china-holds-off-on-new-stimulus/docview/3126278791/se-2?accountid=14681
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Last updated:	2024-11-11
Database:	ProQuest Central

LINKS

TRUMP TRIUMPHS AGAIN --- Republican former president is first in more than a century to reclaim the White House after losing it

McCormick, John; Leary, Alex; Thomas, Ken . McCormick, John; Leary, Alex; Thomas, Ken.

ProQuest document link

FULL TEXT

Republican Donald Trump leveraged anxieties about the cost of living and illegal immigration to score a decisive victory over Democrat Kamala Harris, reclaiming the White House in an electoral triumph certain to alter the U.S.'s priorities and relationship with the world.

Trump, who won election in 2016 as the 45th president, now is set to be the 47th and just the second candidate in U.S. history to win nonconsecutive White House terms. His historic win blew away expectations for a prolonged vote count decided by razor-thin margins, as polls indicated for weeks.

Harris spoke to the president-elect on Wednesday to congratulate him. Trump spoke to President Biden, who "expressed his commitment to ensuring a smooth transition and emphasized the importance of working to bring the country together," the White House said. Biden invited him to the White House "in the near future."

Trump was on pace to sweep the battleground states, take the lead in the popular vote and outperform his previous support among young people and some minority groups such as Latino men. With Trump at the top of the Republican ticket, the party won a Senate majority and looked in position to narrowly keep power in the House.

On the campaign trail, Trump asked voters to consider if they were better off under his first presidency as Harris, the vice president, struggled to distance herself from an unpopular Biden during a combative and expensive campaign that exposed the nation's deep partisan divisions. In his third consecutive White House bid, Trump often pushed dark rhetoric and repeatedly threatened retribution for his political enemies as he sought to project strength to an electorate hungry for change.

The victory cements Trump as a historic political figure who prevailed despite a brashness and unfounded claims of election fraud that alienated many, proving his 2016 victory over Democratic nominee Hillary Clinton wasn't a fluke.

"This is a magnificent victory for the American people," Trump said in a celebration in West Palm Beach, Fla., early Wednesday.

He thanked voters for sending him back to the White House and said he would fight for every citizen, repeating his campaign pledge to strengthen the economy and address other priorities. "This truly will be the golden age of America," he said.

Harris, in remarks at Howard University on Wednesday, said she offered Trump and his team her help with the transition and the peaceful transfer of power. But she said they owed their "loyalty not to a president or a party, but to the Constitution of the United States."

"While I concede this election, I do not concede the fight that fueled this campaign," she said.

Trump, 78 years old, who rose to fame as a New York real-estate mogul and reality-television star, is the oldest person ever elected president -- a few months older than Biden was when he won in 2020. Grover Cleveland, a New York Democrat, is the only other former president to win the White House after an earlier re-election defeat, claiming the second victory in 1892.

The outcome of the race caps a campaign season of unprecedented upheaval, with Trump surviving two assassination attempts. He campaigned even as he worked through many legal problems, including being indicted on federal election-interference charges and being found guilty in a state court on 34 felony counts for falsifying records to cover up hush money to a porn star.

His victory throws the election-interference charges and another federal case into doubt as Trump could follow through on a threat to fire special counsel Jack Smith and have the prosecutions dropped.

The win is likely to throw a wrench into Trump's sentencing later this month in Manhattan, and is expected to hamper a Georgia prosecutor's efforts to pursue racketeering charges alleging that Trump engaged in a criminal conspiracy to overturn the state's 2020 election results.

The former president secured his win by tapping into strong support in rural America, as he did in his first win. As of Wednesday, he was projected to be the winner in the battlegrounds of North Carolina, Georgia, Pennsylvania, Michigan and Wisconsin; he held advantages in Nevada and Arizona. Trump had 292 electoral votes. Trump also won strong support among working-class voters.

Harris struggled to pull together the diverse coalition that elected Biden in 2020, and she was weighed down by

negative views of the economy under the Biden administration.
Harris made it a more competitive race when she assumed the Democratic nomination after Biden's decision to drop out following a faltering performance in a debate with Trump. The former president had held a commanding lead in polls over Biden, but Harris, looking to become the first woman to hold the nation's highest office, quickly narrowed the gap.
Trump benefited from a sour voter mood, despite low unemployment. In the final Wall Street Journal poll before the election, almost two-thirds of voters said the nation was headed in the wrong direction. While the rate of inflation has been coming down, its pain provided a long hangover that boosted Trump and hurt Harris.
Over the course of his nearly decade on the national political stage, Trump reshaped the GOP's tone, making it more populist and less tied to the traditional conservative ideals of fiscal discipline and national-security hawkishness. Those changes, with resonance from local party officials to Congress, are certain to influence Washington's priorities over the next four years.
Sen. JD Vance of Ohio, 40, the next vice president, showed a talent for articulating the tenets of Trumpism, often with more discipline than the movement's leader and is likely to be a top future contender for the GOP presidential nomination. A constitutional limit means Trump will need to vacate the White House in four years.
Trump's arguably strongest appeal echoed Ronald Reagan. "I'd like to begin by asking a very simple question," he started an Oct. 27 speech at Madison Square Garden in New York City. "Are you better off now than you were four years ago?"
On the stump, Trump used harsh, often derogatory language that some Republicans feared would make it more challenging for him to win over those outside his base. His campaign faced backlash even from Republicans for the Madison Square Garden event, during which some speakers made racist, sexist or otherwise derogatory comments about Harris, Democrats, Puerto Ricans and immigrants. Such rallies provided much fodder for his critics, but they were his biggest venue to connect with his adoring fans -- many of whom said his unconventional political tone and style were what they liked most about him.
Democrats had the spending advantage in the race, as they did when Trump won in 2016. He benefited from a major late investment in time and money by Elon Musk. The Tesla chief executive, who campaigned with Trump, donated at least $118 million and is expected to get a role helping the new administration cut government costs.
Both candidates closed their campaigns on messages infused with fear. Harris called Trump a "fascist," highlighted former aides who said he shouldn't again be allowed in the Oval Office and argued he had hurt women's reproductive health because of the Supreme Court appointments of his first term. Trump suggested Harris was responsible for inflation and undocumented migrants who committed crimes in the U.S.
When sworn in on Jan. 20, Trump will inherit a divided country still recovering from the aftershocks of a pandemic, pained by years of inflation and locked in tribal politics.
As he did during his 2016 bid, Trump painted a bleak picture of the nation's trajectory, casting himself as the only one able to fix it. He said he could solve many of the nation's problems in short order -- sometimes with a phone call. In his first administration, that often didn't prove to be the case.
Trump has said he would push through stiff tariffs to get better trade deals and influence the foreign policy of other nations. During his previous term, his aggressive approach toward China was underscored by tariffs that plunged the two nations into a trade war.

Catherine Lucey contributed to this article.
Credit: By John McCormick, Alex Leary and Ken Thomas

DETAILS

Subject:	Polls &surveys; Nominations; Political parties; Tariffs; Indictments; Political campaigns; Election results; Negative campaigning; Presidential elections; Voters
Business indexing term:	Subject: Tariffs; Industry: 92111 : Executive Offices 81394 : Political Organizations
Location:	New York; United States--US; Georgia
People:	Trump, Donald J
Company / organization:	Name: Republican Party; NAICS: 813940; Name: Madison Square Garden Co; NAICS: 711310
Classification:	92111: Executive Offices; 81394: Political Organizations
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.1
Publication year:	2024
Publication date:	Nov 7, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3124961120
Document URL:	https://www.proquest.com/newspapers/trump-triumphs-again-republican-former-president/docview/3124961120/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-11-07

Database: ProQuest Central

LINKS

Starbucks CEO Scouted Its Cafes Before Taking Over

Haddon, Heather . Haddon, Heather.

ProQuest document link

FULL TEXT

In late summer, a customer started showing up at Los Angeles-area Starbucks cafes at all hours of the day, quizzing baristas about their favorite drinks to make, or problems with how the stores operated.

That customer, Brian Niccol, is now Starbucks's chief executive officer, and he is moving quickly to change the way customers experience the world's largest coffee chain as it struggles to draw customers.

In less than two months in the role, Niccol has pushed to focus Starbucks's operations, trimming menu items and paring back discounts. Instead, Niccol is giving priority to delivering quality coffee quickly and accurately with friendly service, particularly in the mornings, when the chain needs to shine.

Niccol, an Americano drinker, said he sympathizes with customers who want drip coffee but have to wait while baristas labor over elaborate, customized drinks. "Sometimes you just want a brewed cup of coffee really quick," Niccol said in an interview.

Starbucks's challenges have mounted this year and deepened since Niccol assumed leadership in early September. The company in October reported that U.S. transactions fell for a third consecutive quarter, while earnings and revenue for its most recent quarter undershot analysts' estimates. It scrapped its fiscal-year financial forecasts.

Niccol has said Starbucks needs to be clear-eyed about its problems and move quickly to make customer-friendly changes -- such as bringing back Sharpies for handwritten notes on cups, and possibly reinstating newspapers for those who linger. When he announced last week that self-service condiment bars would come back to stores next year, some lapsed customers said they would return.

Other issues, such as narrowing Starbucks's tens of thousands of drink-customization options, will take more time, Niccol has said.

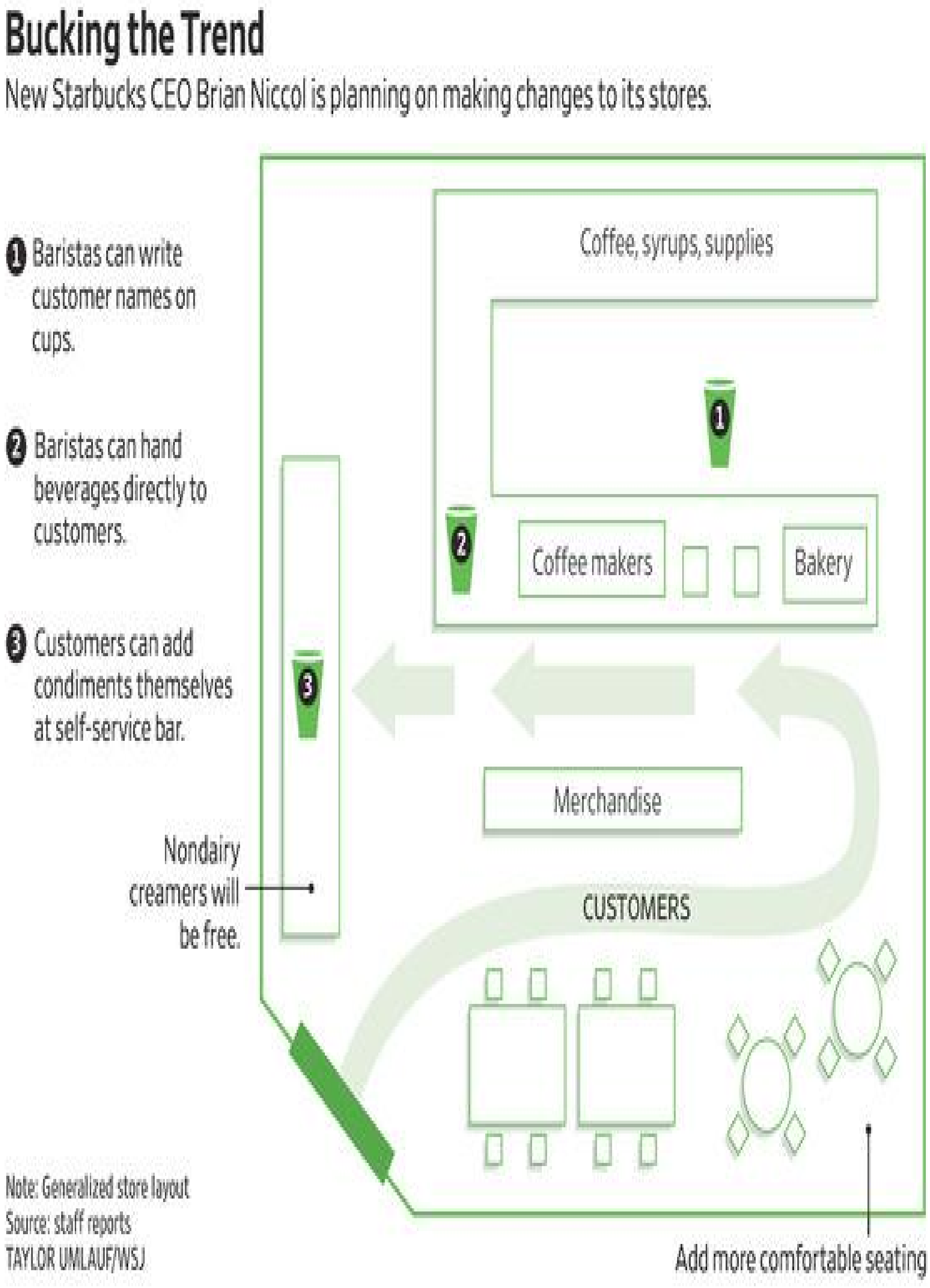
"We're in a little bit of a ditch, but that's not to say that we're not capable of getting out of that ditch quickly, effectively, smartly," he said during an internal town hall meeting following the company's earnings report last week.

Many restaurant chains are grappling with declining visits and flattening profits. Shake Shack, Wendy's, Papa John's International, Bloomin' Brands, Red Lobster and BJ's Restaurants are among the chains that have changed their CEOs recently to navigate the industry's challenges.

Beginning in January, Starbucks's sales fell, prompting the company to reduce its revenue expectations twice this year. The company's board in August fired the previous CEO, Laxman Narasimhan, after around 17 months on the job. The board said Niccol's restaurant experience, which included a turnaround at Chipotle Mexican Grill, will help to tackle its challenges. Wall Street so far is in his corner, with Starbucks's stock up around 26% since his hiring was announced in August.

Niccol has sought to immerse himself in cafe operations quickly. He is reading, responding to and acting on customer emails sent to him, which he said often spotlight issues that need addressing. Such feedback prompted him to bring

back condiment bars, Niccol said, and to try to make the menu simpler and more navigable for customers and workers.
Niccol's goal is to make Starbucks cafes places where coffee sippers can feel comfortable hanging out for hours, as envisioned by the chain's longtime leader, Howard Schultz. But Starbucks's business today is fundamentally different from its coffeehouse roots.
While myriad customization options can slow service, they are big business for Starbucks, which generates about a billion dollars in U.S. revenue annually from syrups, foams and other modifiers. Mobile orders, which can overwhelm baristas, account for more than 30% of U.S. transactions. Over 60% of U.S. sales comes from cold beverages, many of them customized.
Niccol, who became Chipotle's CEO in 2018 when the brand was fighting food-safety problems, is experienced in overhauls and decisive moves. Roughly two months after starting at Chipotle, he announced that he would relocate the company's headquarters to Southern California from Denver, saying the move would help recruit new leaders and transform the company's culture. Many of Chipotle's corporate workers left, and Niccol assembled a new team.
Niccol helped develop a "stage gate process" at Chipotle to test new ideas rigorously before bringing them to restaurants. He has stressed accountability and last year stepped up in-office work requirements to four days a week, while overseeing corporate layoffs.
With banks of desks often empty at parts of Starbucks's Seattle headquarters, the company under Niccol's leadership last month reminded workers of its three-day in-office policy, warning that they could face consequences including termination. He has stressed the need for employees to be accountable.
"If we say we're going to do something, we need to do it," Niccol said at the late October internal meeting.
Niccol himself maintains a hybrid-work arrangement allowing him to commute to Starbucks's Seattle headquarters on a company jet, with an office near his Southern California home. Starbucks said he would meet or exceed the company's policy for in-office work.
Some of Starbucks's corporate employees fear that the focus on hitting goals could lead to a weeding out of workers, and that Starbucks's traditions and vibe could fade. Others have said they find Niccol's attitude refreshing, particularly his emphasis on doing fewer things better.
Niccol has proven willing to scrap projects in which Starbucks has heavily invested and that past leaders emphasized. Starbucks earlier this year introduced a range of energy drinks, and teams were planning additional varieties. The company said recently that it would stop offering the energy drinks in the coming months.
The company is removing its olive-oil-infused Oleato line of beverages in the U.S. to make room for holiday drinks. Schultz spearheaded the beverages in 2023 during his brief third tenure as CEO, and the company spent millions of dollars on imported Italian olive oil, as well as marketing and events to promote the beverages.
The olive-oil drinks didn't meet expectations.
Schultz, who publicly criticized Narasimhan's strategy earlier this year, has so far backed Niccol's efforts. In a LinkedIn post following Niccol's first company earnings call last week, Schultz said he was impressed by the new CEO's quick grasp of Starbucks and its issues.
"I'm looking forward to following the journey," Schultz wrote.



Enlarge this image.
Credit: By Heather Haddon

DETAILS

Subject:	Customer services; Coffee; Coffeehouses; Leadership; Energy drinks; Beverages; Restaurants; Chief executive officers; Customization
Business indexing term:	Subject: Customer services Coffeehouses Leadership Restaurants Chief executive officers; Corporation: Starbucks Corp; Industry: 31211 : Soft Drink and Ice Manufacturing 72251 : Restaurants and Other Eating Places 31192 : Coffee and Tea Manufacturing
Location:	United States--US; Southern California
People:	Niccol, Brian
Company / organization:	Name: Starbucks Corp; NAICS: 722515
Classification:	31211: Soft Drink and Ice Manufacturing; 72251: Restaurants and Other Eating Places; 31192: Coffee and Tea Manufacturing
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B.1
Publication year:	2024
Publication date:	Nov 7, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3124961117
Document URL:	https://www.proquest.com/newspapers/starbucks-ceo-scouted-cafes-before-taking-over/docview/3124961117/se-2?accountid=14681
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Last updated:	2024-11-07
Database:	ProQuest Central

LINKS

U.S. News: Migrant Divide In Miami Fuels Rightward Tilt --- Poorer new arrivals aren't embraced by Venezuelans who arrived years ago

Campo-Flores, Arian . Campo-Flores, Arian.

FULL TEXT

MIAMI -- On her radio show in Miami, Carines Moncada rails against a "border disaster" fueled by a surge of Venezuelan migrants. She posts articles on her social-media accounts about crimes allegedly committed by Venezuelan migrants and the suspected growing presence in the U.S. of the Venezuelan gang Tren de Aragua.

It isn't surprising material for South Florida's conservative Spanish-language media. Except for one thing: Moncada is from Venezuela herself.

As successive waves of migrants fleeing turmoil have sought refuge in the U.S., a schism is forming between more-affluent immigrants who arrived long ago, and newer, poorer arrivals.

Former President Donald Trump has made inroads among Hispanic voters even as he has inveighed against immigration and the situation on the U.S.-Mexico border -- messages that resonate with some Latinos.

Many Venezuelan migrants who arrived in the U.S. 10 or 20 years ago were well-off professionals who entered by plane. The more recent ones are largely poorer, less-educated people who crossed the U.S.-Mexico border by land. Many from the earlier waves are wary of the newcomers, saying some are criminals or arrive expecting handouts. Those from recent waves say they sometimes feel spurned by their more-established countrymen.

It is a dynamic that has played out repeatedly among other immigrant groups throughout history and across geographies, said Eduardo Gamarra, a political-science professor at Florida International University who frequently conducts polls on Latino attitudes.

"The earlier you've come, the more likely you are to reject those that are coming now," he said.

The receptiveness of some Hispanics to tough immigration policies helps explain Trump's gains among Latino voters in some surveys. A Wall Street Journal poll of registered voters in the seven battleground states released last month found that 40% of Hispanic voters supported Trump, compared with 53% who backed Vice President Kamala Harris. In 2020, Trump won 35% of Latinos nationally, according to AP VoteCast. Hispanic voters in the recent Journal survey picked Trump over Harris as best able to handle immigration and border security, 47% to 43%.

Customs and Border Protection apprehensions and other encounters involving Venezuelans soared to about 313,000 in the 2024 fiscal year that ended in September, from about 50,000 in the 2021 fiscal year, federal data show. New proceedings for Venezuelans in immigration courts -- another measure of new arrivals -- jumped to around 276,000 from around 29,000 over the same period, according to data from the Transactional Records Access Clearinghouse at Syracuse University.

Eugenio Rodriguez, 25 years old, said he sold condiments in Venezuela, making barely enough money to eat. He said he crossed the border in California last year and applied for temporary protected status and asylum. After reuniting with his wife, who had arrived earlier, the couple eventually made their way to the Miami area, where he works installing security systems and she works in a pharmacy. The couple can remain in the U.S. legally while waiting for an immigration court to hear their cases.

Rodriguez said he hasn't felt very welcomed by some Venezuelans who put down roots years ago. "Some people are more picky," he said. "They don't like the people who are entering very much."

In a 2023 FIU poll by Gamarra of Venezuelan-American registered voters in Florida, 45% of respondents agreed with a policy of deporting undocumented Venezuelans. An FIU survey released Friday of Hispanic registered voters in battleground states found that 36% agreed that the most effective way to combat illegal immigration is through mass deportation and 39% agreed that new waves of undocumented migrants are primarily criminals who threaten public safety.

Among leaders of South Florida's Venezuelan community, "there is a very strong rejection of those coming now," Gamarra said.

Older arrivals often complain that they came to the U.S. through legal channels, which cost time and money, while many of the recently arrived are crossing the border illegally and then asking for asylum. But Gamarra said that many of the earlier arrivals overstayed tourist visas and then sought to secure legal status.

The earlier immigrants also contrast their wealth and success with the poverty of the most recent wave of migrants, Gamarra said. "What you're seeing here is a reflection of the same kind of historical class bias that exists in every one of our countries."

Gustavo Garagorry said he fled to the U.S. from Venezuela in 2002 after facing threats for his work on an opposition political campaign. He entered with a tourist visa and filed for asylum, eventually becoming a U.S. citizen. Over the years, he earned a bachelor's degree and an M.B.A., worked as a legislative analyst for a city council member and started a business that specializes in permits and licenses.

Garagorry, 57, said that although he understands the desire of his fellow Venezuelans to seek opportunity in the U.S., he is troubled by the surge of migrants in recent years and what he says is the prevalence of wrongdoers among them. "They don't have the culture of those of us who came before," he said.

Regarding Trump's frequent denunciation of undocumented migrants, Garagorry added, "The rhetoric isn't the prettiest, but. . .it doesn't affect me because I'm not part of that group." His view aligns with a finding in a New York Times/Siena College poll of Hispanic likely voters released last month. Of respondents who were born in another country, 51% said they didn't believe Trump was talking about them when he discussed immigration problems.

Echoes of Cuban Community

Miami's Cuban community went through a similar experience as the Venezuelan one, when portions of an older guard of exiles who came in the 1960s and 1970s rebuffed the mass immigration of Cuban refugees in the 1980 Mariel boatlift. The newcomers were stigmatized as undesirable and for allegedly being populated with criminals and the mentally ill.

Some Venezuelans who arrived more recently share the misgivings about some fellow newcomers. Pedro Fernandez, 47, and his wife, Germania Pirela, 41, crossed the border in 2021 and filed for temporary protected status and asylum. They made their way to Miami and later Daytona Beach, and worked long days, he as a handyman and she as a restaurant worker. They saved enough money to buy a new townhouse.

The couple said they have qualms about two groups in particular -- those with criminal intentions and those dubbed "hijos de Chavez," or "children of Chavez," who grew up almost entirely under Hugo Chavez's dysfunctional socialist

government and don't know what it is to work hard to get ahead.
The most recent arrivals "harm those of us who are doing things right," Fernandez said. "They don't represent us."
Credit: By Arian Campo-Flores

DETAILS

Subject:	Immigration policy; Hispanic Americans; Political campaigns; Polls &surveys; Voters; Criminals; Socioeconomic factors; Immigrants; Gangs
Location:	Mexico; Florida; United States--US; Venezuela; South Florida
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.3
Publication year:	2024
Publication date:	Nov 4, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3123632658
Document URL:	https://www.proquest.com/newspapers/u-s-news-migrant-divide-miami-fuels-rightward/docview/3123632658/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-11-04
Database:	ProQuest Central

LINKS

Investing Monthly (A Special Report) --- For These Collectors, It's All About the Cash: Rare banknotes can yield big bucks, if you know what to look for

Barhat, Vikram . Barhat, Vikram.

FULL TEXT

Even as the world increasingly moves toward digitized commerce, where transactions are conducted with the tap of a credit card and billions of dollars are moved electronically between banks, there is one group of people for whom hard cash is still king: collectors.

As an alternative asset class, collectible banknotes offer significant potential value to investors, and the market for these paper artifacts is thriving. Aris Maragoudakis, director of world currency auctions at Stack's Bowers Galleries in Costa Mesa, Calif., estimates the hobby sees annual trade of well over $500 million globally.

In fiscal year 2016, the World Paper Money department at Stack's recorded about $4 million in sales. By fiscal year 2024, this figure had risen to $14.5 million. The company reported an 18% increase in sales for world paper money (which doesn't include U.S. paper-money numbers) in fiscal year 2023, followed by 25% growth in fiscal year 2024.

Elsewhere, the Noonans Mayfair London realized GBP 5 million, or about $6.5 million, in world banknote sales in 2023, up from GBP 2.5 million the previous year, a representative said.

The rise of digital technology has helped broaden the base of collectors. Online auctions, forums and databases have made it easier for collectors to connect, trade and research. Greater access to information about collectible money, as well as to collectible banknotes themselves, have transformed the hobby from a game of chance to a strategic pursuit where enthusiasts can actively search for and acquire valuable pieces.

"The advent of social media such as Instagram and WhatsApp have brought in a spate of new collectors, especially youngsters," says Rezwan Razack, a specialist in vintage banknotes and chairman of the Indian chapter of the International Bank Notes Society, or IBNS.

While social media has made more people aware of older paper currencies and their histories, the declining use of physical banknotes has made them even more alluring and fascinating to collectors.

Where is the value?

Banknotes routinely become obsolete due to political shifts, security upgrades, monetary policies and technological advancements. The question is: Which ones are worthy possessions?

A plethora of factors underpin the desirability of collectible paper money. The major ones are:

-- Condition: The condition of a piece can have a significant impact on its value. "There are bills that sell for $1,000 with a fold or two, but finding one free of any folds, stains, or tears could be worth several times that," says Maragoudakis.

The condition of a bill is evaluated based on a 30-point scale ranging from poor to uncirculated crisp. Within each condition, a bill is given a number grade; a higher number -- on a scale typically from 1 to 70 -- means the banknote is in better shape.

For example, a 10,000-yuan note issued in 1951 by the People's Bank of China, graded Very Fine 20, sold for $150,000 at a Stack's Bowers auction. Three years later at another Stack's Bowers auction, a similar note in better condition, graded Almost Uncirculated 50, fetched $358,500.
-- Serial number: Banknotes with striking serial numbers are often worth more to collectors than those without. On eBay, a rare polymer GBP 20 bill with the serial number AA44 444444 received 16 bids and sold for more than GBP 317.
A set of four exceptionally rare Chinese 1953 10 yuan notes from the People's Bank of China recently sold for $432,000 because in addition to their quality, they were consecutive in serial number.
-- Scarcity: The appeal and worth of banknotes, as with other collectibles, are often tied to their rarity.
For instance, high-value banknotes were often printed in limited quantities due to their significant purchasing power, says Hakim Hamdani, director at large and a collector at the Netherlands branch of the IBNS. When these high-denomination notes are discontinued, many people cash them in rather than keeping them as collectibles.
Take the 1921 10,000-shilling note from British East Africa (now Kenya and Tanzania), of which few were printed and issued. At that time, it was equivalent to about $2,000, a substantial sum in 1920s colonial Africa. When they were demonetized, most were redeemed, making the few remaining in private hands highly desirable.
Dennis Hengeveld, president of World Banknote Auctions in Sacramento, Calif., says that depending on the condition, some of these notes have fetched between $35,000 and just over $100,000 at auctions.
A rare $500 Canadian bill from 1911 brought C$528,750 (about $386,400) at a recent auction, the largest sum ever paid for a Canadian banknote. The specimen features the image of Queen Mary and is one of only four of the bills known to exist.
-- Error notes: Governments often withdraw banknotes from circulation to deter counterfeiting, but also due to printing anomalies such as incorrect signatures, numerical discrepancies, misprints and typographical errors. Such deviations can elevate their value among enthusiasts.
In the U.S., double denominations -- such as a front displaying a $10 bill and the reverse displaying a $20 bill -- are the most prized error notes. The value of some of these pieces could top $85,000, according to Heritage Auctions.
How can I get started?
Despite the potential for a lucrative return, experts say the primary motivation for building a collection should be enjoyment and an appreciation of the history that banknotes provide. It would be best to build a collection with the idea of having fun, says Hengeveld of World Banknote Auctions, which was recently acquired by Stack's Bowers.
Of course, it's essential to do your due diligence to avoid fraud. Always buy notes from established dealers and confirm their authenticity with reputable grading services. Independent grading companies such as Paper Money Guaranty and Professional Coin Grading Service provide authentication and grading to ensure notes are genuine and their condition accurately assessed.
Auction houses and local dealers offer currency notes in different price ranges. Online retailers (eBay, Amazon.com, Collectibles &Currency), dealers and galleries (Certified Coin Exchange, George H. LaBarre), and numismatic shows (the MIF Paper Money Fair and World's Fair of Money) are other useful sources.
As well, there is no shortage of stories where people discovered valuable banknotes in attics, books, dressers and photo frames of deceased family members. In Ontario, a rare Canadian $500 bill from 1911 was discovered among the personal belongings of a deceased individual. The banknote, one of only three in existence, brought $322,000 at auction.
Those looking to dip their toes into collectible money may find valuable insights in trade magazines including Bank Note Reporter and the Greensheet, or books such as the U.S. Error Note Encyclopedia and Standard Guide to Small-Size U.S. Paper Money.

Vikram Barhat is a financial writer in Canada. He can be reached at reports@wsj.com or follow him on X @VikramBarhat.
Credit: By Vikram Barhat

DETAILS

Subject:	Collectibles; Currency; Auctions; Fiscal years; Books; Social networks; Renminbi
Business indexing term:	Subject: Currency Fiscal years Social networks Renminbi
Location:	United States--US
Company / organization:	Name: World Banknote Auctions; NAICS: 455219; Name: Peoples Bank of China; NAICS: 521110
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	R.4
Publication year:	2024
Publication date:	Nov 4, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3123632597
Document URL:	https://www.proquest.com/newspapers/investing-monthly-special-report-these-collectors/docview/3123632597/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-11-04
Database:	ProQuest Central

LINKS

Document 181 of 222

World News: U.K. Tories Tap Culture Warrior as Leader --- Badenoch takes the reins in the wake of a disastrous election for Conservatives

Colchester, Max . Colchester, Max.

ProQuest document link

FULL TEXT

The U.K. Conservative Party's selection of Kemi Badenoch as its new leader on Saturday is a big bet that a relatively untested conservative culture warrior can reassert control over the right wing of British politics after the party suffered a historic defeat in July's election.

Badenoch, 44 years old, who is the first Black woman to lead a major political party in Britain, campaigned on a platform of redefining the Tories as a party of pragmatism that cracks down on illegal immigration, trims the state and embraces cultural conservatism.

While in government "we talked right, but governed left," she said recently, explaining why her party slumped to its worst performance in 200 years against the Labour Party in the latest general election in July.

"To be heard, we have to be honest," she said after she was selected for the role following a ballot of Tory party members. "Honest about the fact we made mistakes and honest that we let standards slip. The time has come to tell the truth."

The former trade secretary, who was born in London but spent part of her childhood in Nigeria, is known for her no-nonsense, straight-talking style, which at times in the past has both energized and exasperated her Conservative colleagues. She first entered Parliament in 2017 and quickly rose through the ranks by championing Brexit and anti-woke policies. She succeeds former Prime Minister Rishi Sunak and becomes the sixth Tory leader in eight years.

The selection sets the stage for an ideological battle over Britain's direction. Badenoch faces a challenge on two fronts: taking on Prime Minister Keir Starmer, who is betting on a big state and big taxes to fix Britain's woes, and upstart politician Nigel Farage, whose Reform UK party has drawn millions of Tory supporters by promising a harder line on illegal migration.

Badenoch has argued Labour's approach is wrongheaded. During her campaign, she said the British state had become too big and unproductive. She also said that net-zero targets were harming economic-growth prospects. She pledged to lay bare the trade-offs that are involved with a small-state, lower-tax government and be a leader "who tells the truth because the truth will set us free."

Badenoch is relatively little known among the British public and so far not popular. Only 12% of Britons have a favorable opinion of her, according to pollster YouGov.

How she tackles Farage is less clear. Her views on immigration are less well-defined.

She says Britain must do better to control its borders but has shied away from pledging to pull the country out of a European human-rights convention to make it easier to deport people seeking asylum.

For some political analysts, Badenoch faces tension in trying to win back the roughly 14% of voters who voted for Reform without alienating centrist voters that also make up a key part of the Tories' coalition.

"All of this begs the question: Having won by appealing to the party members -- who are themselves to the right of the average conservative voter -- whether she will then tilt to the center or feel the need to continue to play further out to the right," said Tony Travers, a politics professor at the London School of Economics.
The outlook for the party Badenoch inherits isn't rosy. The Tory brand is damaged after years of infighting over policy direction, poor management of Britain's divorce from the European Union and a drumbeat of scandals. The Conservatives have traditionally been seen as the party of fiscal responsibility and border control, but growth stagnated and a record number of migrants arrived under their 14-year watch.
But with another election not due until 2029 at the latest, the Tories have time to regroup. And the incumbent Labour Party, which has a big majority, has had a difficult start to its tenure. Its popularity has fallen since the election and it has imposed the biggest tax increase in a generation as it seeks to fix Britain's public services.
Badenoch made waves as a junior equalities minister under then-Prime Minister Boris Johnson, when she enraged many on the left by endorsing a report challenging the notion that there was widespread institutional racism in Britain. She has in the past defended colonialism, saying that good as well as bad things came out of Britain's empire. She has also weighed in on the gender debate, stating support for single-sex toilets and domestic-violence shelters for people who are solely biologically women. Her confrontational style continued during her Tory leadership campaign, where she said that maternity pay had gone too far.
"I will not stand there and let people punch me. If you swing at me, I will swing back. But I don't look for fights," she once said.
Credit: By Max Colchester

DETAILS

Subject:	Immigration policy; Conservatism; Voters; Prime ministers; Political leadership
Business indexing term:	Industry: 81394 : Political Organizations
Location:	United Kingdom--UK
People:	Badenoch, Kemi
Company / organization:	Name: Conservative Party-UK; NAICS: 813940
Classification:	81394: Political Organizations
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.18
Publication year:	2024
Publication date:	Nov 4, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States

Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3123632591
Document URL:	https://www.proquest.com/newspapers/world-news-u-k-tories-tap-culture-warrior-as/docview/3123632591/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-11-04
Database:	ProQuest Central

LINKS

U.S. News: Meet the Headhunter-in-Chief for Trump -- - Howard Lutnick is tasked with finding recruits for possible new administration

Ensign, Rachel Louise . Ensign, Rachel Louise.

FULL TEXT

Cantor Fitzgerald Chief Executive Howard Lutnick hired thousands of employees after most of his company's New York staff was killed on Sept. 11, 2001. Now he is in charge of lining up candidates for a similar number of jobs in the event of a second Trump administration.

Lutnick, 63 years old, is MAGA's top emissary on Wall Street, a place where some executives have embraced former President Donald Trump's tax policies but are leery of the tone of his rallies. Trump, a longtime friend, appointed Lutnick co-chair of his transition team in August. His mandate is to compile shortlists of candidates for jobs ranging from attorney general to the deputy solicitor for water resources.

The billionaire says his experience running Cantor makes him uniquely suited for the role.
Terrorists flew a pair of passenger jets into the Twin Towers of the World Trade Center 23 years ago, killing all 658 Cantor employees who were in the office that morning. Lutnick, who wasn't at work because he was taking his son to his first day of kindergarten, made headlines as the CEO who wept on the news. He has spent the decades since rebuilding the business, finding success in niches such as crypto and the blank-check company craze of a few years ago.
Cantor Fitzgerald now has 13,000 employees around the world, compared with about 2,000 after 9/11.
Now he has joined Trump's new inner circle of advisers from the business world. Elon Musk is on board as the chief red-tape cutter. Investors John Paulson and Scott Bessent are dispensing economic advice and jockeying for the job of Treasury secretary.
Lutnick had a top speaking slot Sunday at Trump's Madison Square Garden rally. He is making the rounds on cable television to tout the former president's policies. On Wednesday, he questioned the safety of vaccines for children in an appearance on CNN.
He also tagged along with Trump to a campaign event in Michigan and a visit to the grave of an Orthodox Jewish leader.
Lutnick said in an interview in his Midtown Manhattan office that a second Trump administration would look different than the first. His team isn't interested in people such as former Defense Secretary Jim Mattis and former chief of staff John Kelly, who both worked in the first Trump administration, had their own ideas about how to do their jobs and eventually publicly condemned their former boss. Rather, Lutnick said, hires will "be loyal to the policies of the president."
Lutnick says he works for his companies from 6:30 a.m. to 9 a.m. and 4 p.m. to 10:30 p.m. In between, he volunteers for the Trump transition team. He is in back-to-back meetings with potential candidates and the executives and politicians vouching for them.
Recommendations come from executives including Apollo Global Management head Marc Rowan and brokerage founder Charles Schwab. In the middle of a meeting with a Journal reporter, a senator called.
Lutnick credits his rise at Cantor in part to wooing potential clients over drinks. And he doesn't shy away from a hard sell.
Years ago, he wanted to hire Alice Greenwald from the U.S. Holocaust Memorial Museum to be the director of National September 11 Memorial &Museum, where he sits on the board. When she declined, he told her having to watch someone else do the job was going to ruin her life.
He said she accepted the job a few days later.
Lutnick, a registered Republican, has donated to politicians in both parties over the years. In the 2016 election, he gave to Democratic presidential candidate Hillary Clinton and to Kamala Harris, who was running to represent California in the U.S. Senate, according to OpenSecrets.org. He also donated to Republican presidential candidates Jeb Bush and Trump in that election cycle.
He first met Trump, whom he calls DJT, attending charity events in New York decades ago. More recently, the men played golf together. Lutnick and his wife, Allison, who have four children, gave to Trump's 2020 re-election bid.
"For my whole life I was a fiscal conservative, social liberal . . . The Democratic Party moved away from me," he said, citing the party's approach to illegal immigration as one example.
Trump called him about a year ago to ask him to help with his presidential bid. Lutnick hosted a $15 million fundraiser for the candidate in the Hamptons over the summer.
Musk took the stage with Lutnick at the Madison Square Garden rally. The pair of billionaires told the packed arena that they plan to create a Department of Government Efficiency, or DOGE, a cheeky nod to a cryptocurrency inspired by a Shiba Inu.
"How much do you think we can rip out of this wasted, $6.5 trillion Harris-Biden budget?" Lutnick asked Musk.
"I think we could do at least $2 trillion," Musk said.
"Yeah!" Lutnick yelled, pumping his fist. The crowd cheered.

Cantor Fitzgerald's Businesses

Howard Lutnick owns the majority of privately held Cantor Fitzgerald, which controls three companies, two of which are publicly traded.

BGC Group is the old brokerage business, which arranges trades of bonds and other securities for the biggest banks. That company is behind an effort to dethrone the exchange giant CME Group.

Newmark Group is a commercial real-estate broker. And a third company called Cantor offers investment-banking services.

Cantor Fitzgerald has ventured into some controversial corners of finance. A foray into sports betting led to a more than $22 million penalty for illegal gambling and money laundering. The unit was sold off in 2020.

It also has embraced crypto, which many larger companies avoid. Last year, the Journal reported that the secretive Hong Kong-based owner of the stablecoin tether used Cantor Fitzgerald to help oversee its $39 billion bond portfolio.

Credit: By Rachel Louise Ensign

DETAILS

Subject:	Memorials &monuments; Political campaigns; Bond portfolios; Presidential elections; Candidates; Employees; Executives; Professional recruitment
Business indexing term:	Subject: Bond portfolios Employees Executives Professional recruitment; Industry: 71212 : Historical Sites 92111 : Executive Offices
Location:	New York; United States--US
People:	Trump, Donald J; Lutnick, Howard
Company / organization:	Name: Madison Square Garden Co; NAICS: 711310
Classification:	71212: Historical Sites; 92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.4
Publication year:	2024
Publication date:	Nov 1, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper

Language of publication:	English
Document type:	News
ProQuest document ID:	3122859331
Document URL:	https://www.proquest.com/newspapers/u-s-news-meet-headhunter-chief-trump-howard/docv iew/3122859331/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-11-01
Database:	ProQuest Central

LINKS

AXA Investment Managers Sees Interest in Europe Credit

Fujikawa, Megumi . Fujikawa, Megumi.

FULL TEXT

TOKYO -- More money is set to flow into European assets and away from American ones -- particularly toward corporate bonds -- as political uncertainty clouds the U.S. policy outlook ahead of the presidential election, AXA Investment Managers said.

The firm has neutralized its risk exposure to the U.S. as the Nov. 5 presidential election draws near, said Marion Le Morhedec, global head of fixed income at the investment-management arm of French insurer AXA.

"We are expecting to continue to see the interest in European bond markets, mostly in credit," she told The Wall Street Journal.

Le Morhedec thinks a victory by Republican candidate Donald Trump would likely spur more volatility in financial markets than a win by Democratic candidate Kamala Harris.

"With Trump, it could be more of a shock because if tariffs are really being increased, it creates an inflation shock rather than smoothen the increase of inflation expectations," she said.

Trump has floated the idea of sharply raising tariffs on goods imported into the U.S., which economists say could drag on growth and spur inflation. Economic policies suggested by Harris, like tax credits and incentives, also could keep inflation in the U.S. from slowing further, some analysts say.

An election outcome that generates more uncertainty and potentially affects the pace of the Federal Reserve's rate-cutting cycle stands to heavily influence markets' risk appetite.
Both the Fed and the European Central Bank embarked on rate cuts this year as inflationary pressures cooled from a peak triggered by the pandemic and the war in Ukraine. In Le Morhedec's view, inflation has been better controlled in Europe. Companies there also are on solid footing, adding to the appeal of European corporate debt, she added.
"Euro credit has been super successful this year," she said. "We see fundamentals of companies in Europe are very strong. They have been very resilient. They have been deleveraging their balance sheet over the past years."
Against that backdrop, Le Morhedec thinks investors' interest will be fixed more on European corporates and not that much on sovereign debt, particularly given rising concerns about fiscal issues in some European Union economies.
She remains cautious about fiscal risks in the U.S., too.
"I'm expecting the [capital] flows to be favoring corporates compared to governments [bonds] and to be favoring Europe corporates compared to U.S. corporates," Le Morhedec said.
Fears over the U.S. budget deficit have led to a selloff in Treasurys, with the 10-year yield rising to around 4.3% recently, the highest since July.
Recent moves by credit agencies highlight the fiscal challenges faced by some eurozone governments. Moody's Ratings last week lowered the outlook for France's sovereign debt to negative from stable, citing a worse-than-expected fiscal deterioration and rising risk that the government may not be able to stop the budget deficit from widening and debt affordability from worsening. That followed a similar move by Fitch Ratings.
Le Morhedec said AXA Investment will continue to make investment judgments based on a long-term perspective.
As of end June, the firm had about 860 billion euros in assets under management, equivalent to about $930 billion.
Credit: By Megumi Fujikawa

DETAILS

Subject:	Investment advisors; Inflation; Sovereign debt; Presidential elections; Budget deficits; Corporate debt; Tariffs
Business indexing term:	Subject: Investment advisors Inflation Sovereign debt Budget deficits Corporate debt Tariffs; Industry: 92111 : Executive Offices 52394 : Portfolio Management and Investment Advice
Location:	United States--US; Europe
Company / organization:	Name: AXA Investment Managers; NAICS: 523940
Classification:	92111: Executive Offices; 52394: Portfolio Management and Investment Advice
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B.10
Publication year:	2024
Publication date:	Oct 31, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.

Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3122406003
Document URL:	https://www.proquest.com/newspapers/axa-investment-managers-sees-interest-europe/docview/3122406003/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-10-31
Database:	ProQuest Central

LINKS

Deficit Worries Drive Bond Yields Higher

Goldfarb, Sam . Goldfarb, Sam.

FULL TEXT

The prospect of a rising federal budget deficit is fueling a sharp climb in bond yields, with investors betting a challenging fiscal situation might only get worse after the election.

Treasury yields, which rise when bond prices fall, jumped Monday after a $69 billion government auction of two-year notes attracted tepid demand from investors. That marked the latest leg in a weekslong bond-market selloff that began after a run of strong economic data undercut bets on rate cuts from the Federal Reserve.

The auctions aren't poised to get smaller soon. When the Treasury Department releases its quarterly borrowing plans on Wednesday, it will almost certainly maintain record debt sales over the next three months. There also is a chance that it could hint that further increases are coming next year, according to some analysts.

Most investors expect the budget deficit to remain elevated no matter who wins in next week's elections, with the cost of spending programs such as Medicare and Social Security climbing faster than federal revenue. Still, many think the budget gap will expand the most if Republicans sweep control of both the White House and Congress, leading to extensions of old tax cuts and the possible addition of new ones.

That view has been evident in recent days, with longer-term Treasury yields climbing as betting markets showed former President Donald Trump's chances of victory increasing. Trump's campaign proposals would expand deficits by $7.5 trillion over a decade, according to a recent analysis -- more than double Kamala Harris's proposals.

Trump's plans to impose universal tariffs and crack down on immigration could have substantial economic implications. But bond investors are focusing mostly on the supply of Treasurys "because it is a little more tangible," said Gennadiy Goldberg, head of U.S. rates strategy at TD Securities.

With immigration and tariffs, there is debate about "how much of this is actually just campaign talking points," while with the deficit, "we know what happened in the first Trump term," he said.

There are some telltale signs that deficit worries have contributed to the recent increase in yields.

When investors are concerned about the supply of bonds, longer-term Treasury yields tend to rise more than shorter-term yields because they are less tethered to the near-term outlook for interest rates set by the Fed. That often drives up estimates of the term premium -- or the component of Treasury yields that accounts for everything other than the expected path of rates, including the supply of Treasurys.

The yield on the benchmark 10-year U.S. Treasury note settled Tuesday at 4.272%, up around 0.26 percentage point since Oct. 16, according to Tradeweb. The two-year yield has increased a more modest 0.18 percentage point over that period. Estimates of the 10-year term premium also have ticked higher.

Deficits aren't typically the biggest influence on Treasury yields. The current market selloff kicked off in earnest near the start of this month after the release of an encouraging September jobs report. That reduced fears that the U.S. was heading toward a recession, causing investors to scale back their expectations for how much the Fed will trim interest rates in the coming months and years.

Deficits typically grab the attention of investors when there is a major shift in the fiscal outlook, as can often happen around an election.

TD Securities estimates that the fiscal 2025 deficit will be around $2 trillion under any political scenario, up from $1.8 trillion in the fiscal year that ended on Sept. 30.

The election outcome could make a bigger difference the following year, with TD estimating a $2.2 trillion deficit under a Republican sweep versus a $2.05 trillion deficit if Harris wins but faces a divided Congress, a scenario that polls suggest also has a good chance of happening. That gap can largely be explained by the expiration of 2017 tax cuts at the end of 2025, which analysts expect would be fully extended by Republicans, but only partially extended if Democrats hold some power.

The government has discretion over how it borrows money from investors.

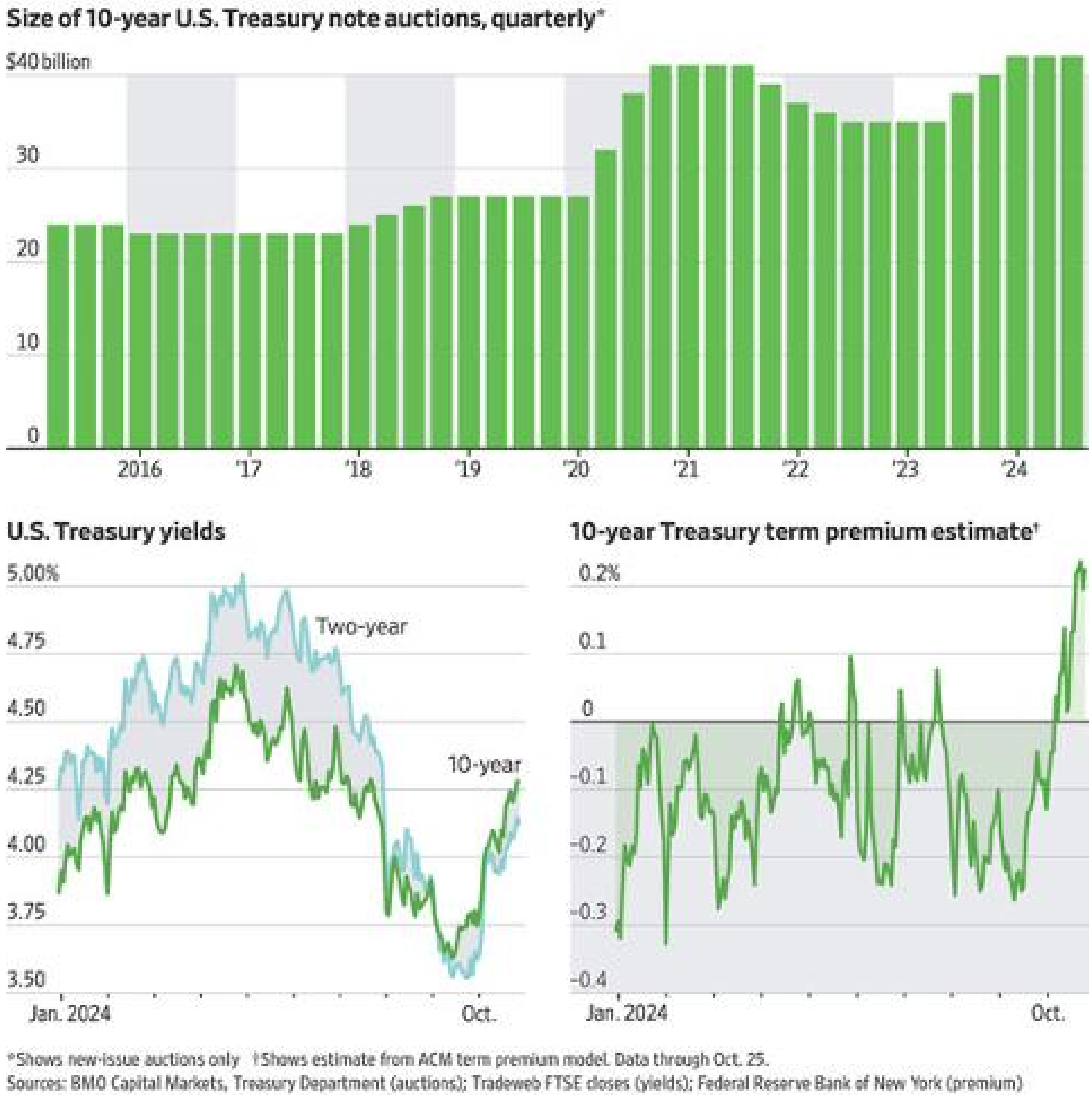
Issuance of "coupons" -- notes and bonds that mature in two years or more -- tends to have a larger market impact than issuance of bills that mature in a year or less. As a result, the government typically funds unexpected increases in the deficit by ramping up bill issuance. It tries to telegraph changes in coupon auctions well in advance and make only gradual adjustments.

Treasury officials, though, also try to avoid maxing out bill issuance during economic expansions in case there is a recession that leads to a big increase in the deficit.

Bills made up 21.7% of outstanding Treasurys at the end of last month. That is a little higher than the range of 15% to 20% recommended by a private-sector Treasury advisory group in 2020 but still below the long-term average of about 22.4%.

In a recent report, analysts at Goldman Sachs argued that there is a chance that Treasury officials on Wednesday could signal openness to increasing coupon auction sizes next year to avoid a scenario in which the share of bills climbs too high.

But analysts at BNP Paribas struck a relatively relaxed tone on the issue. "Having more T-bill flexibility allows for steady coupon issuance," they wrote in a recent report, adding that "T-bills are easier to absorb for markets."



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Credit: By Sam Goldfarb

DETAILS

Subject:	Auctions; Treasuries; Tariffs; Political campaigns; Federal Reserve monetary policy; Interest rates; Tax cuts; Immigration; Budget deficits; Recessions
Business indexing term:	Subject: Treasuries Tariffs Federal Reserve monetary policy Interest rates Tax cuts Budget deficits Recessions; Industry: 92113 : Public Finance Activities 52111 : Monetary Authorities-Central Bank
Location:	United States--US

Company / organization:	Name: Congress-US; NAICS: 921120
Classification:	92113: Public Finance Activities; 52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B.1
Publication year:	2024
Publication date:	Oct 30, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3121873277
Document URL:	https://www.proquest.com/newspapers/deficit-worries-drive-bond-yields-higher/docview/3121873277/se-2?accountid=14681
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Last updated:	2024-10-30
Database:	ProQuest Central

World News: Yellen Warns of West Bank Economic Collapse --- In a letter, several finance ministers urge

Israel not to cut Palestinian bank ties

Peled, Anat; Abdel-Baqui, Omar; Keller-Lynn, Carrie . Peled, Anat; Abdel-Baqui, Omar; Keller-Lynn, Carrie.

FULL TEXT

Treasury Secretary Janet Yellen warned that the West Bank's economy could collapse if Israel doesn't preserve its banking relationship with Palestinian financial institutions in the territory it occupies, highlighting another potential source of instability as Israel also battles in Gaza, Lebanon and Iran.

In a letter to Prime Minister Benjamin Netanyahu, Yellen and several of her global counterparts urged the Israeli leader's government to approve a waiver that would continue to allow Palestinian and Israeli banks to correspond. Without the waiver, the Palestinian banks would be cut off from Israel's financial system, severing a relationship that supports $13.2 billion in trade, the letter said.

Israeli Finance Minister Bezalel Smotrich has until Thursday to sign off on renewing the waiver, which must be done periodically. Failing to renew the relationship risks disrupting the disbursement of millions of dollars of international donor support, according to the letter, which was reviewed by The Wall Street Journal.

Smotrich, an ultranationalist hard-liner and settler leader, and his far-right allies oppose and have sought to weaken the U.S.-backed Palestinian Authority, which governs parts of the West Bank and cooperates on security issues with Israel. Spokespeople for Smotrich and Netanyahu's office didn't respond to requests for comment.

"We write to emphasize our fear that actions taken by some members of your government to deny the West Bank access to financial resources endangers Israel's security and threatens to further destabilize the entire region," the letter said.

The Bank of Israel, the country's central bank, on Monday said it supports the waiver and hoped it would be extended this week. The central bank also said the decision to continue providing services without receiving the waiver, or indemnity and immunity letters, lies with Israeli banks, in accordance with their risk-management policies.

The Palestine Monetary Authority, which effectively serves as the central bank for the West Bank and Gaza, didn't respond to a request for comment. The U.S. Treasury Department declined to comment.

Trade between the Israeli and Palestinian economies comprises about 70% to 80% of the Palestinian gross domestic product, said Raja Khalidi, an economist and director-general of the West Bank-based Palestine Economic Policy Research Institute.

"Certain levels of trade will be crippled," he said. Expiration of the waiver would create inflation for Palestinians, and affect the Israeli economy, as well as its security, he said.

"Not renewing the waiver will immediately lead to more illicit transactions," he said. "It will effectively create a black market for trade and other transactions between Palestinians and Israelis."

The Palestinian Authority is experiencing a fiscal crisis, according to a recent World Bank report, which said its budget deficit is expected to reach $1.9 billion this year.

"In the absence of financing alternatives, covering such a deficit is expected to prove almost impossible for the PA and may pose elevated risks for a systemic collapse," the report said. "Safeguarding correspondent banking relationships between Palestinian banks and Israeli banks continues to be essential."

After the Hamas-led attacks that killed about 1,200 people and saw some 250 taken hostage on Oct. 7, 2023, Israel canceled more than 100,000 work permits for West Bank Palestinians, cutting off a key source of revenue stream for the roughly three million Palestinians who live there.

The Palestinian Authority is seen by the U.S. and other international allies as a potential alternative to Hamas in Gaza. Smotrich and other Israeli leaders, including Netanyahu, have accused the Authority of supporting terrorism against

Israelis and oppose it taking over the enclave, though some in the Israeli security establishment support the option.
The Palestinian Authority says it often cracks down on militant groups in the West Bank, including by arresting members of armed groups.
The signatories of the letter include finance ministers from Japan, Canada, the U.K., the Netherlands, Australia and France. The letter also raises Israeli concerns about illicit financing for terrorism in the Palestinian territories but states that a report by the Treasury Department determined that "financial institutions within the West Bank maintain adequate controls to manage this risk."
The letter added that the Palestinian Authority, which receives technical assistance from the World Bank, is working to further strengthen its anti-money-laundering and antiterror funding efforts.
There is continuing work both by Israel and international teams to look into the illicit financing, a person familiar with the matter said.
The letter came before Israel's Parliament opened its winter session on Monday after a three-month recess.
Credit: By Anat Peled, Omar Abdel-Baqui and Carrie Keller-Lynn

DETAILS

Subject:	Banking industry; Palestinian people; Gross Domestic Product--GDP; Waivers; Central banks; Economic growth; Budget deficits; Financial institutions; Economic impact
Business indexing term:	Subject: Banking industry Gross Domestic Product--GDP Central banks Economic growth Budget deficits Financial institutions Economic impact; Industry: 92812 : International Affairs 52111 : Monetary Authorities-Central Bank
Location:	West Bank; United States--US; Israel; Gaza Strip
People:	Yellen, Janet L; Netanyahu, Benjamin
Company / organization:	Name: International Bank for Reconstruction &Development--World Bank; NAICS: 541720, 928120; Name: Palestinian National Authority; NAICS: 921190; Name: Hamas; NAICS: 813940
Classification:	92812: International Affairs; 52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.6
Publication year:	2024
Publication date:	Oct 29, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance

ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3121477970
Document URL:	https://www.proquest.com/newspapers/world-news-yellen-warns-west-bank-economic/docview/3121477970/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-10-29
Database:	ProQuest Central

LINKS

Economists Warn of Potential For Inflation Following Election

Timiraos, Nick . Timiraos, Nick.

ProQuest document link

FULL TEXT

A punishing 2 1/2-year fight to bring inflation down appears to be succeeding. The election could change that.

Inflation has fallen because of higher interest rates and big assists from healed supply chains and an influx of workers. But whether borrowing costs and price growth continue to ease next year could turn heavily on policy choices by Donald Trump or Kamala Harris.

Both candidates support policies to boost growth that might keep inflation from falling any further. But economists and even conservative-leaning advisers worry that the ideas backed by Trump, in particular, risk stoking the embers of inflation. Those include the Republican presidential nominee's proposals to slap across-the-board tariffs on imported goods, to deport workers and to lean on the Federal Reserve to lower interest rates.

"Put them all together, these levers are moving more in an inflationary direction. I'm legitimately worried about inflation worsening in 2025," said Brian Riedl, a former GOP Senate aide now at the conservative Manhattan Institute.

Moreover, a second Trump term would unfold against a much different economic backdrop than his first one, when

price pressures had been low and stable for many years.
Given the changed economic environment and the farther-reaching policies Trump has proposed, it is reasonable to worry that inflation threats would be magnified in a second Trump term, said Marc Short, who served as legislative-affairs director in the Trump White House. Trump's proposals could draw him into new battles with the Fed, which is mandated to keep inflation low.
Inflation is largely driven by global forces, not individual presidents. During Trump's term, the overhang of the 2008 global financial crisis kept demand and price pressures subdued globally. Inflation soared beginning shortly after President Biden, a Democrat, took office, as the U.S. reopened from the pandemic.
Strong demand from that reopening received big booster shots from ultralow interest rates and Biden's fiscal stimulus. All of this ran headlong into crippled supply chains and discombobulated labor markets. Inflation hit 9.1% in 2022, after Russia's invasion of Ukraine roiled global energy markets.
Inflation has slowed steadily as supply problems have sorted themselves out and as the Fed has raised interest rates. The consumer-price index slipped to 2.4% last month, close to where it was before the pandemic. Looking ahead, global trends will likely continue to be the main inflation drivers.
Harris, the Democrats' presidential nominee, has promised to tackle the cost-of-living crisis by boosting home construction, cracking down on alleged price gouging, and expanding a tax credit for families with young children.
The vice president has committed to offsetting any new spending programs with tax or other revenue increases but hasn't proposed significant outright deficit reduction. "If Democrats hold on to power, I don't think you're going to see a big spike in inflation, but we may find that it remains somewhat sticky and stubborn," Riedl said.
Trump wants to extend pieces of his 2017 tax-cut law that expire after 2025 while further lowering corporate tax rates. He has also proposed eliminating taxes on workers' tips, overtime pay and retirees' Social Security benefits.
Changes to trade and immigration policy, where the president has more freedom to act without seeking approval from Congress, make Trump a bigger wild card.
"If he does the things he says he's going to do, straight up, he will be hitting the U.S. economy with a negative supply shock. Prices will go up, and the capacity of the economy to supply goods and services will go down," said Adam Posen, president of the Peterson Institute for International Economics.
A Peterson Institute study estimated that deporting immigrants would significantly reduce economic output while boosting inflation. With fewer workers available, businesses would have to either raise wages and prices or accept lower margins.
Supporters of the Trump administration's immigration proposals said the economy will be better off if Americans earn more doing jobs now held by foreign workers.
"If we in fact restrict the labor market to American workers, they will get paid more, and prices will then have to be higher," said Oren Cass, founder of American Compass, a think tank that is supportive of Trump's trade and immigration agenda. "That sounds to me like how markets are supposed to work."
But many economists said labor markets are more complex and warn of ignoring knock-on effects of shrinking the workforce.
Economists at the University of Colorado, Denver, studied the deportations carried out by the Bush and Obama administrations between 2008 and 2014. They found that, for every one million unauthorized workers expelled from the U.S., 88,000 American workers lost their jobs.
That is because immigrant workers in certain industries such as food processing, agriculture, construction and hospitality don't necessarily compete with U.S. workers. If current workers are expelled, rather than hire more native-born workers, those businesses are likely to scale back production. Fewer sales, in turn, lead to fewer higher-paying jobs held by native-born workers that cater to those industries.
Business leaders and economists agree that U.S. consumers will bear the cost of tariffs. "We will pass those tariff costs back to the consumer," said Philip Daniele, chief executive of AutoZone, in a September earnings call.
Trump has floated an across-the-board tariff of 10% and tariffs on Chinese imports of 60% or higher. Both are much farther reaching than anything he previously attempted.

Advisers to Trump said his tariffs wouldn't be inflationary, either because a more limited series of tariffs in 2018 and 2019 didn't produce inflation, or because he would simply use the threat of larger tariffs to gain leverage.

"Just like 2016, Wall Street and so-called expert forecasts said that Trump policies would result in lower growth and higher inflation. . . . Actual growth and job gains widely outperformed these opinions," said Brian Hughes, a senior campaign adviser.

Some conservative economists said Trump's promises to cut regulations, especially in the energy sector, could lower inflation by removing production barriers.

Short, Trump's former legislative-affairs director, said the first administration didn't cut spending as promised. Likewise, he said, investors are underestimating the risk that a second administration would be less friendly to businesses by seeking to pick winners and losers.

"The first administration was very deregulatory, and I'm just not sure that's what you're going to get in a Trump 2.0 because most of the people around the president now clearly see a more expansive role for government in the economy," Short said.

For the Fed, figuring out the downstream impacts of higher tariffs would be complicated and uncomfortable. Anything that rekindles inflation could lead officials to slow or even halt plans to reduce interest rates. They began dialing rates down from a two-decade high last month.

Trump, who repeatedly pressed for lower rates when he was in office, would be able to name a new Fed chair in 2026. Short predicted "a very active president as far as interaction with the Fed."

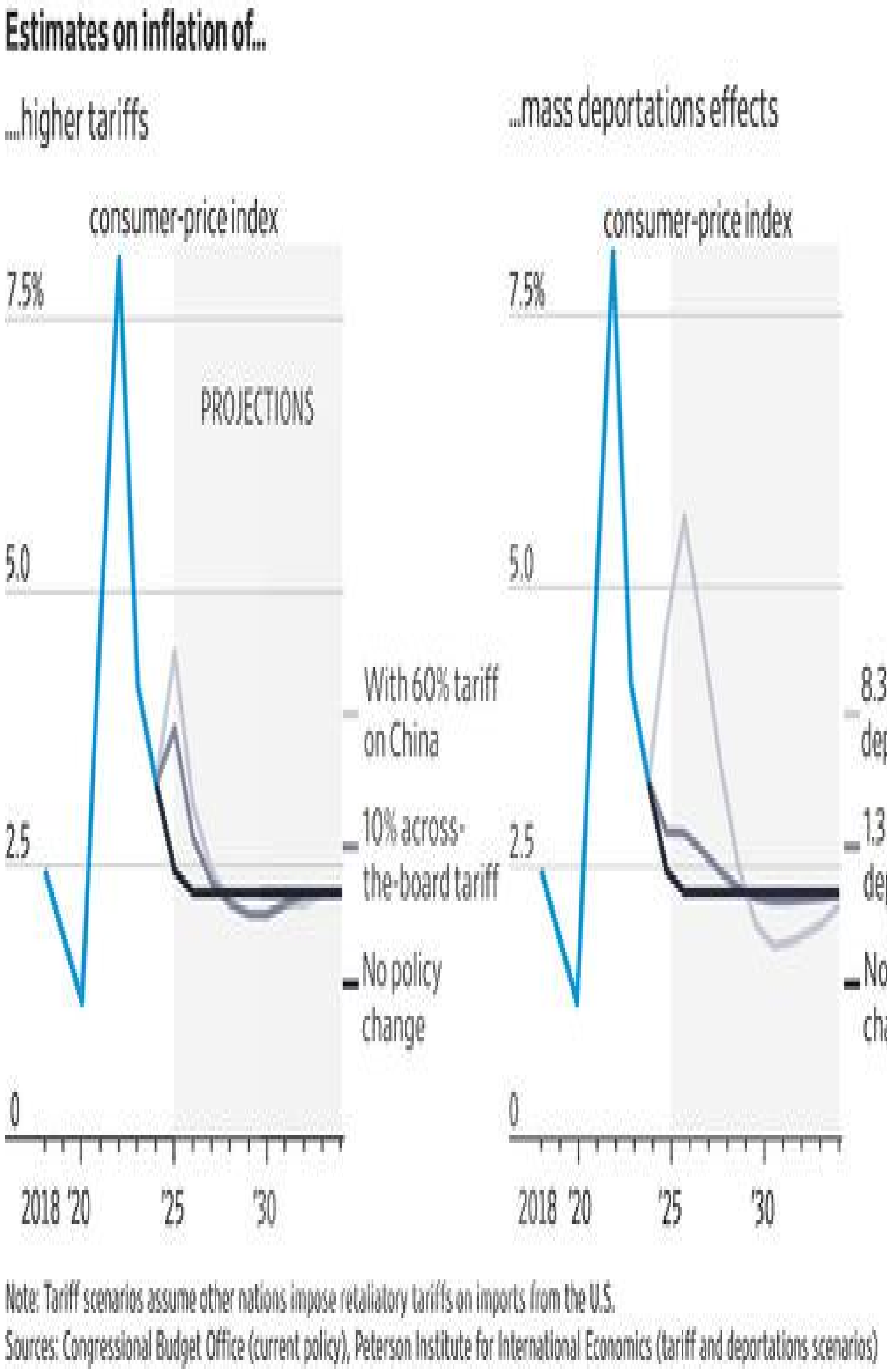
Fed officials might conclude that tariffs are akin to a tax hike that weakens demand. In 2019, higher tariffs roiled stock markets and threatened to chill business investment. The Fed cut rates after concluding the trade war's negative hit to economic growth would overwhelm any inflationary impacts.

Some believe the central bank could remain neutral. At a conference this summer, Fed governor Christopher Waller, a Trump appointee, suggested that if tariffs cause a one-time price increase, "it seems like the ultimate supply shock that a central bank should just look through."

Others worry tariffs could stoke inflation. For example, workers might start demanding higher wages because prices are going up. U.S. trading partners could retaliate by placing tariffs on other products, initiating a rolling trade war.

"That, to me, sounds more inflationary as opposed to a one-time change in the price level," said Federal Reserve Bank of Chicago President Austan Goolsbee in an interview this summer.

Rising budget deficits pose a final source of concern. Some analysts fear a growing list of spending and tax-cutting promises from both candidates will lead deficits to rise because politicians will underestimate their price tag.



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Credit: By Nick Timiraos

DETAILS

Subject:	Nominations; Economic impact; Presidents; Federal Reserve monetary policy; Inflation; Central banks; Interest rates; Consumer Price Index; Economists; Immigration; Labor market; Tax increases; Tax rates; Pandemics; Tariffs; Trade disputes; Political campaigns; Supply chains; Negative campaigning; Presidential elections; Budget deficits
Business indexing term:	Subject: Economic impact Federal Reserve monetary policy Inflation Central banks Interest rates Consumer Price Index Economists Labor market Tax increases Tax rates Tariffs Trade disputes Supply chains Budget deficits; Industry: 92111 : Executive Offices 92113 : Public Finance Activities 52111 : Monetary Authorities-Central Bank
Location:	United States--US
People:	Harris, Kamala; Trump, Donald J
Classification:	92111: Executive Offices; 92113: Public Finance Activities; 52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.1
Publication year:	2024
Publication date:	Oct 28, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3121146614
Document URL:	https://www.proquest.com/newspapers/economists-warn-potential-inflation-following/docview/3121146614/se-2?accountid=14681
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Last updated:	2024-11-04
Database:	ProQuest Central

LINKS

World News: Japanese Vote Costs Ruling LDP Absolute Majority in Lower House

Inada, Miho . Inada, Miho.

FULL TEXT

TOKYO -- Japanese voters deprived the ruling Liberal Democratic Party of the absolute majority it has held for over a decade in Japan's lower house, with an election Sunday that prolongs a period of uncertainty over the leadership of an important U.S. ally.

Prime Minister Shigeru Ishiba now faces a political battle to keep his job and continue on the path set by his predecessor, Fumio Kishida, who sought to strengthen U.S. security ties to counter China, boost the Japanese military and steer the economy toward a complete exit from deflation.

Ishiba, who took office on Oct. 1, said before the election that he would consider it a victory if the ruling two-party coalition held on to a majority.

"We're being judged harshly," he said Sunday night as exit polls indicated that the LDP would fail to carry the coalition over that relatively low bar. "We must accept it with humility and solemnity."

Ishiba, a 67-year-old inveterate agitator within the LDP, was billed as an agent of change when he was selected as party leader last month, with a mission of helping reverse a decline in the party's popularity. He quickly set the date for Sunday's election as an opportunity to secure a mandate for the LDP.

But after he made a series of policy reversals, Ishiba's approval ratings fell and voters began to see him as a continuation of the status quo under his predecessor, who stepped down from office in response to public anger over a funding scandal involving senior party members.

The LDP secured 191 seats in voting Sunday for the 465-seat House of Representatives, down from its 247-seat majority, according to results reported by public broadcaster NHK. Its junior coalition partner, the Komeito party, won 24 seats, down from 32.

To hold on to power, the LDP and Komeito will need to bring in new partners to attain the 233 seats needed for a majority.

Some members of the LDP are likely to call on Ishiba to take responsibility for the poor election result, possibly costing him his job, said political scientist Lully Miura.

Sunday's election was the first in three years for Japan's lower house, which is the more powerful of the parliament's

two chambers, with the power to select the prime minister and pass the budget on its own.
Asuka Eitoku, a 28-year-old occasional supporter of the LDP in Tokyo, said she didn't vote for the party this time in protest over the funding scandal, which involved a failure to report fundraising revenue.
"I'm concerned about one-party monopoly politics," Eitoku said.
The LDP's domination of the government has been nearly unbroken since the party's founding in 1955, in part because of the fragmentation of the opposition.
Tokyo voter Toshimitsu Miyajima, 85 years old, said the LDP had become complacent. "Politics must change. Change is important," he said. Miyajima said that he had voted for the largest opposition party, the Constitutional Democratic Party of Japan.
The CDPJ ended up with 148 seats after voting Sunday, a leap from its pre-election count of 98, NHK reported.
Among Kishida's priorities was a goal of nearly doubling Japan's military spending by the fiscal year that begins in 2027, a shift from conventional postwar policy. Ishiba, a former defense minister, supported that shift.
Before Ishiba was selected to be prime minister, he also called for revising what he described as an unequal security alliance with the U.S. and floated the idea of forming an Asian version of the North Atlantic Treaty Organization.
But after taking office, Ishiba backpedaled. There was no mention of either of those ideas in the LDP's campaign platform published ahead of Sunday's election. Instead, it reprises a message from previous platforms: "Make the Japan-U.S. alliance the cornerstone" of partnerships "to further promote a free and open Indo-Pacific."
U.S. Ambassador to Japan Rahm Emanuel said after the vote that the relationship remains strong. "It's clear that there is a consensus in Japanese politics that the ever-deepening cooperation between our two nations is critical to the security and collective deterrence of the Indo-Pacific region and beyond," he said.
The LDP's platform also called for a significant strengthening of Japan's defense capabilities to address security challenges such as missile tests by North Korea.

Chieko Tsuneoka contributed to this article.
Credit: By Miho Inada

DETAILS

Subject:	Scandals; Voters; Prime ministers; Political parties
Business indexing term:	Industry: 81394 : Political Organizations
Location:	Miyajima; United States--US; Japan
People:	Ishiba, Shigeru; Kishida, Fumio
Company / organization:	Name: NHK; NAICS: 516120; Name: Democratic Party; NAICS: 813940; Name: Liberal Democratic Party-Japan; NAICS: 813940
Classification:	81394: Political Organizations
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.7
Publication year:	2024
Publication date:	Oct 28, 2024

Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3121146607
Document URL:	https://www.proquest.com/ newspapers/world-news-japanese-vote-costs-ruling-ldp/docview/3121146607/se-2?accountid=14681
Copyright:	Copyright 2024 Dow Jones &Company, Inc. All Rights Reserved.
Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-10-28
Database:	ProQuest Central

LINKS

MANSION --- Mansion Taxes --- Real-estate pros love to hate them, while local governments embrace them as a new source of funding. How much does the rise of 'mansion taxes' actually affect the housing market?

Taylor, Candace . Taylor, Candace.

FULL TEXT

After years of saving for a down payment, Hamza Sheikh was ready in 2022 to buy his first home -- a one-bedroom apartment in Manhattan.

Sheikh, who is in his early 30s and works in technology, was "dead set" on paying less than $1 million, according to his real-estate agent, Phillip Salem of Compass. That's because New York charges a so-called mansion tax for properties of $1 million or more, meaning he would have to pay an additional 1%, or at least $10,000, in cash at closing.

"It wouldn't have been a total deal breaker," says Sheikh, who likely would have borrowed the extra cash from his family. But avoiding the tax "made the whole process a lot more feasible."

They focused on apartments priced around $1.1 million, seeking sellers who might be willing to go below $1 million, Salem said. Eventually, they found a Chelsea condo asking $1 million; Salem negotiated the price down to $995,000, and they made a deal.

Mansion taxes -- shorthand for taxes on high-end real-estate sales, usually in the form of a one-time payment at closing -- are becoming more common as cash-strapped local governments look for new funding sources. In New York, buyers typically pay the mansion tax; in other markets, like Los Angeles and San Francisco, sellers are usually on the hook to pay such fees. Often popular with voters, these taxes face vehement opposition from the real-estate industry and business groups, who say such measures will cripple the residential real-estate market.

The impact is often much more nuanced. The data show that new mansion taxes tend to have a significant but short-term impact on the number of home sales, creating a rush of deals before the tax goes into effect and suppressing transactions for several months afterward. Then, the market begins to normalize.

Take Los Angeles, for instance. Since its new mansion tax, called Measure ULA, went into effect in April 2023 to raise money for affordable housing and homelessness prevention, the controversial law has been widely blamed for tanking the city's high-end housing market. ULA required the sellers of residential and commercial properties above $5 million to pay a 4% tax, while the sellers of properties of $10 million and up paid 5.5%. (The thresholds are adjusted for inflation each year.)

"In L.A., the luxury home market hit a wall," said California spec-home developer Simon James. "A lot of it had to do with ULA."

The first month the law was in effect, the number of L.A. property sales over $5 million plummeted to four from 90 the previous month, according to data compiled by real-estate appraiser Jonathan Miller. What happened, he said, is that sellers rushed to close deals before ULA took effect. "There was a heightened frenzy in the buildup to that tax being implemented," he said.

The number of high-end sales stayed low for several months as many owners delayed putting their homes on the market in hopes that ULA would be repealed or altered, local agents said.

That was the case for entrepreneur David Alexanderian, who completed a six-bedroom spec house in L.A.'s Bird Streets in 2023. "I waited for six or seven months" to put it on the market, he said. Eventually he gave up on the law being repealed and listed the home for $24.5 million.

When the roughly 11,000-square-foot house, which has a massage room and putting green, sold in August for $21 million, Alexanderian had to pay a total of about $1.25 million for the mansion tax and transfer tax, significantly cutting into his profit, he said. "This is a very unfair tax," he said, vowing not to do any future projects in L.A.

Gradually, the number of high-end sales in L.A. has crept back up. In July 2024, the city saw 25 home sales over $5 million, more than double the number in July 2023 and down slightly from July 2022.

"Initially, people didn't know what to do -- it was so jarring," L.A. Compass real-estate agent Tomer Fridman said of ULA. These days, the tax is more likely to play a role in negotiations, with buyers and sellers sometimes splitting the tax. "Now, it's a conversation to be had."

L.A.'s high-end market is still contending with high interest rates, spiraling fire-insurance costs and a general slowdown in housing sales across the country.

The lasting impact of mansion taxes tends to be with deals right around the price thresholds for when the taxes kick in. Some buyers, like Sheikh in New York, take pains to minimize or avoid paying such fees. In New York, that means

plenty of $995,000 or $998,000 price tags, said real-estate agent Leslie Hirsch of Christie's International Real Estate Group.
Mansion taxes -- some of which also apply to commercial transactions -- have been present in some areas for years: New York state in 1989 started requiring buyers to pay a flat 1% tax on any home purchase of $1 million or more. That has remained the starting point for the mansion tax since then, leading New Yorkers to complain that the name is deceptive, given that $1 million buys only a small apartment in Manhattan. "Someone from another country, when you tell them about mansion taxes, they fall off their chair and say, 'Have you seen a mansion?'" said longtime New York real-estate agent Leonard Steinberg.
Recently, more mansion taxes have been proposed or expanded as cities seek new sources of funding amid falling commercial property values and a decline in state funding since the 1970s, often coupled with state laws restricting other types of taxes.
"Local leaders are going to be put under immense pressure with few options," said Richard Auxier, a state and local tax-policy expert at the Urban-Brookings Tax Policy Center. "You're out of money -- what else are you going to do?"
In 2019, New York City added a supplemental mansion tax for buyers of homes of $2 million or more, with increases at different price levels, up to 3.9% for homes of $25 million and up. In San Francisco, voters have approved four increases in transfer-tax rates since 2008; in 2020, they approved Proposition I, which doubled the tax rate for sales of at least $10 million, with the sellers of homes at $25 million or more now paying 6%. Not all have succeeded: Chicago's Bring Chicago Home referendum, which sought in part to raise the city's real-estate transfer tax on property purchases of $1 million and up, was defeated in March.
New York City's mansion tax helps fund public transit, with the Metropolitan Transportation Authority collecting $345.1 million from the tax in 2023 for capital projects, according to an MTA spokesperson. In August, the MTA announced it would start selling debt backed by mansion-tax revenues to help raise $2 billion for infrastructure upgrades.
But most of the new measures around the country aim to address the housing crisis. The sharp jump in the homeless population, a shortage of affordable housing and increasing income inequality have helped sway public opinion in favor of mansion taxes in many places, said Peter Dreier, a professor of Urban &Environmental Policy at Occidental College who was involved in drafting Measure ULA.
Seven states, plus Washington, D.C., have a form of mansion tax, according to Kamolika Das, local tax policy director at the Institute on Taxation and Economic Policy.
"Taxing the people who have benefited the most from the real-estate boom -- that's a pretty attractive way of addressing the housing crisis," Dreier said. After ULA passed, "we got a lot of calls asking, 'How did you do it? Can we do it here?'"
In San Francisco, funds from Prop. I go into the city's general fund but are intended for rent relief and affordable housing. Between January 2021 and March 2024, Prop. I raised $324 million, according to a June report by the city's Housing Stability Fund Oversight Board. Of that, more than $203 million was spent on new affordable housing initiatives and to provide emergency rent relief to San Franciscans, the report said, including acquiring five sites to build more than 550 units of new affordable housing.
In Los Angeles, ULA revenues go into the House LA Fund, with roughly 70% going to affordable housing programs and 30% to homelessness prevention. As of April, $54.7 million in ULA funds had been proposed to expedite the building of 795 affordable housing units, and an estimated 11,000 people had been approved for ULA-funded emergency rent assistance, according to a report by Dreier and others. Between June and August, more than 1,500 people received legal services in eviction cases, Dreier said.
Governments often fail to anticipate the initial ups and downs when forecasting how much money mansion taxes will bring in, Miller said. For example, Measure ULA was projected to raise nearly $1 billion a year. Instead, from the time it went into effect to early October, it had generated only about $403 million from 623 transactions.
Dreier acknowledged that after ULA was introduced "for the first couple of months, the tax numbers were nowhere close to what we had anticipated." He attributed this largely to the real-estate industry going "on strike, basically,

against the measure. It worked for a while, but eventually people had to sell their properties."
When New York City increased its mansion tax in 2019, it saw a similar pattern. In June 2019, the month before the increase took effect, the number of Manhattan sales of $2 million or more jumped to 661 from 355 the previous month, then plummeted to 164 in July 2019, Miller's data shows.
"There was a sharp drop-off in transaction volume after a bit of a frenzy just before the enactment," recalled Steinberg. By December, the number of sales had returned to normal and even surpassed the number in December 2018.
Now, New York buyers are accustomed to the tax. "It's become the norm," said real-estate attorney Shaun Pappas with Starr Associates.
When North Carolina oncologist Dr. Sean Wang started looking for a Manhattan pied-a-terre, he didn't realize that New York has a mansion tax.
In August, he paid $985,050 for a one-bedroom in Midtown. While he said he feels "lucky" to have avoided the tax, his choice had little to do with that -- mostly, he liked that the south-facing condo has an extra half bathroom, unlike many of the apartments he looked at. For the right apartment, "I was prepared to pay more than $1 million," said Wang, 55. The mansion tax was "a minor contributing factor."
Like Wang, most buyers are more focused on finding the right home than avoiding mansion taxes, agents said.
"I don't think a buyer is going to lose out on their dream property because of a 1% payment," said Salem of Compass, who works in both New York and Los Angeles.
In San Francisco, real-estate agent Nina Hatvany of Compass said the tax only factors in a bit. "No one has said to me, 'I'm not buying an expensive house because when I sell I'll have this big tax,'' she said. There are some situations when it comes into play, she said; for example, if a homeowner is renovating their home and considering buying a house to live in temporarily, the high cost of selling may be a deterrent.
In Washington state, which expanded its excise tax in 2020, sellers also pay little attention to it, in part because home values have steadily increased for years. "It has been a nonissue, other than that people do not enjoy paying it," said real-estate agent Jen Cameron of the Agency Seattle.
Buyers and sellers try various tactics to avoid paying mansion taxes, especially for homes on the cusp of a price threshold where the tax kicks in or increases. Hirsch and her colleague Howard Morrel, who listed the New York home that Wang eventually purchased, purposefully priced it just below $1 million to help lure buyers. "If they can avoid the tax, it sets our listing apart," Hirsch said.
For communities considering measures like a mansion tax, Shane Phillips of the UCLA Lewis Center for Regional Policy Studies advises governments to implement marginal taxes, where the effective rate increases gradually with every dollar spent, rather than all-or-nothing thresholds. That would avoid "these weird threshold effects that occur," he said, calling them "inefficient and wasteful."
Another challenge with the politics of mansion taxes is how the funds are allocated, according to Auxier, the tax policy expert. The money collected fluctuates with the real-estate market, making it hard to predictably fund programs.
Credit: By Candace Taylor

DETAILS

Subject:	Tax rates; Houses; Real estate sales; Funding; Transfer taxes; Homeless people; Fiscal policy; Luxury homes; Voters; Affordable housing
Business indexing term:	Subject: Tax rates Transfer taxes Fiscal policy Affordable housing
Location:	Chicago Illinois; New York; United States--US; New York City New York; Los Angeles California; San Francisco California

Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	M.1
Publication year:	2024
Publication date:	Oct 25, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3120274424
Document URL:	https://www.proquest.com/newspapers/mansion-taxes-real-estate-pros-love-hate-them/docview/3120274424/se-2?accountid=14681
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Last updated:	2024-10-25
Database:	ProQuest Central

LINKS

Mixed Earnings Extend Stocks' Pullback

Uberti, David . Uberti, David.

ProQuest document link

FULL TEXT

The stock market opened in the red and extended declines after another mixed round of earnings reports on Wednesday, dragging all three major indexes to their steepest declines in weeks.

The slide spanned soda makers, a coffee giant and an aircraft manufacturer, with losses by chip stocks adding momentum to the broader market's turn lower in the afternoon.

The technology-heavy Nasdaq Composite led the retreat with a decline of 1.6%, or 296 points, to 18276.65. The Dow Jones Industrial Average fell 1%, or 410 points, to 42514.95, while the S&P 500 dropped 0.9%, or 54 points, to 5797.42.

Investors have tapped the brakes on stocks' record run, jeopardizing what could be their seventh straight week of gains, while they unpack a barrage of earnings reports offering snapshots of the health of U.S. consumers.

Even though the American economy remains robust, the companies reporting so far have shared outlooks that many investors view as good, but not great.

With businesses valued so highly relative to profits, said Jose Torres, senior economist at Interactive Brokers, "any disappointment in the outlook for the bottom line can significantly impact stock-market performance."

Boeing reported a $6.2 billion quarterly loss, its biggest since the pandemic upended global air travel.

Chief Executive Kelly Ortberg said the plane maker needs a culture change. Striking machinists rejected a revised contract offer from the company late Wednesday. Boeing also said it will burn through cash in the next three quarters. Shares declined 1.8% Wednesday and have plunged 40% this year.

Coca-Cola slipped 2.1% Wednesday after posting soft sales that some analysts have attributed to price increases.

Starbucks shares ticked 0.9% higher after the coffee chain suspended guidance for next fiscal year and a new chief executive called for a strategic overhaul.

Meanwhile, AT&T shares rose 4.6% thanks to better-than-expected earnings and despite booking a $4.4 billion impairment related to its business-wireline unit.

Market-moving reports continued after the bell with earnings by Tesla and IBM. Investors are awaiting a jammed slate next week, when Alphabet, Microsoft, Meta Platforms and Amazon.com report.

Elsewhere in the stock market, McDonald's was the Dow industrials' worst-performer after federal officials said they were investigating Quarter Pounders as the potential source of an E. coli outbreak across 10 states. The company's shares fell 5.1%, their largest single-day drop since the outset of the Covid-19 pandemic.

While earnings have been top of mind on Wall Street, positive data about the U.S. economy has scrambled investors' expectations for Federal Reserve interest-rate cuts and pushed up bond yields.

The yield on the 10-year Treasury, which is heavily influenced by the outlook for short-term interest rates set by the Fed, surpassed 4.2% this week for the first time since July and settled Wednesday at 4.240%.

Political jitters have added to the pressure.

In recent weeks, Wall Street has ramped up bets on a Republican sweep of the White House and Congress that could pave the way for tax cuts, spending bumps and tariffs on foreign goods. Most economists believe the agenda will buoy inflation and lead to higher interest rates over time.

Safe returns from bonds could peel away some investors from riskier assets such as stocks, particularly in industries that need to borrow money to fund innovation such as artificial intelligence. On Wednesday, shares fell in many of the companies that design or manufacture chips needed for AI, including Nvidia's 2.8% decline. Qualcomm and Arm also posted losses amid a licensing dispute. Qualcomm shares dropped 3.8% while Arm's American depositary receipts declined 6.7%.

The impact of climbing Treasury yields has already rippled into the housing market, where high prices and mortgage rates are keeping buyers on the sidelines.

Existing-home sales in September fell 1% from a month earlier to a seasonally adjusted annual rate of 3.84 million, the National Association of Realtors said Wednesday, on pace for their worst year since 1995.

In commodity markets, benchmark U.S. crude futures fell 1.4%, to $70.77 a barrel, weighing on energy stocks. Oil

prices have retreated about 17% from a year ago despite continuing fighting across the Middle East.
Credit: By David Uberti

DETAILS

Subject:	Stock exchanges; Investments; Securities markets; Pandemics; Dow Jones averages; Federal Reserve monetary policy; Losses; Interest rates; Investors
Business indexing term:	Subject: Stock exchanges Securities markets Federal Reserve monetary policy Interest rates; Corporation: Qualcomm Inc; Industry: 92113 : Public Finance Activities 52111 : Monetary Authorities-Central Bank 52321 : Securities and Commodity Exchanges
Location:	United States--US
Company / organization:	Name: Qualcomm Inc; NAICS: 334220, 513210
Classification:	92113: Public Finance Activities; 52111: Monetary Authorities-Central Bank; 52321: Securities and Commodity Exchanges
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B.1
Publication year:	2024
Publication date:	Oct 24, 2024
column:	Wednesday's Markets
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3119871524
Document URL:	https://www.proquest.com/newspapers/mixed-earnings-extend-stocks-pullback/docview/3119871524/se-2?accountid=14681

Chinese Illicitly Move Billions Overseas as Economy Struggles

Douglas, Jason; Feng, Rebecca . Douglas, Jason; Feng, Rebecca.

FULL TEXT

Chinese residents have been illicitly moving billions of dollars out of the country as a cratering property market and economic uncertainties push people to find safer places to park their wealth.

Moving fortunes out of China is hard: The country imposes strict capital controls that cap individual purchases of foreign exchange at $50,000 a year. Violators can receive big fines, even prison sentences, if they break the law.

Nevertheless, the stampede for the exit in the past few years appears to dwarf the outflows that occurred in 2015 and 2016, when a property downturn propelled what at the time was the biggest episode of capital flight from China, in dollar terms, according to economists and a Wall Street Journal data analysis.

The Journal's tally suggests as much as $254 billion might have left China illicitly in the four quarters through the end of June. That is a larger sum than fled the country almost a decade ago, when outflows raised fears of a possible financial crisis. However, estimates of such outflows are inherently imprecise and overall capital flight appears to be smaller today as a share of China's overall economy.

Some of the missing money likely includes export earnings stashed overseas instead of being brought back to China to take advantage of higher deposit rates and investment opportunities abroad.

Even so, the trend is worrisome for Chinese policymakers. It adds to pressure on the currency as officials focus on tightly managing it, though recent attempts to jolt the economy with stimulus are buoying the yuan and Chinese stock markets, which might persuade people to keep more money in China for now.

It also underscores waning confidence in China's economic path among those with the resources and wherewithal to get their money out.

People use a variety of tried-and-tested, but risky, methods to get around the government's restrictions, such as shipping valuables overseas or overpaying for imports. Others are using newer methods such as ferrying computer hard drives loaded with cryptocurrencies to other jurisdictions to convert into hard cash.

Behind the exodus lies the Covid-19 pandemic, government crackdowns on the private sector and widespread fears

that China's go-go days are behind it. Economic growth is expected to slow to around 3% by the end of the decade, according to the International Monetary Fund, from 5% now and closer to 7% before 2020. China's epic property meltdown has incinerated an estimated $18 trillion in household wealth since 2021, according to Barclays.
Although Beijing's latest stimulus measures, which include pledges of new fiscal spending, are likely to boost growth somewhat, it is too early to say if they will spark a durable economic turnaround.
Longer-term, the nation faces a fearsome challenge from an aging and shrinking workforce and is enmeshed in conflict with the U.S.-led West over issues ranging from trade to security and technology.
Government officials are trying to make examples of the people they catch violating the rules. In a case reported by state television broadcaster CCTV in September, Beijing police busted a group that helped move 800 million yuan, equivalent to $112 million, overseas by trading in cryptocurrencies.
A case in May involved a person who ostensibly worked at a travel agency but operated an illegal foreign-currency exchange business from Beijing, the state-run Xinhua News Agency reported.
China's State Administration of Foreign Exchange publishes records of people punished for violating capital controls. A man surnamed Liu, from Zhejiang, made 48 illegal foreign-exchange transactions totaling more than $3 million between January 2022 and March 2023, according to SAFE's website, one of 10 similar examples it published in April. Punishments include fines totaling more than half of the money involved, and could lead to criminal charges.
That capital flight is nonetheless occurring shows how far people will go to get better returns given scant investment opportunities in China, said Martin Lynge Rasmussen, a senior strategist at research firm Exante Data who has studied the phenomenon.
Getting money out of China has become a lot harder, according to private bankers and family office employees in Hong Kong and Singapore. Nowadays, banks in Hong Kong have strict limits for new cash deposits designed to weed out potential capital-control violations.
To get around the rules, some business owners set up shell companies overseas in their family members' names, which are then used to acquire a stake in the China-based enterprise, people at family offices that manage Chinese money said.
That way, the China-based firm can be redesignated as a Sino-foreign joint venture, which isn't subject to the government's caps for individuals, allowing its China-based owners to transfer money to the offshore entity in the form of dividends and other payments. But moving money that way is slow, the people said.
Art offers another route. One person at a major auction house said most transactions nowadays are done by people who want to move money out of China. The method is simple: A valuable piece of art is shipped to Hong Kong and sold at auction. But rather than repatriate the proceeds to mainland China, the funds are kept offshore in Hong Kong, in U.S. dollars or another foreign currency. From Hong Kong, which doesn't have capital controls, the seller can transfer the money.
Cryptocurrencies offer new possibilities for capital flight. Though Beijing banned crypto trading in 2021, setting up a crypto wallet isn't illegal. People in China can use Chinese currency to buy crypto assets with the help of a facilitator. Once they have cryptocurrency in their digital wallet, they can convert those assets into dollars overseas.
Estimating capital flight from China used to be straightforward. Like other places, China reports balance-of-payments data that record how much money enters and exits the country. Ordinarily, international receipts and payments in the data should add up to zero over a given time, with only small discrepancies that disappear quickly.
In China's case, not only did the sums not add up, but the gaps also persisted -- a sign some money was leaking out illicitly, without being declared.
These sums rose dramatically in 2015 and 2016 and peaked in the 12 months through June 2017 at around $228 billion. The government tightened capital controls and the size of the gaps collapsed.
When the pandemic began in 2020, they started creeping up again and shot up in 2021 and 2022 as people sought ways to get their money -- and themselves -- out of China and away from its severe Covid policies.
More recently, the gaps have shrunk so dramatically that they pointed to a small inflow into China in the second quarter. But economists said that doesn't square with generally negative views about China's economy. It also

doesn't square with large legitimate outflows recorded elsewhere in China's accounts, which suggest businesses and investors are seeking better returns abroad.

In the second quarter alone, net outflows of direct investment totaled $86 billion, an increase over previous years as Chinese firms accelerated a push to spend more overseas.

Economists including Rasmussen at Exante Data and Brad Setser, a senior fellow at the Council on Foreign Relations, said the incongruity is explained by a change China made in 2022 to the way it calculates its balance-of-payments data. The change replaced customs data with surveys, which some economists said reduces China's enormous trade surplus and obscures outflows.

SAFE said the change was made to "more comprehensively and accurately" measure the country's balance of payments as trading patterns evolve and that experts outside of the country have said its methodology is "in line with the principles of international balance of payments data."

Clarence Leong in Singapore contributed to this article.

Enlarge this image.

Credit: By Jason Douglas and Rebecca Feng

DETAILS

Subject:	Investments; American dollar; Capital movement; International relations; Pandemics; Digital currencies; Economists; COVID-19; Equity stake; Renminbi
Business indexing term:	Subject: American dollar Capital movement International relations Digital currencies Economists Equity stake Renmi nbi
Location:	Beijing China; United States--US; Singapore; China; Hong Kong China
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.1
Publication year:	2024
Publication date:	Oct 23, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3119431527
Document URL:	https://www.proquest.com/newspapers/chinese-illicitly-move-billions-overseas-as/docview/3119431527/se-2?accountid=14681
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Last updated:	2024-10-23
Database:	ProQuest Central

LINKS

U.S. News: Election 2024

ProQuest document link

FULL TEXT

GOP Eats Into
Democratic Edge
In Early Vote

Democrats have a clear edge in early voting so far, but Republicans are embracing the practice of casting their ballots before Election Day more than they have in the past, despite former President Donald Trump sending mixed signals on the issue.

Over 15 million Americans have voted early in-person or cast mail-in ballots, according to the University of Florida's Election Lab. In states where voters register by party, about 47% of early votes have been cast by Democrats, while 33% have been cast by Republicans.

Democrats also account for 49% of returned ballots compared with 31% of GOP voters. That is a smaller margin than around the same time four years ago -- in the middle of the pandemic -- when Democrats made up nearly 52% of returned mail-in ballots compared with 24% of Republicans.

-- Tarini Parti and Alex Leary

Panel Sees Gaps
In Trump Plan for
Social Security

Donald Trump's proposals would move up the date -- to fiscal year 2031 from fiscal year 2034 -- when Social Security will run out of money to pay full benefits as promised and would require larger benefit cuts unless Congress acts, according to a new estimate.

The nonpartisan Committee for a Responsible Federal Budget pointed to several Trump policies that would weaken Social Security's finances. Those include his promise to repeal income taxes on Social Security benefits, money that now goes to the program's trust fund. The report said Trump's immigration proposals could remove workers who pay into the program, and his tariffs could increase cost-of-living adjustments by spurring inflation. A Trump spokeswoman disagreed with the analysis.

-- Richard Rubin

Harris Campaign
Contributions
Topped $1 Billion

Kamala Harris's campaign raked in more than $1 billion in contributions during the third quarter, more than twice as much as the giving reported by Donald Trump, according to new federal filings. The massive haul -- across her principal campaign committee, related fundraising committees and the Democratic National Committee -- left Harris's operation with about $348 million in cash at the end of September.

Trump's campaign committee, related committees, and the Republican National Committee received about $417 million in contributions during the third quarter, filings with the Federal Election Commission show. His fundraising operation ended September with about $287 million in cash.

-- Anthony DeBarros

DETAILS

Subject:	Fund raising; Absentee voting; Campaign contributions; Political campaigns; Presidential elections; Voters; Social security; Cost of living adjustments
Business indexing term:	Subject: Social security Cost of living adjustments; Industry: 92111 : Executive Offices
People:	Trump, Donald J
Company / organization:	Name: Republican Party; NAICS: 813940
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.4
Publication year:	2024
Publication date:	Oct 22, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Fina nce
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3118988331
Document URL:	https://www.proquest.com/newspapers/u-s-news-election-2024/docview/3118988331/se-2?accountid=14681
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Last updated:	2024-10-22
Database:	ProQuest Central

LINKS

U.S. Oil Boom Fuels Bust Fears

Uberti, David . Uberti, David.

ProQuest document link

FULL TEXT

HOBBS, N.M. -- Chip Low's drive through one of the richest corners of the U.S.'s hottest oil field takes him past all the telltale signs of an economic boom. His mind is on the next bust -- and whether it could be the big one.

The local-government finance official steers his BMW onto State Road 18, the main drag in this city of about 40,000, where workers' pickup trucks cram into parking lots of chain hotels. Workers who have punched out trickle into a nearby casino with pockets full of money from surrounding drilling projects. Down the road, the county recently hosted an annual fair and rodeo where officials shelled out $900,000 for a performance by country-music star Kane Brown.

Low reaps benefits of the good times. He works out at a gleaming new rec center close by -- complete with 40-foot-tall waterslides and a lazy river -- and shares some of his neighbors' skepticism about climate change. But like many longtime residents of New Mexico's Lea County, the biggest oil-producing county in the country, he also knows that a day will come when the wells run dry or crude prices crater.

Preparing for those unknowns is a key part of Low's job as an assistant county manager for administrative services. These days, the biggest unknown is when local energy production will peak and public spending will catch up with all the money flowing in.

"We know that this production can't grow forever," he said. "When you hit that wall, then you're gonna have to start making changes."

The history of oil is littered with cities that sprang up practically overnight and just as quickly crumbled. Scars from decades-old downturns are still etched into the collective memory of the mostly small towns speckling the Permian Basin that straddles West Texas and New Mexico.

Some analysts are now beginning to project what could be the ultimate, slow-motion bust after U.S. shale peaks and producers increasingly look elsewhere to drill. A shift away from fossil-fuel production -- the speed of which could hinge on November's election -- has inspired warnings that the U.S.'s oil patch might follow coal country's footsteps down a long road of disinvestment.

"In Appalachia, the coal economy has been declining for decades," said Daniel Raimi, a fellow at the research institution Resources for the Future, who studies fossil-fuel communities. "It has resulted in really entrenched poverty and really big problems."

Forecasters have tried and failed and tried again to call peak oil, projecting either global supplies maxing out or the energy transition whittling down worldwide demand. In the U.S., where the shale boom has created an oil-and-gas superpower, a key inflection point will come when the meteoric production growth of the past 15 years morphs into long-term decline.

Estimates of that happening as soon as the end of this decade are increasingly informing investments by oil giants, policy moves in Washington and trading strategies on Wall Street. They are also starting to shape government planning in places like New Mexico.

Even as the prospect of weaning the world from oil appears far off, signs of change in the U.S. shale patch are getting harder to ignore. Companies are pumping more crude with fewer workers, and Lea County's employment hasn't returned to prepandemic levels. Less speculative drilling and more maintenance of existing production might mean additional full-time residents in need of government services.

"We've taken the big jump, and now it looks like it's beginning to level off," Low said. "I'm kind of wondering if we're hitting the peak."

A onetime oil worker and son of a drilling superintendent, Low budgets conservatively, advising elected officials with models that include oil prices far below their current value and a plunge in production similar to the pandemic. "You don't know how long the boom is going to last and you don't know how long the bust is going to last," he said. "And how low is the bust going to go?"

The complicating factor is that U.S. oil production continues to defy expectations. Federal officials project domestic output will average 13.2 million barrels a day in 2024, more than any other country, ever.

Michael O'Donnell, an economist who has helped officials game out the twilight of the boom, likened the task to the notoriously hit-or-miss art of predicting oil prices.

"At some point, [Lea County] will stop breaking records. But how do you build that into models you're developing?" said O'Donnell, director of the University of New Mexico Bureau of Business &Economic Research. "It's virtually impossible to do in a credible way. That's part of the dilemma they're in."

People in southeast New Mexico have ridden out the energy market for a century. Wildcatters that rushed into Lea County in the 1920s skipped town when the Great Depression took hold. Then-record drilling in the early 1980s collapsed with a price plunge that ravaged Hobbs and many of the other communities linked by dusty highways cutting across the Permian.

Now 66 years old, Low saw the resulting misery up close when he lived across the Texas border near Odessa. Friends lost jobs. Home values imploded.

Seeing no future in the industry, he eventually became an accountant.

The fate of oil country reversed in the 2010s, when mostly independent frackers tapped shale formations in North Dakota, Texas and elsewhere, reshaping energy markets in America's image. That growth has continued in recent years, in large part because of southeast New Mexico.

Home to some of the most prized shale rock in the world, Lea County crude production surged as much as eightfold over the past decade, reaching 1.2 million barrels a day in May. The gusher is greater than the output of six of 12 members in the Organization of the Petroleum Exporting Countries.

Low arrived as finance director in 2014, just as New Mexico's oil-and-gas production was beginning to take off. Working out of an Art Deco courthouse in the county seat of Lovington, his team grappled with market crashes in 2015 and 2020 that hammered public finances.

They now face a different puzzle. Lea County held nearly $673 million in cash on hand in June, Low said, even after hiring dozens for public safety and repairing hundreds of miles of roads battered by semitrailers each year. The stash includes 15 months of operating funds in reserve and earned about $30 million in interest in the latest fiscal year alone.

State and local officials have worked for years to diversify the economy in preparation for if and when the oil fields slow down. But residents know drilling is what puts food on the table. Jennifer Grassham recalled an early lesson from her mother: "If you cut hair, you work for the oil company."

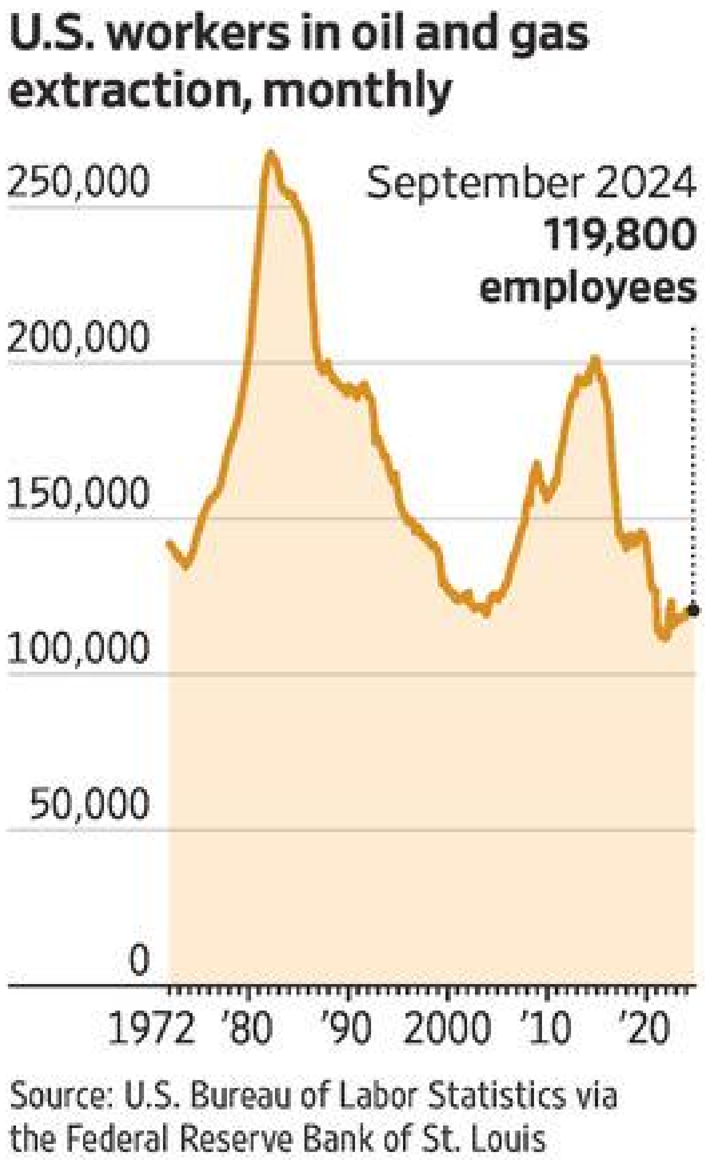
Grassham, the chief executive of the Economic Development Corp. of Lea County, said she believes the area is better positioned to weather the next bust. "I don't know a person who thinks we should ride this wave forever," she said.

There have been some successes in attracting new businesses. But as officials courted big-ticket projects such as solar-panel manufacturers and data centers in recent years, Grassham said higher interest rates and greater electricity needs left plans in limbo. The magnitude of the current boom is also pressuring other companies' ability to hire.

Few analysts expect the market to turn drastically soon. The Saudi-led OPEC and its Russia-led allies supported prices by cutting output in recent years and have delayed plans to dial up production going forward. Industry consolidation stateside has shifted power to old-guard producers that have slowed drilling investments to satiate Wall Street's thirst for returns.

Some local leaders are skeptical of projections of an eventual downturn in production -- innovations by U.S. drillers have shocked the world before. But residents, long accustomed to far-off wars or OPEC decisions changing their fortunes, are now also sizing up the impact of climate policies in Washington, Brussels and Beijing.

"It's mind-boggling to me what oil has done in this area," Low said. "I wish it could hold on forever, but I don't know that it will. All we can do is go with what we see in front of us."



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Credit: By David Uberti

DETAILS

Subject:	Workers; Energy industry; Crude oil prices; Drilling; Roads &highways
Business indexing term:	Subject: Workers Energy industry Crude oil prices
Location:	Texas; New Mexico; United States--US

Company / organization:	Name: Organization of Petroleum Exporting Countries--OPEC; NAICS: 813910
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.1
Publication year:	2024
Publication date:	Oct 21, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language ofpublication:	English
Document type:	News
ProQuest document ID:	3118595939
Document URL:	https://www.proquest.com/newspapers/u-s-oil-boom-fuels-bust-fears/docview/3118595939/se-2?accountid=14681
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Last updated:	2024-10-21
Database:	ProQuest Central

LINKS

U.S. News: Election 2024

ProQuest document link

FULL TEXT

Harris Goes After

The Union Vote

Vice President Kamala Harris took a few minutes from her speech at a union hall in Lansing, Mich., on Friday evening to play some videos of her opponent Donald Trump, highlighting clips where he complained about paying overtime, said that U.S. autoworkers' jobs could be done by children and said United Auto Workers leader Shawn Fain should be fired.

"Listen to his words," Harris said to several hundred union workers gathered at the UAW hall Friday evening. "He's got his club, and I'm going to tell you, union workers are not part of his club."

The pitch was made to a group of supporters but underscores the importance of working-class voters in the coming election.

Republicans have made steady inroads with this traditionally Democratic voting bloc, and those voters helped fuel Trump's rise in the 2016 election.

Union workers typically provide an army of people to knock on doors and phonebank for Democrats as part of the critical get-out-the-vote operation.

-- Annie Linskey

Trump Revises

Pitch in Detroit

Former President Donald Trump wrapped up a day in Detroit with a rally in the city's downtown, telling supporters that he'll "return Detroit greater and stronger than ever."

This month, the Republican candidate called the city a developing nation, while speaking to its economic council. "Our whole country will end up being like Detroit" if Kamala Harris is elected president, he said then.

On Friday, Trump blamed Harris for problems the city has faced, such as poverty and crime, though the problems started long before Harris became vice president. "The Democrats have been wreaking havoc on this place," he said.

The city was hit hard during the Covid pandemic, just as it was recovering from bankruptcy and the 2007-09 recession.

The city's poverty and unemployment rates are higher than the national average.

While most of the seats were full at the rally, the standing-room-only spaces were largely empty. Supporters waved signs that read, "Make Detroit great again" and "Build it in America." At one point, Trump's microphone stopped working and he stood on stage for more than 10 minutes while it was fixed.

-- Natalie Andrews

Senate Hopefuls

Square Off

Coming into Friday's debate, Democratic Sen. Tammy Baldwin had work to do. The three-term Wisconsin senator's healthy lead in the polls had shrunk to a near tie and the nonpartisan Cook Political Report changed its rating of the race to a "toss-up."

Baldwin leaned on her 25 years of experience in Congress during Friday night's matchup against GOP challenger Eric Hovde to showcase her history of working through partisan gridlock and preserving her party's values.

Baldwin pointed to her support of Affordable Care Act provisions and efforts to curb the opioid crisis. She defended her support of a failed immigration bill that Hovde and other Republicans have said didn't go far enough, and she pointed to her backing of the Bipartisan Infrastructure Bill passed in 2021.

For his part, Hovde leaned heavily on his promise to cut government spending and decrease regulation if elected. He accused Baldwin of supporting reckless immigration and fiscal policies. The Republican said he supported an expanded "right to decide" on abortions, but only early in a woman's pregnancy.

-- Xavier Martinez

DETAILS

Subject:	Immigration policy; Presidents; Voters
Business indexing term:	Industry: 92111 : Executive Offices
Location:	United States--US; Detroit Michigan
People:	Harris, Kamala; Trump, Donald J
Company / organization:	Name: United Automobile Aerospace &Agricultural Implement Workers of America--UAW; NAICS: 813930
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.4
Publication year:	2024
Publication date:	Oct 21, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3118595932
Document URL:	https://www.proquest.com/newspapers/u-s-news-election-2024/docview/3118595932/se-2?accountid=14681
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Last updated:	2024-10-21

World News: New U.S. Pacific Strategy Is to Spread Out --- China challenge has America upgrading far-flung runways, reviving '40s airfields

Niharika Mandhana at North Field; Tinian; Cherney, Mike . Niharika Mandhana at North Field; Tinian; Cherney, Mike.

FULL TEXT

The remote Pacific airfield used to launch the atomic bombings of Japan during World War II is being brought back to usefulness with a different foe in mind: China.

Runways emerging from the encroaching jungles on the tiny island of Tinian, a U.S. territory, are part of a sweeping shift in how America's military would respond to a possible conflict in Asia.

Instead of relying on a few large air bases, the U.S. would disperse warplanes to make them less vulnerable to China's missiles. The rebuilding on Tinian is a key piece.

In recent months, Air Force crews have trudged through the foliage with machetes and GPS devices to mark the boundaries of the erstwhile runways, based on images and maps from the 1940s.

"The density was tough, very tough," said Master Sgt. Jody Branson, the operations superintendent, who belongs to the Air Force's 513th Expeditionary Red Horse Squadron. "If me and you walked back there, we could be 10 feet apart and not even see each other."

For decades, the U.S. didn't need the airfield. It consolidated its presence at a small number of large air bases. It can no longer afford to do so. In a conflict, China could direct its significant firepower at those well-known bases.

To prevent that, the U.S. would switch to a different posture during a crisis. Aircraft would scatter across an array of airfields in the Indo-Pacific, hopping between locations to keep China guessing.

"We're interested in any runways, basically," said Michael Winkler, deputy director of air and cyberspace operations for the Pacific Air Forces. "If you've got 7,000-plus feet of runway, we'll look at that as a potential operating base."

That list consists of several dozen sites across the vast region, he said. Some are on U.S. territories, such as Tinian, but most aren't -- including vital places close to Taiwan, the region's most dangerous potential flashpoint. Japan and the Philippines, for instance, are home to a number of military installations and commercial runways to which aircraft could potentially disperse.

That means in a conflict, Washington would need to have tricky discussions with allies and friendly governments for wartime access. Winkler said the U.S. military has decided not to push those conversations "until the moment of that crisis."

For now, the U.S. is sending its airmen out to as many potentially useful sites as possible to get a lay of the land. At a number of spots, it is laying the groundwork to make facilities more suited for U.S. use.

On Basa Air Base in the Philippines, the U.S. is financing a taxiway and a parking apron, after upgrading the runway

and building a warehouse. On Tinian, in addition to rebuilding North Field, the U.S. is bulking up the international airport with new taxiways and parking space for up to 12 refueling aircraft, budget documents show. The site is intended as a secondary fuel hub if the large U.S. base on the island of Guam is damaged.
On Guam itself, military crews are rehabilitating another World War II-era airfield so aircraft can spread out across different points on the island. About 500 miles southwest on Yap, a Micronesian island, the Air Force has proposed a $400 million runway extension, according to budget documents. Airfield improvements are planned on the tourist island of Saipan and on at least two sites in the archipelago nation of Palau.
Much of the digging and paving at the moment is taking place in an arc called the Second Island Chain, which includes a smattering of territories the U.S. controls as well as countries where the U.S. has military access. For American forces, upgrading infrastructure and positioning supplies at these locations is easier than in the First Island Chain, which spans Japan, the Philippines and Taiwan. The First Island Chain lies closer to China, but the U.S. is more dependent on foreign governments there and political winds can more easily shift.
Farther out, Washington is pumping money into two northern Australian air bases. At Darwin, it has built fuel storage and is making a squadron operations facility. U.S.-funded fuel storage is also going up at a base at Tindal, and infrastructure us planned so that the base -- which until now has catered to fighters -- can accommodate B-52 bombers.
Positioning bombers in Australia would force Beijing to decide whether to use its costlier long-range missiles -- and possibly draw another U.S. ally into conflict.
Airmen are trying to get the hang of the new location-hopping reality. In February, U.S. and allied aircraft bounced between six airfields on three islands: Guam, Saipan and Tinian. For the first time this year, the U.S.-led Valiant Shield exercises included U.S. fighters operating from the Japanese bases of Matsushima and Hachinohe. In August, the U.S. deployed B-2 stealth bombers to an Australian air base near Brisbane.
Beijing's military modernization has eroded U.S. dominance. If China moved to invade democratically governed Taiwan -- which it has vowed to take, by force if necessary -- it could send volleys of missiles at the U.S.'s main air bases in the region. For the U.S., this means the era of sanctuary at those bases is over.
Andersen Air Force Base on Guam is a strategic U.S. node. As many as 150 aircraft can park there, and it houses the Air Force's largest fuel-storage capacity anywhere.
On rotation at nearly all times are three or four tanker aircraft that can refuel other planes midflight. In the past 12 months, B-52 bombers have come to Andersen twice, for several weeks at a time. In February, more than 80 U.S. and allied aircraft descended on the base for exercises.
The U.S. military is developing more options to spread out aircraft -- on Guam itself, and on nearby Tinian and Saipan. It recently rehabilitated a short airstrip at the U.S. Navy base on Guam and uses the island's airport for exercises. At another site on Guam, Northwest Field, Air Force crews are rebuilding taxiways, clearing overgrown parking surfaces and throwing up a shelter that can double as a hangar. Northwest Field won't have all the facilities of a base. Mobile air-traffic-control teams will come out as needed.
"We want to stay flexible, stay agile," said Capt. Luke Eckstein, who is part of the team rehabilitating the airfield. "Two is better than one, six is better than five."
Some analysts say the U.S. isn't investing nearly enough in infrastructure. Fiscal constraints mean many projects sit on unfunded wish lists, competing priorities pit buying new aircraft against pouring concrete, and far-flung locations raise hurdles.
"What we're trying to do is hard," said Andrew Huntoon, deputy director of logistics, engineering and force protection for the Pacific Air Forces. He pointed out that the Air Force must navigate local rules around environment and cultural heritage and the remote locations of some bases.
The Air Force teams out on Tinian have glimpsed the difficulties. The island is less than 40 square miles and is home to around 2,000 people. It has a school, a library and one gas station. Rental equipment needs to be shipped or flown in.
When flying into Tinian, it is hard to imagine the scale of the U.S. mobilization eight decades ago. Thousands of Navy

Seabees carved what became a sprawling airfield, along with supporting infrastructure. At North Field, the Air Force crew of around 30 has spent months clearing out the jungle.

"We're writing the next chapter in history," said Maj. Blake Rothschild, commander of the squadron clearing the northern airfield. "We're not sure what the end of that's going to look like, though."

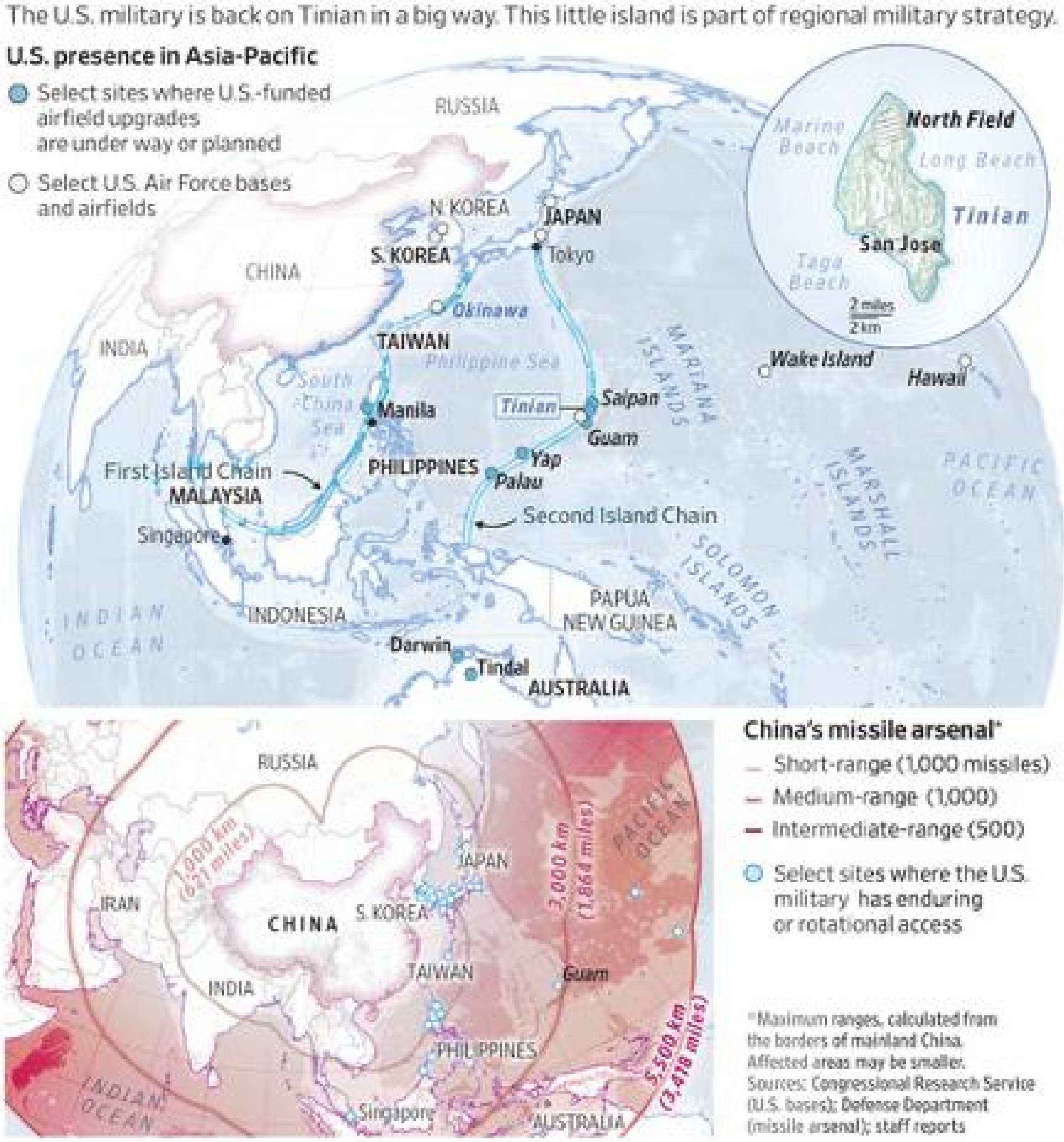
One Scattered-Forces Complication

Aside from getting access from allies, the Air Force dispersion strategy's biggest issue is logistics -- getting equipment, parts, fuel, munitions and support crew to scattered locations, possibly under attack -- said Jacob Heim, a senior policy researcher at Rand, an American think tank.

"In theory, from a survivability standpoint, you might want to be so dispersed you have two aircraft at every base, but there's no way you could actually have the logistics to support the aircraft when they're that widely dispersed," he said.

Part of the solution is to stock materiel ahead of time. But if hostilities broke out, supplies would still need to get to the right place at the right time.

"Having aircraft at an airfield doesn't do me much good unless I've got maintainers to support those aircraft, potentially weapons to load on those aircraft in a combat scenario, gas to put in those aircraft and everything else," said Michael Winkler, deputy director of air and cyberspace operations for the Pacific Air Forces.



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Credit: By Niharika Mandhana at North Field, Tinian, Mike Cherney in Tindal, Australia, and Camille Bressange in New York

DETAILS

Subject:	Aircraft; Infrastructure; Military exercises; Airports; World War II; Logistics; Armed forces; Cultural heritage; Military policy; Colonies &territories
Business indexing term:	Subject: Infrastructure Airports Logistics; Industry: 48811 : Airport Operations 92811 : National Security

Location:	Tinian; Beijing China; United States--US; Philippines; Guam; Australia; China; Saipan; Japan; Taiwan
Company / organization:	Name: Pacific Air Forces; NAICS: 928110
Classification:	48811: Airport Operations; 92811: National Security
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.7
Publication year:	2024
Publication date:	Oct 21, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3118595902
Document URL:	https://www.proquest.com/newspapers/world-news-new-u-s-pacific-strategy-is-spread-out/docview/3118595902/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-10-21
Database:	ProQuest Central

LINKS

Xi Pivots on Economy, Scoffs at Full U-Turn

Wei, Lingling . Wei, Lingling.

FULL TEXT

With China's economy sinking deeper into a funk in late September, Xi Jinping finally decided something had to be done.

After resisting calls to take forceful steps to prop up the economy for two years, Xi relented and ordered a barrage of interest-rate cuts and other measures to put a floor under growth.

But Xi didn't give his economic mandarins a blank check. Officials and government advisers close to decision-making said he wanted to bail out indebted Chinese municipalities on the brink of collapse and revive the stock market without veering too far from his focus on letting the state drive China's transformation into an industrial and technological powerhouse.

For Xi, the officials and advisers said, the near-term goal isn't to massively stimulate demand but to fend off a brewing financial crisis -- or "derisking," in official lingo -- thereby helping to stabilize the overall economy and achieve the 5%-or-so growth target for this year.

The resulting mixed message on what exact stimulus was coming has sent investors on a roller-coaster ride. Markets were initially energized by interest-rate cuts and other easing measures by the central bank only to be deflated by lackluster news conferences from other economic agencies.

Investors, who had been hoping for a massive stimulus package similar to what Beijing rolled out during the global financial crisis, were unsure what to make of what Beijing depicted as a "package of incremental policies."

That means little change to Xi's overarching agenda of directing state resources toward fortifying China's industries against perceived foreign threats. Calls from economists and investors inside and outside China for rebalancing the economy to household consumption from manufacturing haven't gained much traction.

The shift, tactical rather than strategic, is centered on the central bank and the state coffers providing liquidity support for local governments and big banks, the backbone of funding for the economy.

Another focus of the policies is to rescue China's stock market, which has been on a losing streak for nearly four years. The People's Bank of China is taking the unprecedented step of encouraging brokerage firms, insurers, and listed companies to tap central-bank or commercial-bank funding to buy stocks.

Support for household consumption has mainly come from a reduction in mortgage rates, part of a new push to arrest the multiyear downturn in the property market. Analysts estimate that the cut can save homeowners about 150 billion yuan, about $21 billion, in interest payments, a meager relief given the trillions of dollars in annual household consumption in China.

Xi's centralization of decision-making, which has time and again led to abrupt policy twists and turns, is adding to the opaqueness and unpredictability of Beijing's economic policy, potentially increasing rather than decreasing risks associated with investing in China.

Since Beijing said in late September that it would do more to prop up the economy, many investors have found themselves on edge, fearing they might either miss out on a rally or get sucked into a short-term pop. Some have been anxiously waiting for government briefings for any signs of additional stimulus or lack thereof.

"Investing in China used to never be like this," said Eric Wong, founder of Stillpoint Investments, a New York-based asset manager specializing in Chinese equities. "In the past, you could just invest based on company fundamentals. Now we're getting into such a bind guessing what they will say."

For the past couple of years, after China abruptly dropped its self-imposed Covid isolation in late 2022, economists and investors have called on Beijing to take forceful action to prop up growth -- a mission more urgent after previous government intervention sapped energy out of a vast private sector and turned a property boom into a bust.
Officials in charge of day-to-day economic affairs held increasingly urgent meetings to discuss ways to address the real-estate meltdown and the immense strain on local governments running out of money.
Yet despite all that prodding, Xi had appeared determined to stay his hand. As recently as late June, his handpicked premier, Li Qiang, who had likened China's post-Covid economy to a patient in recovery, stressed the need to avoid using "strong medicine" to support growth.
Chinese stocks tanked following these remarks.
Then, by mid-September, it became clear that the economy had taken a turn for the worse. Real-estate woes were deepening, further pushing down consumption weakened by a gloomy economic outlook.
The jobless rate among people ages 16 to 24 kept climbing, posing a challenge to the leadership's much-prized social and political stability. And the benchmark of mainland-traded stocks, the CSI 300 Index, was headed for an unprecedented fourth straight year of losses.
What is more, reports were flowing into the power center in Beijing of a festering liquidity crisis across China, the officials and government advisers close to Beijing's decision-making said. In particular, financially strained local governments have been struggling to pay civil servants as well as state-owned and private contractors.
"There is a severe shortage of cash among local governments," one of the people familiar with the situation said. "Something has to be done to avoid a full-blown crisis."
But any significant action had to come from Xi, who until recently had shown few signs of worry over the economy.
By late September, the din of bad news was becoming too much even for Xi, who decided to act. On Sept. 24, the central bank led the charge to announce rate cuts and other steps to shore up growth and the stock market.
The breadth of the easing measures taken by the central bank surprised even some financial officials in Beijing.
The briefing immediately led to a surge of Chinese stocks traded both on the mainland and in Hong Kong. Wall Street firms such as Goldman Sachs Group and BlackRock raised their recommendation on Chinese equities, though they cautioned they still see long-term challenges for the economy.
For investors and analysts, the ensuing trading frenzy has become reminiscent of what became known as the "Uncle Xi bull market" of 2015, when a government push to encourage stock investing resulted in an epic stock rally in the first half of that year. A big question now is whether the gains will take hold -- or turn into a crash just as the 2015 market boom did.
To that end, investors have been hanging on every word from Beijing.
An Oct. 8 briefing by Beijing's top economic-planning agency disappointed the market with some vague pro-growth pledges but few specifics. It also laid bare the leadership's resolve to continue aiding high-end manufacturing such as electric cars even though such industry-centric policy has led to wasteful overproduction at home and heightened trade tensions with the West.
The Finance Ministry's briefing on Saturday reignited hopes that some sizable fiscal support is in the offing.
"The unprecedented series of press conferences by Xi's policy team demonstrates that Xi now recognizes that China's economy is on the wrong track," said Andy Rothman, China strategist at Matthews Asia, a U.S.-based fund manager, "and that a pragmatic course correction is urgently needed."
The officials and advisers close to Beijing's decision-making said the central government is putting budget constraints on some heavily indebted localities in exchange for them getting funding support from the center. While the move shows an attempt at much-needed financial discipline from Beijing, it could also lead to those localities reducing spending, potentially worsening the nation's deflationary problems.
But a pivot is a pivot. For many analysts and investors, Beijing's plan to rescue local governments and stabilize the financial sector is one positive step toward steadying the economy.
However, China still has a way to go before the economy stages a meaningful recovery. First and foremost, many economists have said, the power center needs to do a big U-turn on the focus of state support -- from factories to

households.
"China's leadership isn't prepared to unleash the 'bazooka' necessary to power a strong recovery in demand and to end deflation," said Michael Hirson, head of China Research at New York-based consulting firm 22V Research, "but is taking important steps to stabilize growth and lower tail risks."

Some Investors Take a Wait-and-See Attitude
Some investors have decided not to pounce yet.
Idanna Appio, a portfolio manager at First Eagle Investments, said the New York asset-management firm, which specializes in long-term holdings, hasn't changed its allocation to Chinese assets despite the flurry of policy moves.
"Without measures to address the oversupply of real estate, the related debt risks and local government's heavy reliance on the property market," Appio said, "these recent easing efforts may not be sufficient to tackle China's deeper economic challenges."
For now, many of the new policy measures are less about providing direct stimulus to the economy and more about stabilizing local finances and, by extension, the overall financial system and the economy.
The central bank has set up a swap facility to allow eligible brokerage firms, insurers and fund managers to access highly liquid government bonds by pledging certain assets as collateral. Here, Beijing took a page from what the U.S. did during the 2008 global financial crisis.
Credit: By Lingling Wei

DETAILS

Subject:	Stock exchanges; Investments; Economic crisis; Funding; Securities markets; Decision making; Consumption; Central banks; International finance; Economists; Investors; Government; Liquidity; Economic policy; Economic conditions
Business indexing term:	Subject: Stock exchanges Economic crisis Securities markets Consumption Central banks International finance Economists Liquidity Economic policy Economic conditions; Industry: 52111 : Monetary Authorities-Central Bank 52321 : Securities and Commodity Exchanges
Location:	Beijing China; New York; United States--US; China
People:	Xi Jinping
Classification:	52111: Monetary Authorities-Central Bank; 52321: Securities and Commodity Exchanges
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.1
Publication year:	2024
Publication date:	Oct 16, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.

Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3116886377
Document URL:	https://www.proquest.com/newspapers/xi-pivots-on-economy-scoffs-at-full-u-turn/docview/3116886377/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-10-16
Database:	ProQuest Central

LINKS

World News: IMF Warns Government Debt to Spike --- Large increases in borrowing will boost the number to $100 trillion this year

Hannon, Paul . Hannon, Paul.

ProQuest document link

FULL TEXT

Government debts are set to match the annual output of the global economy by the end of this decade, and could cross that threshold much sooner if economic growth is weaker or interest payments are higher than expected, the International Monetary Fund said Tuesday.

In its twice-yearly report on government finances, the Fund said spending cuts and tax rises of an unprecedented size would be needed over the coming five to seven years to stabilize or reduce debt.

"It's time for governments to get their house in order," said Era Dabla-Norris, deputy director for fiscal affairs at the IMF. "For all countries, a strategic pivot is needed to reduce debt risks."
If budget policies are unchanged, the IMF estimates that large increases in borrowing by the U.S., China and others will drive a rise in government debt to $100 trillion this year, equivalent to roughly 93% of the world's annual production of goods and services. The Fund expects government debt to rise further, and almost match annual world output by the end of the decade.
But that could happen sooner if government projections underestimate the rise in debt, as they have done in the past. The IMF said government debts tend to be 6 percentage points of economic output higher than anticipated after three years.
"There are sizable upside risks," said Dabla-Norris. "Debt could be higher than we expect."
In an extreme scenario, government debt could hit 115% of global output in 2026, while U.S. government debt could reach 150% of the country's gross domestic product. According to the Fund's calculations, U.S. government debt started the century at less than 60% of GDP, a proportion that has more than doubled already.
Borrowing surged during the Covid-19 pandemic, while Russia's invasion of Ukraine spurred a further rise in debt as many European helped households and businesses pay sharply higher energy bills.
But debt is set to continue rising in a number of large economies. In addition to the U.S. and China, the IMF expects to see increases in government debt in Brazil, France, Italy, South Africa and the U.K. It said delaying action in those countries will make the cuts in spending and tax rises needed to stabilize borrowing even larger.
The new French government on Thursday unveiled a budget that aims at narrowing France's deficit to 5% of economic output by the end of 2025, and 3% by 2029 from 5.5% in 2023.
As it is, the IMF estimates that average cuts in spending and tax rises of between 3% and 4.5% of gross domestic product will be needed to stop the rise in debt at "high probability." Those adjustments are larger than planned, and also larger than previous adjustments.
Credit: By Paul Hannon

DETAILS

Subject:	Debt management; Gross Domestic Product--GDP; Borrowing; Deficit financing; Economic growth; Federal budget; National debt; Budget deficits
Business indexing term:	Subject: Debt management Gross Domestic Product--GDP Borrowing Deficit financing Economic growth Federal budget National debt Budget deficits; Industry: 92812 : International Affairs
Location:	China; United States--US; France
Company / organization:	Name: International Monetary Fund--IMF; NAICS: 928120
Classification:	92812: International Affairs
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.7
Publication year:	2024
Publication date:	Oct 16, 2024

Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3116886367
Document URL:	https://www.proquest.com/newspapers/world-news-imf-warns-government-debt-spike-large/docview/3116886367/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-10-16
Database:	ProQuest Central

LINKS

Oval Office Hopefuls: You Get a Tax Break! You Get a Tax Break!

Rubin, Richard; Martinez, Xavier . Rubin, Richard; Martinez, Xavier.

FULL TEXT

Supposedly, there's no such thing as a free lunch. But there might soon be tax-free overtime pay, tax-free Social Security benefits, free home healthcare or free assistance with newborn expenses.

This presidential campaign is bringing a whole new meaning to free-market economics. Republican nominee Donald

Trump, in particular, layers tax giveaway on top of tax giveaway, promising voters everything but the kitchen sink. (So far, there's no deduction for kitchen sinks, but the campaign isn't over yet.)
Many of the ideas are more slogans than proposals -- concepts of a plan, to borrow a Trump phrase. They are accompanied by no details, fact sheets, white papers or experts. Still, if Republicans sweep November's election, some of them might be law in six months. Some might be forgotten except by beleaguered policy analysts who have spent the campaign season trying to figure out, again and again, what Trump is actually suggesting.
"We seem to be having an arms race," said Alan Auerbach, an economist at the University of California, Berkeley. "It's emblematic of the complete breakdown of any kind of responsibility about the budget."
It wasn't always this way. Weeks of the 2012 presidential campaign were consumed by a debate over whether Republican nominee Mitt Romney's tax proposals added up. The 2020 Democratic primary featured campaigns topping each other with 14-point Medicare-for-All plans and multitrillion-dollar tax increases to pay for them. None of the ideas had any chance of making it through Congress but were intended to at least suggest the awareness of trade-offs.
In 2024, Trump and Vice President Kamala Harris, the Democrats' presidential nominee, are piling on the promises, though with contrasting approaches. His pitch: You can pay less, and there aren't really costs, but even if there are, you won't pay them. Her pitch: You will get something, and someone else will pay.
Trump favors tax breaks, and the former president tends to announce them based on where he is speaking -- tax-free tips in Nevada, tax-deductible car-loan interest in Detroit, tax-free generators after a hurricane. He typically doesn't pair the giveaways with any way to pay for them. Instead, he promises that economic growth, cutting government waste or collecting revenue from tariffs can make up the difference, while claiming that tariffs will be paid by foreign countries rather than the American consumers who would feel the burden.
"To me, the most beautiful word in the dictionary is 'tariff,'" Trump told Bloomberg News on Tuesday at the Economic Club of Chicago.
Harris, meanwhile, tends to pull proposals -- largely spending programs and refundable tax credits -- from the long established Democratic agenda. This week, she said she wanted to offer one million forgivable business loans for Black entrepreneurs.
Harris typically does identify a way to pay for her proposals, and those also come from Democrats' wishlist of tax increases on corporations and high-earning households. She has offered enough tax increases to cover the cost of many of her proposals, though she might have trouble getting everything through Congress.
Trump's policy plans would widen budget deficits by an estimated $7.5 trillion over a decade, according to the nonpartisan Committee for a Responsible Federal Budget. Meanwhile, Harris's plans would increase deficits by $3.5 trillion, the group said.
Trump's tax-cut promises get reliable applause, and voters don't seem to punish candidates who offer free stuff.
"The reward for rigor -- internal rigor, almost, a clear demonstration of a policy process, a grappling with trade-offs -- like a dam, burst at some point," said Gordon Gray, who helped develop policy for Republican Sen. John McCain's 2008 presidential campaign. "There's just not an apparent reward for that."
Trump's plan to end income taxes on Social Security benefits was his most popular idea tested in a Wall Street Journal survey. The plan had support from 83% of voters; that fell by 15 percentage points when voters were asked if they backed the plan even if it added to the national debt.
Trump "delivered on his promises to cut taxes in his first term. He can be trusted to deliver again in his second term," Trump spokeswoman Karoline Leavitt said.
Trump, in particular, is drawing on his promise-heavy playbook from 2020. Unlike today, economists and lawmakers in both parties agreed then that wider deficits were worth the future costs because of the urgency of preventing the pandemic from wrecking the economy.
Sam DiObilda, a Coatesville, Pa., Republican who said he voted for President Biden in 2020 but plans to vote for Trump this time, is concerned about the budgetary implications of some of the Republican's proposed tax cuts. But he hopes the policies go hand-in-hand with ones designed to boost the economy and make up for the lost revenue.

"Donald Trump cuts regulations and, when you cut regulations, you stimulate business," said DiObilda, a 61-year-old retired teacher. "When you stimulate business, you stimulate the tax base."
Nathalie Morales, a Comstock Park, Mich., server, said the no-tax-on-tips promise has caused a stir among her co-workers.
"It feels like a lot of empty promises," said Morales, 26, a Democrat who plans to back Harris. "I just think it's a ploy to get the people to come to his side."
Republicans have long charged Democrats with courting voters with handouts, saying there is a difference between government spending programs and tax cuts. The latter, many argue, just let people keep their own money and can encourage economic growth.
In addition, the line between tax cuts and spending programs can get blurry. For example, Congress could cut Social Security benefits using a formula that relied on annual income, which would be the same as the tax exemption for Social Security benefits.
Democrats, too, are arguing that the benefits of alleviating childhood poverty can make social-spending increases a good decision for the government, even if scorekeepers don't show it paying for itself.
Harris, asked in August how she would pay for some of her expansions of the child tax credit and earned-income tax credit, talked about the return on investment.
"Strengthening communities, and in particular, the economy of those communities, and investing in a broad-based economy, everybody benefits, and it pays for itself in that way," she said. (Her campaign later pointed to tax increases as well.)
If anything, economists said, the U.S. fiscal situation should be driving candidates to grapple even more with trade-offs. The budget deficit hit $1.8 trillion, or more than 6% of gross domestic product, last fiscal year. That raises the risk of economic problems, said Gray, who now runs the Pinpoint Policy Institute focused on maintaining prosperity. The clear doctor's advice, he said, would be prudence. That might go unheeded.
"They'd rather eat junk food and not exercise," Gray said.
Credit: By Richard Rubin and Xavier Martinez

DETAILS

Subject:	Political campaigns; Presidential elections; Economic growth; Tax increases; Fiscal policy
Business indexing term:	Subject: Economic growth Tax increases Fiscal policy; Industry: 92111 : Executive Offices
People:	Trump, Donald J; Harris, Kamala
Company / organization:	Name: Congress-US; NAICS: 921120
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.1
Publication year:	2024
Publication date:	Oct 16, 2024

Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3116886358
Document URL:	https://www.proquest.com/newspapers/oval-office-hopefuls-you-get-tax-break/docview/3116886358/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-10-16
Database:	ProQuest Central

LINKS

U.S. News: Taxes Ride on Next President, Congress

Rubin, Richard . Rubin, Richard.

ProQuest document link

FULL TEXT

Taxes could go up, down or completely sideways next year, depending on which political party controls which parts of the government.

With the House, Senate and White House all in play, trillions of dollars ride on a few hotly contested seats. Lawmakers, analysts and investors are busily gaming out scenarios, trying to understand how the next Congress might handle expiring tax cuts and other fiscal debates.

A Republican sweep led by Donald Trump could yield a fresh round of tax reductions. Full Democratic control with Kamala Harris in the White House -- less likely given the trajectory of Senate races -- could spur higher taxes on corporations and wealthy households. Divided government -- a president from one party and Congress at least partially controlled by the other -- could cause a deadline-breaching showdown in December 2025 or a rare bipartisan agreement.

Nothing forces Congress to change tax laws, but the consequences of inaction are real. If Congress does nothing, many tax cuts Republicans enacted in 2017 expire after 2025, raising taxes on 62% of households in 2026.

"There is going to be a tax bill next year, no matter who's in the White House, no matter who's controlling the House and the Senate," said Brad Close, president of the National Federation of Independent Business.

Here are a few scenarios.

Republican sweep

Republicans created the 2017 tax cuts and will keep them. They are keen on extending the lower tax rates and larger standard deduction for households. And they are particularly eager to keep a 20% deduction for certain closely held businesses.

But Republicans' intraparty disputes and congressional rules will constrain them, especially with narrow majorities.

"This is the one where the distribution of outcomes is widest," said Michael Pugliese, a senior economist at Wells Fargo. "It feels a little bit like a 'choose your own adventure' in terms of what it would look like."

They might struggle on the first step: setting a budget target for how much their bill would add to deficits over a decade. Sen. Mike Crapo (R., Idaho), the likely Finance Committee chairman if Republicans win, argues that tax-cut extensions don't need to be offset with other provisions. But that view isn't universal, and some Republicans might be concerned enough about adding $4 trillion or more to budget deficits to resist that position.

Beyond extending the 2017 law, Republicans would consider incorporating tax-cut ideas floated by Trump during his presidential campaign. That includes removing taxes on tips and overtime pay, allowing deductions for car-loan interest and creating a special tax rate for U.S. manufacturers. Procedural constraints would likely prevent Republicans from following through on Trump's call to stop taxing Social Security benefits.

Democratic sweep

Democrats generally want to extend expiring tax cuts for households earning under $400,000, with Harris adopting President Biden's pledge to protect people below that threshold. Beyond that level, because many Democrats represent high-income areas, there will be pressure to push that $400,000 level upward -- protecting more constituents but reducing federal revenue.

The $10,000 state and local deduction cap divides Democrats. Progressives say it should remain to raise money from high-income households. But if Democrats sweep, New Yorkers Hakeem Jeffries and Chuck Schumer would run the House and Senate, respectively, making it more likely that the cap would increase or vanish. As a senator, Harris co-sponsored a bill to repeal the cap, but she hasn't taken a position this cycle.

Harris would seek an expanded child tax credit, based on the more generous version that existed in 2021. That was $3,000 for most children and $3,600 for young children, and it was fully refundable to households that don't pay income taxes. Harris would bump the credit to $6,000 for children in their first year. Many lawmakers will have their own priorities.

Even with narrow majorities, Democrats could likely agree on some tax increases, because they would no longer be blocked by exiting Sens. Kyrsten Sinema and Joe Manchin, who limited the party's revenue-raising policies in 2021 and 2022. Still, razor-thin Senate control in this scenario -- Democrats are unlikely to hold more than 50 seats -- could complicate matters.

Divided government

Split control of government -- a very likely possibility -- could bring the messiest scenarios, if lawmakers take firm positions as the Dec. 31 deadline for expiring taxes approaches. It also has the easiest off-ramp, one Congress used in 2010 and 2013 to extend tax cuts.

If Harris embraces the Biden stance -- all extensions of tax cuts should be paid for -- that would prompt a showdown.

Progressives say that is the best way to break a decadeslong cycle that steadily reduced taxes. They argue that Democrats should push Republicans into a position where they are seen as holding middle-class tax cuts hostage because they want to cut taxes for rich people. Republicans would counter by pointing to economic consequences of paychecks shrinking in early 2026.

But there is an off-ramp.

In 2010 and 2012, Congress also debated expiring tax cuts. A 2010 bipartisan deal extended cuts for two years without paying for them. Then, in early 2013, Congress made most tax cuts permanent -- and let rates rise for the top sliver of households.

But it isn't 2013, and wider underlying budget deficits may constrain lawmakers' willingness to borrow more. Macroeconomic conditions are likely to be stronger than during the recovery from the financial crisis. That could embolden brinkmanship because the economy could withstand a temporary hit.

Credit: By Richard Rubin

DETAILS

Subject:	Federal budget; Tax rates; Bipartisanship; Legislators; Taxes; Political campaigns; Presidential elections; Tax cuts; Households; Budget deficits; Tax increases; Fiscal policy
Business indexing term:	Subject: Federal budget Tax rates Taxes Tax cuts Budget deficits Tax increases Fiscal policy; Industry: 92111 : Executive Offices 92112 : Legislative Bodies
Location:	United States--US
Company / organization:	Name: Congress-US; NAICS: 921120; Name: Senate-US; NAICS: 921120
Classification:	92111: Executive Offices; 92112: Legislative Bodies
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.4
Publication year:	2024
Publication date:	Oct 14, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English

Document type:	News
ProQuest document ID:	3116153301
Document URL:	https://www.proquest.com/newspapers/u-s-news-taxes-ride-on-next-president-congress/docview/3116153301/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-10-14
Database:	ProQuest Central

LINKS

U.S. News --- THE OUTLOOK: Economists See Higher Inflation With Trump

Kiernan, Paul; DeBarros, Anthony . Kiernan, Paul; DeBarros, Anthony.

ProQuest document link

FULL TEXT

Most economists think inflation, interest rates and deficits would be higher under the policies former President Donald Trump would pursue in a second administration than under those proposed by Vice President Kamala Harris, according to a quarterly survey by The Wall Street Journal.

The results of the Oct. 4-8 survey echoed those of the Journal's survey in July, when Trump was facing President Biden. Biden dropped out of the race on July 21, and Harris became the nominee shortly afterward.

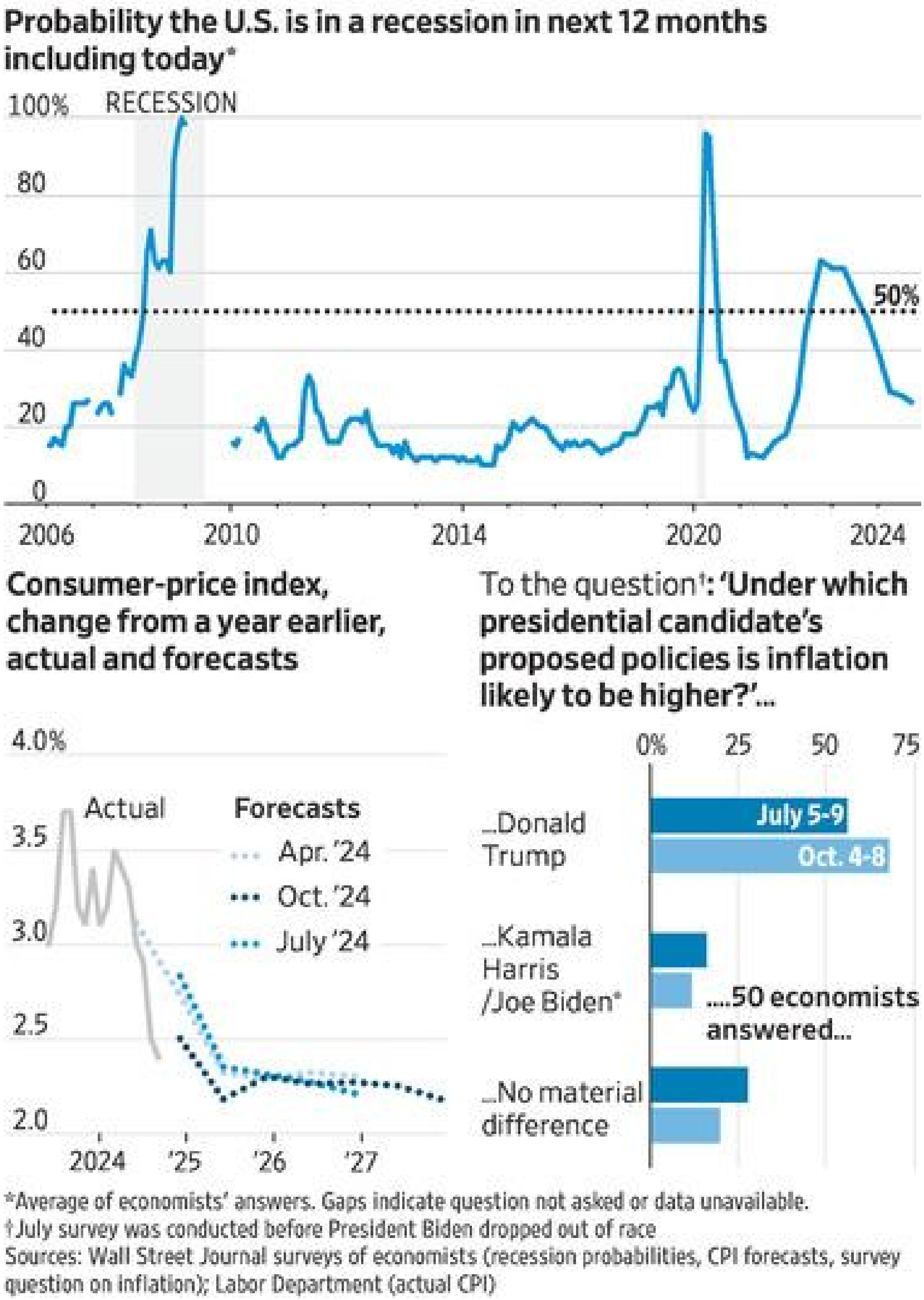
Since then, both Harris and Trump have released significant new policy proposals. Harris, for example, has called for new credits for newborn children and home buying, while Trump has proposed tax cuts on overtime pay and Social Security benefits, breaks for auto loan interest and state and local taxes.

The upshot: economists still think Trump's policies are more likely to add to inflation, deficits and interest rates. If anything, the margin has grown since July.

Of the 50 economists who responded to the survey's question on inflation, 68% said prices would rise faster under Trump than under Harris. That was up from 56% in July. Only 12% of the economists thought inflation would be higher under a Harris presidency, while the remainder saw no material difference between the candidates.

"Both candidates have policies that are inflationary," said Dan Hamilton, director of the center for economic research and forecasting at California Lutheran University. But in a change from their July forecast, Hamilton and his colleague Matthew Fienup now see a second Trump term producing faster price increases due to the former president's tariff

plans. "Since July, it became apparent to us that Trump is even more anti-free-trade than Harris," Hamilton said.
Since July, Trump has pledged across-the-board tariffs of 10% to 20% on imported goods, up from his earlier plan to impose 10% tariffs. He has also proposed a 60% or higher tariff on imports from China.
Studies of tariffs imposed when Trump was president found they were often passed through to importers or consumers as higher costs or prices and hurt industries that depend on imported inputs.
"If the tariffs work the way economists think they work, I think people are in for a very nasty surprise," said Philip Marey, senior U.S. strategist at Rabobank.
Trump has touted tariffs as a way to bring manufacturing jobs back to the U.S., raise money for the federal government and punish countries that have been "ripping us off for years." He has disputed their downsides, noting that inflation was lower during his presidency -- despite a trade war with China and friction with other major trade partners -- than under the Biden administration.
"Then -- as now -- Trump policies will fuel growth, drive down inflation, inspire American manufacturing, all while protecting the working men and women of our nation from lopsided policies tilted in favor of other countries," said Brian Hughes, a senior adviser to the Trump campaign. "These Wall Street elites would be wise to review the record and acknowledge the shortcomings of their past work if they'd like their new forecasts to be seen as credible."
The Journal asked economists to assess the proposed policies of the candidates. Whether those policies are enacted depends on several factors, most important the makeup of Congress.
The Covid-19 pandemic and its aftermath make it hard to directly compare the economic records of Trump and Biden as president. Employment has grown faster under Biden than under Trump, mostly because the pandemic vaporized more than 20 million jobs in early 2020, setting the stage for a dramatic rebound. Inflation reached a 40-year high under Biden, much of that due to pandemic-related supply-chain disruptions and to federal stimulus, some of which was signed into law by Trump.
The Journal's survey asked economists how Trump's proposed broad-based tariffs would affect domestic manufacturing employment within three to five years, relative to a scenario with no such policy. Of the 44 economists who responded, 59% said employment would be lower, while only 16% said it would be higher. The remainder said employment would be the same.
While neither Trump nor Harris has expressed much appetite for fiscal rectitude, 65% of economists see Trump's proposed policies putting more upward pressure on the federal deficit, up from 51% in July.
On the campaign trail in recent weeks, Trump has proposed eliminating taxes on Social Security income and overtime pay, and lowering them on American citizens who live abroad. He has also vowed to step up deportations and immigration enforcement, which could reduce the number of people working and paying taxes in the U.S.
As a result, the Committee for a Responsible Federal Budget estimates Trump's plans would widen federal budget deficits by an estimated $7.5 trillion over the next decade.
A likely consequence of higher deficits and inflation is higher interest rates. The Journal's survey showed 61% of economists saw rates being higher under a hypothetical President Trump than under Harris.
The survey found economists' outlook had brightened since July. They now expect U.S. gross domestic product to expand 2.2% in the fourth quarter of 2024 from a year earlier, compared with an average forecast of 1.7% in July.
Inflation as measured by the consumer-price index is seen at 2.5% at the end of this year, down from a July forecast of 2.8%.
The average probability economists assigned to recession in the next 12 months has fallen to 26%, from 28% in July.
The Journal's October survey received responses from 66 professional forecasters from business, Wall Street and academia. Some forecasters didn't answer every question.



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Credit: By Paul Kiernan and Anthony DeBarros

DETAILS

Subject:	Federal budget; Economic policy; Social security; Employment; Pandemics; Tariffs; International trade; Taxes; Political campaigns; Election results; Gross Domestic Product--GDP; Inflation; Manufacturing; Interest rates; Consumer Price Index; Presidential elections; Economists; Budget deficits

Business indexing term:	Subject: Federal budget Economic policy Social security Employment Tariffs International trade Taxes Gross Domestic Product--GDP Inflation Manufacturing Interest rates Consumer Price Index Economists Budget deficits; Industry: 92111 : Executive Offices
Location:	United States--US; China
People:	Trump, Donald J
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.2
Publication year:	2024
Publication date:	Oct 14, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3116153287
Document URL:	https://www.proquest.com/newspapers/u-s-news-outlook-economists-see-higher-inflation/docview/3116153287/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-10-14
Database:	ProQuest Central

LINKS

Deficit Pegged At $1.8 Trillion For Latest Year --- CBO data show that U.S. red ink persists as tax intake trails entitlement outlays

Rubin, Richard . Rubin, Richard.

ProQuest document link

FULL TEXT

WASHINGTON -- The U.S. budget deficit topped $1.8 trillion in the latest fiscal year, driven by higher spending on interest and programs for older people, as the government faces a persistent gap between federal outlays and tax collections.

The new data come as Republican presidential nominee Donald Trump and Democratic opponent Kamala Harris both propose new tax and spending plans that are estimated to add trillions of dollars more to the deficit over the next decade.

In all, the government collected $4.92 trillion in revenue and spent $6.75 trillion, putting the deficit at $1.83 trillion for the year ended Sept. 30, according to the Congressional Budget Office, which issued its estimates ahead of the official administration tallies expected later this month.

The previous year's deficit was officially $1.7 trillion, but it was actually wider, as the government recorded more than $300 billion in spending for student-debt cancellation in 2022 and a similar-size spending cut in 2023 when the Supreme Court blocked President Biden's program.

After that adjustment, the deficit was slightly smaller in 2024 than in 2023. Overall, the deficit was 4% narrower than CBO had projected in June.

Whoever wins the presidential election will face immediate decisions next year about agencies' spending levels, the federal debt limit and expiring tax cuts. That debate will be pulled one way by people concerned about projections of red ink and pulled the other way by those who support federal benefits and lower taxes.

The largest federal entitlement programs -- Social Security and Medicare -- cost 6% more than they did in fiscal 2023, or even more when adjusting for the timing of some payments, according to the CBO. The U.S. spent $950 billion on interest, up 34% from the prior year, mostly because of higher interest rates. Interest costs surpassed military spending.

Revenue climbed 11%, driven in part by taxes that were pushed from fiscal 2023 to 2024 because of disasters in California and by the Internal Revenue Service pausing payments of the employee retention tax credit, a troubled pandemic-era program.

"While the deficit is lower than it was last year, President Biden believes we need to reduce the deficit further by making the wealthy and large corporations pay their fair share, and by reducing wasteful spending on special interests like Big Pharma," said White House spokesman Jeremy Edwards.

House Budget Committee Chairman Jodey Arrington (R., Texas) said the "Biden-Harris agenda of unbridled spending and record inflation has pushed our nation further along a completely unsustainable path."

The latest deficit reading is about 6.4% of gross domestic product. The U.S. has run larger budget deficits before, both in dollars and as a share of GDP. But the country set those records during wars, economic crises and the coronavirus pandemic, not during a period like today's low unemployment and solid growth.

Projections show continued deficits for the foreseeable future and accumulated debt reaching record levels within a few years. That isn't a crisis, economists said, but the U.S. fiscal situation is riskier now.

Congress has missed opportunities to act and should move soon to make Medicare more efficient and make Social Security benefits less generous than projected, said Romina Boccia, director of budget and entitlement policy at the Cato Institute, which favors smaller government.

"Any fiscal plan that doesn't address these programs is basically not addressing the root cause of higher spending," she said.

Policymakers in both parties often talk about reducing budget deficits, but they disagree sharply on how to do so. They have in recent years agreed to limit spending by federal agencies. Those bipartisan deals haven't touched Social Security and Medicare, though healthcare costs have grown more slowly than expected.

Indeed, both major-party candidates have promised to avoid benefit cuts in Social Security and Medicare. Harris is now proposing to expand Medicare to cover long-term home care, which would add to spending.

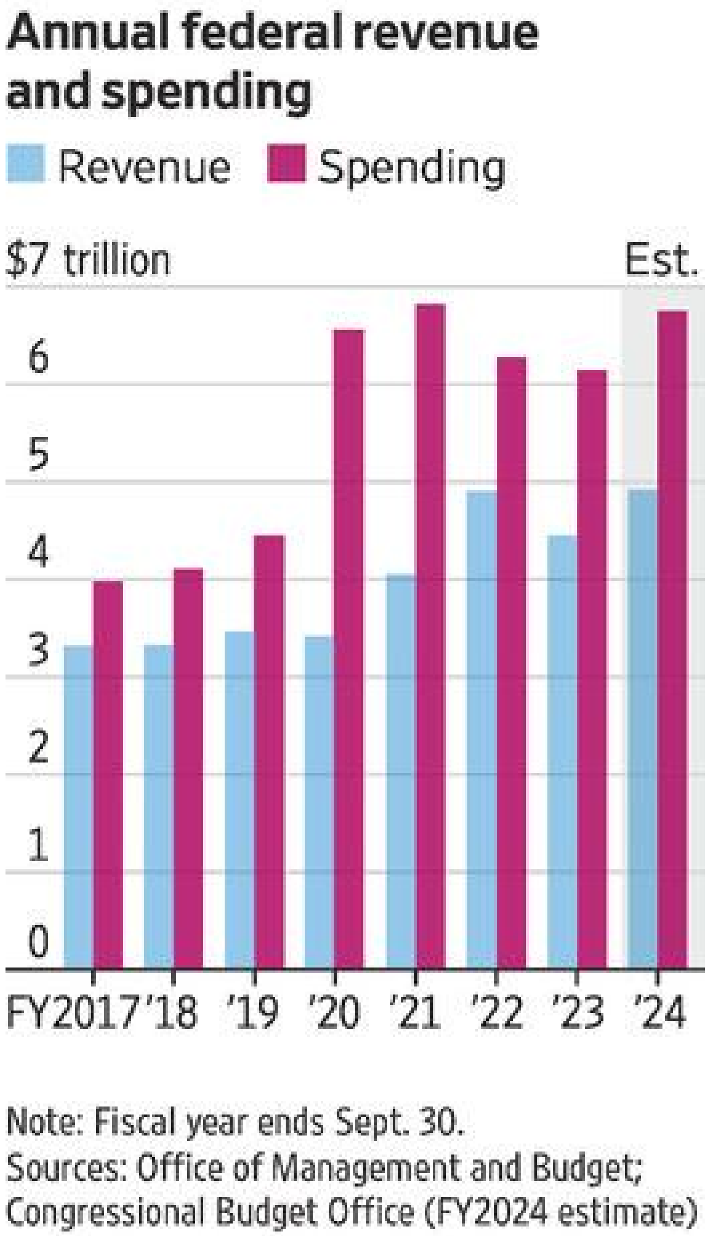
Trump has called for some budget cuts and higher tariffs, but his proposed tax cuts far outweigh them. All estimates carry uncertainty, but Trump's fiscal proposals would increase budget deficits by $7.5 trillion beyond what would happen if Congress does nothing, according to an analysis from the Committee for a Responsible Federal Budget, or CRFB, which favors deficit reduction.

In addition to extending expiring tax cuts, Trump has proposed eliminating taxes on tips, overtime pay and Social Security benefits. Although he has called for closing the Education Department and rescinding some clean-energy tax credits, his missile-defense and mass-deportation programs would add costs.

Democrats, including Harris, said they would use tax increases on top earners and corporations to pay for new programs and reduce deficits. But the CRFB estimated that Harris's proposals would increase deficits by $3.5 trillion.

Progressives are focused on the expiration of many of Trump's 2017 tax cuts next year as a crucial moment for fiscal policy changes, and they are advocating finding new taxes to pay for any extensions.

"The first real opportunity right now to make progress on this front is not digging this hole deeper," said David Kamin, who was a White House aide to Biden and former President Barack Obama. "Next year looks like a good year to move toward a more sustainable trajectory and to pay for extension of the tax cuts."



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Credit: By Richard Rubin

DETAILS

Subject:	Costs; Social security; Pandemics; Fiscal policy; Taxes; Presidential elections; Tax cuts; Budget deficits; Medicare; Congressional committees; Tax increases
Business indexing term:	Subject: Costs Social security Fiscal policy Taxes Tax cuts Budget deficits Medicare Tax increases; Industry: 92111 : Executive Offices 92112 : Legislative Bodies
Location:	United States--US
People:	Biden, Joseph R Jr
Company / organization:	Name: Congress-US; NAICS: 921120; Name: Congressional Budget Office--CBO; NAICS: 921120

Classification:	92111: Executive Offices; 92112: Legislative Bodies
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.1
Publication year:	2024
Publication date:	Oct 9, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3114300924
Document URL:	https://www.proquest.com/newspapers/deficit-pegged-at-1-8-trillion-latest-year-cbo/docview/3114300924/se-2?accountid=14681
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Last updated:	2024-10-09
Database:	ProQuest Central

LINKS

U.S. News: Vice President's Economic Plan Puts Focus on Consumers

Lahart, Justin; Restuccia, Andrew . Lahart, Justin; Restuccia, Andrew.

FULL TEXT

Vice President Kamala Harris is making a subtle but important shift in her approach to economic policy that represents -- at times -- a departure from Democratic traditions. While President Biden's agenda focused on jobs, Harris is focused on costs. Where Biden sees voters foremost as workers, she sees them more as consumers.

As a result, her policies are aimed at trying to help middle-class Americans afford the things they need and want, and helping them build wealth that can be passed along to their kids, her advisers say.

"I want Americans and families to be able to not just get by but be able to get ahead -- to thrive," Harris said last month in Pennsylvania. "I want you to be able to save up for your child's education, to take a nice vacation from time to time."

Partly, her approach is a consequence of economic realities. The American labor market remains robust, and on Friday, U.S. hiring blew past expectations by adding 254,000 jobs in September. The economy has added 16.2 million jobs since Biden took office.

At a rally in Michigan on Friday, Harris touted the new jobs data, but added, "There's still more we need to do. Prices for everyday things like groceries [are] still too high. You know it, and I know it."

Meanwhile, inflation is cooling, yet consumer prices are up 20% since Biden took office. While Harris's priorities are recognizably part of the Democratic Party tradition, she differs in some ways from former presidents Bill Clinton and Barack Obama.

Like Biden, she is more wary of trade than Clinton and Obama were and less confident in the power of the market to broadly benefit Americans. She also plans to keep in place Biden's investments in manufacturing.

Many of Harris's plans amount to an extension of his policies -- a reflection of political realities, too. Harris entered the race late in the process, leaving her little time to develop her own economic policy and make her case to voters. Her approach borrows much from Biden, but puts more emphasis on controlling costs and helping families build wealth.

The first half of the economic policy platform she released consists of kitchen-table cost concerns; the proposals include lowering middle-class taxes, cutting food and grocery costs, and lowering prescription drug prices. While Biden also talked about those issues on the campaign trail, Harris has zeroed in on them as the things voters care about most.

The text of her plan makes reference to costs and prices more than twice as often as jobs. And her ideas about creating an "opportunity economy" are focused on helping more Americans buy their first home or start a business.

Harris's advisers describe her as a pragmatist, and they say she is open to hearing out and working with CEOs -- a shift from Biden, who didn't build close relationships with corporate America.

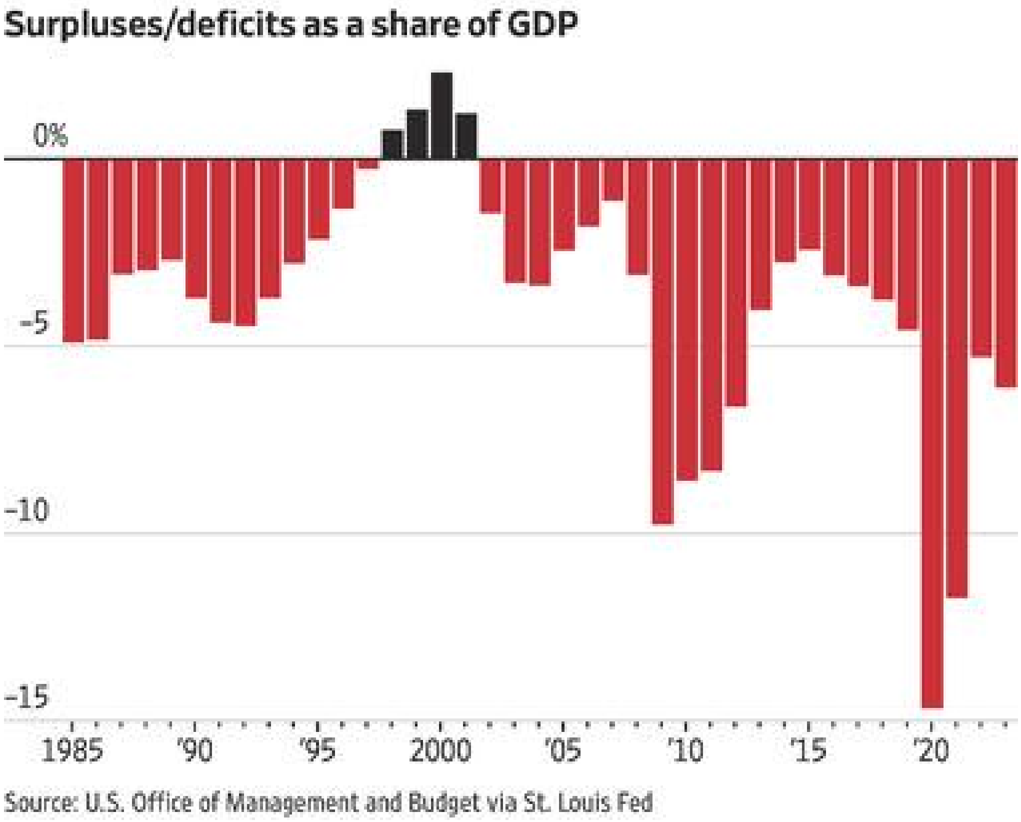
Michael Strain, director of economic policy studies at the right-leaning American Enterprise Institute, said he sees Harris's proposals as conventional for a Democrat. He dislikes many of her ideas, such as her proposal to provide $25,000 in down-payment assistance to first-time home buyers and her focus on price-gouging. But he also thinks that she views business more favorably than Biden or Obama did.

"I do think that Vice President Harris seems to have a genuinely held conviction that business is a force for good in American life," he said.

Harris's viewpoints also speak to larger changes across the party.

Clinton proposed big ideas for the economy -- like his healthcare plan -- but felt that he needed to focus on fiscal restraint to achieve them. Though his health plan fell by the wayside, he was the only president since Dwight Eisenhower to exit office with the U.S. running a budget surplus. Worries about the deficit, meanwhile, were at the forefront of Obama's 2012 re-election campaign.

The deficit weighed less on Biden -- in part because his Republican predecessor, Donald Trump, presided over four straight years of rising annual deficits, deflating the political saliency of the issue. In Harris's debate with Trump last month, her only reference to the deficit was to say how much bigger it would be if Trump were re-elected. Trump didn't mention the deficit at all.



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Credit: By Justin Lahart and Andrew Restuccia

DETAILS

Subject:	Political campaigns; Prices; Economic policy; Middle class; Consumers; Costs; Voters
Business indexing term:	Subject: Economic policy Consumers Costs
Location:	United States--US
People:	Harris, Kamala
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.4
Publication year:	2024
Publication date:	Oct 8, 2024
Publisher:	Dow Jones &Company Inc.

Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3114034163
Document URL:	https://www.proquest.com/newspapers/u-s-news-vice-presidents-economic-plan-puts-focus/docview/3114034163/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions withi n certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-10-08
Database:	ProQuest Central

LINKS

One Year After Oct. 7 Attack, Israel Preps for a Future at War

Shayndi Raice . Shayndi Raice.

FULL TEXT

TEL AVIV -- One year after the brutal Hamas attack that ended Israel's two-decade golden age of relative peace, expanding wealth and growing diplomatic ties, the country is now firmly on the counterattack and preparing to be at war for years.

Weathering a ferocious Iranian missile assault in recent days and shaking off calls from allies for a cease-fire in Gaza, Israel is instead opening new theaters of fighting.

It launched a stunning series of attacks against the Lebanese-militia Hezbollah in Lebanon in recent weeks, while simultaneously targeting Houthi rebels in Yemen, rooting out militancy in the occupied West Bank and mapping out its next steps against Iran, the architect of a so-called axis of resistance that includes U.S.-designated terrorist groups bent on destroying Israel.
The campaign marks an aggressive shift in Israel's security posture. For years, the military aimed to provide long stretches of peace that were only momentarily punctured by short conflicts with Palestinian militants. There were occasional military maneuvers aimed at degrading the axis, but they were never severe enough to welcome retaliation. A country founded on austerity, Israel saw its gross domestic product soar. Its bustling commercial capital, Tel Aviv, became indistinguishable from any other affluent Mediterranean city.
Much of Israel's security establishment now believes these decades lay the groundwork for the deadly Oct. 7 attack from Hamas's Gaza stronghold that killed 1,200 people and took another 250 hostage. Israel can no longer allow its enemies the time and space to build up arsenals that can pose an existential threat, many have come to believe.
"Pre-emptive wars will be in the future part of the Israeli tool kit," said Yaakov Amidror, a former Israeli national security adviser.
The impact of this new strategy is expected to touch nearly every part of Israeli society, reshape Middle East geopolitics and shake up relations with the U.S., which as Israel's main diplomatic ally and supplier of weapons has watched its influence diminish.
It could come at the expense of Israel's diplomatic goals, including building a regional alliance that can counter Iran. Saudi Arabia has said it won't normalize relations with Israel unless there's a credible pathway to a Palestinian state, an idea that remains unpopular in Israel and is a no-go for Israeli Prime Minister Benjamin Netanyahu's current right-wing government.
Without seeking political and diplomatic solutions, "it's a matter of endless war," said Tamir Hayman, a former head of Israeli military intelligence and executive director of the Tel Aviv-based think tank Institute for National Security Studies. "After Gaza, we will go to Lebanon. After Lebanon, go to the West Bank. After the West Bank, we go to Iran."
For many Israelis, this has opened up a terrifying new reality. Will Israel become a Sparta of the Middle East, with national security and war its most defining characteristic? Israelis had become accustomed to the growing business opportunities that periods of calm made possible, with Tel Aviv becoming a global technology hub with high salaries, an internationally recognized restaurant scene and luxury high-rise apartments.
Israel has mandatory military service for most citizens, with an army that relies on both conscripts and hundreds of thousands of reservists who, in peacetime, live normal lives. Israelis are now contemplating a future where they could spend even more time at war.
Rivka Sally Bayna, 28 years old, had spent over 200 days in the reserves since Oct. 7 when she was called back for another 20 days shortly after Israel began its assault on southern Lebanon. A company commander for a search-and-rescue brigade, she would normally spend 30 days a year in reserves before the war. She can't imagine having another year like this one.
"I'm really worn out, like a shoe that was worn too much," she said. "I just miss my life."
Israel's security rethink is a testament to the success of Iran's anti-Israel militias in Lebanon, Syria, Iraq, Yemen and the Palestinian territories. The Hamas-led Oct. 7 attack wasn't limited to Israel's southern border. It unleashed Iranian-backed militias like Hezbollah, which began firing rockets on northern Israel on Oct. 8, and the Houthi rebels in Yemen, who have fired long-range ballistic missiles in Tel Aviv. At the same time, Tehran-backed Iraqi and Syrian militias have harassed Israel with rocket fire and drones.
What this year has shown is that Iran's strategy has opened up more ways for Israel to be attacked and from more places -- from sophisticated rockets to off-the-shelf drones and suicide bombings in Tel Aviv.
The threat posed by what Israelis now call "the ring of fire" created by Iran wasn't well understood before Oct. 7. It has not only stretched the military's capabilities but also underscored how Israel's every move could spark a regional war, which the U.S. is pressuring it to avoid.
Iran this week launched a barrage of 200 ballistic missiles at Israel that were mostly shot down or missed their targets,

but Israel has promised a punishing response. This came after Iran's first ever attack on Israeli soil in April, firing over 300 projectiles, including cruise and ballistic missiles.
The exchanges have opened the door to a confrontation that would risk pulling major world powers into a war.
"This is not a war against Hamas or Hezbollah," said Ofer Shelah, director of national security policy research at the Institute for National Security Studies. "This is a war against the Iranian Axis of Resistance."
In the view of much of the Arab world, Israeli security policies were already aggressive before Oct. 7. Israel, along with Egypt, imposed an embargo on Gaza that had largely isolated the strip. Israel began ramping up raids into the West Bank in 2021, with the Palestinian death toll reaching the highest levels last year since the Second Intifada, an uprising from 2000 to 2005 that saw widespread Palestinian terrorist attacks on Israel and a fierce Israeli military response.
Critics of Israel's strategic shift say it will bog the region down in endless conflict, and risks radicalizing the populations of stable Arab neighbors and pushing potential allies like Saudi Arabia away. Media across the Arab world continues to focus on the death toll in Gaza, where more than 40,000 Palestinians have been killed, according to local health authorities, who don't distinguish between combatant deaths and civilians.
A newly confrontational Israel must also contend with a cautious ally in the U.S., where the November election could have profound consequences. President Biden has threaded the needle between almost unconditional support for Israel's defense while also consistently calling for an end to hostilities.
Security officials estimate that the military will need to fight for at least another year in Gaza, and forces will need to be stationed there for years to come. Israel has said its ground incursion into Lebanon will be targeted at Hezbollah infrastructure along the border and limited in duration, but with no viable alternative to provide security in that area, there will be pressure on Israel to stay until it's safe for tens of thousands of Israelis to return to homes near the border.
An Israeli government committee is working on recommendations for how Israel's military posture needs to change and how much money it will need to spend on defense. Some analysts estimate that military spending could go as high as 10% of Israel's GDP and require the country to take on more debt, raise taxes and stop funding projects that it deems noncritical.
The Bank of Israel estimated that the war will cost Israel about $65 billion from 2023 to 2025, before the recent escalation in Lebanon began. Bank of Israel governor Amir Yaron warned against increasing spending to the point of causing severe damage to the economy.
Israel's economy is strong enough to absorb some shock now, say economists. The 2000s ushered in a wave of fiscal discipline. For 24 years straight, Israel has had a current accounts surplus, meaning Israel exports more than it imports. It has relatively low national debt, and a strong economic core in the technology industry.
"It means we've got plenty of room to maneuver," said Nadine Baudot-Trajtenberg, a former deputy governor of the Bank of Israel.
But for average Israelis, the war has already hurt them financially. Avishai Ben Harroch, who owned a trendy Tel Aviv restaurant that served the Moroccan-Parisian cuisine that his mother cooked for him, has now spent 220 days of the last 365 in the reserves. He realized shortly after the war started there was no way for him to keep it open. The burden of war is taking a toll. He lost six friends in battle, including one who was blown up just meters away from him. He knows another five who have killed themselves this year. Others he knows have turned to drugs.
"I am very, very, very exhausted," said Ben Harroch, who days later was called back to Israel's north to fight in Lebanon as the ground invasion began. Once again, he had to leave his partner and 6-month-old baby, this time just before Rosh Hashana, the Jewish New Year.
A more hawkish Israeli strategy will run into a divided Israeli public. A mass protest movement against Netanyahu's plans for a judicial overhaul before Oct. 7 transformed itself into a movement seeking the end of the war in exchange for the release of Israeli hostages. They fill the streets of Tel Aviv every Saturday night, just as the Sabbath is ending, carrying Israeli flags and pictures of those still in captivity. That more than 100 people are still held hostage is an open wound in Israel that won't heal quickly.
More wars would also require more troops. It has made the need to draft ultra-Orthodox Jews who have long been

exempt from military service a more urgent matter, and increased anger at a segment of society that is viewed as not equally sharing in the burden of defending the country.
Despite a recent Supreme Court ruling that the military must start drafting ultra-Orthodox men, most are refusing to sign up and many are taking to the streets in protest.
Danny Orbach, a military historian at the Hebrew University of Jerusalem, thinks the social upheaval underscores how much pain people are experiencing over the loss of the Israel that was destroyed on Oct. 7.
"When you see the world is changing around you, the first thing you want to do is to go back as quickly as possible to your old world," he said. "When you see you cannot do this, it generates waves of fury and despair and I think we see it in Israel now."
Polls have consistently shown Israelis feel their sense of security was shattered on Oct. 7 and it still hasn't recovered. People are grieving, depressed and "feel like the sky has fallen on their heads," said Tamar Hermann, a pollster and senior fellow at the Israel Democracy Institute think tank in Jerusalem.
Ayala Metzger, 50, has become one of the leaders of the protest movement to free the hostages. Her father-in-law, Yoram Metzger, was 80 years old when he was kidnapped on Oct. 7 from his home in Kibbutz Nir Oz. His body was found by the Israeli military in August. Ayala said Israel is no longer a country she recognizes, and she and her husband talk about leaving.
"This is the only home I know, but it's crazy now," she said. "Where I live, I don't feel like home."
Credit: By Shayndi Raice

DETAILS

Subject:	Suicide bombings; National security; Gross Domestic Product--GDP; Missiles; Economic growth; Military strategy; Militia groups; Military readiness; Truces &cease fires; Israel Hamas War-2023
Business indexing term:	Subject: Gross Domestic Product--GDP Economic growth
Location:	Middle East; West Bank; United States--US; Saudi Arabia; Israel; Iraq; Iran; Yemen; Gaza Strip; Lebanon; Tel Aviv Israel
Company / organization:	Name: Hezbollah-Party of God; NAICS: 813940; Name: Bank of Israel; NAICS: 522110; Name: Hamas; NAICS: 813940
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.1
Publication year:	2024
Publication date:	Oct 7, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance

ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3113501571
Document URL:	https://www.proquest.com/newspapers/one-year-after-oct-7-attack-israel-preps-future/docview/3113501571/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-10-08
Database:	ProQuest Central

LINKS

Document 203 of 222

U.S. News: Deficits Would Rise More Under Trump Than Harris

Rubin, Richard . Rubin, Richard.

ProQuest document link

FULL TEXT

WASHINGTON -- Donald Trump's flurry of recent tax-cut promises pushed his fiscal plan deep into red ink, and he would increase budget deficits by more than twice as much as Democratic rival Kamala Harris would, according to a new study that is among the most comprehensive estimates to date of the candidates' proposals.

Trump's combination of tax cuts, tariff increases, military expansion and mass deportations would widen budget deficits by an estimated $7.5 trillion over the next decade, according to the Committee for a Responsible Federal Budget, or CRFB, a bipartisan group that favors lower deficits.

Meanwhile, Vice President Harris's plans -- social-policy spending, middle-class tax cuts and tax increases on corporations and high-income households -- would widen deficits by $3.5 trillion.

Those wider deficits would come atop the $22 trillion in budget deficits the U.S. is on pace to generate over the decade if Congress does nothing. After several rounds of tax cuts and emergency spending, the U.S. publicly held debt now exceeds $28.3 trillion.

That debt is now about equal to the size of the economy. And even without new policies, the country's debt load as a percentage of gross domestic product is already slated to push past its post-World War II records, thanks to the aging U.S. population and a structural gap between the government's revenue and its spending.
Economists warn that the country's rising debt creates risk, but for now, U.S. growth has remained solid and the country isn't in a fiscal crisis.
Both of the candidates have proposed policies that could boost economic growth -- business tax incentives and tax cuts that give consumers more money to spend -- while both also have policies that would cut the other way, such as Harris's tax increases and Trump's tariffs.
Under both plans, the national debt would keep growing faster than the economy, according to the study.
"Obviously, neither of them are moving in the direction of stabilizing the debt," said Marc Goldwein, the CRFB's senior vice president.
Trump, in particular, has layered proposed tax cuts on top of tax cuts. In addition to calling for extensions of his 2017 tax cuts, which expire at the end of next year, he has promised to eliminate taxes on tips, Social Security benefits and overtime pay. And he promised to restore the deduction for state and local taxes, which the 2017 tax law capped at $10,000.
His tariffs and energy policies don't come close to making up the difference, according to the study.
"President Trump started promising a new tax cut at every rally, and those really added up," Goldwein said. "Six weeks ago, they were kind of similar. That's no longer the case."
Campaign plans are often far vaguer than eventual legislation, and estimating even clear policies isn't an exact science.
For example, congressional scorekeepers and the U.S. Treasury Department are $469 billion apart in their estimates of the impact of raising the corporate tax rate to 28%.
Trump's deficits could be as low as $1.45 trillion and as high as $15.15 trillion, while Harris's could be as low as break-even and as high as $8.1 trillion, according to the analysis.
Harris has promised to prevent tax increases on households making under $400,000, which would require extending most of Trump's expiring tax cuts. She also has called for expanded tax credits for families with children, first-time home buyers and some companies, in addition to new federal investments in paid leave and child care.
The Trump campaign didn't respond to a request for comment.
Credit: By Richard Rubin

DETAILS

Subject:	Tax rates; Debt restructuring; Tariffs; Political campaigns; Gross Domestic Product--GDP; National debt; Presidential elections; Tax cuts; Economic growth; Budget deficits; Tax increases
Business indexing term:	Subject: Tax rates Debt restructuring Tariffs Gross Domestic Product--GDP National debt Tax cuts Economic growth Budget deficits Tax increases; Industry: 92111 : Executive Offices
Location:	United States--US
People:	Harris, Kamala; Trump, Donald J
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.

First page:	A.4
Publication year:	2024
Publication date:	Oct 7, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3113501532
Document URL:	https://www.proquest.com/newspapers/u-s-news-deficits-would-rise-more-under-trump/docview/3113501532/se-2?accountid=14681
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Last updated:	2024-10-07
Database:	ProQuest Central

LINKS

U.S. News: How Candidates' Stances Have Changed Over Time

ProQuest document link

FULL TEXT

Former President Donald Trump has staked out new policy positions in recent weeks that suggest he would be a different president than he was when first elected in 2016. Trump's campaign has played down the moves, and a spokeswoman said "everyone knows who he is and knows he can be trusted." Here are some issues Trump has changed his views on:

Abortion

Before he ran for president the first time, Trump described himself as "very pro-choice." Then, in his first campaign, he said he backed overturning Roe v. Wade, the Supreme Court decision that guaranteed a right to abortion nationwide. Trump said in September that Florida's ban on the procedure after six weeks of pregnancy was too short, and suggested he would vote for a ballot initiative allowing the procedure until fetal viability, or about halfway through most pregnancies. He later said he wouldn't support the ballot measure. In October, he said he would veto a national abortion ban.

SALT Cap

While president, Trump passed a tax bill that capped the state and local tax deduction at $10,000 per return. That cap, along with other major pieces of the law, is scheduled to expire at the end of 2025. This part of the legislation has been unpopular in high-tax blue states. In September, Trump posted on Truth Social that he would "get SALT back," ahead of a rally in New York.

TikTok

As president, Trump said he wanted to ban Chinese-controlled TikTok from the U.S., siding with members of Congress from both parties concerned about the data the social-media app could gather. In March 2024, Trump reversed his position and said Congress shouldn't ban the app. He worried that it could strengthen Meta Platforms' social-media apps. Trump has sparred with Meta chief Mark Zuckerberg over money he donated in 2020 for Covid-19-related polling site accommodations.

Marijuana

In his 2016 presidential campaign, Trump backed medical marijuana but blamed recreational use for "big problems" in Colorado. He said legalization should be left to the states, though his 2021 fiscal budget proposal released during his re-election campaign included removing protections for state medical-marijuana laws. As he runs for president in 2024, Trump says he plans to vote for a ballot initiative in Florida that would legalize personal cannabis use for adults who are 21 and over.

Repealing Obamacare

Trump in 2016 campaigned on repealing the Affordable Care Act, or Obamacare, which originally required individuals to have health insurance or pay a penalty and sought to protect those with pre-existing conditions from losing health insurance. Republicans failed to overturn the bill in 2017, and the issue faded. The Republican platform adopted at this year's convention makes no mention of repealing Obamacare. At the presidential debate with Harris, when asked if he would either replace or improve upon the Affordable Care Act, Trump said: "I have concepts of a plan."

-- Natalie Andrews and Rosie Ettenheim

Vice President Kamala Harris has backed away from some of her more liberal positions between her time as a California senator to her second presidential campaign. She says her values haven't changed. Here are some issues she has changed her views on:

Zero Emissions Vehicle Act

As a senator, Harris was a co-sponsor of legislation that called for increasing zero-emissions vehicles and ultimately phasing out all others by 2040. Harris's presidential campaign said recently she no longer supports the measure.

Medicare for all

After she joined the Senate in 2017, Harris supported Medicare for All, which would shift the healthcare system from private and employer-based insurance to a government-run program. She first softened that position when she campaigned for the presidency in the 2020 election, and released a proposal to expand access to Medicare while keeping private insurance intact. She further backed away from it after joining President Biden's ticket in 2020 and instead backed his plan, which called for building on the Affordable Care Act.

Green New Deal

Harris backed the progressive wish list of climate goals -- including ending the reliance of the U.S. economy on fossil fuels within 10 years -- as a co-sponsor of the Green New Deal legislation in the Senate. As vice president, Harris cast the tiebreaking vote on Biden's climate investment package, which contained about $1 trillion in tax credits, grants and loans for clean energy. Harris's 2024 presidential campaign has said it no longer backs the Green New Deal.

Decriminalizing Border Crossings

Harris, like most Democratic presidential contenders, raised her hand during a primary debate in 2019 when asked who backed decriminalizing border crossings. She later clarified she believed it to be a civil enforcement issue, not a criminal enforcement issue. Harris is now running on a border deal that failed in the Senate earlier this year that is considered one of the toughest, bipartisan immigration measures in recent years.

Fracking

Harris backed banning fracking during the 2020 Democratic presidential primary. After she became Biden's running mate, she then supported his position, which called for banning new permits for drilling on federal land and offshore, but the Biden administration didn't fully follow through on its pledge. Since ascending to the top of the Democratic ticket, Harris has backed away from banning fracking, saying she now believes the clean-energy economy can grow without having to ban fracking.

-- Tarini Parti and Rosie Ettenheim

DETAILS

Subject:	Bans; Health care policy; Debates; Patient Protection &Affordable Care Act 2010-US; Decriminalization; Political campaigns; Legislation; Presidential elections; Abortion; Medicare; Marijuana; Health insurance; Candidates
Business indexing term:	Subject: Patient Protection &Affordable Care Act 2010-US Medicare Health insurance; Industry: 92111 : Executive Offices
Location:	United States--US; Florida
People:	Harris, Kamala; Trump, Donald J
Company / organization:	Name: TikTok Inc; NAICS: 518210; Name: Congress-US; NAICS: 921120; Name: Senate-US; NAICS: 921120
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.4
Publication year:	2024
Publication date:	Oct 4, 2024
Publisher:	Dow Jones &Company Inc.

Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3112705456
Document URL:	https://www.proquest.com/newspapers/u-s-news-how-candidates-stances-have-changed-over/docview/3112705456/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-10-04
Database:	ProQuest Central

LINKS

U.S. News --- THE OUTLOOK: Migrants' Fiscal Effect Good, but Uneven

Fairless, Tom . Fairless, Tom.

FULL TEXT

Among the benefits economists often say immigration brings to aging Western countries is a healthier public purse. Having more immigrants expands the supply of young, productive workers to pay the taxes that finance the pensions and healthcare of the elderly, the argument goes.

New research shows the fiscal impact of immigration isn't that simple. The fiscal benefits are clear for high-skilled immigrants, but less so, and possibly even negative, for the lower skilled, according to some studies.

To be sure, fiscal effects aren't the only consideration in the current debate over immigration; other factors include the role of immigrants in relieving labor shortages, countering population decline or altering the character of the communities where they settle.

Nonetheless, the fiscal effects have drawn more attention as migration reaches record levels in the U.S. and Europe. A plurality of U.S. voters, or 44%, believe immigrants make the tax situation worse, while 18% believe they make it better, according to a Gallup poll last year.

In fact, in aggregate, the recent surge in immigrants will reduce the federal deficit, the Congressional Budget Office found; it indicated this was more so for higher- than lower-skilled migrants, although it said an increase in less-educated workers would also trigger stronger wage growth for the more educated people needed to work with them.

Low-skilled immigrants, many claiming asylum, make up an unusually large share of recent arrivals on both sides of the Atlantic. The CBO didn't estimate the impact of the surge on state and local budgets, but said it expected those costs to outweigh revenues.

What people, regardless of background, pay in taxes and consume in government services varies over their lifetimes. Before adulthood, they benefit from education and health services, but aren't yet working and paying taxes. Once people enter the workforce, they start contributing more in taxes than they consume in state services. As they retire, they stop earning, draw on government benefits and consume more healthcare and social welfare.

The Office for Budget Responsibility, the U.K.'s spending watchdog, in a study published this month found the average migrant worker made a net contribution of GBP 225,000, or about $300,000, to the public purse by age 85, in contrast to the net negative GBP 146,000 contribution of the representative U.K. resident.

But among migrants, the contribution varied widely. The average high-wage migrant contributed a net GBP 684,000, while the average low-wage migrant's contribution was a net negative GBP 578,000.

The takeaway from the report is that from a purely fiscal point of view, "it's not beneficial to have work-related migration into low-wage jobs," said Madeleine Sumption, director of the Migration Observatory at the University of Oxford.

The U.K. government recently raised salary thresholds for work visas in an effort to limit low-wage migration.

A second recent study, for the University of Amsterdam -- using detailed, anonymized data for all 17 million Dutch residents -- found non-Western immigrants with at most primary education cost the Dutch Treasury a net 360,000 euros, or about $400,000, over their whole lives. In contrast, non-Western immigrants with a master's degree made a positive net life contribution of 130,000 euros.

Each asylum seeker costs the Dutch state 475,000 euros over their lifetime on average, including the cost for the second generation. That partly reflects low levels of educational attainment, which tends to correspond to skill and wage level, said Jan van de Beek, an independent researcher who co-wrote the study.

In the U.S., the National Academy of Sciences in 2017 published detailed estimates of the fiscal costs of various migrant groups. They suggest that the average migrant with less than a high-school diploma will receive $109,000 more in benefits from all levels of government than they pay in taxes over their lifetimes. The figures are expressed in 2012 dollars.

However, other economists say simply subtracting benefits received from taxes paid doesn't give a full picture of how immigrants impact government budgets.

Employers pay immigrants to work because that labor adds value to their capital, and their capital income is subsequently taxed, said Michael Clemens, professor of economics at George Mason University. Revenue from taxes on capital (profits, dividends and capital gains) should therefore be added to immigrants' fiscal contribution, he said.

Clemens estimates that for every dollar of labor income, there are roughly 80 cents of capital income. Adding that factor to the National Academy of Sciences' calculations, he finds a migrant in the U.S. with less than a high-school education actually contributes a net $128,000 over his or her lifetime to the U.S. Treasury, rather than subtracting $109,000.

Another omission: Some low-skilled workers might complement high-skilled ones. Cleaners make possible the work of a surgeon, for example. Access to child care might allow an engineer to work longer hours.

These ripple effects on wages and labor supply add up to between $700 to $2,100 a year in additional fiscal benefits to what the National Academy of Sciences found for each low-skilled immigrant, meaning this group weighs less on U.S. public finances or even bolsters them over their lifetimes, according to a 2020 paper by Dominik Sachs, now at the University of St. Gallen in Switzerland, and Mark Colas of the University of Oregon.

When it modeled the overall impact of recent illegal immigration on the U.S. economy this year, the Congressional Budget Office found a big benefit for the Treasury: $897 billion for the decade through 2034.

Credit: By Tom Fairless

DETAILS

Subject:	Immigration policy; Taxes; Workers; Budgets; Costs; Migration; Immigrants; Education; Wages &salaries; Economic impact; Foreign labor
Business indexing term:	Subject: Taxes Workers Budgets Costs Wages &salaries Economic impact Foreign labor
Location:	United States--US; United Kingdom--UK
Company / organization:	Name: National Academy of Sciences; NAICS: 541714; Name: Congressional Budget Office--CBO; NAICS: 921120
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.2
Publication year:	2024
Publication date:	Sep 30, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3111044616
Document URL:	https://www.proquest.com/newspapers/u-s-news-outlook-migrants-fiscal-effect-good/docview/3111044616/se-2?accountid=14681

U.S. News: U.S. Senate Race In Blue Maryland Is Most Unusual

Peterson, Kristina; DeBarros, Anthony . Peterson, Kristina; DeBarros, Anthony.

FULL TEXT

GAITHERSBURG, Md. -- Fifteen minutes into her speech, Democrat Angela Alsobrooks acknowledged the strange reality of her Senate race in deep blue Maryland: Her Republican opponent, former Gov. Larry Hogan, is popular.

"We worked together and so I can tell you that as a person, I like Larry Hogan," said Alsobrooks, the Prince George's County executive. The question, she said, is which party should control the Senate.

Hogan's run as a centrist Republican who regularly criticizes former President Donald Trump -- and rejected his endorsement -- has made Maryland's Senate race the nation's most unusual. The GOP hopes a coalition of Republicans and suburban swing voters can propel him to an upset win.

"Every day, people come up to me and say, 'I'm voting for [Democrat Kamala] Harris and I'm voting for you, because we think you're exactly what we need in Washington,' " Hogan said in an interview.

Democrats' message boils down to reminding voters that Hogan is still a Republican -- and that sending a Republican to Capitol Hill has implications for national-policy fights from abortion to taxes. Democrats have a 51-49 majority in the Senate, and a GOP win in Maryland would almost guarantee Democrats lose control.

Maryland hasn't had a Republican in the Senate in nearly 40 years. But Hogan, 68, has defied the political laws of gravity before and continues to operate on what can seem like a different planet from the rest of the party. Trump, who is eager for a GOP Senate majority if he recaptures the White House, publicly backed Hogan in June, but Hogan dismissed it.

"I've been probably the leading voice of opposition to Donald Trump and the MAGA movement since the day he came down the escalator" in 2015 to announce his presidential bid, Hogan said.

Republicans typically have a hard time in Maryland. President Biden won the state by 33 points in 2020, and the 2024 Democratic nominee, Vice President Kamala Harris, is expected to cruise to victory. Polls show Hogan easily outperforming Trump in the state but trailing Alsobrooks by seven points, according to the Real Clear Politics average.

Hogan is getting deep-pocketed help: Maryland's Future, an independent political-action committee backed by Ken

Griffin, chief executive of the Citadel hedge fund, and others placed an $18.3 million ad buy on radio and television. That sum raises ad spending by Hogan and allies from the primary through Election Day to $33.5 million, according to ad tracker AdImpact. In the same time, Alsobrooks and allies have booked $14.7 million in ads.

Democrats' TV ads cast Hogan as a rubber stamp for party heavies such Sens. Ted Cruz and Mitch McConnell in a prospective GOP majority. For many Democrats, abortion rights are the best example.

Hogan has said he would oppose a national abortion ban and support legislation codifying abortion rights. Democrats, however, point to state legislation he vetoed in 2022 that would have allowed nurse practitioners, physician assistants and some other licensed individuals -- not just physicians -- to perform abortions.

"There was a bill to lower the standards of care," Hogan said. "You can disagree, but you can't say that's restricting abortion."

Democrats, who overrode Hogan's veto, dispute that the legislation would have altered the level of care. And Alsobrooks said Hogan's stance that he would vote to codify abortion rights would be moot in a GOP-controlled Senate.

Hogan's supporters say he would use his leverage on behalf of Maryland. Centrist senators have used their clout as a deciding vote in recent years.

"He will make Maryland's vote more important than it's ever been," said Rona Kramer, co-chair of Democrats for Hogan and a former Democratic state senator, who praised his approach to the economy and fiscal responsibility.

Hogan shocked the political establishment in 2014 when he was elected governor after campaigning to lower taxes and work across the aisle. In his first year, Hogan canceled a multibillion-dollar subway project and activated the Maryland National Guard in response to protests and riots in Baltimore.

In 2016, Hogan said he wouldn't vote for Trump, instead writing in his father, who decades earlier had been the first Republican congressman to come out for impeaching then-President Nixon. Hogan was re-elected in 2018 by about 12 points.

"He was very moderate, he kept taxes low," said Republican Jason Dengenis, 47, of Odenton, who planned to vote for Hogan.

A late August poll by Gonzales Research &Media Services showing that roughly a third didn't recognize Alsobrooks's name. The 53-year-old would be the first Black person to represent Maryland in the Senate if elected.

The daughter of a newspaper distributor and a receptionist, Alsobrooks worked as a domestic-violence prosecutor and later as state's attorney of Prince George's County, before running for county executive in 2018. She cites Harris as a mentor and noted that since Harris's nomination for president, the coordinated Maryland efforts to elect Harris and Alsobrooks have added 50,000 volunteers.

"A, I think she'll do a good job, and B, she's a Democrat," said Renee Conway, 70, a writer and retired nurse who backs Alsobrooks. "I didn't think he was a terrible governor," Conway said of Hogan. But, she said, "The main thing is, I want a majority in the Senate."

Credit: By Kristina Peterson and Anthony DeBarros

DETAILS

Subject:	Political parties; County executives; Political campaigns; Presidents; Legislation; Abortion; Voters; Congressional elections; Political advertising
Business indexing term:	Industry: 92111 : Executive Offices 92112 : Legislative Bodies 81394 : Political Organizations
Location:	United States--US; Maryland
People:	Trump, Donald J; Hogan, Lawrence J Jr; Alsobrooks, Angela

Company / organization:	Name: Republican Party; NAICS: 813940; Name: Senate-US; NAICS: 921120
Classification:	92111: Executive Offices; 92112: Legislative Bodies; 81394: Political Organizations
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.4
Publication year:	2024
Publication date:	Sep 27, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3110170969
Document URL:	https://www.proquest.com/newspapers/u-s-news-senate-race-blue-maryland-is-most/docview/3110170969/se-2?accountid=14681
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Last updated:	2024-11-07
Database:	ProQuest Central

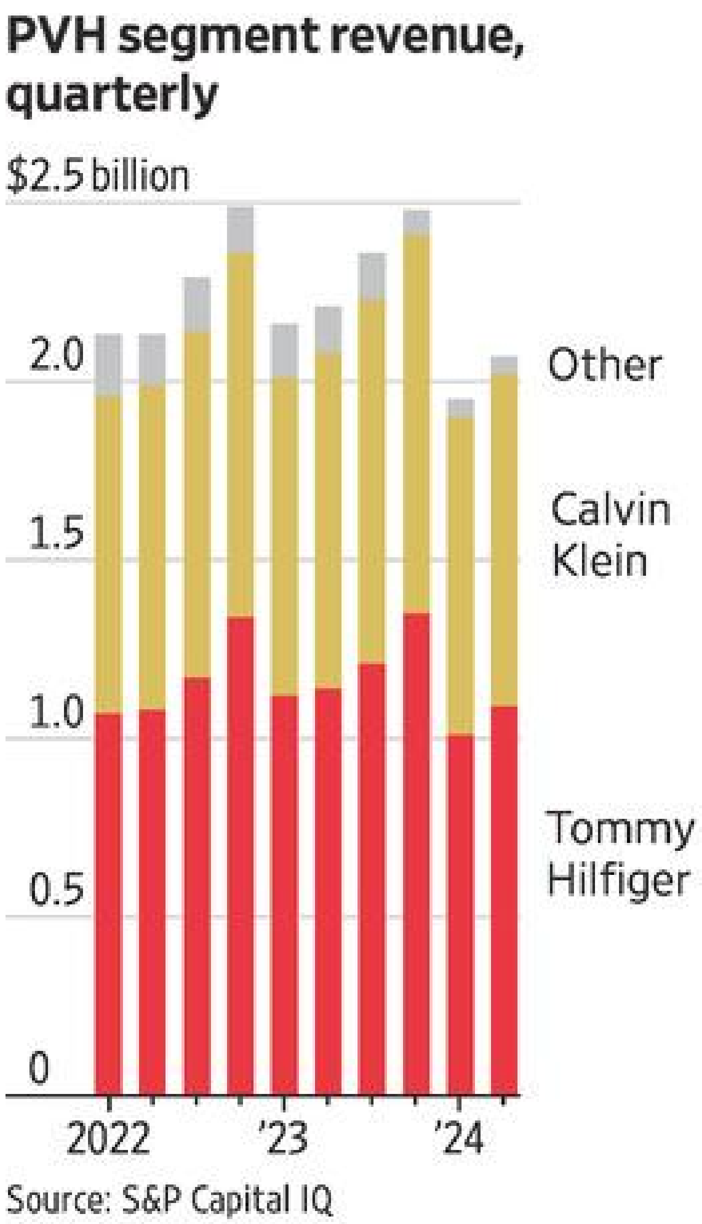
LINKS

China Threatens To Blacklist Calvin Klein Owner

Chun Han Wong; Austin Ramzy . Chun Han Wong; Austin Ramzy.

FULL TEXT

Beijing said it is investigating PVH, the owner of Calvin Klein and Tommy Hilfiger, setting up a potential block on the American apparel firm's sales in China just as the U.S. introduces measures to limit Chinese access to its own market.
China's Commerce Ministry said Tuesday that the probe would determine whether PVH is placed on an "unreliable entities list" over allegations that it boycotts cotton products from the Xinjiang region. Being blacklisted would prohibit the company from selling to and buying from China.
The investigation escalates Beijing's use of its "unreliable entities" tool, previously used against American defense contractors with already limited access to the world's second-largest economy. The move follows steps by the Biden administration to combat what it sees as threats from China in U.S. markets -- whether through trade practices or technology.
The U.S. Commerce Department on Monday proposed a ban on the use of Chinese and Russian components in connected vehicles on U.S. roads, while the Biden administration said earlier this month that it would take executive action to limit the use of a trade provision that lets China-founded e-commerce companies such as Temu and Shein more easily ship to the U.S.
Xinjiang is a cotton-producing area where China's ruling Communist Party has carried out a forced-assimilation campaign against Uyghurs and other predominantly Muslim minority groups. Beijing has denied committing any human-rights abuses in Xinjiang, and used a range of diplomatic and economic tools to counter Western-led criticism of its policies in the region.
The U.S. banned imports of cotton products from Xinjiang in 2021 over reports of forced labor. It has also blocked imports from dozens of Chinese textile companies over alleged ties to coercive labor practices.
PVH said in 2020 that it would cease all relationships with any factories or mills that use Xinjiang cotton or produce garments of fabric in the region.
A PVH spokeswoman said the company complies with all laws and regulations in all countries and regions where it operates. She said PVH was in communication with China's Commerce Ministry but declined to comment further.
China's investigation is the latest challenge facing PVH Chief Executive Stefan Larsson. Earlier this year he warned of slowing sales for the apparel giant -- sending its shares tumbling 23% in one day.
At the time, Larsson told analysts that China was one of the bright spots. He said it was an "important growth engine" and sales there grew by more than 20% in local currency in the last fiscal year.
PVH doesn't break out country specific sales. For all of Asia Pacific, the company's sales totaled $1.64 billion in fiscal 2023, or about 18% of its $9.22 billion in total revenue.
TD Cowen analyst John Kernan estimates that Tommy Hilfiger and Calvin Klein have combined annual sales of between $575 million to $700 million in China.
Like other apparel companies, PVH has been shifting production out of China to Vietnam, Cambodia and Bangladesh. Kernan estimates that PVH produces less than 10% of its products in China.
In 2021, H&M was erased from China's Internet over the Swedish clothing brand's decision to stop sourcing from Xinjiang. It was reinstated on popular e-commerce sites 16 months later. China's Commerce Ministry said Tuesday the probe of PVH was prompted by complaints alleging that the company was "boycotting Xinjiang cotton and other products without any factual basis."



Enlarge this image.

Credit: By Chun Han Wong and Austin Ramzy

DETAILS

Subject:	Defense contracts; Cotton; Blacklisting; Clothing industry
Business indexing term:	Subject: Clothing industry; Industry: 31525 : Cut and Sew Apparel Manufacturing (except Contractors)
Location:	China; Beijing China; United States--US
Company / organization:	Name: PVH Corp; NAICS: 315250; Name: Calvin Klein Inc; NAICS: 315250, 325620
Classification:	31525: Cut and Sew Apparel Manufacturing (except Contractors)
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.

First page:	B.1
Publication year:	2024
Publication date:	Sep 25, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3108917643
Document URL:	https://www.proquest.com/newspapers/china-threatens-blacklist-calvin-klein-owner/docview/3108917643/se-2?accountid=14681
Copyright:	Copyright 2024 Dow Jones &Company, Inc. All Rights Reserved.
Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-09-26
Database:	ProQuest Central

LINKS

Argentine Capital Sees Housing Boom After President Scraps Rent Controls

Dube, Ryan; Frydlewsky, Silvina . Dube, Ryan; Frydlewsky, Silvina.

ProQuest document link

FULL TEXT

BUENOS AIRES -- For years, Argentina imposed one of the world's strictest rent-control laws. It was meant to keep homes such as the stately belle epoque apartments of Buenos Aires affordable, but instead, officials here said, rents soared.

Now, the country's new president, Javier Milei, has scrapped the rental law, along with most government price controls, in a fiscal experiment he is conducting to revive South America's second-biggest economy.

The result: The Argentine capital is undergoing a rental-market boom. Landlords are rushing to put their properties back on the market, with Buenos Aires rental supplies increasing by more than 170%. While rents are still up in nominal terms, many renters are getting better deals than ever, with a 40% decline in the real price of rental properties when adjusted for inflation since October, said Federico Gonzalez Rouco, an economist at Buenos Aires-based Empiria Consultores.

Milei's move to undo rent-control regulations has resulted in one of the clearest-cut victories for what he calls "economic shock therapy." He is methodically taking apart a system of price controls, closing government agencies and lifting trade restrictions built up over eight decades of socialist and military rule in an effort that has upended the lives of many Argentines.

In Buenos Aires -- a city dubbed the Paris of the South for its broad avenues and cafe culture -- many apartments long sat empty, with landlords preferring to keep them vacant, or lease them as vacation rentals, rather than comply with the government's rent law.

In 2022, there were some 200,000 empty properties in Buenos Aires, up 45% from 2018, according to a report by Cedesu, a Buenos Aires-based policy group that focuses on urban development. Finding an affordable apartment under the rent-control law was difficult.

Aldana Oliver spent about 18 months looking for a place to rent when she left home for the city of La Plata to study dentistry.

"There were few places to rent and those available were very expensive," Oliver said. After rent control was scrapped, she quickly found a studio apartment for about $200 a month. "I found something really nice. And I got a good price," she said.

Many new contracts -- now permitted in dollars as well as pesos -- stipulate rent increases every three months, real-estate agents and tenants said. That has made housing costs unaffordable for some people struggling to pay higher food and utility prices, said Gervasio Munoz, who represents an association of tenants in Buenos Aires.

Romina Misenta, a 40-year-old teacher, said rent on her small apartment increased almost threefold when her previous contract ended.

"My situation has worsened a lot," she said. "I would be paying a lot less in rent if the previous law was still in effect."

Still, rental prices appear to be stabilizing. Monthly price increases are now at their lowest rate since 2021 as more apartments become available, according to Zonaprop, Argentina's largest real-estate website.

The Milei administration has also scrapped price controls on staples such as milk and sugar. The president lifted controls on cooking gas, removed export controls on beef and cut government requirements to import steel, hoping to ease construction costs.

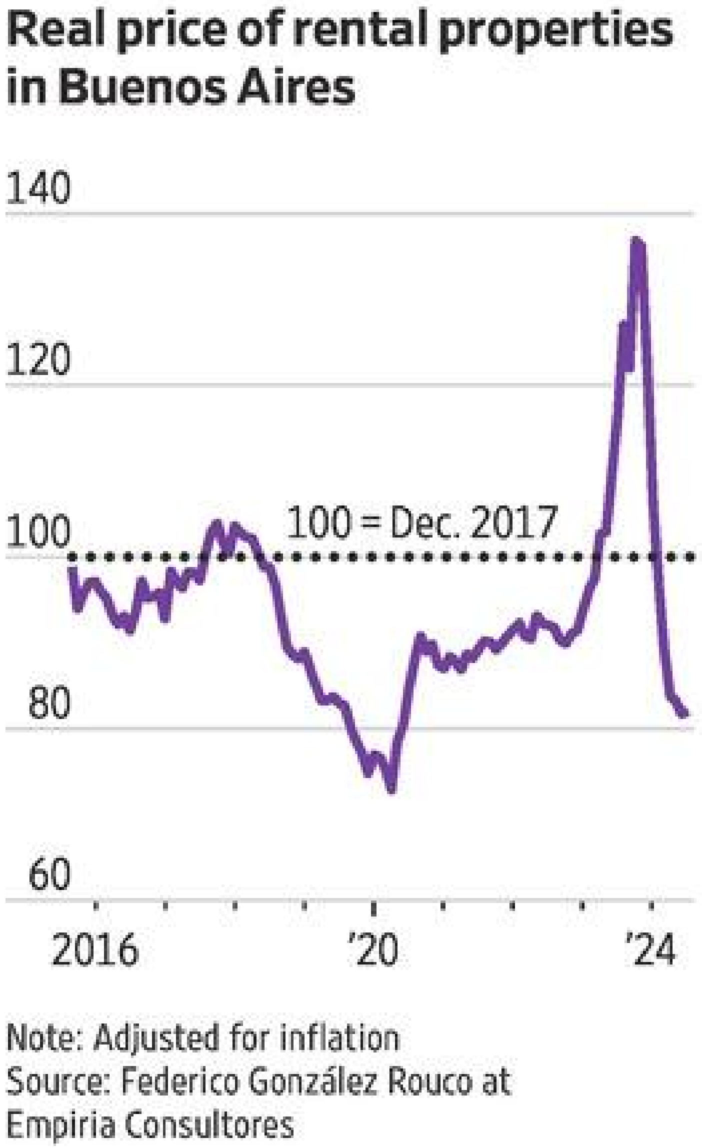
And he ditched the restrictions he said made renting an apartment an odyssey that hurt those it was trying to help.

Critics of Milei said he is deepening the economic pain of the working class. And while he remains popular, some polls show his support eroding. In August, he had a 45% approval rating, down from nearly 60% earlier this year, according to pollster Giacobbe Consultores.

"By freeing up prices, it's very difficult for all these people, including us, to get to the end of the month," said Amalia Roggero, whose soup kitchen in La Plata has experienced a surge in people seeking food.

Milei, a libertarian economist, long warned Argentines that his free-market changes would initially make conditions worse before they got better as he slashed public spending to tame inflation. He said it was necessary to unravel tight

economic controls he inherited from the previous, left-wing Peronist government, which implemented price controls on some 50,000 products from food to clothing as part of its Fair Prices program.
Milei has said his measures are delivering results. He is projecting annual inflation of 18% next year, down from the current 237%, one of the world's highest rates, as he works to tame the never-ending fiscal deficits at the root of Argentina's decadeslong economic turmoil.
But the government still faces substantial challenges. Bringing inflation down even further after being stuck at about 4% a month in recent months will be difficult, with little room for more spending cuts amid demands to restart public works and increase pensions and wages, some economists said.
"They inherited a disastrous economic situation, and getting out of this mess will take time," said Alberto Cavallo, a professor at Harvard Business School who has studied Argentina's price controls.
At least for now, the housing market is thriving. Opponents of price controls said Argentina is a cautionary lesson for officials from the U.S. to Europe who have looked to curb surging housing costs with rent controls.
President Biden, a Democrat, recently called for some rent increases to be capped at 5% annually. Vice President Kamala Harris, the Democrats' 2024 presidential nominee, said that if she wins the race for the White House she "will take on corporate landlords and cap unfair rent increases."
Gonzalez Rouco, the economist, warned against such plans. "With good intentions or a law," he said, "you can't modify how markets work. They have their own dynamic."
(See related letter: "Letters to the Editor: Rent Will Not Be Controlled" -- WSJ Oct. 2, 2024)



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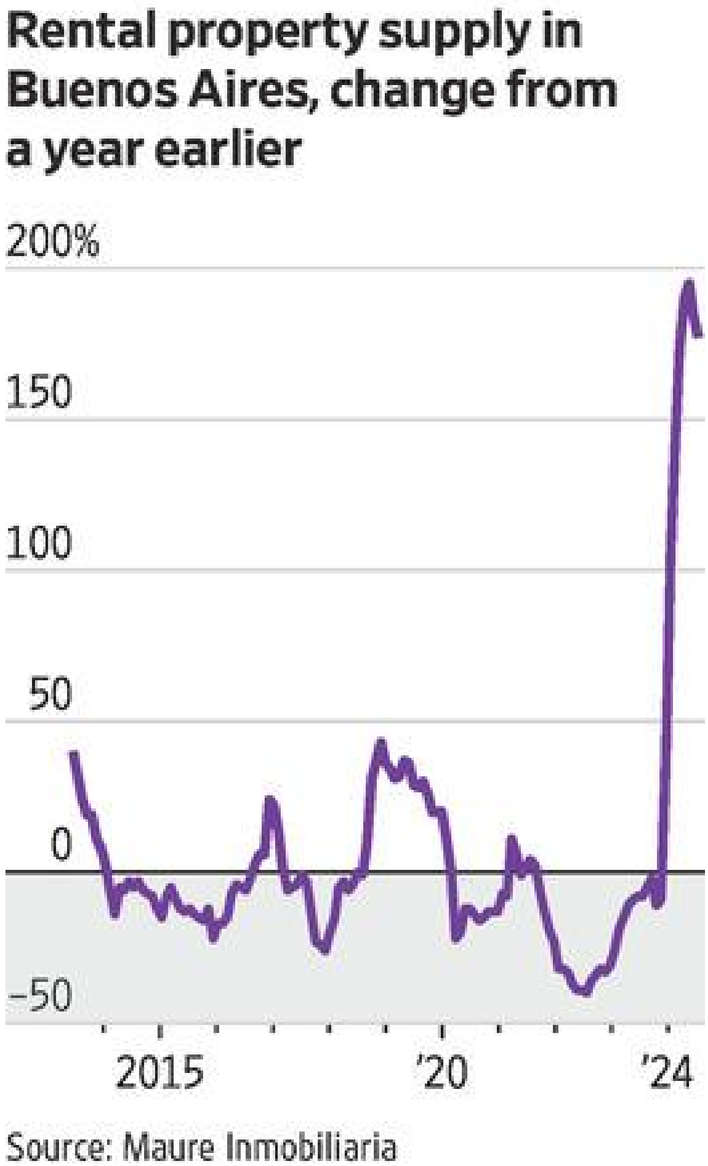

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Credit: By Ryan Dube and Silvina Frydlewsky

DETAILS

Subject:	Lessors; Apartments; Rent control; Construction costs; Presidents; Price regulations; Rents; Economists; Rentals; Trade restrictions; Wage &price controls
Business indexing term:	Subject: Rent control Construction costs Price regulations Economists Trade restrictions Wage &price controls; Industry: 92111 : Executive Offices 53131 : Real Estate Property Managers
Location:	Argentina
People:	Milei, Javier
Classification:	92111: Executive Offices; 53131: Real Estate Property Managers

Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.1
Publication year:	2024
Publication date:	Sep 25, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3108917631
Document URL:	https://www.proquest.com/newspapers/argentine-capital-sees-housing-boom-after/docview/3108917631/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-10-02
Database:	ProQuest Central

LINKS

World News: China Unveils Measures To Aid Its Ailing Economy

Douglas, Jason . Douglas, Jason.

FULL TEXT

China's central bank announced a bundle of measures to support China's weakening economy, following a run of downbeat data that raised doubts about the country's growth trajectory.

Still, economists say that while the new support is welcome, it won't be enough to repair China's broken housing market or pull the economy out of a deflationary rut. Beijing needs to get a firmer grip on the real-estate downturn and take steps to boost consumption if it is to spark a durable revival in the economy, many economists say.

The People's Bank of China said Tuesday that it would cut its benchmark interest rate and lower the amount of cash that banks need to hold in reserve -- to free up more resources for lending.

It also said it would cut the interest rate payable on existing mortgages and lower down payments for second homes.

At a press conference in Beijing, PBOC Gov. Pan Gongsheng said further easing is in the pipeline, anticipating another reduction in bank reserve requirements before the end of the year.

The flurry of easing measures comes on the heels of data showing activity in China's economy weakening over the summer, which is putting the economy at risk of missing the government's official growth target of around 5% for the full year. Investment banks including Goldman Sachs and UBS have cut their forecasts for economic growth this year to below that goal, saying more government and central-bank support is needed to drive faster growth.

The PBOC's package follows a move by the U.S. Federal Reserve last week to deliver a long-awaited cut in interest rates, shifting its focus from an all-out fight against inflation to supporting the labor market.

High interest rates in the U.S. tend to weaken other countries' currencies against the dollar and channel foreign capital toward U.S. stock and bond markets. For the PBOC, which is wary of capital flight and anxious to prevent China's currency from weakening uncontrollably, the Fed's move brought a degree of relief from those pressures, providing more space to prop up the economy.

The big question is whether the package unveiled Tuesday will provide much of a boost to the economy. Borrowing costs are already low, yet credit data suggest households and businesses aren't that interested in borrowing.

Consumer confidence is near record-low levels, reflecting anxiety over jobs in a weak economy and the cost of the meltdown in property. Barclays estimates that the property crunch since 2021 has incinerated some $18 trillion in household wealth, equivalent to around $60,000 a family.

"This is a step in the right direction. But it will probably be insufficient to drive a turnaround in growth unless followed up with greater fiscal support," Julian Evans-Pritchard, head of China economics at Capital Economics in Singapore, said in a note to clients Tuesday.

The most potent step in Tuesday's package might be reducing the interest rate, and therefore the monthly payments, on existing mortgages, some economists say. Cuts to benchmark loan rates only feed into existing loans in January each year, and China doesn't allow homeowners to refinance as they do in the U.S. Lower rates on existing loans would therefore leave more money in homeowners' pockets -- though there's a risk that homeowners might save rather than spend the windfall.

Pan, the PBOC governor, told reporters Tuesday that he expects the rate on existing mortgage loans to fall on average by around half a percentage point. The minimum down payment for a second home will be cut to 15% of the value from the current 25%, Pan said. China's main policy rate, the central bank's seven-day reverse repurchase rate, will be trimmed to 1.5% from 1.7%.

Xiao Xiao contributed to this article.

Credit: By Jason Douglas

DETAILS

Subject:	Federal Reserve monetary policy; Borrowing; Reserve requirements; Central banks; Interest rates; Economists; American dollar; Loans
Business indexing term:	Subject: Federal Reserve monetary policy Borrowing Reserve requirements Central banks Interest rates Economists American dollar Loans; Industry: 92113 : Public Finance Activities 52111 : Monetary Authorities-Central Bank
Location:	China; Beijing China; United States--US
Classification:	92113: Public Finance Activities; 52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.11
Publication year:	2024
Publication date:	Sep 24, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3108481636
Document URL:	https://www.proquest.com/newspapers/world-news-china-unveils-measures-aid-ailing/docview/3108481636/se-2?accountid=14681
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Last updated:	2024-09-24

Database: ProQuest Central

LINKS

Document 210 of 222

U.S. News: Voters, Economists Diverge on Policy

Kiernan, Paul . Kiernan, Paul.

ProQuest document link

FULL TEXT

Economists and ordinary people often seem to inhabit different planets, but seldom has the chasm been this wide. As former President Donald Trump and Vice President Kamala Harris compete for any possible edge, they have offered a plethora of ideas that, while delighting voters by varying degrees, have appalled economists because they would distort markets or deepen America's fiscal hole.

The Wall Street Journal's recent poll asked 750 registered voters about the presidential candidates' proposed economic policies. Then, at the Journal's request, the University of Chicago's Clark Center put exactly the same questions to a panel of 39 top academic economists.

Trump's plan to stop taxing tips for service workers -- an idea Harris adopted after the Republican announced it -- is supported by about four-fifths of voters polled by the Journal. But among economists, 87% disapprove, saying it would arbitrarily benefit a small subset of lower-wage workers, distort the labor market, widen the budget deficit and create incentives to game the system.

Trump has proposed across-the-board tariffs of up to 20% on imported goods. Forty-seven percent of voters approve of the idea, slightly more than those who disapprove. By contrast, 100% of the economists said they "strongly oppose" the idea.

Trade is a bedrock of economic development that, in theory, enables each country to focus on what it is good at. "When you put a tariff on something artificially, you're going to make things more expensive, and if it's an input, like steel for example, then you're going to make the downstream companies that are using steel less competitive," said Steven Kaplan, a conservative-leaning economist at the University of Chicago's Booth School of Business.

The American Economic Association defines economics as the study of how people use resources, respond to incentives and make decisions. Economists use data and theoretical models to evaluate whether government initiatives make people, and society at large, better off.

The father of economics, the 18th-century philosopher Adam Smith, extolled the invisible hand of markets and decried spendthrift kings and ministers. With fiscal rectitude out and populism in, modern economists say Smith would be holding his nose if he were alive today.

"We've done a terrible job of educating the American people," lamented Edward Glaeser, a center-right economist at Harvard University.

Eric Maskin, a Harvard economist and a 2007 Nobel laureate, said: "I also blame politicians who know better for not trying harder." Maskin said he can't recall an election cycle that reeked so badly of rotten policy. "I think this may be a new low," he said.

Harris has proposed a ban on corporate price gouging for food and groceries. It is one of her most popular policies. The share of voters who approve it exceeds the share who disapprove by a margin of 49 percentage points.

By contrast, two-thirds of economists disapprove and just 13% approve. "'Price gouging' is too vague to be useful -- and would be harmful if it was clarified enough to be significant," said William Nordhaus, an economist at Yale University and a 2018 Nobel laureate. "I doubt if it will be taken seriously."

History has shown that it is a bad idea for the government to attempt to regulate prices, which normally serve to balance supply and demand in a competitive market. "It interferes with the market system," said Maskin, who described his politics on noneconomic issues as left of center. "Higher prices help to equilibrate supply and demand, and they also serve a useful incentive function."

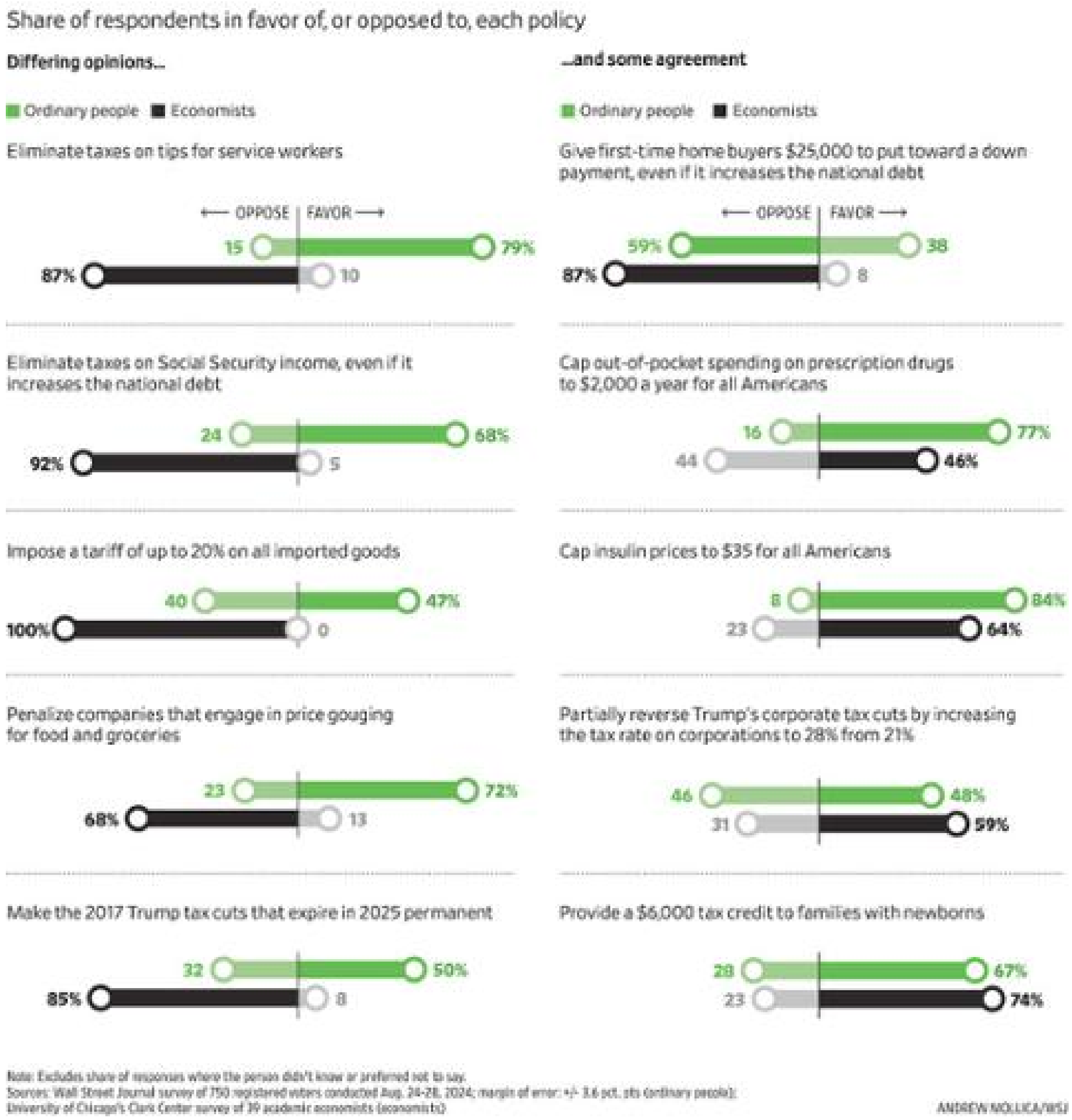
"It's either a gimmick, or it's a mess," said Carl Shapiro, a professor at the University of California, Berkeley, who served in President Barack Obama's administration.

There are areas where the public and economists agree. The public backs Harris's proposal to cap insulin prices at $35. So do 64% of economists.

"I do not favor a general price cap on drugs," said Kenneth Judd, an economist at the conservative Hoover Institution who studies imperfect competition, among other topics. Insulin, however, is an exception, he said. "Insulin is a very important drug, it has been around for many decades with great success, and there was no justification for the recent price increases."

A few of the candidates' proposals are supported by most economists. These include Harris's plan to provide a $6,000 tax credit to families with newborns, and to reverse Trump's corporate tax cuts partially by increasing the tax rate on corporations to 28% from 21%.

"We cannot keep cutting taxes forever," said David Autor, an economist at the Massachusetts Institute of Technology.



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Credit: By Paul Kiernan

DETAILS

Subject:	Polls &surveys; Tax rates; Prices; Supply &demand; Insulin; Price gouging; Presidential elections; Economists; Voters; Economic policy; Political campaigns
Business indexing term:	Subject: Tax rates Supply &demand Price gouging Economists Economic policy; Industry: 92111 : Executive Offices
People:	Harris, Kamala; Trump, Donald J
Company / organization:	Name: University of Chicago; NAICS: 611310

Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.4
Publication year:	2024
Publication date:	Sep 23, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3107870713
Document URL:	https://www.proquest.com/newspapers/u-s-news-voters-economists-diverge-on-policy/docview/3107870713/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-09-23
Database:	ProQuest Central

LINKS

Harris and Trump Proposals Add to Soaring Federal Debt

Rubin, Richard . Rubin, Richard.

ProQuest document link

FULL TEXT

The U.S. isn't fighting a war, a crisis or a recession. Yet the federal government is borrowing as if it were.

This year's budget deficit is on track to top $1.9 trillion, or more than 6% of economic output, a threshold reached only around World War II, the 2008 financial crisis and the Covid-19 pandemic. Publicly held federal debt -- the sum of all deficits -- just passed $28 trillion or almost 100% of GDP.

If Congress does nothing, the total debt will climb by another $22 trillion through 2034. Interest costs alone are poised to exceed annual defense spending.

But the country's fiscal trajectory merits only sporadic mentions by the major-party presidential nominees, let alone a serious plan to address it. Instead, the candidates are tripping over each other to make expensive promises to voters.

Economists and policymakers already worry that the growing debt pile could put upward pressure on interest rates, restraining economic growth, crowding out other priorities and potentially impairing Washington's ability to borrow in case of a war or another crisis. There have been scattered warning signs already, including downgrades to the U.S. credit rating and lackluster demand for Treasury debt at some auctions.

Vice President Kamala Harris, the Democratic nominee, and GOP rival Donald Trump aren't the same on fiscal policy. She has outlined or endorsed enough fiscal measures -- tax increases or spending cuts -- to plausibly pay for much of her agenda. He has not.

Still, both Harris and Trump were parts of administrations that helped produce those deficits. Both have promised to protect the biggest drivers of rising spending -- Social Security and Medicare. And both want to extend trillions of dollars in tax cuts set to lapse at the end of 2025, amid bipartisan agreement that federal income taxes shouldn't rise for at least 97% of households.

In the past few months alone, Trump has promised to exempt tips from taxation, end income taxes on Social Security benefits, eliminate taxes on overtime pay, lower tax rates for companies that manufacture in the U.S., and create a new deduction for new parents' expenses, offering more than $2 trillion in tax cuts atop $4 trillion to extend his first-term tax cuts.

Harris matched Trump's tips idea and called for an expanded child tax credit, including $6,000 for parents of newborns.

How did the U.S. fiscal path simultaneously become economically more alarming yet politically less relevant? Federal debt and deficits have blown past various imagined red lines and feared consequences have not materialized. Interest rates, at least until 2022, stayed low. The dollar remains the world's reserve currency, giving the U.S. far more running room than other major countries. The U.S. of 2024 is not Greece of 2007. There is risk, but there is no fiscal crisis.

"We've learned we borrowed more than we realized we could," said Jason Furman, a Harvard economist who was a top aide to President Barack Obama. "And we've actually borrowed more than we expected."

If anything, borrowing kept the economy afloat during the 2007-09 financial crisis and pandemic, and lawmakers were rewarded for it. Polls show the public is concerned about the deficit, but they also prefer politicians who dangle tax cuts, stimulus checks and money for the military.

"No president in history, Republican or Democrat, gets a gold star or a Nobel Prize for reining in spending, the deficits and our debt," said Rep. Jodey Arrington (R., Texas), chairman of the House Budget Committee. "Nobody gets the golden meat cleaver award."

Whoever wins in November will soon face two big fiscal tests. One is the need to raise the federal debt limit, likely in mid-2025. In both 2011 and 2023, the threat of default without a debt-limit increase led to compromises that reduced

red ink. The other trigger is the looming expiration of much of the 2017 tax law. If Congress doesn't act by the end of 2025, taxes would rise on most households, a path to deficit reduction that both parties say they don't want.
The records
When he first ran for president in 2016, Trump said he would pay off the national debt within eight years. He went in the opposite direction: Debt rose from less than $15 trillion to more than $21 trillion by the time he left office.
While some of that was due to pre-existing trends and the pandemic, Trump made two major decisions that broke with Republicans in Congress and drove up federal borrowing.
Republicans had long advocated making Social Security and Medicare less generous and more fiscally sustainable. To appeal to middle-class voters, Trump embraced what had long been a Democratic position and shut down discussion of broad benefit cuts.
Then in 2017, when House Republicans sought to cut tax rates, Trump resisted their attempts to offset the full cost. The Tax Cuts and Jobs Act Trump eventually signed into law was projected then to increase deficits by $1.5 trillion over a decade.
Once the pandemic started, Trump joined the broad economic consensus that the U.S. needed to pour money into the economy, eventually adding more than $3 trillion to the debt to provide stimulus checks, enhanced jobless benefits and other relief.
President Biden and Harris expanded on Trump's pandemic spending with the $1.9 trillion American Rescue Plan, which included another round of stimulus checks and aid to state and local governments. Their core domestic legislation -- the Inflation Reduction Act of 2022, which required Harris' tiebreaking vote -- was originally estimated to reduce budget deficits. But the projected reduction has shrunk or disappeared altogether as estimates of key tax credits, including breaks for electric vehicles, have risen.
Biden, with Harris's strong backing, canceled student debt in a series of executive orders that could cost the government more than $1 trillion, according to the Committee for a Responsible Federal Budget. The plan is now stuck in litigation as courts have curtailed Biden's authority to cancel debt.
"I don't think we've seen a president spend nearly as much without Congress as Biden," said Marc Goldwein, the CRFB's senior vice president.
Still, something important has changed for the fiscal outlook since the pandemic and the Democratic legislation: Inflation and interest rates have risen, and that creates a more dangerous dynamic going forward.
Trump plans
What happens if Trump wins depends on Congress. If Republicans also control the House and Senate, his next term could look a lot like his first -- occasional talk about debt and deficits paired with tax cuts that expand both.
"There's nothing that Republicans I think will be able to cut under Trump in a meaningful way," said Don Schneider, a former House GOP aide now at investment bank Piper Sandler.
In his acceptance speech at the Republican National Convention, Trump said, "We'll start paying off debt and start lowering taxes even further."
Nonpartisan experts say there's virtually no chance of that. Paying off debt would require the U.S. to shift from massive deficits to surpluses. Tax cuts would work in the opposite direction. Low tax rates can encourage growth and generate some revenue, but not enough to offset the loss of revenue, economists in both parties acknowledge.
Trump has indicated that he wants to extend the pieces of his 2017 tax law that expire after 2025 and lower the 21% corporate tax rate to 20%, and 15% for some companies. His recent proposals -- eliminating taxes on workers' tips, overtime pay and retirees' Social Security benefits -- dig a deeper hole. He's also made other proposals that would entail significant new spending, including a mass deportation program and a domestic missile-defense system.
In Congress, Republicans are still debating whether to extend all of the tax cuts and whether to pair them with spending cuts or tax increases. If Democrats hold the House or Senate, they might object to extending all of Trump's cuts. A full extension would produce "a $4.6 trillion increase in the debt in a manner that is heavily biased towards big corporations and very high income and high net worth individuals," said Sen. Sheldon Whitehouse (D., R.I.), chairman of the Senate Budget Committee.

Trump has touted several ideas that could reduce deficits. One is impoundment, in which the president refuses to spend money Congress has appropriated. That's legally and constitutionally dubious.

The other is tariffs. Trump wants to impose a tariff of 10% to 20% on all imported goods and even higher on Chinese products. That could raise about $2.8 trillion over a decade, according to the Tax Policy Center.

House Republicans have proposed capping federal spending growth at a level lower than inflation, though the party is split and some want significant increases in the defense budget.

Arrington, who is helping cobble together Republicans' agenda if they have full control of Congress, said they need to tackle spending and entitlement programs and hopes Trump, despite his statements to the contrary, could be open to that. "We have an opportunity to live up to what we claim we believe when we campaign and why almost every Republican member was sent here to Congress by their constituents," he said.

Arrington said he's also open to a bigger deal with Democrats that would have higher taxes and lower spending on the table.

Harris plans

Harris has called for reviving and expanding the child tax credit that was in place during 2021 and for implementing new subsidies for first-time home buyers.

She also largely endorsed Biden's last budget, which calls for $3 trillion in deficit reduction over the next decade. But that plan comes with two big asterisks.

First, while the budget would raise taxes on the rich and corporations, the revenue isn't enough to deliver the claimed deficit reduction, pay for Harris' child tax credit and home-buyer subsidy proposals, and cover the Biden-Harris proposals to extend expiring cuts to prevent tax increases on households earning less than $400,000.

Second, the chances Congress would agree to such a plan are slim, even in the unlikely event Democrats control both the House and Senate. Biden couldn't get centrist Democratic senators to pass his tax increases in 2022. Harris could face similar opposition and already dialed back Biden's proposed capital-gains tax increase.

"Unfortunately, we have not been able to make the adequate changes to the tax code that we would like to have made," said Sen. Whitehouse. "We can do better, and if voters give us a Democratic majority I think we will do better."

Biden officials see next year's tax debate as a crucial pivot point, and the White House has said any extension of expiring tax cuts should be paired with tax increases.

"2025 is definitely the big kind of near-term moment where we could either make things better on the fiscal outlook or make things worse," said Daniel Hornung, deputy director of the National Economic Council.

Biden has proposed some Medicare savings through prescription drug pricing and has called for shoring up Social Security, which is paying out more in benefits than it collects in taxes. But the parties are at odds over whether Social Security taxes and benefits should increase, and that gridlock means the program likely won't be addressed for about a decade, when its trust fund is projected to be exhausted, triggering benefit cuts.

The path ahead

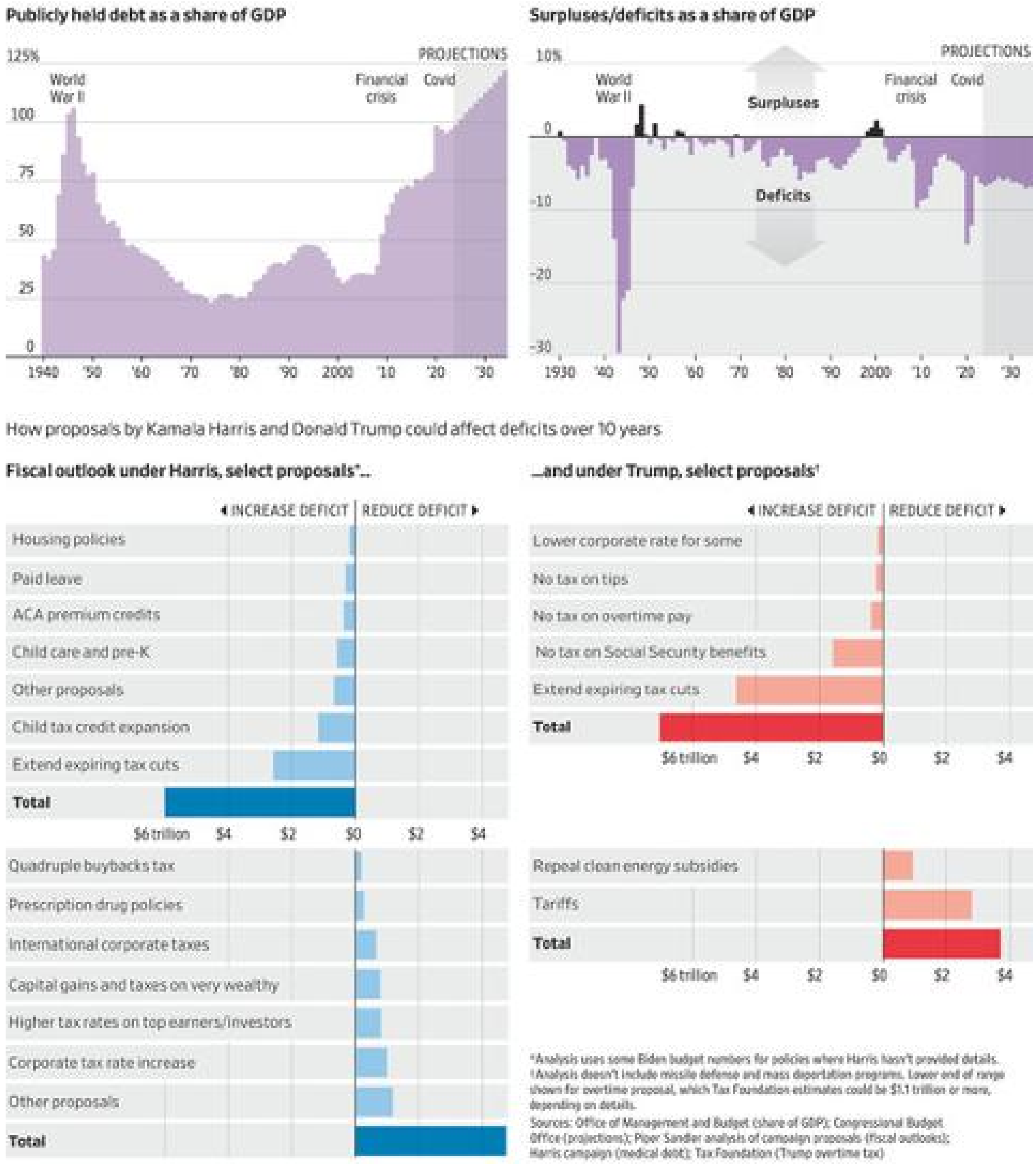
Not including interest, the U.S. government will spend $1.21 for every $1.00 it collects in revenue this year. Add interest and that climbs to $1.39.

Voters often support balanced budgets in theory, but they also like the low taxes and higher spending of the past few decades. At least at some level, they prefer getting government at a discount. And politicians know that the reward for fiscal discipline can just be giving their successors more room to run up deficits.

At some point, maybe, the U.S. will find it difficult to borrow. At some point, interest costs may constrain policymakers. At some point, bond investors may look at the U.S. political system and decide there's a real risk they won't get paid back -- then begin demanding higher interest rates.

For now, there's little reason to expect a dramatic change in direction as a result of this fall's election.

"It's going to be a 2029, 2030 exercise," said Schneider of Piper Sandler.



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Credit: By Richard Rubin

DETAILS

Subject:	Federal budget; Tax rates; Borrowing; Economic crisis; Social security; Income taxes; Pandemics; Defense spending; Political campaigns; Presidents; Inflation; Interest rates; National debt; Tax cuts; Voters; Budget deficits; Medicare; Congressional committees; Tax increases

Business indexing term:	Subject: Federal budget Tax rates Borrowing Economic crisis Social security Income taxes Inflation Interest rates National debt Tax cuts Budget deficits Medicare Tax increases; Industry: 92111 : Executive Offices 92112 : Legislative Bodies
Location:	United States--US
People:	Harris, Kamala; Trump, Donald J
Company / organization:	Name: Republican Party; NAICS: 813940; Name: Congress-US; NAICS: 921120; Name: Senate-US; NAICS: 921120
Classification:	92111: Executive Offices; 92112: Legislative Bodies
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.1
Publication year:	2024
Publication date:	Sep 18, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3106262958
Document URL:	https://www.proquest.com/newspapers/harris-trump-proposals-add-soaring-federal-debt/docview/3106262958/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-09-23
Database:	ProQuest Central

LINKS

Ahead of Election, the Wealthy Look for Fail-Safe Estate Plans --- Trusts and lifetime gifts are used as ways to protect assets from potential estate-tax changes

Ebeling, Ashlea . Ebeling, Ashlea.

ProQuest document link

FULL TEXT

With the presidential race in a dead heat, rich Americans are calling estate lawyers.

The wealthy want to know if they should take steps to protect their fortunes from higher estate taxes. Should a change under the 2017 tax cuts expire as scheduled after 2025 -- considered more likely with Vice President Kamala Harris in the White House and Democrats gaining the majority in Congress -- the minimum wealth subject to the estate tax would be halved to roughly $7 million per person.

At that level, nearly 9,000 estates would owe estate tax in 2026, according to the Urban-Brookings Tax Policy Center. That is compared with roughly 4,000 estates estimated to owe the tax in 2025.

Whether it pays to draft a fail-safe estate plan for tax policies that haven't been decided is up for debate.

Financial advisers and wealth managers say that the cost of hiring them is justified for many families. By making large lifetime gifts and setting up certain types of trusts for spouses or children, people can remove millions from the balance subject to the estate tax.

Those advisers also say the window for people to make such tax-saving moves is shrinking -- and that it pays to do the work ahead of time if you are considering a trust.

But there are costs and risks of putting money into trusts unnecessarily, including capital-gains taxes that wouldn't apply to an outright inheritance.

There is also no guarantee the moves are even warranted for those under the higher estate tax thresholds. Though some Democrats in Congress favor an estate-tax overhaul that would go beyond just letting the Trump cuts expire, Harris herself hasn't staked out a position. Her campaign didn't respond to requests for comment.

Amy Elliott, a lawyer in Danville, Ind., helped her 77-year-old father set up an irrevocable trust this year. He funded it with $1 million this summer and is waiting until after the election to decide how much more, if any, to add to it.

"We'll move forward with funding if we've got a Democratic Congress and White House," Elliott said.

Former President Donald Trump wants to make the higher estate-tax limit permanent, along with the rest of the 2017 tax cuts, his campaign said. In a divided government, this will become part of messy, complex negotiations over trillions of dollars in expiring tax cuts. A Republican sweep could make repealing the estate tax altogether a remote possibility.

Even without the election, many more families have been setting up trusts in recent years to protect assets from creditors and divorce settlements, as well as for estate-tax savings.

The maximum wealth someone can die with -- or give away -- without owing the estate tax is $13.61 million today. That limit is indexed for inflation, and projected to reach $13.99 million for 2025, according to Wolters Kluwer Tax

&Accounting. With proper planning, a married couple can shield twice that from the estate tax. The top estate tax rate is 40%.
By giving away assets now to their children outright or in an irrevocable trust, the rich can essentially lock in the current estate tax exemption, potentially saving millions of dollars in taxes at death. An irrevocable trust generally cannot be changed unless all the beneficiaries agree, or a court approves the changes.
Once the assets are in the trust, they are out of your estate, and in most cases out of your control.
Tim Starkey, a financial planner in Morristown, N.J., said he helped a client worth about $50 million set up irrevocable trusts for himself and his wife last year, in anticipation of the tax cuts' expiration and to get in front of the chance Democrats sweep in November.
They funded the trusts with $24 million in private-equity assets, and plan to add more to the trusts this year and next as the exemption climbs with inflation adjustments. "We set up the foundation," Starkey said.
The stakes are high, especially if Democratic proposals to close certain strategies come into play, said Robert Keebler, a CPA in Green Bay, Wis.
President Biden's budget proposes to curb dynasty trusts, which allow families to avoid estate tax for many generations, and to revise rules for valuing property put in trusts so people couldn't take big discounts.
The Biden plan would also change trust rules that let the person who set up the trust pay the trust income taxes and essentially shift more wealth to heirs tax-free. The Harris campaign has said that it supports the Biden budget proposals broadly.
Unmarried individuals worth at least $7 million, and married couples worth $14 million and up, should talk about the estate tax, estate lawyers said. The discussion includes how old you are and what assets you own.
"It's not just a snapshot right now. You need to think about your net worth in the future," said Aaron Burton, an estate lawyer in Denver.
You also need to think about how much you're willing to give away. The timing might be right for the tax laws, but not for your personal needs, said Ross Riskin, a CPA and financial planner in Newtown, Conn.
Still, setting up a trust takes time. If spouses are setting up trusts for each other, it could pay to do one now and the other next year.
There is also a big risk to acting before the government finalizes a plan.
Dawn Jinsky, an accountant and financial planner with Plante Moran in Southfield, Mich., had a recent conversation with a married couple in their mid-50s worth $35 million who decided not to proceed with an irrevocable trust.
"They didn't want to regret the decision," she said. They are looking at other ideas, including making annual tax-free gifts.
Anyone can give tax-free gifts of up to $18,000 to an unlimited number of people this year. These gifts don't count against the larger $13.61 million combined gift- and estate-tax exemption. The annual tax-free gifts limit is estimated to be $19,000 for 2025, according to Wolters Kluwer Tax &Accounting.
That could change.
One proposal in Sen. Elizabeth Warren's housing bill calls for a limit of $10,000 per gift and a total annual cap on tax-free gifts anyone can give in a year of $20,000.
Credit: By Ashlea Ebeling

DETAILS

Subject:	Political campaigns; Tax rates; Financial planners; Presidential elections; Tax cuts; Estate taxes; Tax exemptions; Trusts; Wealth; Fiscal policy
Business indexing term:	Subject: Tax rates Financial planners Tax cuts Estate taxes Tax exemptions Trusts Wealth Fiscal policy; Industry: 92111 : Executive Offices 52394 : Portfolio Management and Investment Advice

Company / organization:	Name: Congress-US; NAICS: 921120; Name: Wolters Kluwer Tax &Accounting; NAICS: 541512
Classification:	92111: Executive Offices; 52394: Portfolio Management and Investment Advice
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.11
Publication year:	2024
Publication date:	Sep 16, 2024
Section:	PERSONAL JOURNAL
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3104923114
Document URL:	https://www.proquest.com/newspapers/ahead-election-wealthy-look-fail-safe-estate/docview/3104923114/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-09-16
Database:	ProQuest Central

LINKS

U.S. News: Tax-Cut Proposal Shakes Up Debate On Social Security

Rubin, Richard; Tergesen, Anne . Rubin, Richard; Tergesen, Anne.

FULL TEXT

Donald Trump's plan to repeal income taxes on Social Security benefits would eliminate an unpopular levy, make it easier for older people to keep working, and leave a big hole in the program's finances.

At $1.5 trillion over a decade, Trump's tax cut for Social Security recipients is one of the former president's largest new policies as he seeks to return to the White House. It is smaller than extending expiring tax cuts but bigger than ending taxes on tips or lowering corporate taxes for domestic manufacturers.

Trump's proposal has revived a dormant debate over taxing Social Security benefits when they are paid out. His plan is unlikely to pass Congress unscathed if he wins this fall, but lawmakers will have to examine the program's finances by the early 2030s. Beyond seeking ways to extend Social Security's solvency, they might look to trim the tax on benefits.

The income tax on benefits hit 50% of Social Security recipients in 2023, according to the Social Security Administration, up from 10% when Congress created the tax in 1983. Many retirees are surprised when they learn about the tax liability, and surveys show the Trump proposal has touched a nerve.

Michael Feeney, 68, of Arlee, Mont., said his and his wife's Social Security benefits have been significantly reduced by surcharges they pay on Medicare premiums, which are deducted from benefits. Because Montana is one of a handful of states that tax at least some Social Security income, the couple face a tax rate of about 30% on benefits, said Feeney, who said Social Security comprises one-third of their retirement income.

The former executive at a life-sciences company said he has concerns about Trump's proposal, including how the government would make up the lost tax revenue. But, he said, the policy change would let him reduce withdrawals from savings and help alleviate his anxiety over inflation.

A bill supported by most House Democrats would reduce, but not repeal, the tax while expanding benefits. That bill would make up the lost revenue -- and then some -- by imposing taxes on wages and investment income above $400,000. That would be a stark change from today's Social Security payroll tax, which applies only to wages and self-employment income and stops at $168,600.

"We do something he doesn't," Rep. John Larson (D., Conn.), the Democratic bill's chief author, said of Trump. "We pay for it."

In about a decade, Social Security is projected to lack enough money to pay all of its obligations, triggering automatic benefit cuts unless lawmakers act.

Credit: By Richard Rubin and Anne Tergesen

DETAILS

Subject:	Taxes; Tax rates; Social security; Fiscal policy; Tax cuts; Income taxes
Business indexing term:	Subject: Taxes Tax rates Social security Fiscal policy Tax cuts Income taxes

People:	Trump, Donald J
Company / organization:	Name: Congress-US; NAICS: 921120
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.4
Publication year:	2024
Publication date:	Sep 14, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3104377162
Document URL:	https://www.proquest.com/newspapers/u-s-news-tax-cut-proposal-shakes-up-debate-on/docview/3104377162/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-09-16
Database:	ProQuest Central

LINKS

Document 214 of 222

U.S. News: Rules Proposed for the 15% Minimum Corporate Tax

Rubin, Richard; Williams, Jennifer . Rubin, Richard; Williams, Jennifer.

FULL TEXT

The Biden administration is trying to turn a simple-sounding law -- large profitable companies must pay at least 15% in taxes -- into reality. It isn't so simple.

The Treasury Department on Thursday released 603 pages of proposed rules for the corporate alternative minimum tax, or CAMT, reaching a milestone in this exceptionally complex endeavor for regulators and corporate tax executives. The proposal comes more than two years after Congress passed the law creating the tax and more than 20 months after it took effect.

The proposed rules explain the definitions and calculations for a parallel corporate tax system based on companies' financial reports, one that runs alongside the regular corporate tax system and makes affected companies pay whichever is greater. The rules mark an attempt to determine, in granular and sometimes impenetrable terms, what counts as a tax toward the 15% total and what counts as income.

Ultimately, the Treasury Department projects that about 100 companies will pay CAMT (pronounced CAM-tee by tax experts) and that the government will collect about $250 billion over a decade. Without the new tax, those companies would pay an average of 2.6%, according to Treasury officials. But the new tax itself doesn't actually bring every company up to 15% because Congress created exceptions for certain capital investments and tax credits.

"This is about tax fairness," said Deputy Treasury Secretary Wally Adeyemo. "The ability to use accountants and lawyers to reduce tax bills down to zero gives billion-dollar corporations a competitive advantage over smaller businesses."

Companies have been anticipating the regulations, fearing compliance costs and warning Treasury officials about circumstances that could skew the 15% calculation. Some of the rules would take effect for tax year 2024, and others wouldn't kick in until after the administration issues a final regulation.

Companies still owed the tax for 2023, generally using their interpretations of the law. In securities filings, such companies as Blackstone, KKR, Whirlpool, Duke Energy and Ally Financial have said they were paying the new tax. Their actual payments might change as companies digest the rules.

The government scheduled a public hearing for Jan. 16, meaning that the key decisions about what will go into the final rule will fall to the next administration.

Congress created CAMT in 2022 in the Democrats' climate and healthcare law known as the Inflation Reduction Act. Besides raising money to pay for clean-energy tax breaks, CAMT was passed to prevent companies from reporting high profits to investors and reporting low tax rates to the Internal Revenue Service. That can happen through aggressive tax planning. It can stem from timing differences in when financial-accounting rules and tax-accounting rules require companies to record income and deductions. And it can result from companies simply using tax incentives that Congress approved.

Rather than attacking particular deductions or tax-dodging maneuvers, CAMT operates as a backstop to prevent companies from benefiting too much from any combination of those techniques. It is a floor that requires companies with at least $1 billion in average profits to pay at least 15% of their financial-statement income, including unrealized gains in some cases.

CAMT's creation, more than 30 years after Congress tried and then scrapped a similar tax in the late 1980s, was a testament to legislative reality. Sen. Kyrsten Sinema, then an Arizona Democrat, rejected attempts to raise the corporate tax rate, and Sen. Joe Manchin, then a West Virginia Democrat, rejected changes to international tax rules. CAMT was the common denominator in the tied Senate. With Vice President Kamala Harris casting the deciding vote, Congress passed it and the rest of the Inflation Reduction Act without a single Republican vote. The law kicked myriad

regulatory definitions and decisions to the Treasury Department and the IRS. Now, President Biden wants to raise the CAMT rate to 21% and bump the regular 21% corporate tax rate to 28%; that won't happen before he leaves office, but Harris is the Democratic presidential nominee and could take another run at that goal next year.
Credit: By Richard Rubin and Jennifer Williams

DETAILS

Subject:	Alternative minimum tax; Tax rates; Corporate taxes; Inflation Reduction Act 2022-US; Fiscal policy; Federal regulation
Business indexing term:	Subject: Alternative minimum tax Tax rates Corporate taxes Inflation Reduction Act 2022-US Fiscal policy
Company / organization:	Name: Internal Revenue Service--IRS; NAICS: 921130; Name: Congress-US; NAICS: 921120; Name: Department of the Treasury; NAICS: 921130
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.2
Publication year:	2024
Publication date:	Sep 13, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3103703731
Document URL:	https://www.proquest.com/newspapers/u-s-news-rules-proposed-15-minimum-corporate-tax/docview/3103703731/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.

Last updated:	2024-09-13
Database:	ProQuest Central

LINKS

World News: Draghi Proposes 'Radical Changes' For EU Economy

Kim Mackrael; Norman, Laurence . Kim Mackrael; Norman, Laurence.

ProQuest document link

FULL TEXT

BRUSSELS -- Mario Draghi wants to rescue Europe again.

The 77-year-old former European Central Bank president on Monday delivered his prescription for jump-starting Europe's sluggish economy and strengthening its defense industry.

Draghi was tapped by the European Union's top official last September to create a much-anticipated report amid escalating worries about how far Europe is falling behind the U.S. and China economically.

Draghi promised to offer a prescription for "radical change" to enable Europe to compete internationally. His report includes more than 150 recommendations aimed at tackling Europe's lagging productivity, including calls for a more aggressive industrial policy and subsidies, changes to the bloc's competition policy, and a reshaping of European capital markets to attract investment.

The report likely will trigger arguments across the bloc, with some countries worried about Europe's becoming too protectionist. It comes as political crises in big European economies complicate agreement on EU-wide changes.

Some of Draghi's ideas, including expanding the single market and building a pan-EU capital union to boost investment, have been on the table for years. The EU's 27 national governments haven't advanced them. He said failure to implement changes would leave Europe in an existential crisis.

"If Europe cannot become more productive . . . we will not be able to become, at once, a leader in new technologies, a beacon of climate responsibility and an independent player on the world stage," he said in the report. "We will have to scale back some, if not all, of our ambitions."

Draghi said EU countries need additional annual investment of at least 750 billion to 800 billion euros, equivalent to $830 billion to $885 billion, to create a competitive digital and carbon-neutral economy. Public investment in areas like breakthrough innovation, defense procurement and energy is critical to promote private investment that would boost productivity, he said.

The bloc's competition policy should change so that the rules don't become a barrier to economic growth. The EU's antitrust authorities should put more weight on whether a merger can boost EU innovation and can help create globally competitive companies, he said. EU officials should seek to ease the regulatory burden to make it easier for companies to scale up, Draghi said.

Prompting the report is 15 years of European economic underperformance that leaders are struggling to address. According to the International Monetary Fund, the EU's 27 economies account for just 14% of global output on a purchasing-power basis, down from more than 20% in 2000. Europe's recovery from the pandemic has been more

sluggish than the U.S.'s and China's, with the continent taking a big economic hit from Russia's invasion of Ukraine, which pushed up energy prices.
Among the most controversial parts of Draghi's proposals concern industrial policy, increased fiscal outlays and proposed changes to competition policy, which has long been viewed as untouchable.
European Commission President Ursula von der Leyen said she is working to incorporate many of Draghi's proposals into her priorities. She said common economic priorities must be "funded by common European money."
Draghi said Europe is in an economic "crisis mode."
Credit: By Kim Mackrael and Laurence Norman

DETAILS

Subject:	Industrial policy; Economic growth; Competition policy
Business indexing term:	Subject: Industrial policy Economic growth Competition policy
Location:	China; United States--US; Europe
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.7
Publication year:	2024
Publication date:	Sep 10, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3102266758
Document URL:	https://www.proquest.com/newspapers/world-news-draghi-proposes-radical-changes-eu/docview/3102266758/se-2?accountid=14681
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Political Economics: An Economic October Surprise Could Roil the 2024 Election

Sternberg, Joseph C . Sternberg, Joseph C.

FULL TEXT

With the U.S. presidential election entering its home stretch following Labor Day, it's time to take stock of themes for the closing months of the campaign. This column warned a year ago that a financial crisis of some sort could become 2024's October surprise. Is that still a danger?

In a word, yes -- although we should all sincerely hope such a thing doesn't happen. Worse, recent months have brought into focus several other economic risks that loom over this campaign, and that will hang over the early months of whichever administration limps into office in January. With apologies to Donald Rumsfeld, we can't quite call these "known unknowns," but neither are they "unknown unknowns." Think of them as quasi-known unknowns.

-- A financial panic in America. That nearly a year and a half has passed without incident since Silicon Valley Bank's collapse in March 2023 is less reassuring than one would wish. The key feature of the SVB episode was a solvency crisis occasioned by a rapid increase in interest rates. Higher rates blew a hole in SVB's balance sheet by reducing the value of the supposedly safe Treasurys the bank held as capital. This autumn, impending interest-rate cuts from the Federal Reserve, promises of which already are pulling down longer-term rates, offer some hope that this particular problem won't repeat.

Yet the economy appears to be softening. And even if the promised cuts arrive, interest rates would remain considerably higher than they were for most of the post-2008 period. Impending rate cuts offer only partial comfort to commercial-real-estate borrowers and others who must refinance ultra-ultra-low-rate loans at rates that will be merely low. We're lucky that to date SVB was the worst fiasco to result from policy normalization. Can that luck hold?

-- A recession in China. It's hard to point to anything going right in the Chinese economy at the moment. Headline economic growth is slowing, to 4.7% year-on-year in the second quarter from 5.3% in the first. This would be impressive in a developed economy, but might as well be a recession in a country such as China with hundreds of millions of people yet to lift out of poverty.

Something other than a traditional business cycle is under way here, meaning there's little hope of a quick revival. China seems to be falling into a debt-deflation cycle of the sort that cost Japan two lost decades (at least). An inevitable correction of credit excesses in the property market is denting creation of new credit, stoking a fiscal crisis

among overleveraged local and provincial governments, and demoralizing middle-class consumers.
As much as China's perceived economic strength tends to freak out the West, its weakness will be worse. Don't fear the flood of cheap exports Beijing will try to unleash as its default response to any economic difficulty -- these trade flows will be politically contentious in the West but also will be helpfully disinflationary. Rather, fear the loss of China's middle class as a source of growing demand that can help prop up Western companies if or when Western economies start to stumble. Worry also about how a sinking Chinese economy could drag its neighbors -- including U.S. trading partners and allies such as South Korea and Japan -- along with it.
-- Political paralysis in Europe. Britain's Prime Minister Keir Starmer, elected only two months ago with a thumping majority in Parliament, already is losing political steam amid economic stagnation, a bout of rioting across the country, and internal party divisions over Israel and Gaza. France only this week got a new prime minister following President Emmanuel Macron's botched election gambit this summer, and Germany might as well not have one after the parties of Chancellor Olaf Scholz and his ragtag coalition were wiped out in last weekend's legislative elections in two states.
All three of those key American allies face economic malaise (chiefly occasioned by boneheaded energy policies), fiscal emergencies arising from unreformed welfare states, and escalating social tensions around immigration. There's Europe's typical level of dysfunction, and then there's this. It's hard to think of a time when the U.K. and the Continent's largest economies were less governable or more poorly governed.
Europe's problems came to be visited on America's shores (and vice versa) via a complex interaction between Biden administration strategic weakness, European energy-policy errors, and Russian imperialism -- which all led to the invasion of Ukraine, an energy and economic crisis in Europe, and a global energy-price spike that also hit the U.S. Was that chain of events a one-off, or a warning?
If Americans seem unenthusiastic about their political options this year, perhaps it's because voters intuit the complexity of the world and suspect or fear that both major-party candidates would prove inadequate to these or other challenges. The precise degree of that inadequacy -- or, more optimistically, the potential of one candidate or another to rise above his or her obvious defects in a crunch -- is the biggest quasi-known unknown of the year.
Credit: By Joseph C. Sternberg

DETAILS

Subject:	Politics; Economic conditions; Federal Reserve monetary policy; Interest rates; Economic growth; Prime ministers; Elections; Recessions
Business indexing term:	Subject: Economic conditions Federal Reserve monetary policy Interest rates Economic growth Recessions; Industry: 92113 : Public Finance Activities 52111 : Monetary Authorities-Central Bank
Location:	United States--US; United Kingdom--UK; China; Japan; Europe
Classification:	92113: Public Finance Activities; 52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.15
Publication year:	2024
Publication date:	Sep 6, 2024

Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3101041604
Document URL:	https://www.proquest.com/newspapers/political-economics-economic-october-surprise/docview/3101041604/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-09-06
Database:	ProQuest Central

LINKS

U.S. News: Tax Law Flub Gives Some Firms A Big Break

Rubin, Richard . Rubin, Richard.

FULL TEXT

WASHINGTON -- Congress accidentally left a hole in the 2017 tax law by writing mismatched effective dates for new tax rules -- and then failed to fix the problem. That is now allowing big companies to save tens or hundreds of millions of dollars that otherwise would have gone to the government.

The Internal Revenue Service tried to plug the gap with regulations, but a unanimous U.S. Tax Court recently said the law's plain language delivers a double benefit to some companies, even if Congress didn't intend that.
The court handed a victory to the device maker Varian Medical Systems in a case involving more than $150 million in deductions. The electronics manufacturer Kyocera and the food distributor Sysco have similar court cases pending, each involving more than $100 million in deductions. Many other companies used the same 2018 opportunity or will seek refunds now, tax advisers said.
The Varian case highlights how gridlock in Congress can cost the public, with Republicans and Democrats unable to cooperate to clean up mistakes in legislation. A recent ruling by the Supreme Court will put more emphasis on the literal text of laws, creating further pressure on Congress to avoid errors or fix them quickly, just as lawmakers prepare for another major tax law next year.
This drafting error was recognized years ago. The 2017 tax law's chief Republican author included the provision in a 2019 list of technical fixes that was never passed, partly because Democrats weren't eager to repair a law they weren't involved in writing. Democrats then included a fix in 2021 legislation that passed the House but fell short in the Senate.
The dispute involves Section 245A, the 2017 addition to the tax code that lets U.S. companies bring home their foreign profits without paying U.S. taxes. To make that work, Congress also changed Section 78 -- designed to prevent inappropriate tax breaks in the old international tax system -- in a way that stopped companies from getting a double benefit.
But lawmakers set different effective dates. The new tax break under Section 245A started on Jan. 1, 2018, while the new limits in Section 78 started for companies' first taxable years beginning after Dec. 31, 2017.
That discrepancy meant that companies with tax years that don't match the calendar year could benefit, so a company with a fiscal year ending June 30, 2018, could take advantage of the opening.
About one-fifth of large public companies use a noncalendar fiscal year; the size of the benefit varies based on each company's particular circumstances in 2018. Companies didn't need to engage in elaborate transactions in 2018 to benefit from the mismatched dates; they just had to use their existing fiscal years and the dates written in the law.
Effectively, "they are getting a deduction and a credit on the same income which is, I think, clearly contrary to what has ever been allowed at any other time," said Seth Green, a principal in KPMG's Washington national tax office.
In ruling on the case, Judge Emin Toro of the Tax Court wrote that Congress "spoke clearly" when it selected the mismatched effective dates. "Appeals to policy and Congress's overarching purpose cannot overcome these choices," he said.
The Varian case is one of the first legal opinions to cite the Supreme Court's recent ruling in Loper Bright Enterprises v. Raimondo, which gave courts more authority to determine the clear meaning of statutes and give less deference to agencies' expertise.
In the past, courts might have been more willing to look at the overall purpose of a statute. Now, a more literal approach might dominate, constraining IRS regulations and providing openings for tax lawyers.
Credit: By Richard Rubin

DETAILS

Subject:	Tax courts; State court decisions
Business indexing term:	Subject: Tax courts; Industry: 92211 : Courts
Location:	United States--US
Company / organization:	Name: Internal Revenue Service--IRS; NAICS: 92113 0; Name: Congress-US; NAICS: 921120

Classification:	92211: Courts
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.3
Publication year:	2024
Publication date:	Sep 3, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3099983014
Document URL:	https://www.proquest.com/newspapers/u-s-news-tax-law-flub-gives-some-firms-big-break/docview/3099983014/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-09-03
Database:	ProQuest Central

LINKS

Harris's Tax Cuts, Increases Take Shape

Rubin, Richard . Rubin, Richard.

FULL TEXT

WASHINGTON -- Vice President Kamala Harris's tax proposals pick up the unfinished business of the Biden administration, pushing to raise taxes on corporations and high-income households while leaving most Americans' taxes unchanged or lower.

Harris, the Democratic nominee for president, would increase taxes by about $5 trillion over the next decade and cut other taxes by more than $4 trillion. The federal government's total collections -- projected at $63 trillion over 10 years -- would be little changed, but the Harris agenda would shift who pays.

Under her plan, taxes would go up sharply on some high-income households, and top marginal tax rates would reach their highest point since 1986. The wealthiest investors and company founders would encounter sizable capital-gains tax bills that they don't face under current law.

Tax policy marks one of the biggest gaps between the two major parties and even slim congressional majorities could yield enormous differences in corporate profits and household finances -- particularly for the richest citizens. Harris hasn't discussed her tax plans in deep detail, but campaign aides indicated her support for President Biden's proposed tax increases and his promise to protect households making under $400,000 from tax increases. That is enough to give a clear sense of where she would head. She rolled out a child tax credit expansion plan earlier this month that went beyond Biden's agenda.

A Democratic sweep of the White House, Senate and House could allow Harris to get many of her fiscal plans enacted, though intraparty disagreements and slim vote margins could prevent the full agenda from becoming law. A 2025 Democratic Senate majority wouldn't include retiring Joe Manchin of West Virginia and Kyrsten Sinema of Arizona, who blocked many of Biden's tax plans in 2021 and 2022. But other Democrats could take their place as a limiting force in a narrowly divided chamber.

Even if Democrats don't win full control of Congress, a Harris administration would be thrust immediately into a tough tax negotiation in 2025 with Republicans: Major pieces of the 2017 tax law expire at the end of next year absent congressional action, an outcome that lawmakers in both parties want to prevent. The expiration could give Harris leverage to demand support for some of her tax priorities. If the president and Congress do nothing, about 62% of households will see their taxes go up in 2026, according to the Tax Foundation.

Former President Donald Trump, the GOP presidential nominee, wants to extend all the expiring tax cuts, for a total of $4 trillion over a decade. On top of that, he proposes to layer further cuts -- a lower corporate tax rate and tax exemptions for tips and Social Security benefits -- and running mate Sen. JD Vance (R., Ohio) has talked about a larger child tax credit. Trump also would impose tariffs that would recoup some of that lost revenue but also raise consumers' costs.

Harris wants to do far more than address the expiring tax cuts, and her campaign has endorsed all of the proposed tax increases from Biden's most recent budget.

Under that plan, the top marginal income-tax rate for individuals would climb to 44.6% across almost all income types, compared with today's lower top rates (23.8% on capital gains, 29.6% on some business income and over 39% on wages). High-income people would still pay lower rates on some of their income, but those marginal rates at the top matter because they can affect decisions about investments.

Harris, adopting Biden's plan, also would create a novel system that would tax the unrealized capital gains of people with net worth exceeding $100 million. Capital gains currently aren't taxed until assets are sold, and they are exempt from income tax at death, giving people an incentive to hold assets and pass them to heirs. (Estate taxes can still apply.)

Under the Harris plan, that top slice of households (about 0.01%) would pay an annual minimum tax of 25% of their income -- using a broader definition of income that includes unrealized gains. The proposal contains provisions that let taxpayers spread out payments, helps them deal with the difficulty of assessing hard-to-value assets and addresses liquidity constraints.

At an event at a Las Vegas restaurant last week, Trump claimed that Democrats would eventually seek to expand any tax on unrealized gains. "[It] will soon be applied to small-business owners and you will be forced to sell your restaurant immediately," he said.

Under Harris, capital gains for households making at least $1 million would be taxed as ordinary income. Unrealized capital gains, above a $5 million per-person exclusion, would be taxed at death. That tax would have some exemptions for family businesses, residences and personal property.

"These would represent sea changes in how we have taxed wealthy individuals and families over the last several decades, and that's not an argument for or against them," said Andrew Lautz, an associate director at the Bipartisan Policy Center.

Corporations would face a 28% tax rate, up from 21% today, and large companies would pay a 21% minimum tax instead of the current 15%. The higher corporate rate would apply on a broader tax base because the 2017 law removed some breaks, and the increase would push the U.S. back toward the high end of countries' tax rates.

"Vice President Harris's campaign pledge to raise the federal corporate tax rate to 28% would have devastating consequences, resulting in higher prices, lower wages and fewer jobs," said a statement from the RATE Coalition, a group of companies that includes Target and Altria.

Harris has proposed additional tax cuts on top of those extensions. She would revive the expanded child tax credit that was in place for 2021, which gives households $3,000 for most children and $3,600 for those under age 6.

"All families, they love their children but don't always have the resources that are necessary to do all that they hope and pray and desire for their children," she said in 2021.

As president, Harris would add another tier for newborns with that year's tax credit worth $6,000.

Credit: By Richard Rubin

DETAILS

Subject:	Nominations; Tax rates; Corporate taxes; Tax exemptions; Political campaigns; Presidents; High income; Tax cuts; Households; Capital gains; Child tax credit; Tax increases; Fiscal policy
Business indexing term:	Subject: Tax rates Corporate taxes Tax exemptions High income Tax cuts Capital gains Child tax credit Tax increases Fiscal policy; Industry: 92111 : Executive Offices
People:	Harris, Kamala
Company / organization:	Name: Congress-US; NAICS: 921120
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.1
Publication year:	2024
Publication date:	Aug 28, 2024
Publisher:	Dow Jones &Company Inc.

Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3097659684
Document URL:	https://www.proquest.com/newspapers/harriss-tax-cuts-increases-take-shape/docview/3097659684/se-2?accountid=14681
Copyright:	Copyright 2024 Dow Jones &Company, Inc. All Rights Reserved.
Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-08-30
Database:	ProQuest Central

LINKS

GOP Rebukes Record as Governor

Linskey, Annie; McCormick, John . Linskey, Annie; McCormick, John.

FULL TEXT

CHICAGO -- Three days after Democrats narrowly won control of Minnesota's Senate, House and governor's mansion in 2022, Gov. Tim Walz summoned party leaders to his formal office in the state's Capitol building for an early morning huddle.

The two top Democrats in the Legislature outlined their ideas for passing a major agenda with their new control of power. Their plans included pouring money into education, public works and vastly expanding the state's social safety net.

"OK, let's go," Walz said after hearing them out, according to Kari Dziedzic, who became the state Senate majority

leader in 2023 and participated in the meeting.
The Minnesota governor's eagerness to go big led to more than two dozen major laws passing this past year, an agenda that is already being used by Republicans to bolster their case that he governs from the far left. Despite being a two-term governor with over a decade in Congress as a moderate, the progressive record he pursued over about five months could undercut the Harris campaign strategy of selecting a folksy, plain-spoken Midwesterner to help her win over more independent voters.
But as he takes the stage at the Democratic National Convention on Wednesday, the party faithful gathered here are cheering Walz's stewardship of the 2023 liberal agenda -- and many hope he will be able to help extend it to the rest of the nation.
Democrats in Minnesota moved fast in 2023 to tick through their agenda, and many described Walz's role as guiding a process that state Democrats had worked toward for over a decade.
In 2022, Walz won a second term, Democrats held their majority in the state House and narrowly flipped the state Senate. It was the first time since 2014 that they controlled the governor's office and both legislative chambers, known in politics as a trifecta.
"The session was like running the rapids at great speeds with great concern about not getting wiped out on a rock," said Larry Jacobs, a professor at the University of Minnesota's Hubert H. Humphrey School of Public Affairs.
Over less than five months, Walz signed into law a suite of liberal priorities, helping propel the Minnesota governor to national prominence. So much Democratic orthodoxy was enacted that some local progressive activists openly mused whether they would have any additional work to do in coming legislative sessions.
"If you need a reminder that elections have consequences, check out what's happening in Minnesota," former President Barack Obama wrote on social media last year as the session was ending.
Walz has called the agenda passed in 2023 "the Minnesota Miracle 2.0," recycling a phrase used more than five decades ago when lawmakers created a new way to pay for local schools and governments in the state.
Republican criticism of Walz's record is likely to intensify. "He's got things done that -- he has positions that -- are just -- it's not even possible to believe that they exist," said former President Donald Trump, the Republican presidential nominee, during a recent news conference at his Mar-a-Lago in Florida.
From January to May 2023, Walz signed legislation to:
-- mandate pricing transparency for prescription drugs
-- ban so-called forever chemicals
-- guarantee tuition-free college for students from lower-income families, including undocumented migrants
-- allow undocumented migrants to obtain driver's licenses
-- provide free breakfast and lunch for K-12 students in public schools
-- protect broad access to abortions
-- restore voting rights for felons
-- strengthen background checks for gun purchases
-- allocate funding for new affordable housing
-- create a state-level child tax credit
-- establish paid family and medical leave
-- increase state capital-gains taxes on the rich
-- establish protections for trans patients seeking gender-affirming care and those who deliver it
-- approve funding to replace lead pipes across the state
-- provide an additional $300 million for local governments to fund police and public safety
-- legalize recreational marijuana for adults
The governor's allies emphasized that the 2023 legislative session also included items popular on the right as well, including more funding for police.
"Gov. Walz routinely worked with Republicans in Congress to pass legislation aimed at helping veterans and farmers, and he struck bipartisan deals with a split legislature in Minnesota to cut taxes and fund schools," said Teddy

Tschann, a spokesperson for Walz.
Walz did tap the brakes in a few areas, causing friction within his party.
After the governor used his veto pen on a measure that added protections for drivers in ride-sharing programs such as Uber and Lyft, the initiative's champion, state Sen. Omar Fateh wrote on social media: "We saw the power corporations hold on our government."
Walz also nixed some priorities a nurses union wanted, siding with the Mayo Clinic, a major employer. That prompted the union to station an empty hospital bed outside his office, according to local news accounts, and stage a sit-in.
The governor wasn't particularly enthusiastic about legislation to allow undocumented residents access to healthcare, according to a person familiar with his views. But he also decided not to veto it.
Walz's critics said he had turned Minnesota into something closer to California, a place known for liberal policies.
"Certainly on the policy level, we are following in their footsteps," said Doug Loon, chief executive of the Minnesota Chamber of Commerce. "But we are not an economic island like California can be -- we are dependent on the rest of the country."
Loon called the 2023 session "very detrimental to the business community."
To longtime allies, Walz's excitement ahead of the 2023 session was palpable. When he drew up his fiscal plan, the former high-school teacher proposed the largest single-year increase to state aid for Minnesota school districts in two decades. A budget surplus in the state gave Walz added flexibility. Before publicly unveiling his plan, Walz called the head of the state's largest educators' union to brief her.
"What I remember is he was so excited and he was talking incredibly fast," said Denise Specht, president of Education Minnesota. "I couldn't even break in to say, 'Wow.'"
Some Democratic activists praised Walz for showing some ideological flexibility when policy proposals got into the weeds.
"If Gov. Walz was the kind of guy who said: 'This is what I ran on, and it is my way or the highway,' we wouldn't have gotten nearly as much done," said Kris Fredson, a labor leader in Minnesota who has known Walz for nearly two decades.
When the 2023 session ended, the governor's staff organized a news conference and went big for their finale, too. They brought in a band. And they hired a company to fly a drone with a camera through the state house and even over parts of the building.
Some viewed the splashy recording as a sign Walz was interested in better marketing his accomplishments to the rest of the nation, perhaps with an eye to a cabinet post or national office.
Credit: By Annie Linskey and John McCormick

DETAILS

Subject:	Voting rights; Funding; Social networks; Press conferences; Legislation; Activism; Governors; School districts; Presidential elections; Candidates
Business indexing term:	Subject: Social networks; Industry: 92111 : Executive Offices 61111 : Elementary and Secondary Schools
Location:	United States--US; Minnesota; California
People:	Walz, Timothy J
Company / organization:	Name: Congress; NAICS: 921120; Name: Senate-US; NAICS: 921120; Name: Republican Party; NAICS: 813940

Classification:	92111: Executive Offices; 61111: Elementary and Secondary Schools
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.1
Publication year:	2024
Publication date:	Aug 22, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3095348612
Document URL:	https://www.proquest.com/newspapers/gop-rebukes-record-as-governor/docview/3095348612/se-2?accountid=14681
Copyright:	Copyright 2024 Dow Jones &Company, Inc. All Rights Reserved.
Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-10-28
Database:	ProQuest Central

LINKS

U.S. News: Trump's Threat of Steep Tariffs Hangs Over Markets

Goldfarb, Sam . Goldfarb, Sam.

FULL TEXT

It is the giant X-factor for investors heading into the presidential election: Donald Trump's sweeping plan to dramatically increase tariffs.

In a speech last week billed as a major economic address but that often veered far off topic, Trump doubled down on his commitment to new tariffs, pledging to implement "10 to 20 percent tariffs on countries that have been ripping us off for years."

A drumbeat of reports from Wall Street economists have warned that Trump's plans could substantially slow economic growth while driving up consumer prices. But there is considerable debate about what the former president would -- or even could -- do with tariffs if he won a second term.

On the face of it, Trump is proposing a radical overhaul of U.S. tariff policy, going far beyond what he did during his first four years in the White House. Starting in 2018, Trump imposed tariffs on about $380 billion of goods, mostly from China, according to the Tax Foundation.

The Biden administration kept most of those tariffs and added additional levies on roughly $18 billion of Chinese imports.

In the current election, however, Democrats haven't indicated support for additional tariffs. Trump, meanwhile, has advocated for what his campaign website has called a system of "universal baseline tariffs" that "rewards domestic production." Trump has suggested the tariffs could be set at 10%, with revenue being used to reduce the deficit or pay for new tax cuts.

Elsewhere, Trump has indicated he would support tariffs of at least 60% on Chinese imports to reduce trade with the world's second-largest economy.

Currently, the average effective tariff -- as measured as duties as a share of imports -- is around 1% on imports from countries excluding China and 11% on Chinese imports, according to Wolfe Research, a stock-market research firm.

Tariffs aren't applied to foreign countries but rather to domestic businesses that import products. Economists say those businesses usually pass on the bulk of the cost to consumers by raising prices.

In the short-term, most agree that universal tariffs would drive up consumer prices and drag on economic growth by effectively taxing households and discouraging spending.

Even then, some economists argue that benefits to certain businesses, such as steel manufacturers, could be offset by harms to others, such as automakers forced to pay more for steel. Exporting businesses could be hurt by countries introducing retaliatory tariffs.

Analysts at TD Securities estimate that a 10% universal tariff would increase inflation by 0.6 to 0.9 percentage point. Combined with Trump's plans to restrict immigration, they calculate the tariffs would reduce growth by 1 to 2 percentage points, potentially tipping the economy into a recession. Other economists have arrived at similar forecasts. Standard Chartered has estimated Trump's tariff plans would raise prices by 1.8% over two years.

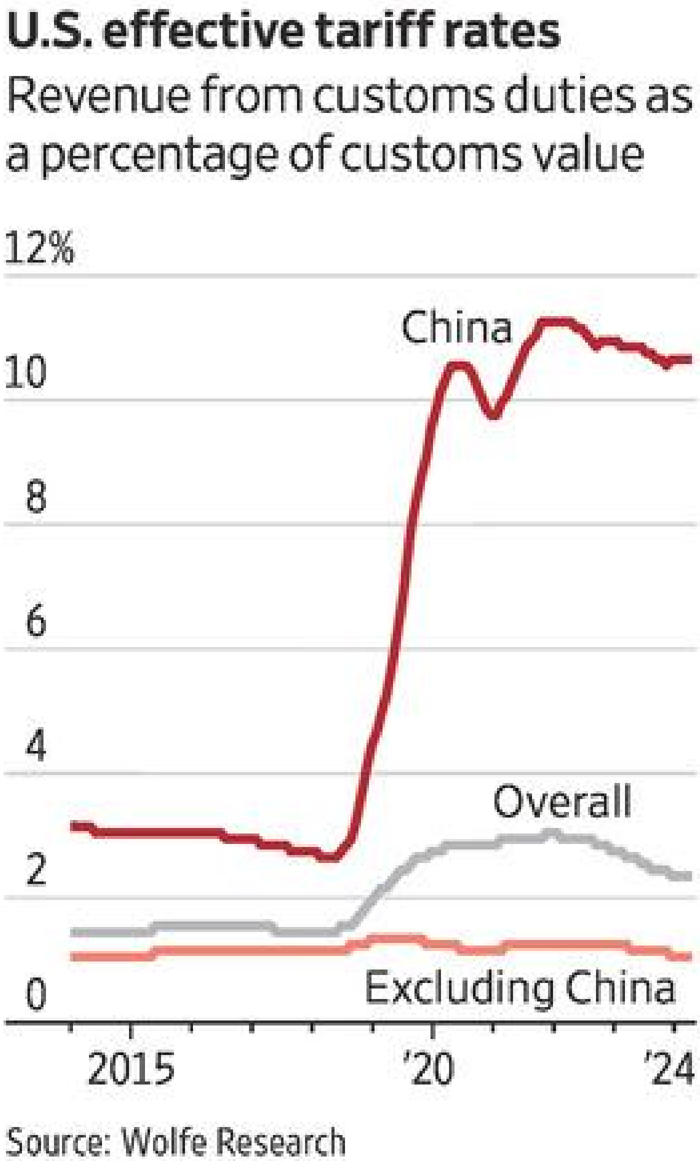
Most economists believe tariffs would lead to a quick jump in consumer prices but not persistent increases.

Trump's previous tariffs had micro and macro effects on the stock market. His threats to impose tariffs on Mexican imports at one point drove down shares of automakers with manufacturing operations across the border. More broadly, analysts said his tariffs contributed to declines in stock indexes in 2018 by creating uncertainty about the economic outlook.

Analysts at Jefferies have said higher tariffs could help steelmakers like Cleveland Cliffs and U.S. Steel by discouraging imports from foreign competitors, while hurting importers such as Lululemon Athletica and Best Buy by squeezing their profit margins.

On paper, Trump's tariff plans would create a bigger drag on the economy than Democratic plans to let tax cuts on upper-income households expire at the end of 2025, according to Wolfe Research. That is because tariffs' effective tax increase would be bigger and would affect lower- and middle-income households, which are more sensitive to changes in costs.

Many investors are skeptical that Trump would raise tariffs by as much as he has promised and are more confident that he would extend tax cuts and reduce regulations on businesses, especially if Republicans also win control of Congress. That could lead to at least a small-scale repeat of 2016, when a Trump-led Republican sweep spurred a large rally in stocks.



Enlarge this image.

Credit: By Sam Goldfarb

DETAILS

Subject:	Tariffs; Political campaigns; Automobile industry; Consumer Price Index; Presidential elections; Economists; Economic growth; Tax cuts; Households; Tax increases; Trade policy; Fiscal policy

Business indexing term:	Subject: Tariffs Automobile industry Consumer Price Index Economists Economic growth Tax cuts Tax increases Trade policy Fiscal policy; Industry: 92111 : Executive Offices 33611 : Automobile and Light Duty Motor Vehicle Manufacturing
Location:	United States--US; China
People:	Trump, Donald J
Classification:	92111: Executive Offices; 33611: Automobile and Light Duty Motor Vehicle Manufacturing
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.4
Publication year:	2024
Publication date:	Aug 20, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3094633204
Document URL:	https://www.proquest.com/newspapers/u-s-news-trumps-threat-steep-tariffs-hangs-over/docview/3094633204/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-08-23
Database:	ProQuest Central

U.S. News -- Capital Account: Trump Risks Misfire in Inflation Rhetoric

Ip, Greg . Ip, Greg.

FULL TEXT

Donald Trump really needs to find a new supermarket.

In a speech in North Carolina on Wednesday, the former president complained that bacon costs four or five times as much as it did a few years ago. "I don't order bacon anymore. It's gotten too expensive."

Clearly, whoever is selling him bacon is ripping him off: Bacon prices are up 18% nationally since President Biden took office.

Trump isn't just getting gouged on bacon. He has claimed grocery prices are up 70% when they're up 21% nationally since January 2021. He said last week that gasoline was $5 a gallon and rising when the average national price was $3.46 and falling.

Whatever the origin of Trump's numbers, it's plainly in his interest to keep the conversation on prices: If this election is a referendum on Biden's inflation record, Trump will win in a landslide.

And yet inflation might no longer be the election winner Trump has counted on.

For one thing, it's getting better. In July, consumer prices were up 2.9% from a year earlier, the lowest inflation rate since early 2021, and down sharply from 9.1% in mid-2022.

Markets have largely concluded that inflation is simply no longer an issue. Inflation-linked bonds project inflation in the coming year to be 2.2%, down from 2.6% just a month ago, according to Barclays.

To be sure, inflation is still an issue with voters; polls show they think it's getting worse. Trump pays no penalty for exaggerating prices because his claims resonate with how people feel. Moreover, one reason inflation is likely to keep easing is that unemployment recently rose, which, if it continues, is bad news for Vice President Kamala Harris, now the Democratic nominee.

But the retreat in inflation and softer jobs data have had one immediate, tangible benefit, both to consumers and Harris: lower interest rates. The Federal Reserve is almost certain to cut rates in September, and in anticipation, other borrowing rates have dropped. Mortgage rates have hit a 15-month low, so buying a house might be getting cheaper, though not by much.

In addition to the actual news on inflation improving, Harris is suffering less from public anger than Biden.

Public attitudes are driven less by prices rising more slowly (i.e., a lower inflation rate) than by their 19% cumulative change since Biden took office. Jared Bernstein, chairman of Biden's Council of Economic Advisers, pointed out in a recent speech, "A central banker wants inflation to get back to target. A shopper wants his or her old price back."

Harris has internalized this lesson. Her stump speech doesn't mention falling inflation, but rather promises to reduce the cost of living and individual prices.

And a small, crucial slice of voters seems willing to give her a chance. Several surveys find voters trust her more on the economy than they trust Biden, though less than they trust Trump. In a poll of seven swing states, asked who they trusted more to bring the cost of living under control, 42% of respondents said Harris, while 48% said Trump -- a small

margin given economic pessimism, said Amy Walter, editor of the Cook Political Report, which sponsored the poll. "Harris is benefiting from the fact that she's not getting the blame for a bad economy the way Biden was."
If voters are willing to blame Biden for inflation in the past, they still want to know, what will Trump or Harris do about it in the future? Presidents can't do much to influence economic growth or inflation, but are expected to try.
In her stump speech, Harris promises to "take on big corporations that engage in illegal price gouging, corporate landlords that unfairly raise rents on working families and . . . Big Pharma." Friday, she will propose a federal ban on price-gouging in the food industry, her campaign said. It's a natural message for a former prosecutor, but it won't make a discernible difference. Companies certainly did profit from higher prices in recent years, but there's little evidence it was illegal or fixable with federal action.
Trump has no concrete solution, either. In his view, inflation under Biden is due primarily to "a very stupid energy policy." On Wednesday, he promised to slash energy costs, including electricity, by half in 12 to 18 months.
He didn't explain how. Presidents have no direct control over electricity prices. Generation and transmission infrastructure take years to build. As for oil, he promises to "Drill, baby, drill." But even if more onshore or offshore federal leases were offered for drilling, the increase in supply would be marginal and years away, said Jim Burkhard, head of oil research for S&P Global Commodity Insights. U.S. oil production is driven primarily by the global price, he said, which is why domestic output hit a record last year despite Biden favoring renewables over fossil fuels.
In the next two years, the primary drivers of global supply will be OPEC and Russia, which are boosting production because of pressure from members who need the revenue, he said.
While the candidates' policies aren't likely to lower inflation, some might raise it. Specifically, economists think Trump's plans to raise tariffs and deport migrants will put upward pressure on import costs and wages and thus inflation. Deutsche Bank estimates his proposed 60% tariff on imports from China and 10% from everywhere else would raise consumer prices by 1.4% to 1.7%. On Wednesday, Trump suggested he would go even further, hitting all imports with a tariff of "10% to 20%."
Trump has also promised to extend all of his 2017 tax cuts, and end taxes on tips and Social Security benefits. His running mate, JD Vance, has proposed a $5,000 tax credit per child, more than double the current maximum credit. Even when offset by tariff revenue, that's a lot of potential fiscal stimulus.
In a recession, stimulus might help. Otherwise, it would add to inflation pressure. Ordinarily, the Fed would lean against the inflationary threat of tariffs and bigger deficits with higher interest rates. But whereas past presidents have left the Fed alone -- a tradition Harris said she would honor -- Trump also wants a say in Fed rate decisions.
Fed independence doesn't matter enough to voters to determine the outcome of the election. But it might determine the outcome on inflation -- and that ought to matter to voters a lot.
Credit: By Greg Ip

DETAILS

Subject:	Polls &surveys; Cost of living; Tariffs; Speeches; Electric rates; Political campaigns; Presidents; Federal Reserve monetary policy; Inflation; Inflation rates; Interest rates; Consumer Price Index; Voters
Business indexing term:	Subject: Cost of living Tariffs Federal Reserve monetary policy Inflation Inflation rates Interest rates Consumer Price Index; Industry: 92111 : Executive Offices 92113 : Public Finance Activities 52111 : Monetary Authorities-Central Bank
Location:	United States--US
People:	Trump, Donald J

Classification:	92111: Executive Offices; 92113: Public Finance Activities; 52111: Monetary Authorities-Central Bank
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.2
Publication year:	2024
Publication date:	Aug 16, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	3093378089
Document URL:	https://www.proquest.com/newspapers/u-s-news-capital-account-trump-risks-misfire/docview/3093378089/se-2?accountid=14681
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Full text availability:	This publication may be subject to restrictions within certain markets, including corporations, non-profits, government institutions, and public libraries. In those cases records will be visible to users, but not full text.
Last updated:	2024-10-14
Database:	ProQuest Central

LINKS

U.S. News: Trump Goes on the Attack, Makes His Case for Economy

Salama, Vivian; Tucker-Smith, Owen; Torry, Harriet . Salama, Vivian; Tucker-Smith, Owen; Torry, Harriet.

FULL TEXT

Former President Donald Trump, seeking to fine-tune his economic argument against Vice President Kamala Harris, gave a speech Wednesday in Asheville, N.C., in which he promised an economic boom if he wins a second term.

In a wide-ranging speech, Trump said, "We're going to have 10% to 20% tariffs on foreign countries that have been ripping us off." The remarks escalated an earlier pledge to impose a 10% across-the-board tariff on imported goods.

Here are the top takeaways:

'Are you better off?'

Trump tried to tether Harris to voters' feeling of discontent about higher prices under President Biden's tenure.

"Does anyone here feel richer under Kamala Harris and Crooked Joe than you were?" Trump asked the crowd. "Are you better off now with Harris and Biden than you were with a person named President Donald J. Trump?"

Trump said he would sign an executive order on his first day in the Oval Office ordering cabinet secretaries and agency heads to work toward limiting inflation.

Trump said real incomes are down by more than $2,000 a year. He didn't specify what economic measure he was referring to, but Commerce Department data back up his assertion that households are slightly worse off now than during his presidency. Inflation-adjusted median household income was $76,660 in 2020, the last full year of Trump's presidency. Last year, it was $74,580.

Trump correctly stated that credit-card debt has hit a record. Credit-card balances rose to $1.14 trillion in the second quarter, according to a recent report from the New York Fed.

Bacon bits

A frequent refrain for Trump in recent weeks has been over the price of bacon, something he brought up again Wednesday. "When you look at the costs of groceries, the cost of bacon, where it went up four and five times. Bacon," he said. "I don't order bacon anymore. It's too expensive."

The price of bacon has risen in recent years but not by nearly as much as Trump has claimed.

According to the Labor Department, from January 2021 to July 2024, the cost of bacon has risen nearly 18%. The price of bacon at the end of Trump's presidency was $5.83 a pound, down from a Trump-era peak of $6.47 in September 2017, according to the Labor Department. The average price of bacon last month was $6.88 a pound, down from a Biden-era high of $7.61 in October 2022.

Personal attacks

While the former president spent much of his address slamming the Biden administration's economic policy, he dedicated time to personal attacks on Harris. He criticized her laugh, which he called "the laugh of a crazy person." He also referred to Harris as an "incompetent socialist lunatic" and emphasized her underwhelming performance in the 2020 Democratic presidential primary.

Trump also pointed to Harris's lack of unscripted interviews since she became the Democratic nominee. He said, "She's not smart. She's not intelligent. And we've gone through enough of that with this guy, Crooked Joe."

North Carolina Democratic leaders went on the offensive Wednesday morning, slamming Trump's proposed tariffs at a press conference. Democrats accused him of supporting policies that would trigger higher inflation rates, push back the retirement age and cut back Social Security benefits.

Social Security

The former president has pledged to protect Social Security but hasn't offered a detailed plan for how to shore up funding for it. The program's trust funds are projected to run out by 2035, reducing benefits. Instead, he has emphasized a plan to repeal taxes on Social Security benefits, which could help ease costs for seniors but wouldn't

contribute to the program's fiscal health. "With your vote, I will end this injustice," Trump said on Wednesday.
At Wednesday's rally, Trump stood in front of a backdrop that read "no tax on Social Security" and "no tax on tips."
"This election will be a choice between two very different economic visions," said Caleb Rudow, a North Carolina state representative and candidate for Congress, at the Democrats' press conference on Wednesday. "One that builds up the middle class and one that helps billionaires and big corporations at working families' expense."
Energy costs
Trump pledged to slash energy and electricity prices by at least half within the first 12 to 18 months.
Republicans have blasted the Biden administration for rising gasoline prices and the cost of electricity. Electricity prices have risen by roughly 20% since late 2020, according to the U.S. Energy Information Administration. The price of regular gasoline is up nearly 45% since Trump left office, at $3.33 this week, from $2.30 the week Biden took office.
On Wednesday, he acknowledged there may be some limits to his proposal of slashing energy and electricity prices.
"And if it doesn't work out you'll say, Oh, well, I voted for him, I still got them down a lot, but we're looking. . .to cut them in half," Trump said.
Credit: By Vivian Salama, Owen Tucker-Smith and Harriet Torry

DETAILS

Subject:	Press conferences; Gasoline prices; Presidents; Costs; Social security; Tariffs
Business indexing term:	Subject: Gasoline prices Costs Social security Tariffs; Industry: 92111 : Executive Offices
Location:	United States--US; North Car olina
People:	Harris, Kamala; Trump, Donald J
Classification:	92111: Executive Offices
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	A.4
Publication year:	2024
Publication date:	Aug 15, 2024
Publisher:	Dow Jones &Company Inc.
Place of publication:	New York, N.Y.
Country of publication:	United States
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspaper
Language of publication:	English

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Citation style: APA 6th - American Psychological Association, 6th Edition

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