

THE WALL STREET JOURNAL.

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Last week: DJIA 42863.86 ▲ 511.11 1.21%

NASDAQ 18342.94 ▲ 1.1%

STOXX 600 521.98 ▲ 0.7%

10-YR. TREASURY yield 4.072%

OIL \$75.56 ▲ \$1.18

EURO \$1.0939

YEN 149.14

What's News

Business & Finance

◆ **Private-equity firms** are buying up skilled-trade small businesses, minting a new class of millionaires across the country and changing a tradition of owners handing down companies to their children or employees. **A1**

◆ **More union members** are defying their leadership, voting down contracts that negotiating committees might have spent months hammering out for ratification. **A1**

◆ **Apple's Vision Pro** is struggling to attract major software-makers to develop apps for the device, the company's biggest new product in a decade. **B1**

◆ **Home Depot** will shed some of the sprawling warehouse space it had added during the pandemic as it grapples with falling sales in an uncertain consumer market. **B3**

◆ "Terrifier 3" topped the box-office chart with \$18.2 million in domestic ticket sales on its opening weekend. **B2**

◆ **A bankruptcy judge** in Texas said J&J's third chapter 11 case seeking to resolve its talc-related liabilities can stay in his court in Houston, keeping it out of New Jersey. **B6**

◆ **A Seoul Semiconductor** suit against a German retailer has led to a United Patent Court ban on LED products violating patent rights in eight European countries simultaneously. **B4**

World-Wide

◆ **The Biden administration** is sending an advanced antimissile system to Israel and American troops to operate it, moving to bolster its top Middle East ally's defenses against an Iranian attack, the Pentagon said. **A1**

◆ **Israel's military** shared with journalists documents that it said its soldiers found in Gaza and that appear to show financial and military support provided by Iran to Hamas before the Oct. 7 attacks. **A7**

◆ **Trump suggested** deploying the National Guard or military to respond to what he termed the "enemy from within" on Election Day, saying he was concerned about the prospect of chaos wrought by "radical left lunatics." **A4**

◆ **Trump leads Harris** among swing-state voters 50% to 39% on who is best able to handle Russia's war in Ukraine and has an advantage of 48% to 33% on who is better suited to handle the Israel-Hamas war. **A4**

◆ **The vice president's** personal physician gave her a clean bill of health in the runup to Election Day, noting she exercises daily and is up-to-date on preventive screenings. **A4**

◆ **Ruth Chepng'etich** of Kenya smashed the world record in the women's event by nearly two minutes at the Chicago Marathon, winning in 2:09:56. **A2**

◆ **Died: Alex Salmond**, 69, Scotland's former leader. **A9**

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SpaceX Grabs Returning Booster Rocket



WHAT A CATCH! SpaceX caught a towering booster rocket returning to its launchpad in Texas, an engineering milestone for the Starship vehicle at the center of Elon Musk's plans for deep-space exploration. It was SpaceX's first attempt at the catch. **A3**

Private Equity Pours Millions Into HVAC, Plumbing Trades

BY TE-PING CHEN

Aaron Rice has two logos tattooed on his left leg: one from the plumbing business he co-founded more than a decade ago, and another from the private-equity-backed company that recently bought it.

Few businesses are as vital to their customers as local plumbing, heating or air-conditioning companies—especially in places like Tucson, Ariz., where Rice works and residents sweltered in 100-degree

heat most days this summer.

For years, Rice, 43 years old, was skeptical when out-of-state investors offered to buy his company. He assumed most of them knew little about skilled-trade work or his customers. They were just looking to make a buck. But in 2022, when approached by a local HVAC company backed by private equity, he changed his mind, figuring that they knew the business.

"The trades are hard work. A lot of today's society, pick-

ing up a shovel is foreign to them," he said.

Private equity, however, is no foreign player in the skilled trades these days. PE firms across the country have been scooping up home services like HVAC—that is, heating, ventilation and air conditioning—as well as plumbing and electrical companies. They hope to profit by running larger, more profitable operations.

Their growth marks a major shift, taking home-services firms away from family opera-

tors by offering mom-and-pop shops seven-figure and eight-figure paydays. It is a contrast from previous generations, when more owners handed companies down to their children or employees.

The wave of investment is minting a new class of millionaires across the country, one that small-business owners said is helping add more shine to working with a tool belt.

"You don't need to go to Silicon Valley to have a success."

Please turn to page A2

U.S. Set To Send Defense System, Troops To Israel

Biden approves anti-missile battery, about 100 soldiers on ground to operate it

WASHINGTON—The Biden administration is sending an advanced antimissile system to Israel along with U.S. troops to operate it, moving to bolster its top Middle East ally's defenses against an Iranian attack, the Pentagon said on Sunday.

By Michael R. Gordon,
Lara Seligman
and Nancy A. Youssef

The deployment of the Thaad system, a ground-based interceptor designed to shoot down ballistic missiles, marks a significant step in U.S. efforts to directly protect Israel against an enemy attack by putting U.S. soldiers on the ground.

The move comes as U.S. and Israeli officials have been holding talks on a planned Israeli strike on Iran. U.S. officials have urged Prime Minister Benjamin Netanyahu's government not to target Iran's oil facilities.

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◆ Documents link Iran to Oct. 7 attacks, Israel says..... A7
◆ Israel alleges U.N. failure in finding tunnels..... A8

Unions Defy Their Leadership With 'No' Votes on Contracts

BY LAUREN WEBER
AND SHARON TERLEP

Frustrated by inflation eating into their paychecks and empowered by the United Auto Workers' successful strikes last year, union members are sending a message to their leaders: Do better.

In recent months, members have voted down contracts at Boeing, AT&T, Textron and other companies after their unions' negotiating committees spent months hammering out deals for them to ratify.

Most dramatically, at Boeing, 94% of machinists in the company's largest union voted in September against the proposed contract, which offered 25% wage increases over four

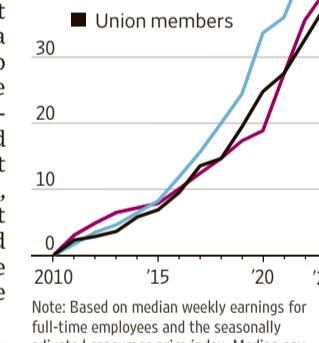
years. Members of the International Association of Machinists and Aerospace Workers chapter had never before rejected a contract recommended by their leaders.

The IAM chapter president had described the deal as a historic raise. "I would like to imagine he did everything he could to secure the best possible deal for his members," said Josh McKenzie, who works at Boeing's 737 factory in Renton, Wash. "At face value, it didn't look bad. But the more I read it, the more it seemed like we'd be in pretty much the same boat."

The typical U.S. union member still has higher earnings than workers who aren't covered by contracts.

Please turn to page A6

Wages and prices, change since 2010



Note: Based on median weekly earnings for full-time employees and the seasonally adjusted consumer-price index. Median pay for union members remains higher than for nonunion workers, but the gap has been closing over the past decade.
Source: Labor Department

Mystery Drones Stump Pentagon

Aircraft have flown unhindered over sensitive national-security sites

U.S. Air Force Gen. Mark Kelly wasn't sure what to make of reports that a suspicious fleet of unidentified aircraft had been flying over

By Gordon Lubold,
Lara Seligman and
Aruna Viswanatha

Langley Air Force Base on Virginia's shoreline.

Kelly, a decorated senior commander at the base, got on a squadron rooftop to see for himself. He joined a handful of other officers responsi-

ble for a clutch of the nation's most advanced jet fighters, including F-22 Raptors.

For several nights, military personnel had reported a mysterious breach of restricted airspace over a stretch of land that has one of the largest concentrations of national-security facilities in the U.S. The show usually starts 45 minutes to an hour after sunset, another senior leader told Kelly.

The first drone arrived shortly. Kelly, a career Please turn to page A10

In Sailing's Most Famous Race, Britannia Definitely Doesn't Rule

* * *

World's greatest naval power aims to end a 173-year drought in the America's Cup

BY JOSHUA ROBINSON
AND JONATHAN CLEGG

The annals of sporting futility are full of sad-sack teams that run into humiliating defeat, season after season, only to come back for more. The NFL's Arizona Cardinals have never won a Super Bowl in 58 years of trying. The Toronto Maple Leafs have gone more than half a century without a Stanley Cup. The Seattle Mariners have never reached a

World Series.

Yet all of those streaks are drops in the ocean compared with Britain's record competing for the world's oldest international sporting trophy.

The America's Cup was invented in Britain and first contested in 1851. And in all that time, the greatest naval power

the world has ever seen—the country of Horatio Nelson, Sir Francis Drake and "Britannia Rules the Waves"—has sometimes

Please turn to page A10

Election to Decide Fate Of Antitrust Crackdown

BY DAVE MICHAELS

Voters won't be considering Lina Khan when they go to the polls in November. But who they elect to the White House will decide whether her progressive experiment in antitrust policing survives.

Khan, the 35-year-old chair of the Federal Trade Commission, has been one of President Biden's most prominent agency leaders. As a young academic, she built a surprisingly robust following around a tract that argued antitrust enforcers had shrunk from

their duty to restrain corporate power, while companies such as Amazon.com exploited the opportunity to build unchallenged monopolies.

Khan's FTC tenure got off to a slow start, as employee morale nosedived over concern that she condemned much of their prior work. She quickly withdrew policies that had made it easier for some mergers to clear the FTC's review and started to bring headline-grabbing enforcement actions against Amazon, Microsoft and others. Along the way, she has

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INSIDE



U.S. NEWS

Floridians are reaching a breaking point as storms ratchet up costs and tensions. **A6**



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Our Mission: To End Pancreatic Cancer. Period.

The Stephenson Prize for Innovation in Pancreatic Cancer Research is uniting the world's brightest minds in a quest to cure the world's deadliest cancer. City of Hope® is honored to announce a \$150 million transformative gift from philanthropists A. Emmet Stephenson Jr. and Tessa Stephenson Brand to lift cancer research to new heights.



U.S. NEWS

THE OUTLOOK | By Paul Kiernan and Anthony DeBarros

Economists See Higher Inflation With Trump

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.

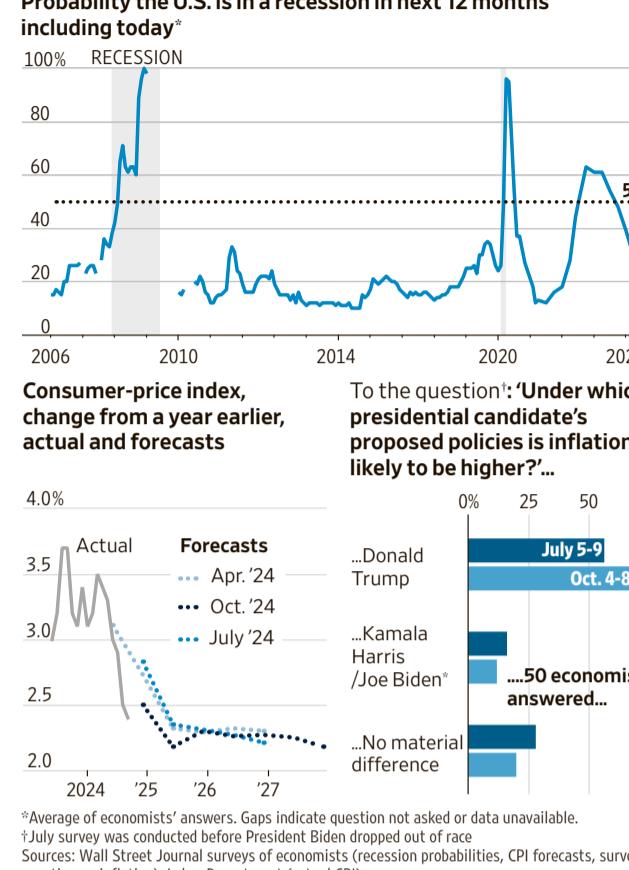
Since July, Trump has pledged across-the-board tariffs of 10% to 20% on imported goods, up from his earlier plan to impose 10% tariffs. He has also proposed a 60% or higher tariff on imports from China.

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.

U.S. WATCH

CHICAGO
Kenyan Woman Has Marathon Record

Ruth Chepngetich of Kenya smashed the world record by nearly two minutes at the Chicago Marathon on Sunday, winning in 2:09:56.

The 30-year-old Chepngetich broke the world record set by Tigist Assefa of Ethiopia in 2:11:53 at the 2023 Berlin Marathon.

"I feel so great. I'm very proud of myself," Chepngetich said. She became the first woman to break 2:10 in the marathon.

John Korir of Kenya won the men's race in 2:02:44, besting Huseyin Mohamed Esa of Ethiopia, who finished in 2:04:39.

Korir and Chepngetich ran in honor of the late Kelvin Kiptum of Kenya, who broke the world record by 34 seconds, finishing in 2:00:35, at the 2023 Chicago Marathon.

—Associated Press

ENTERTAINMENT
'Iron Throne' Sold For \$1.49 Million

"Game of Thrones" fans came out in droves to bid on hundreds of costumes, props and other items from the series in an auction that raked in more than \$21 million.

From Thursday through Saturday, the Heritage Auctions event in Dallas featured more than 900 lots including suits of armor, swords and weapons, jewelry and several other items of significance from the HBO series.

The top-dollar item was the very thing the characters in the series vied for throughout its eight-season run: the Iron Throne. After a six-minute bidding war, the throne sold for \$1.49 million.

The replica was made of plastic and molded from the original screen-used version, then finished off with metallic paint and jewel embellishments.

—Associated Press

pair work, some sounding off in online forums said.

American dream

Selling can also be bittersweet. Dana Spears co-founded an HVAC company in Land O'Lakes, Fla., in 2006, later buying it outright in 2008, when it had 14 employees, leaving her with \$4,000 in the bank. When Covid hit, outside investors woke up to the importance of essential businesses like hers. More than 100 offers to buy the company have poured in since 2020.

Spears, 51, resisted selling because she worried about her 100 employees.

"I have employees who've worked for me for 16 years," she said. "I don't want this to be an overnight flip and they don't have a job."

But around her, private equity was buying her peer companies, and she felt outgunned. Her newly acquired competitors could negotiate better pricing and deals on everything from equipment to workers' health insurance.

Earlier this year, after much deliberation and meeting with numerous buyers, she settled on a firm she felt she could trust, P1 Service Group.

Exiting the business was a wrenching decision, but the opportunity also felt too good to pass up, said Spears, who declined to disclose how much the company sold for.

"It's like we're finally seen and recognized," Spears said. "The trades are one of the businesses that, if you have the grit, you can go and do the American dream."



Aaron Rice, above, sold the plumbing company he co-founded to a HVAC company backed by private equity. He is part of a growing class of entrepreneurs in the skilled trades who have sold their companies but aren't yet ready to retire.



fact that the company would become part of Rite Way, another local outfit, and that Redwood wanted owners to continue holding a stake and have a major say in management.

Rice continues to work as a senior department manager at Rite Way and plans to stay with the company until he retires in seven years at age 50. His co-founder has remained with the company, too.

"I want to hunt, fish, drink beer and cook meat," Rice said.

For private-equity investors, the strategy is one that has been put to use in industries as varied as carwashes and nursing homes: Roll up businesses to create larger players and improve their margins by adding managerial know-how, back-office efficiency and beefed-up marketing and recruiting budgets.

Critics of the PE model said it can mean higher prices for consumers and less competition, but others said it can improve service quality and boost the bottom line.

In Rice's case, he struggled with addiction and had spent five years in prison for selling meth before co-founding his plumbing business in 2012 with his business partner, Mike Nagal. It specialized in sewer inspections and repair. It had 18 employees and was bringing in about \$3 million in revenue a year.

Though the duo hadn't planned to sell, they liked the

New ownership has paid off for Rite Way. Under Redwood, the company has gone from \$30 million in annual revenue to around \$70 million.

Along the way, Rite Way acquired companies to expand beyond HVAC, with plumbing

A decade ago, nine out of

10 small-business owners in the skilled trades looking for a buyout wanted to retire and be done, said Ted Polk, a managing director at Capstone Partners, a Boston-based investment banking firm. These days, a growing number of them don't want to ride off into the sunset. Around a third are entrepreneurs who want to stay with the company and find ways to grow.

"They see what they can do on their own is a fraction of what they could if they had somebody behind them, saying, 'I'll help you buy these guys and those guys,'" said Polk, who has done deals in the skilled trades ranging from \$30 million to more than \$200 million.

"Next thing you know, you're running an empire."

Workers benefit financially, too, said Graham Weaver, founder of private-equity firm Alpine Investors, based in San Francisco. Alpine, an early investor in HVAC companies, said technicians at the HVAC businesses it acquires get a 20% pay bump in the first year after a company is sold, mostly through a combination of higher wages, bonuses and commission.

The company has rolled up more than 200 companies across 43 states into a larger service platform, Apex, which did a combined \$2.2 billion in business in the past year.

Given the surging investor

Weaver said, anyone with entrepreneurial ambitions should take a second look at the trades, which offer steady income via unclogging toilets, fixing boilers and installing air-conditioning units.

"You can build a business that's going to be worth \$10-30 million and have a ready list of buyers to sell it to," he said.

Still, some workers said that when private equity buys up their companies, they wind up pushing new systems on customers, rather than simply fixing what's not working. The pressure to make sales is less satisfying than doing real re-

CORRECTIONS & AMPLIFICATIONS

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U.S. NEWS



Fighting Fires From the Sky Turns Deadly

BY ERIC NIILER

In daring flyovers just above the tree line, flying firefighters are battling blazes that have burned 7.8 million acres nationally this season—more than triple last year's acreage. They dump payloads of chemicals or water scooped up from lakes to douse flames and protect homes and buildings.

But sometimes things go wrong.

This year, at least six pilots have crashed while performing aerial maneuvers, flying through smoke or while en route on support missions.

Juliana Turchetti was flying a single-engine “Fire Boss” amphibious air tanker to fight the Horse Gulch Fire northeast of Helena, Mont., in formation with two other aircraft. After scooping up water from Hauser Reservoir, Turchetti pulled up, banked left and struck a vertical rock face along the southern shore.

She is one of at least four pilots and one mechanic to have died this year. Two pilots survived crashes.

The U.S. Forest Service, Interior Department and Na-

tional Transportation Safety Board keep separate tallies of aviation accidents involving aerial firefighters. According to the NTSB, which has the most complete of the three data sets, there have been eight fatal crashes since 2020 that involve aerial firefighting.

The details of the crashes reported here are based on NTSB reports, news accounts and interviews. All of the incidents appear in NTSB data, but not all are tagged as “firefighting” crashes.

Federal safety officials are investigating whether aircraft malfunction, human error, foul weather or some combination were responsible for the crashes.

While there is no common thread tying together this summer’s fatal accidents, the number is unusual, according to pilots and industry experts.

North America’s fire season is getting longer, hotter and drier. Record-setting temperatures in the Southwest and Southern California in early October, and well-above-normal temperatures in parts of the Mountain West and Great Plains, prompted the National

Interagency Fire Center in Idaho to raise its national alert to level 5, indicating that firefighting resources are beginning to be stretched thin. The potential for “significant wildland fires is high and expected to remain high,” according to the center. This is the latest date it has declared a level 5 alert since records began in 1990.

The U.S. Forest Service and four agencies under the Interior Department have contracted 139 planes and 986 helicopters to fight fires this year across the U.S. — mostly owned by aerial firefighting firms.

A few states, such as California, employ their own aerial firefighting departments. Firefighting planes range from lumbering four-engine C-130s that can drop 4,000 gallons of retardant to nimble single-engine air tankers that can quickly unload 800 gallons of water.

The pilots can quickly put

out small fires in remote areas that ground crews can’t reach before they get too big. They also work directly with firefighters on the ground by dropping water or retardant to keep a fire from spreading. That gives crews more time to clear brush ahead of a fire.

Unlike on flights when a pilot can rely on autopilot controls, maneuvering an aircraft around a wildfire requires constant attention to maintain a safe altitude, fly a prescribed course and then drop water or chemical retardants in just the right location.

The aircraft often fly in tightly choreographed formations in

which several planes or helicopters drop their loads one at a time directly on a fire or around buildings.

A 45-year-old native of Brazil, Turchetti had 20 years of flying experience and had been working as a crop-dusting pilot while also running an aviation-themed coffee shop

in Springfield, Ill. In April, Turchetti went west to work full time as a firefighting and agricultural pilot. She was hired by **Dauntless Air**, an aerial firefighting firm with operations throughout the Western U.S. She crashed three months later, on July 10.

“Everybody loved her,” said Jesse Weaver, chief pilot for Dauntless. “She was very enthusiastic and proud to do this job. She was new at it. That’s the sad part. It was only her third fire.”

Turchetti had passed federal training requirements and Dauntless’s own training program, Weaver said. In 2022, Turchetti told a local public-radio interviewer in Illinois that she had always dreamed of being a pilot. “I grew up with that passion. It was almost like a calling.”

Other pilots say their love of flying outweighs the risks involved in firefighting from the air.

“It’s always a challenge,” said Joel Hampton, veteran pilot for **CO Fire**, a Colorado-based firm. “You mitigate the risk by making sure you’re briefed, you’re trained and

you’re always looking for an out if something goes bad.”

Firefighting pilots report close calls every year, from avoiding transmission lines and other pilots on the same wildfire mission to dodging a growing number of drones flown by private operators filming wildfires. Last year, aerial firefighting flights were shut down 10 times because of drone interference, according to the National Interagency Fire Center.

Hampton, 55, flew A-10 aircraft for 21 years in the U.S. Air Force before retiring and switching to firefighting eight years ago. When he began fighting fires, he said he received a few tips on how best to handle the specialized firefighting aircraft from Jim Maxwell, a 73-year-old pilot.

Maxwell was among the pilots who died this year.

“He taught me a lot when I first started,” Hampton said.

Maxwell was part of a three-plane convoy headed to a forest fire on July 25 when they ran into wildfire smoke near Izee, Ore., and his single-engine air tanker struck a hillside. He had more than 50 years of experience as a pilot.

The number of fatal accidents this year is unusual, pilots say.

Huge SpaceX Booster Rocket Blasts Off, Returns Home

BY MICAH MAIDENBERG

SpaceX caught a towering booster rocket back at its launchpad in south Texas, an engineering milestone for the Starship vehicle at the center of Elon Musk’s plans for deep-space exploration.

The Super Heavy booster, the first stage of Starship, lifted off from south Texas on Sunday morning and propelled the Starship craft into space. Shortly after the launch, SpaceX made the call to return the booster back to the pad from which it had launched.

A livestream from SpaceX showed the device zipping back toward the facility, and, as it approached a tower, its engines slowed the enormous device down, allowing for the catch around 8:30 a.m. ET. The vehicle latched down on mechanical arms sticking out of the tower.

It was SpaceX’s first attempt at the catch, a feat that the company and Musk, its chief executive, have said are key to reducing the cost of rocket launches.

“I don’t know what to say!” Gwynne Shotwell, president at



A crowd awaited the Sunday morning launch of SpaceX Starship near Boca Chica, Texas.

SpaceX, said in a post on X.

The catch grabbed the attention of the space industry, as well as government officials who work closely with SpaceX. Bill Nelson, the administrator of the National Aeronautics and Space Adminis-

tration, congratulated the

company in a post on X.

Starship is contracted to transport astronauts to the lunar surface on a NASA mission that relies on numerous U.S. companies, from SpaceX to **Lockheed Martin**. NASA earlier this year delayed that mission, part of its Artemis explo-

ration program, to late 2026. Officials pushed back the flight in part because contractors needed more time to address technical challenges.

Catching the booster was a primary goal of Sunday’s launch, the fifth time SpaceX has conducted a test flight of

Starship and one that came after the company criticized the Federal Aviation Administration for its pace in approving Starship missions. The FAA, which licenses private space launches, said Saturday it had approved the Starship test.

Officials at the FAA have said they must fully analyze safety and environmental considerations before giving a green light to SpaceX flights of the still-experimental rocket.

Starship, which consists of the Super Heavy booster and Starship spacecraft, stands about 400 feet tall when it is launched.

Musk has said that he wants Starship to be fully and rapidly reusable. Other rocket operators, both historically and today, use what are called expendable boosters, meaning that the rocket is used once, to get other craft carrying satellites or astronauts into proper orbits.

Expendable boosters have their own advantages, being capable of blasting payloads deep into space on a single launch, some rocket executives say.

SpaceX has long pushed reusability in rockets, including

on its current operational vehicles, Falcon 9 and Falcon Heavy.

The idea behind catching the booster is that SpaceX could, in the future, stack the Starship spacecraft back on top of one that landed at a pad and quickly launch again.

Multiple Starship launches will be important for lunar operations for NASA. For those missions, including the one currently set for about two years from now, a Starship spacecraft would be launched into space, and take on significant amounts of fuel before flying to an orbit at the moon. Orbital fuel transfers have never been proven at the scale the operation requires.

Executives at SpaceX have said they want to fly many Starship missions before taking onboard any astronauts.

The spacecraft that the Super Heavy booster launched on Sunday, meanwhile, later landed in the Indian Ocean, according to SpaceX. The company wants to make that vehicle, which would carry satellites or astronauts on operational flights, reusable as well.

Wealthy Republican Donors Back a Fledgling University in Texas

BY JULIET CHUNG AND PETER RUDGEAIR

Billionaires critical of elite colleges are banding behind a fledgling school in Texas that boasts 92 students.

Trader Jeff Yass, real-estate developer Harlan Crow and investor Len Blavatnik are among the high-profile people donating to the University of Austin, or UATX. The new school has raised roughly \$200 million so far—including \$35 million from Yass—a huge sum for a tiny school without any alumni to tap.

Crow, a major Republican Party donor, was an early backer. “Much of higher ed today seems to want to reject Western accomplishments and

the accomplishments of Western civilizations in their entirety,” he said. “Many people think that’s a bad idea.” Crow said he expects UATX to encourage ideological diversity.

Crow and his wife, Kathy, have hosted several events for the school at their Dallas home and let the school use space in an office park he owns for its summer program, provocatively called Forbidden Courses. Crow has been a controversial benefactor to Supreme Court Justice Clarence Thomas. He has said he has never discussed pending cases with Thomas.

Frustration with the state of debate and levels of unrest at prestigious universities has spurred some of the richest

Americans to flex their financial muscle.

Billionaires like Marc Rowan and Bill Ackman led campaigns to oust Ivy League presidents they viewed as being too soft on antisemitism on campus following Hamas’s 2023 attacks on Israel and the war in Gaza. Many wealthy donors believe elite colleges are overwhelmingly progressive—and are attracted to the idea of an alternative school that says it encourages meritocratic achievement and myriad viewpoints.

Enter UATX, which welcomed its initial class of first-years last month in a former department store near the Texas Capitol. The school says it is nonpartisan and refers to

its mission as the “fearless pursuit of truth.” Its foundational curriculum marries classical texts—students were given a copy of Homer’s *Odyssey* upon enrollment—with an emphasis on entrepreneurship.

A video posted to the school’s YouTube page contrasts scenes of pro-Palestinian protests and encampments at other schools with a civil UATX seminar. The video ends with the message, “They burn, we build.”

While UATX says it isn’t an explicitly political school, some of its most prominent backers are big donors to Republican candidates and causes, including Yass and Crow. Yass co-founded trading giant Susquehanna Interna-

tional Group, which has a big stake in TikTok.

The effort to launch the school was announced in fall 2021. Founders include venture capitalist Joe Lonsdale, a conservative who is donating to Donald Trump, and journalist Bari Weiss, who has described her news startup, the Free Press, as a check to mainstream media’s liberal orthodoxy.

Yass, who is UATX’s biggest donor, said in a statement, “Higher education needs competition. It is time for philanthropists to start new colleges in keeping with the way American learning institutions were founded.”

PayPal co-founder Peter Thiel, who has long known

Lonsdale and has separately been paying students to skip college, made a small gift.

Former energy trader John Arnold and his wife, Laura, who are advocates of criminal-justice reform and open debate on campus, are major donors. Alex Magaro, co-president of investment firm Meritage Group, gave \$10 million last month.

Whether prospective students find UATX as attractive as donors remains to be seen. UATX currently lacks accreditation and can receive it only after its first class graduates. As a way to offset the risk students are taking, the first class of students is receiving full-tuition scholarships worth about \$130,000.

U.S. NEWS

Taxes Ride on Next President, Congress

By RICHARD RUBIN

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



Either Donald Trump or Kamala Harris, together with Congress, will tackle tax policy next term.

FROM TOP: BRANDON BEL/GETTY IMAGES; MARIO TAMA/GETTY IMAGES

\$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

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 decades-long 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.

Harris Is in 'Excellent Health,' Report Says

By JIMMY VIELKIND AND JENNIFER CALFAS

WASHINGTON—Vice President Kamala Harris takes several medications to manage seasonal allergies but is otherwise "in excellent health," according to a statement released Saturday by her personal physician.

A senior aide to the Democratic presidential nominee said the two-page statement, which includes details from a physical exam in April, is meant to underscore a point of contrast with Donald Trump, who at age 78 would be the oldest person to serve as president if elected this year. Harris, a Democrat, will celebrate her 60th birthday later this month.

The statement from Col. Joshua Simmons noted that Harris exercises daily and is up-to-date on preventive screenings, including a colonoscopy and annual mammogram, and has undergone allergen immunotherapy for the past three years. She takes a vitamin D supplement and uses a prescription Atrovent nasal spray as well as an over-the-counter antihistamine, Allegra, to manage allergy symptoms, Simmons said.

Harris's blood pressure in the April physical was recorded as 128/74. Simmons stated that results of blood work were unremarkable, and she "possesses the physical and mental resiliency required to successfully execute the duties of the presidency."

Trump, a Republican, last released health report in November 2023 based on a physical the prior September. Physician Bruce Aronwald said Trump's "physical exams were well within the normal range and his cognitive exams were exceptional."

That three-paragraph statement didn't include a reading of vital signs or any specific laboratory results and said Trump had been losing weight. Trump was struck in his right ear by a bullet during a July assassination attempt, according to an FBI report, but the former president hasn't released medical records related to his treatment.

A Trump campaign spokesman said the candidate has voluntarily released updates that "have concluded he is in perfect and excellent health to be commander in chief." Trump has kept a busy and active campaign schedule, the spokesman, Steven Cheung said.

A presidential candidate's fitness for office has been a central issue for the election.

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Trump Sees Using Military vs. 'Enemy Within'

By C. RYAN BARBER AND JIMMY VIELKIND

Donald Trump suggested deploying the National Guard or military to respond to what he termed the "enemy from within" on Election Day, saying in an interview that aired Sunday he was concerned about the prospect of chaos wrought by "radical left lunatics."

"I think the bigger problem are the people from within. We have some very bad people. We have some sick people," Trump said during an interview on Fox News. "It should be very easily handled by, if necessary, by National

Guard, or if really necessary, by the military, because they can't let that happen," he said.

Trump's remarks came in response to a question from the show's host, Maria Bartiromo, about whether he was expecting "chaos" on Election Day. At first, Trump replied, "Not from the side that votes for Trump."

When Bartiromo raised "outside agitators," including individuals on the terrorist watch list, Trump turned to his political opponents.

"I think the bigger problem is the enemy from within, not even the people that have come in and [are] destroying our country," he said.

The former president later named Rep. Adam Schiff, a California Democrat running for Senate, as an "enemy from within."

Schiff served as a House manager in Trump's first impeachment and sat on the committee that investigated the Jan. 6, 2021, attack on the Capitol by Trump supporters.

"The thing that's tougher to handle are these lunatics that we have inside, like Adam Schiff," Trump said.

The comments marked just the latest instance of Trump signaling a strongman governing style if elected.

During a Saturday rally in Coachella, Calif., Trump blamed

immigrants in the country for crime. "We're like an occupied country," Trump said. "We'll put these vicious and blood-thirsty criminals in jail or kick them out of the country."

Schiff said in a social-media post that the remarks amounted to "yet another nonsensical rant about me filled with tired insults, lies about voting booths, and more, this time in my home state of California."

A spokesman for the Kamala Harris presidential campaign said Trump's remarks "should alarm every American who cares about their freedom and security."

Voters Favor Ex-President in Handling Conflicts

By SABRINA SIDDIQUI

WASHINGTON—With wars in Ukraine and the Middle East looming over the U.S. election, voters give former President Donald Trump the edge over Vice President Kamala Harris on who would better navigate the country through both conflicts, according to a new Wall Street Journal poll of seven battleground states.

Trump leads Harris among swing-state voters, 50% to 39%, on who is best able to handle Russia's war in Ukraine and has a wider advantage, 48% to 33%, on who is better

suited to handle the Israel-Hamas war. The Republican nominee has pointed to his tenure in the White House as a time of relative peace around the world and has claimed—without providing details—that he could resolve both conflicts quickly if he wins in November.

While the survey echoed other polls suggesting foreign policy isn't a priority for voters in November, the next president nonetheless stands to inherit a pair of conflicts with no clear end in sight and in which U.S. involvement has polarized the electorate.

Republican opposition to U.S. military assistance for Ukraine has grown as its fight since Russia's full-scale invasion is poised to spill into its fourth year.

Democrats, meanwhile, have been split on whether the U.S. should continue arming Israel in its yearlong battle with Hamas in the midst of intensifying criticism of high civilian casualties and the humanitarian crisis in Gaza.

Trump's lead on both conflicts appears to be buoyed in part by independents, nearly half of whom said he would better handle the Ukraine-

Russia war, compared with about a third who favored Harris. On the Israel-Hamas war, 43% of independents rated Trump as better, while 26% said the same of Harris and the rest didn't choose one or the other.

There were no conflicts on par with the current ones in Ukraine and the Middle East while Trump was president. But Iran, or Iran-backed proxies, did launch attacks on U.S. personnel in the Middle East and against countries across the region, and Russia took aggressive action against the U.S. and its allies around the world.

Antitrust Crackdown Is on Ballot

Continued from Page One
made new enemies in Silicon Valley and across corporate America. Several of her biggest cases are pending in courts.

Khan remains a hero among progressives and labor unions, a rarity for a leader of a federal agency that most voters know little about. In recent months Khan was cheered at local events in Texas and New York, where she appeared with Sen. Bernie Sanders, the Vermont liberal who caucuses with Democrats, and Alexandria Ocasio-Cortez (D., N.Y.).

"There is a reason why many people in the corporate world have been very unkind, to say the least, to Lina," Sanders said at an event held at the Texas AFL-CIO's offices in Austin. "Because she is finally doing what should have been done decades ago."

Surprising support

Khan has built surprising alliances in pockets of the Republican Party, with lawmakers and libertarians who harbor deep suspicions of Big Tech. Still, it is a near certainty that her authority will end if GOP presidential nominee Donald Trump wins.

"Despite whatever traction there will be for populist antitrust within a Trump administration, I see very little chance for her staying on" if he wins, said Eric Grannan, an antitrust partner at White & Case and a former Justice Department official.

During his term in office, Trump appointed veteran conservative antitrust lawyers to the top jobs at the FTC and Justice Department, which share antitrust authority. They took a few big shots at mergers and alleged monopolies, but largely steered the agencies to find ways to settle with companies to address concerns about competition.

By contrast, Khan and Justice's current antitrust chief, Jonathan Kanter, have taken a hard line against accepting such deals, raising high hurdles for a number of mergers.

If Vice President Kamala Harris wins the White House, progressives will have a much longer runway to try to finish what they started. The book is still open on Khan and Kanter, in large part because cases take years to adjudicate and many of their signature efforts have yet to be resolved. Their aggressive stances have spurred companies and trade groups to fight back in court just as vigorously.

Courts have blocked some of Khan's shots, such as a regulation that would have outlawed employers from imposing noncompete agreements on workers. The FTC has also suffered losses in merger cases that conservative enforcers likely wouldn't have brought, such as a pair of lawsuits in which the commission tried to block Microsoft and Meta Platforms, the owner of Facebook and Instagram, from expanding. The FTC's Republican commissioners voted against both challenges.

The Justice Department and FTC have succeeded in blocking some mergers that could have consolidated a range of industries, including air travel, publishing, and healthcare, while Nvidia and Sanofi dropped plans to acquire rivals rather than face litigation.

Khan led the FTC in suing Amazon last year, saying it illegally wields monopoly power in e-commerce. A trial is set for October 2026.

The commission also continues to try to break up Meta. The lawsuit was filed during the Trump administration.

Kanter is Google's nemesis. His antitrust division sued Google, challenging what he called its monopoly in digital advertising. He is also litigating another case against Google that began during the Trump era. If courts grant the remedies Kanter is seeking, Google could be broken up.

For now, the threats these cases pose to the tech companies remain far off. That could change during the next administration, when antitrust enforcers will face choices on how far to push.

A progressive enforcement mindset would almost certainly continue under Harris. The Democratic presidential nomi-

nee, for example, has blamed food companies and grocery stores for price gouging.

Open to staying

Whether Khan sticks around is more of an open question. Khan would be open to remaining atop the FTC if Harris wins, according to a person familiar with her thinking. Harris has ties to the country's biggest corporate law firms, whose merger departments feed on deals brokered by investment banks. Some investors, such as Reid Hoffman, have also said Khan's antimerger bent hurts innovation. Hoffman, the founder of LinkedIn and a major Democratic donor, said this summer that Khan should be replaced if Harris wins the White House.

Travis LeBlanc, an attorney who worked in a senior role under Harris when she was California attorney general, said she would appoint leaders who are bold but careful about picking the right cases.

"She is attuned to recognizing that bad cases make bad law and every enforcer who comes after you has to live with that," said LeBlanc, now a partner at the Cooley law firm.

If Trump wins, enforcement might be more relaxed, but also idiosyncratic.

"There is a risk we will see both dramatically reduced enforcement and if there is enforcement, it's selective and more based on relationships than merit," said Bill Baer, who ran the Justice Department's antitrust division during the Obama administration.



FTC Chair Lina Khan led the agency in suing Amazon.com last year.

ALYSSA SCHUKAR FOR WSJ

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U.S. NEWS



Clockwise from top left: Frank Martino and sister-in-law Cin-dee Cawley dragged belongings out of a home in Englewood, Fla.; debris in Grove City, Fla.; a boat blocked a road in Englewood.

MICHAEL ADNO FOR WSJ (3)

Storm Headaches Prod Some to Exit Florida

Residents reach a breaking point as weather ratchets up costs and tensions

BY ARIAN CAMPO-FLORES

ENGLEWOOD, Fla.—Cin-dee Cawley moved to Florida two decades ago for the same reason many others have: the lure of tropical living at a reasonable price.

That was before the latest hurricane, Milton, lashed Englewood with fierce winds and storm surge this week. It was also before Hurricane Helene two weeks ago, Debby in August and Ian in 2022. Each time, Cawley endured the anxiety of facing a potentially devastating loss, the disruption of preparing for the storm and the sometimes laborious cleanup.

The succession of destructive storms, coupled with climbing insurance and other

costs, is prompting her to seriously consider selling her coastal home south of Sarasota and heading back to Indiana.

"It's too much," said Cawley, 64, who was spending the day cleaning her sister's deluged property. Her own home had some gutters ripped off. "It's like playing Russian roulette. I don't want to play anymore."

Some Floridians are reaching a breaking point. For decades, the state has beckoned as something of a magical destination—a sunny escape for retirees and others seeking affordable waterfront living. But the parade of climate disasters, along with soaring home costs, skyrocketing home-insurance premiums and some of the highest inflation rates in the nation, is undermining that appeal.

Florida's population growth was one of the fastest in the U.S. between 2021 and 2023, according to Census Bureau data. People were drawn by

the appeal of remote work during the pandemic, a lack of state income tax and job growth that outpaced the national average.

Some indicators suggest the pace is waning. Florida's volcanic housing market is sputtering.

Take an analysis of driver-license exchanges—when new residents swap their out-of-state licenses for Florida ones—by Brad O'Connor, chief economist at Florida Realtors. The number of such exchanges among domestic drivers was 41% higher in the first half of 2022 compared with the first half of 2019—a pandemic-era peak. In the first half of this year, it was 12% higher than the first six months of 2019.

A Florida Chamber of Commerce report in January predicted that the state would experience slower population growth in 2024, largely because of increases in people migrating to other states. Data the report analyzed found

Florida was losing people to states including Georgia, North Carolina and Tennessee—states with a lower cost of living or no income tax.

"The low cost of living that Florida used to boast has waned, and those who moved here in pursuit of more affordable living could be looking elsewhere," the report said.

On Thursday, Cawley was helping her sister, Kim Martino, and her sister's husband, Frank Martino, clean one of the couple's rental properties in Englewood that was damaged by Milton. The Martins had arrived earlier that day from a trip to Indiana to find the home's floor caked with mud and a water line on the wall showing floodwaters had reached 6 inches high. A second rental property next door had similar damage, as did the garage of a third home nearby, where the couple have been living since 2020.

All three homes were damaged by Ian in 2022. It cost the

Martinos about \$150,000 to do all the necessary repairs, including to the roofs and interiors. They finished the work about three months ago—only to get hit by Helene and then Milton.

"I thought we'd do these homes as rentals," said Frank, 60, as he cleared muddy water from the living room floor with a squeegee. "Now I'm going to get them fixed, and they'll be for sale," he added, with a sardonic laugh.

The recent storms were the final straw for the couple, who had already been thinking of selling all three properties and moving to Ohio, where they have a granddaughter. They were fed up with rising property taxes and home-insurance insurance premiums, which last year climbed about \$1,000 to \$3,600 for their house. Flood insurance is offered separately and would double the price tag.

While on their recent trip, the Martins watched with

dread as forecasts showed another hurricane bearing down on their properties. "I hadn't drank in about six or eight years," Frank said. "I pulled my belly up to the bar and said, 'Give me a big ol' Crown.'"

The Martins are among many sellers adding to the inventory of available homes on the market in Florida. In a sign that some are especially eager to exit, price reductions are becoming more common in many of the state's metro areas, according to an analysis by Parcl Labs, a real-estate data and analytics firm.

In the Sarasota metro area, which includes Englewood, 45% of all active listings had a price reduction as of Oct. 7, the analysis showed. In the Tampa metro area, which topped the list, 49% had one.

"Florida has been a focus for us since June due to significant supply-demand imbalances," said Jason Lewis, co-founder of Parcl Labs.

Unions Vote 'No' on Contracts

Continued from Page One
ered by a union. But the gap has narrowed in recent years as many unionized workers were locked into multiyear collective bargaining con-

tracts that had been signed before the postpandemic inflation surge.

Cathy Creighton, a labor lawyer at Cornell University's ILR School, said union leaders are running into extra resistance this year because the workforce is riled up.

"Employees are mad because they don't have their fair share of the pie, and they want to go on strike," she said.

That sentiment helped propel a swath of dockworkers to strike earlier this month, an ac-

tion that ended only when port employers promised a higher pay increase than the one in their initial proposal. With a 62% raise in hand, the two sides are now positioned to negotiate over automation issues.

Workers are encouraged by a relatively tight labor market and by the UAW's success securing a new contract last year with General Motors, Ford Motor and Chrysler parent Stellantis, following a bold strategy of strikes at multiple locations.

The UAW negotiated a 25% wage bump over four years, along with a shorter time period to reach top pay, improved retirement benefits and the right to strike over plant closures. Even then, some of the votes to get to victory were nail-bitingly close.

If the UAW's negotiations "had ended in a dismal failure, I think things would be different," Creighton said.

Last month, some 5,000 workers at Textron's Wichita, Kan.-based aviation unit, also represented by the IAM, voted overwhelmingly to reject a contract recommended by union leaders.

They have been on strike since Sept. 23 and have yet to resume negotiations. The deal called for a 26% pay increase over four years.

"This is the culmination of all workers realizing that they have lost ground," said Brian Bryant, international president of the IAM union, with 600,000 members. "This is a continuation of what you saw with the UAW—enough is enough."

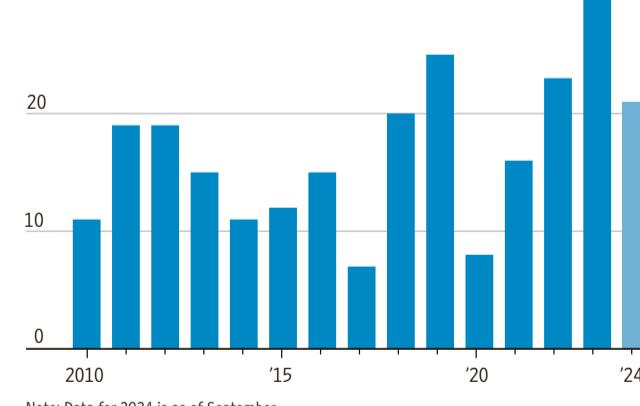
When companies are negotiating multiple deals at once, union members take note. About 8,000 AT&T employees in California and Nevada represented by the Communications Workers of America union had worked without a contract since April. When the group's bargaining committee offered a new contract proposal in September, members rejected it.

By then, the western workers had caught a tailwind: Their peers in several southeastern states were on strike over their own bargaining pro-



In recent months, union members at AT&T and other companies have voted down contracts.

Number of work stoppages involving 1,000 workers or more



Note: Data for 2024 is as of September.
Source: Labor Department

could short of a strike." Talks between the two sides stalled this past week. In a legal filing, Boeing accused union leaders of undermining the deal they struck. The union accused Boeing of side-stepping its leadership.

It often takes a few tries to reach a deal in the airline industry. Bargaining can stretch on for years, with government rules that make it difficult to strike even after union members reject contracts.

Alaska Airlines' flight attendants voted down a tentative agreement in August, which offered an average raise of 32% over three years.

Southwest Airlines' flight attendants in December rejected a tentative agreement with the company that would have included an initial 20% pay increase followed by 3% annual raises in subsequent years.

In January, Southwest's flight attendants voted in favor of authorizing a strike for the first time, though negotiations continued. The union ratified a new four-year contract in April, which included larger pay raises. It also elected a new president who ran on a promise to repair a disconnect between union leaders and members.

—Paul Kiernan, Drew Fitzgerald and Alison Sider contributed to this article.

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WORLD NEWS

Israel Claims Iran Links to Oct. 7 Attacks

Documents appear to show Hamas sought assistance, funds from Tehran

BY RORY JONES

DUBAI—Israel's military shared with journalists documents that it said its soldiers found in Gaza and that appear to show financial and military support by Iran for Palestinian Islamist militant group Hamas before the Oct. 7 attacks. It described the papers it gave The Wall Street Journal as letters and notes from meetings of the Hamas leadership.

Israel is weighing a strike against Iran—retaliation for a large salvo of missiles fired at Israel this month—that could deepen tensions across a region already teetering on the edge of a broader and more intense conflict.

The papers shown to the Journal suggest that Hamas leader Yahya Sinwar was negotiating with Iran over fund-



Israeli soldiers patrol in the Gaza Strip, which Israel invaded after the Oct. 7, 2023, attacks.

request for comment.

Iran's permanent mission to the United Nations said Hamas has said its armed wing planned and executed the Oct. 7 attacks without the knowledge of even its political officials based in Doha. Any attempt to link the attacks to Iran or Hezbollah "is devoid of credence and comes from fabricated documents," the mission said.

Both Iran and Hamas have acknowledged some Iranian support for the Palestinian militant group. Hamas and Hezbollah officials have offered conflicting accounts of Iran's prior knowledge. The Journal has reported that some Hamas and Hezbollah officials said Iran greenlighted the attack, noting that others questioned that.

The Israeli military also shared an undated presentation it said it found on a Hamas computer near Gaza City on Nov. 10 which described Hamas's plans for an attack that was more ambitious than what eventually occurred—simultaneously attacking airports and other critical

infrastructure and taking over Israel's legislature in Jerusalem. In the actual Oct. 7 attack, Hamas and other militants killed 1,200 people, including women and children, and kidnapped around 250 others.

The attack led to the current conflict in Gaza, where Palestinian health authorities say almost 42,000 people have been killed, most of them civilians. The figures don't distinguish between combatants and noncombatants.

Israel in recent weeks has shifted focus to its northern border, where Hezbollah, a key ally of Iran, began firing rockets at Israel a day after the Oct. 7 attacks. Israel has killed Hezbollah's leader and senior Iranian officials working alongside the Lebanese militia, drawing Iran deeper into the conflict. This month, it fired about 180 missiles at Israel.

Israeli Prime Minister Benjamin Netanyahu has vowed a painful response.

—Menna Farouk and Saleh al-Batati contributed to this article.

U.S. to Aid In Missile Defense

Continued from Page One
cilities and nuclear sites.

President Biden's decision to approve the deployment came after extensive discussions among U.S. officials and with Israel over the country's expected military response to Iran and how Tehran might retaliate. Asked on Sunday about the move, Biden said he did it "to defend Israel."

The decision to send the antimissile system wasn't specifically conditioned on Israel avoiding certain targets. But it was "part of a broader discus-

sion on how to handle the situation," a senior U.S. official said. Israel hasn't commented on the requests to avoid those targets.

The move to send U.S. forces to Israel is a visible demonstration of the Biden administration's support for Israel a month before the presidential election, a rare U.S. deployment to Israel. Like Biden, Vice President Kamala Harris, the Democratic presidential nominee, has emphasized her support for protecting Israel, calling her support for Israel's security unwavering this month.

U.S. officials said the deployment of the Thaad will augment Israel's antimissile defense and give the U.S. more flexibility in deploying its ballistic-missile defense destroyers.

Thaad stands for Terminal High Altitude Area Defense and is operated by the U.S. Army. A typical Thaad battery is crewed

by nearly 100 soldiers and consists of six truck-mounted launchers, a transportable radar and a fire-control unit.

It is designed to intercept missiles inside or outside the atmosphere during the final phase of flight, according to the Congressional Research Service. A Thaad system purchased by the United Arab Emirates intercepted a Houthi missile in January 2022, marking the first time that the system has been used successfully in combat.

If Iran responded to the planned Israeli strike with an attack on Israel, it would be the third instance of Tehran hitting Israeli territory this year.

How quickly the Pentagon can move the system to Israel wasn't immediately clear. The administration didn't say when the Thaad would be in place.

The Pentagon said on Sunday that Defense Secretary

Lloyd Austin had ordered the antimissile system to Israel at Biden's direction "following Iran's unprecedented attacks against Israel on April 13 and again on October 1."

The U.S. decision comes after Iran shot about 180 ballistic missiles into Israel in response to an Israeli airstrike that killed Hezbollah leader Hassan Nasrallah.

Some of the missiles, which targeted Israeli military and intelligence sites, penetrated Israel's antimissile defenses, raising fears that should Iran attack again, it might inflict serious damage. Iran's Oct. 1 strikes led to minor damage at one Israeli military air base, but no aircraft were damaged.

On Sunday, dozens of people were injured in a drone attack near Binyamina in the center of Israel, a spokesman for Magen David Adom, the nonprofit

organization that manages Israel's emergency medical response, said on Army Radio.

Hezbollah took responsibility for the attack, saying it had launched a squadron of attack drones at a military camp in Binyamina.

U.S. warships in the Mediterranean shot down ballistic missiles when Iran attacked Israel in April and this month. The U.S. used F-15E and F-16 warplanes to intercept Iranian drones during the April attack.

The Thaad would provide a ground-based defense in Israel.

"Thaad has been proven in combat operationally and has a great test record," said Tom Karako, an expert on missile defense at the Center for Strategic and International Studies think tank in Washington. "It would provide additional capabilities."

The U.S. temporarily sent a

Thaad missile-defense battery in 2019 to Israel as part of an exercise. The U.S. military said demonstrated Washington's "continued commitment to Israel's regional security."

Shortly after the Hamas-led attacks on Oct. 7 last year that Israeli authorities said killed 1,200 people, the Pentagon sent additional air-defense systems throughout the Middle East to protect U.S. troops who came under increased attacks by Iranian-proxy forces.

The Thaad would provide a ground-based defense in Israel. Another 40 were injured.

Israel has become increasingly dependent on the U.S. military to bolster its defenses against Iran's sizable missile threat and that of the militant groups Tehran supports.

—Anat Peled contributed to this article.

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BEAT REPORTING

WORLD NEWS

Israel Alleges U.N. Failure On Tunnels

Netanyahu calls for peacekeepers to exit Lebanon border area, citing security risks

By DOV LIEBER

LABBOUNEH, Lebanon—On a forested mountainside near the border between Israel and Lebanon, two tunnel shafts descend dozens of feet into the rocky earth.

Around 300 feet away, the blue United Nations flag waved atop a peacekeeping observation post.

The Israeli military took a group of reporters into Lebanon on Sunday to see the shafts, which it said were among hundreds of tunnel entrances and underground bunkers used by Hezbollah militants to store weapons and hide fighters west of the Lebanese village of Labbouneh.

Israel has faced criticism from the U.N. and European capitals for injuries to peacekeepers as Israeli forces engage in a ground offensive against Hezbollah. U.N. personnel have been wounded and compounds have been damaged, according to the U.N.

Israeli officers said the presence of the tunnels was evidence that Hezbollah had built military infrastructure around U.N. and civilian settlements, using them as cover. They also said the U.N. peacekeepers, who are supposed to monitor and prevent militant activities along the border, weren't doing their job.

Israeli Prime Minister Benjamin Netanyahu on Sunday urged U.N. Secretary-General António Guterres to remove

peacekeepers of the U.N. Interim Force in Lebanon from the area, saying they risked being caught in the crossfire between Israeli forces and Hezbollah fighters.

Hezbollah didn't respond to a request for comment on the tunnel shafts and allegations it places itself near U.N. positions.

Unifil has said it doesn't intend to leave its positions to fulfill its mandate from the U.N. Security Council.

Israeli officers told reporters that international peacekeepers based at the U.N. site should have heard or seen Hezbollah drilling into the mountainside to dig the tunnels. The officers didn't specify where the tunnels originated.

Unifil doesn't have sophisticated detection equipment such as thermal-imaging sensors or radar to detect underground activity, spokesman Andrea Tenenti said. He said peacekeepers report all tunnels and weapons they see and report all discoveries quarterly to the U.N. Security Council.

Jean-Pierre Lacroix, the U.N.'s head of peacekeeping, said last week that the U.N. force had highlighted concerns about Hezbollah stationing its forces near U.N. positions and potentially drawing fire from Israel. Now, he said, Israeli forces are doing the same.

Lacroix said U.N. forces remained in the area but that 300 staff have been moved to larger bases or taken other precautions.

Israeli forces fighting Palestinian Islamist militant group Hamas have discovered numerous Hamas tunnels under and around U.N. installations in the Palestinian enclave as well as in and around



A tunnel entrance sits near an observation post of the United Nations Interim Forces in the southern Lebanese village of Naqoura.

hospitals and other civilian infrastructure.

The Israeli military's revelations on the Hezbollah tunnel—near the border with Israel—comes amid worsening tension between Israel and the U.N. as Israel's fight against militants on its borders has intensified in the months after a Hamas-led attack on Oct. 7 last year killed 1,200 people in Israel.

Unifil said on Sunday that at least 15 peacekeepers suffered skin irritation and gastrointestinal problems after Israeli tanks breached a U.N. position's main gate, firing several rounds nearby that emitted smoke.

The U.N. earlier said Israeli forces had injured two peacekeepers. Three others were also hurt, but it was unclear whether the casualties were caused by Israeli or Hezbollah fire. An Israeli military official blamed at least one of the injuries on Hezbollah.

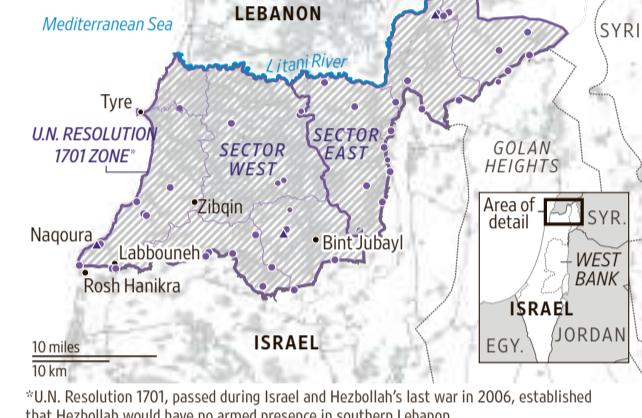
The Israeli military said the tank had backed into the Unifil position while fleeing from a large barrage of anti-tank missiles from Hezbollah.

that injured 25 soldiers in varying degrees. The tank was trying to help the evacuation of the soldiers and a smoke-screen was used in those efforts, the military said.

In recent weeks, a military spokesman said, there were a few dozen incidents where missiles and rockets were launched at soldiers and Israeli communities from locations close to Unifil posts in

UNIFIL positions ▲ Observer Group Lebanon patrol base

— Area of Operations boundary — Intersector boundary



sels-based think tank, said Unifil doesn't have the authority or capacity to take on Hezbollah but is authorized to assist the Lebanese army in securing the border area.

Inside the tunnel shafts shown to journalists, which were too deep to see the bottom, Israeli soldiers said they found communications and surveillance equipment. The shafts are deep enough to protect Hezbollah's fighters from Israel's air force, they said.

The military said it discovered the extensive underground network along the western border in the past week. Some of the shafts are connected in clusters but it isn't clear yet whether the entire underground network is linked, Israeli officials said.

Israel's military said it had found rifles and antitank missiles, uniforms and combat vests, medicine, blood, anesthesia, water and internet cables in the tunnels. The military said it believed the underground fortifications were prepared to be used as a staging ground for an invasion on northern Israel.

southern Lebanon. One of these attacks killed two soldiers on Sunday, the military spokesman said.

Unifil was established in 1978 following a previous Israeli invasion of Lebanon. It has 10,000 peacekeepers from dozens of countries, including France, Germany and Italy.

Richard Gowan, an expert on the U.N. for the International Crisis Group, a Brus-

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WORLD NEWS

China Keeps World Guessing on Stimulus Size

By JASON DOUGLAS

SINGAPORE—It is the biggest question in the global economy: How many hundreds of billions of dollars will Beijing plow into pumping up China's wobbling economy?

The next biggest: How much of that will go to consumers?

Chinese Finance Minister Lan Fo'an didn't offer detailed answers to either question when he hosted a hotly anticipated news conference on Saturday. Lan's silence on both fronts left investors more or less where they were when stock markets opened in mainland China and Hong Kong on Monday after some of the choppiest trading in years. China's benchmark CSI 300 index was up 0.1% in early trading in Asia. Hong Kong's Hang Seng was down 2%.

Still, Lan did outline a laundry list of high-priority challenges he vowed to tackle, signaling he would spend some \$300 billion of funds that have been earmarked for this year but haven't been deployed.

For some economists, Lan's reassurances offered enough reason to believe the scale of whatever fiscal support Beijing unleashes will be enough to nudge the economy over its official target of 5% growth in gross domestic product this year—and



Confidence of Chinese consumers has yet to recover from its pandemic-era collapse.

enough, too, it is hoped, to ensure a decent 2025.

"Beijing will deliver," Société Générale economists Wei Yao and Michelle Lam told clients in a note on Saturday after Lan finished his remarks.

Less clear is exactly how Beijing will deliver, including how much extra borrowing the government plans for next year, and how far the government will go

to rev up consumption. Domestic spending is lagging behind other drivers of China's economy amid low income growth and high anxiety over jobs and the all-important housing market.

In the longer term, some economists say China needs to reorient its growth model away from an overreliance on investment and exports and move toward a healthier mix of activity

in which households save less and consume more.

A reminder of China's economic pickle came on Sunday, when fresh figures showed prices for industrial goods made in China falling in September at the steepest rate since March and consumer-price inflation inching closer to zero. Data due in coming days are expected to show rapid export growth losing

some steam, and the overall economy shifting down a gear, in the third quarter.

China's economy is being squeezed by a drawn-out property crunch that shows little evidence of abating, though a recent surge in new-home viewings and transactions in some of the country's biggest cities suggests a spate of new loosening measures may have brought some shellshocked house hunters out of the woodwork. Private-sector investment is in the doldrums, and consumer confidence has yet to recover from its pandemic-era collapse, depressing spending and raising the specter of a Japan-style slide into deflation and stagnation.

The government's main response to the slowdown, at least so far, has been to double down on a long-term industrial strategy aimed at fashioning China into a technological leader and cement its dominance of global manufacturing.

Now, after months of drip-feeding modest amounts of support into the domestic economy, Beijing appears finally to have heeded economists' calls for more decisive action.

—Rebecca Feng
in Hong Kong
and Grace Zhu in Beijing
contributed to this article.

Politician Pushed for Scotland to Leave U.K.

By GINGER ADAMS OTIS

Alex Salmond, former first minister of Scotland's semiautonomous government and ardent backer of Scottish independence from the United Kingdom, has died. He was 69 years old.

U.K. Prime Minister Keir Starmer on Saturday said Salmond "a 'monumental figure,'

saying "he cared deeply about Scotland's heritage, history and culture, as well as the communities he represented."

Salmond served as first minister from 2007 to 2014, twice leading the Scottish National Party to victory. His calls for independence gained popularity among Scots distrustful of the U.K. Parliament. But he left his position after a 2014 referendum on independence showed 55% of Scots against seceding from the union and 45% favor of it.

Salmond was first elected to the U.K. Parliament in 1987, when the SNP only had three lawmakers among 650 in the House of Commons. His media-friendly persona helped keep the party from slipping into obscurity, and he remained a champion of rural constituencies such as his own.



Alex Salmond resigned after voters rejected independence.

Beijing Launches Sea and Air Drills Around Taiwan

By JOYU WANG

TAIPEI—China's military launched new drills around Taiwan, following warnings from Taiwanese officials that such actions were likely in response to a speech by its new president last week.

Beijing's military response came after Taiwan's new president, Lai Ching-te, delivered a speech on Thursday in which he reaffirmed Taiwan's sovereignty and dismissed Beijing's claims to represent the island despite never having ruled it, though

his message to China also called for calm.

Beijing has considered Lai, who was inaugurated in May, as a staunch supporter for Taiwan independence, a red line for leaders of the Chinese Communist Party, which claims the island as part of its territory.

On Monday, China's People's Liberation Army Eastern Theater Command announced it had launched joint sea and air drills around Taiwan's main and outlying islands, involving the army, navy, air force and rocket force, effec-

tively simulating a blockade.

"This is a stern warning to the secession forces advocating 'Taiwan independence,'" said Li Xi, a spokesman for the PLA's Eastern Theater Command, which oversees the forces positioned closest to Taiwan.

Li described the Chinese moves, code-named "Joint Sword-2024B," as a "legitimate and necessary operation" for China to defend its sovereignty and national unity.

Taiwan's Defense Ministry condemned the moves, saying it had sent "appropriate"

forces in response to the Chinese drills, describing them as an "irrational provocation" and reaffirming its determination to defend the island democracy's sovereignty.

The Taiwanese military said in a statement that "reckless provocation" by the Chinese Communist Party is the main reason for the rising tensions and threats to peace in the Taiwan Strait, citing what it termed constant intimidation and coercion to rein in Taiwan's international presence.

The PLA conducted a simi-

lar military exercise in May, labeled "Joint Sword-2024A" drills, days after Lai was inaugurated.

"These are not a surprise," said Ben Lewis, co-founder of PLATracker, a research organization that tracks Chinese military activity, suggesting Lai's comments last week partly "provided a perfect pretext for Beijing to make good on their promise to conduct another major exercise." He noted that there was no clear date announced by the PLA for when the drills are supposed to end.

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FROM PAGE ONE

Drones Stump Pentagon

Continued from Page One

fighter pilot, estimated it was roughly 20 feet long and flying at more than 100 miles an hour, at an altitude of roughly 3,000 to 4,000 feet. Other drones followed, one by one, sounding in the distance like a parade of lawn mowers.

The drones headed south, across Chesapeake Bay, toward Norfolk, Va., and over an area that includes the home base for the Navy's SEAL Team Six and Naval Station Norfolk, the world's largest naval port.

Officials didn't know if the drone fleet, which numbered as many as a dozen or more over the following nights, belonged to hobbyists or hostile forces. Some suspected that Russia or China deployed them to test the response of U.S. forces.

Federal law prohibits the military from shooting down drones near military bases in the U.S. unless they pose an imminent threat. Aerial snooping doesn't qualify, though some lawmakers hope to give the military greater leeway.

Reports of the drones reached President Biden and set off two weeks of White House meetings after the aircraft first appeared in December last year. Officials from agencies including the Defense Department, Federal Bureau of Investigation and the Pentagon's UFO office joined outside experts to throw out possible explanations as well as ideas about how to respond.

'Close Encounters'

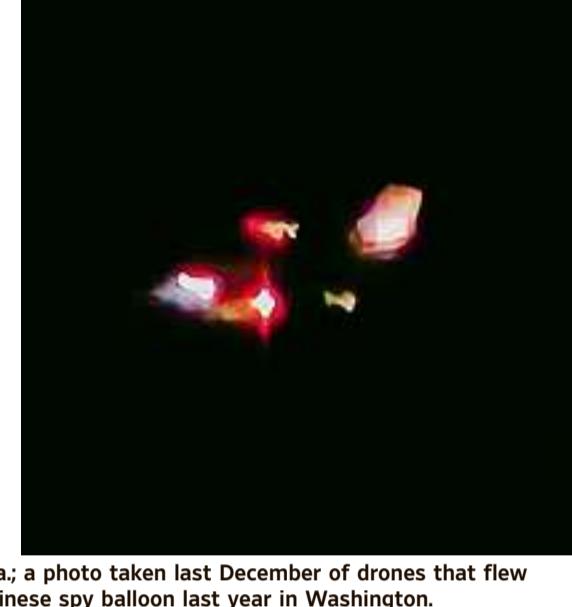
Drone incursions into restricted airspace were already worrying national-security officials. Two months earlier, in October 2023, five drones flew over a government site used for nuclear-weapons experiments. The Energy Department's Nevada National Security Site outside Las Vegas detected four of the drones over three days. Employees spotted a fifth.

U.S. officials said they didn't know who operated the drones in Nevada, a previously unreported incursion. A spokeswoman said the facility has since upgraded a system to detect and counter drones.

The sightings revealed the dilemma of defending against drones on U.S. soil compared with the ease of deploying or battling them abroad. Drones have become a deadly and cost-effective tool of war, capable of carrying surveillance gear, explosives or lethal chemicals. Yet shooting down suspicious aircraft over the U.S. risks disrupting or endangering the lives of Americans the military is sworn to protect.

Early last year, a suspected Chinese spy balloon crammed with electronic surveillance gear floated across the country for eight days, while military leaders waited for it to reach a spot isolated enough to shoot it down safely. After the balloon made it to the Southeast coast, an F-22 jet from Langley punctured it with a missile.

Ten months later, the phalanx of drones appeared at Langley. Over 17 days, the drones arrived at dusk, flew off and circled back. Some shone small lights, making them look like a constellation moving in the night sky—or a science-fiction movie, Kelly said. "Close Encounters at Langley." They also were nearly impossible to track,



Clockwise from top: Langley Air Force Base, viewed at dusk from Gosnold's Hope Park in Hampton, Va.; a photo taken last December of drones that flew over the Langley base; Gen. Glen VanHerck arriving for a closed-door briefing about the suspected Chinese spy balloon last year in Washington.

vanning each night despite a wealth of resources deployed to catch them.

Gen. Glen VanHerck, at the time commander of the U.S. Northern Command and the North American Aerospace Defense Command, said drones had for years been spotted flying around defense installations. But the nightly drone swarms over Langley, he said, were unlike any past incursion.

VanHerck, who led the military response to the Chinese balloon, ordered jet fighters and other aircraft to fly close enough to glean clues from the drones. He recommended that Defense Secretary Lloyd Austin authorize a full menu of electronic eavesdropping and spycraft to learn more, though the Pentagon is limited in what it can do on U.S. soil.

"If there are unknown objects within North America," VanHerck said, "the job is to go out and identify them."

Solving that mystery, even for the world's pre-eminent superpower, proved easier than done. Local police were among the first to try. For two nights, starting on Dec. 6, Hampton, Va., officers chased the drones, by patrol car and on foot, relaying momentary sightings along with information from Langley over police radios: *One was seen in the area of Marshall Street or Gosnold's Hope Park.*

Three more appeared to land but returned to the air before officers could reach them.

Another looked like it landed offshore. Police finally gave up.

Gen. Kelly, now retired, said the Pentagon was stumped, too. What would the U.S. do, he asked, "if this happens over the National Mall?"

This account is based on interviews with more than two dozen government officials and other people familiar with the events, as well as police records, court documents and photographs of the drones.

The drone swarm was reported to the Pentagon office of the National Military Com-

mand Center, which is responsible for dispersing emergency messages to U.S. military commanders worldwide.

A report went to the White House Situation Room, and the president learned about it in his daily briefing.

U.S. officials didn't believe hobbyists were flying the drones, given the complexity of the operation. The drones flew in a pattern: one or two fixed-wing drones positioned more than 100 feet in the air and smaller quadcopters, the size of 20-pound commercial drones, often below and flying slower. Occasionally, they hovered.

They came from the north around 6 p.m. to traverse the base, which sits on a peninsula at the mouth of Chesapeake Bay, and continued south, beyond the reach of radar. They repeated the pattern and then disappeared, typically by midnight.

Homeland Security Advisor Elizabeth Sherwood-Randall convened the White House brainstorming sessions. One official suggested using electronic signals to jam the

drones' navigation systems. Others cautioned that it might disrupt local 911 emergency systems and Wi-Fi networks.

One suggestion was to use directed energy, an emerging technology, to disable or destroy the drones. An FAA official said such a weapon carried too high a risk for commercial aircraft during the December holiday travel season.

Others suggested that the U.S. Coast Guard shoot nets into the air to capture the

drones. An official pointed out that the Coast Guard might not have the authority to use such a weapon in this instance. Besides, the drones were too difficult to track closely.

Langley officials had called on U.S. Navy and Coast Guard ships to keep a watch out for the drones with little luck. They were much smaller than military aircraft and didn't always show up on radar. Military personnel had to recalibrate their radar systems, which were set to ignore anything that resembled a bird.

Analysts learned that the smaller quadcopters didn't use

the usual frequency band available for off-the-shelf commercial drones—more evidence that the drone operators weren't hobbyists.

Langley officials canceled nighttime training missions, worried about potential collisions with the drone swarm, and moved the F-22 jet fighters to another base. Base residents shared their sightings at the local Starbucks and posted blurry photos of the drones on private Facebook groups.

Intelligence officials spotted a vessel floating in international waters off the coast of Virginia and suspected a connection. Coast Guard crews boarded the vessel but found no computers or other gear to support the hunch.

On Dec. 23, the drones made their last visit.

In January, authorities found a clue they hoped would crack the case.

'Worst spy ever'

During a rainy morning on Jan. 6, Fengyun Shi parked a rented Tesla near 65th Street and Huntington Avenue in Newport News, Va., 11 miles from the Langley base. The car was outside a shipyard run by HII, the company that builds

nuclear submarines and the Navy's newest generation of the Ford Class aircraft carrier.

Shi, a student at the University of Minnesota, told nearby residents around mid-morning that he was flying a drone that got stuck in a tree.

As he tried to free it using his controller, a neighbor called Newport News, Va., police. Officers asked Shi why he was flying it in such foul weather, and they told him to call the fire department for help.

Shi instead returned his rental car an hour later and took an Amtrak train to Washington, D.C. The following day, he flew to Oakland, Calif. By chance, the drone fell to the ground that same day and ended up with federal investigators. FBI agents found that

Shi had photographed Navy vessels in dry dock, including shots taken around midnight. Some were under construction at the nearby shipyard.

On Jan. 18, federal agents arrested Shi as he was about to board a flight to China on a one-way ticket. Shi told FBI agents he was a ship enthusiast and hadn't realized his drone crossed into restricted airspace. Investigators weren't convinced but found no evidence linking him to the Chinese government.

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Fengyun Shi at a recent court appearance in Norfolk, Va. He was sentenced to six months in federal prison.

is the most professional outfit that the Royal Yacht Squadron has put on the water. Backed by the British petrochemicals billionaire Jim Ratcliffe, the current boat is the result of nearly half a billion dollars' worth of development.

The 75-foot yacht uses a state-of-the-art hydrofoil system to fly above the waves.

The sails are moved by a crack squad of elite athletes pedaling stationary bicycles. And its skipper is Ben Ainslie, a four-time Olympic gold medalist, and possibly Britain's finest sailor since Lord Nelson.

Ainslie has said that he would trade all of his medals for one America's Cup. And by now, Ainslie adds, he feels battle-hardened enough to claim Britain's most elusive naval triumph—even if the campaign is off to a less than glorious start.

After two days of racing, Britain trailed New Zealand 3-0 in the first-to-seven series.

Britain's Record of Ignominy

Continued from Page One

how never won the most famous race in sailing.

But this week, on shimmering waters off the coast of Barcelona, a British crew will attempt to undo 173 years of national ignominy when it takes on the defending America's Cup champions from New Zealand. To lose again would represent more than the failure of a \$140 million project. It would also perpetuate nearly two centuries' worth of shameful embarrassment.

"It has been a source of derision around the world that the British, who invented this

damn thing in the first place, managed to lose it," said Royal Yacht Squadron chairman Bertie Bicket, whose club is represented in the America's Cup by the Ineos Britannia team.

"I would describe it as getting a new football, kicking it over the garden fence, and 173 years later, they still haven't given it back."

The thing is, Britain's history in other maritime contests had made the country accustomed to winning on the open sea. British schoolchildren can recite the names of naval victories the way kids in Brazil can rattle off World Cup wins—the Battle of Trafalgar, the Battle of the Nile, repelling the Spanish Armada.

"We might not have won the America's Cup in the 20th century, but the Royal Navy was existentially important in winning both World Wars," said Andrew Lambert, the Laughton Professor of Naval History at

King's College London. "That we take seriously."

But from the moment a boat named America from the New York Yacht Club first took down the Royal Yacht Squadron in a race around the Isle of Wight, it was clear that this battle would be different. Since then, U.S. clubs have held the America's Cup for most of its existence. The Auld Mug, an enormous silver pitcher, has also been won by crews representing Australia, New Zealand, and the landlocked country of Switzerland—never the U.K.

It isn't for lack of trying. British boats have been America's Cup challengers on 16 previous occasions. Across all of those series, Bicket said, they have scored just five points. Experts agree that the problem through much of that history was Britain treated it too much like a gentlemanly pursuit and not enough like a cutthroat.

And whatever happens now, the team can at least be sure it can't go as badly as the last time a British team became the Challenger of Record. Back in 1964 a boat called the Sovereign traveled to Newport, R.I.,

to take on the U.S. defender known as the Constellation. Even by the standards of a 100-year losing streak, the 4-0 rout was particularly demeaning.

"The debacle at Newport," the Daily Express called it, "Staggering and humiliating," said the Daily Telegraph.

In short, the 1964 British challenge was a fiasco.

"They were all a fiasco, quite frankly," Bicket said.

That's because for most of the Cup's history, American skippers dreamed of racing hard and going home with the Auld Mug. British crews saw it more as a friendly challenge between chums.

"And the British are surprised to find, 'Oh, the Americans are quickest,'" Lambert said. "The British gentlemen who would go over and contest this weren't obsessed with winning."

That much has changed. Bicket believes Ineos Britannia

PERSONAL JOURNAL.

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THE WALL STREET JOURNAL.

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**ON THE CLOCK**

CALLUM BORCHERS

Forty years after his final shift, Michael Erickson still remembers what it was like to put on his striped McDonald's uniform with the golden arches on a chest pocket. He also recalls taking it off, which involved entering his house through a back door and dropping the grease-splattered garment in the washing machine because his mom didn't want the rest of the house to reek of a drive-through.

Erickson, now 57, works in Michigan as a director at Melissa Libby & Associates, a strategic communications firm. He says the hard work and customer-service skills learned on his McJob left an indelible mark—like a ketchup stain.

"Being able to say I worked at a McDonald's when I was 16, flipping hamburgers, gives me a little street cred," he says, especially with clients in food and hospitality. "The majority of people that they meet in marketing or PR have never worked in a kitchen."

A stint in fast food is a badge of honor for business leaders who want to be viewed as humble and relatable—and proof that they worked to get where they are.

Vice President Kamala Harris has talked up her long-ago job at McDonald's while campaigning for president, a way to show she gets the struggles of people on the bottom rung of the economic ladder. Her opponent, former President Donald Trump, has claimed without evidence that Harris never worked at McDonald's.

The company declined to comment on the dispute. A candidate's summer job is an unlikely point of contention in a race for the nation's highest office, but it proves a point: Among powerful people, fast-food credibility is worth fighting for.

'A little grit'

But what does flipping burgers or rolling burritos have to do with running a company?

A lot, say high-level managers who've done those jobs. Sweating in cramped kitchens and taking orders from hangry diners teach you how to handle pressure and deal with all kinds of people, executives say. Some are eager to find employees who hustled like they did, figuring someone who boxed McNuggets for minimum wage early on isn't likely to be a quiet quitter.

When Erickson is hiring, applicants with fast-food experience in their past stand out.

"I think, 'This person has a little grit,'" he says. "We're comrades, you know? Those of us who did that have a certain gumption that maybe we don't share with others."

In that spirit, let me establish my own cred. I manned the Frialator at Castle in the Clouds, a New Hampshire tourist attraction, for about \$6 an hour during high school and college summers. There,



Successful Bosses Love Talking About Their Fast-Food Jobs

From Harris to your own boss, a stint flipping burgers is now seen as a badge of honor

I once climbed into a dumpster to retrieve newlywed couple's marriage license that somehow wound up in the trash.

A manager slipped me \$20 for going above and beyond, but I would have jumped in regardless because it felt like the right thing to do.

Jamine Moton, chief executive of Skylar Security in Atlanta, says she went all in at her teenage job making sandwiches at Wawa, the East Coast convenience-store chain.

"I remember looking at those hoagies and saying to myself, 'I'm going to be the best sandwich maker that works here,'" she says.

You know how the sandwich you get never looks as good as the picture on the menu board? Moton's did. She went on to become a national champion hammer thrower at Clemson University, then a police officer, and says her Wawa job helped her recognize her inherent drive to excel.

"Any job where you're on the lowest tier is a really good job to have done in your life because it shows your character," says Heather McLean, who worked at McDonald's in high school and is CEO of McLean Forrester, a technology consulting firm in Illinois. "I always took the attitude to



Michael Erickson made his mom proud when he got a job at McDonald's at age 16. Now 57, he is a director at a communications firm.



bloom where you're planted so, yeah, I was just taking orders at McDonald's—but I was really good at it."

McLean, 49, says working in fast-food means accepting that no task—even cleaning nasty bathrooms—is beneath you.

That doesn't mean every griddle is a launchpad to the executive ranks. The term McJob is so synonymous with dead ends that it's in Merriam-Webster's dictionary: "A low-paying job that requires little skill and provides little opportunity for advancement."

Being model employee is eas-

painfully shy teen.

He eventually psyches himself up to do it and credits the experience with developing people skills he later used as CEO of an event-management company.

"Working with the public and talking to strangers helped me come out of my shell," says Hammatt, 53, who is now an executive coach.

Fast-food kitchens were long among the few places where future CEOs and low-wage lifers mingled and learned from one another. And because just about everyone orders a burger or pizza now and then, the customer base is a cross section of the American public.

Tracy Glynn, founder of an executive-search firm for healthcare companies, got her parents to sign a work permit so she could take a summer job at Hardee's at age 14. Working as a waitress and later a bartender, she says the job taught her to talk with anyone—conversational skills that she uses today when interviewing candidates and getting to know her clients.

"I was with my kids the other day and we had a really great server, and I said, 'Sometimes I really miss that,'" says Glynn, 53. "I guess that's why I like what I do now—I just love hearing about people and connecting with them."

FROM TOP: ILLUSTRATION BY ANDREA DAQUINO FOR WSJ. ISTOCK (6). MICHAEL ERICKSON (2)

Carolyn Bessette-Kennedy's Clothes Are Headed to Auction

BY SARAH SPELLINGS

RoseMarie Terenzio went on a memorable date in 1996. Not because of the man, who she thinks was "in a band," but because her boss's wife, Carolyn Bessette-Kennedy, let her borrow a faux-leopard coat to wear for the occasion—then insisted she keep it. Next month, that coat is going up for auction at Sotheby's, where it's expected to sell for thousands of dollars.

The coat is one of three pieces from the late style icon's wardrobe heading to the auction block. Opening on Nov. 27 and running through Dec. 17, the sale also includes a black Prada coat and a Yohji Yamamoto jacket, worn by Bessette-Kennedy in the 1990s at the height of her star power. Terenzio consigned all three items to the auction house. Sotheby's estimates that these three items will sell for over \$50,000, a testament to Bessette-Kennedy's enduring appeal.

Twenty-five years after her death, Bessette-Kennedy is still inspiring scores of stylish women. Known for her classic taste, she rarely strayed from neutral colors and favored tortoiseshell headbands, black sunglasses and straight-leg trousers—items that fit perfectly in the "quiet luxury" mood boards of today. Online, Bessette-Kennedy has fervent fans who

chronicle her style on accounts such as @carolyniconic, @carolynbessette and @allforcarolyn.

Terenzio felt Bessette-Kennedy's influence firsthand. As John F. Kennedy Jr.'s executive assistant from 1994 until 1999, she knew the couple well up until they died in a plane crash in 1999. She said Bessette-Kennedy gave her a few pieces of clothes in a casual, "oh, this looks so good on you," way.

"I wore them for 10 years. Then time goes by, you wear different things and you have a different life," said Terenzio, who now works as a strategic communications and crisis management specialist. "The way I looked at it was, what are these pieces doing in my closet when I don't have the proper means to store them and they're not being appreciated by people who would have an interest in them?"

While researching for her book, "JFK Jr.: An Intimate Oral Biography," Terenzio started to real-

ize that the clothes hanging in her closet had a greater significance. She also noticed a surge in interest around Bessette-Kennedy's style around the anniversaries of her death.

Terenzio said she thought Bes-



Bessette-Kennedy's Yohji Yamamoto jacket, faux-leopard coat and black Prada coat, top right, are up for auction.

sette-Kennedy would be tickled by the news of the sale—which isn't the first from her wardrobe. Another one of Bessette-Kennedy's Yohji Yamamoto garments sold for \$8,960 this June at Bonhams.

A fashion publicist who worked for Calvin Klein, Bessette-Kennedy mixed designer labels with high-street finds. Terenzio remembers her wearing Nine West heels and Hush Puppies. "As much as she knew about the cut of something and clothes, she wasn't a snob about clothes at all," Terenzio said. Still, she knew her way around black-tie attire. Her simple Narciso Rodriguez wedding slip still sets trends for brides.

"When you look at the three pieces together, we have a mini capsule collection of her defining style," said Lucy Bishop, a fashion specialist at Sotheby's, who approached Terenzio about consigning the garments. The faux-leopard coat, circa 1996, proves that she didn't need to rely on designer labels. The Prada coat, which was one that Bessette-Kennedy owned in multiple colors, shows that she stuck to what she liked. The Yamamoto jacket, meanwhile, conveys her love of Japanese designers.



The sale reflects a growing interest in archival fashion. On the red carpet, stars like Zendaya, Margot Robbie and Angelina Jolie have worn vintage designs from legendary couturiers like Madame Grès and Thierry Mugler. Law Roach, who styles Zendaya, is known to buy at auction.

To price an item, Bishop looks at the construction, the materials and the maker. However, the previous owner can make an "astronomical difference" in the value. "It's cultural value, historical value," she said.

FROM LEFT: SOTHEBY'S; LAWRENCE SCHWARTZ/WWD/SYGMA VIA GETTY IMAGES

PERSONAL JOURNAL.

Making Desperate Pleas For Work on LinkedIn

Job seekers are putting pink banners and the word #Desperate on their profiles. Will that help or hurt these would-be employees?

By ANN-MARIE ALCÁNTARA

People aren't just #OpenToWork on LinkedIn. Now some job seekers are plain #Desperate.

LinkedIn has long had a green profile-picture banner with the hashtag #OpenToWork. It lets workers broadcast their availability in the hopes an employer might reach out or a friend might connect them to an open job.

Now, job seekers at the end of their ropes are putting a more brutal spin on their status: a pink banner and the word #Desperate.

Those who are using the banner say their desperation often reflects the fact that they have been without a job for months or years. Meanwhile, inflation, recruiting scams, fake job listings and a cooling employment market for white-collar and other jobs have people feeling defeated. Some of them are working, just not in their chosen professions.

Alex Velázquez, a 39-year-old senior art director in motion graphics, started his career right before the 2007-09 recession. The current rut he is in feels worse.

Velázquez was laid off in January. While he has freelanced before to stay afloat, he isn't getting much work this time around. He attributes his lack of work partly to his industry's growing use of artificial intelligence and last year's actors and writers strikes.

In late September, he added the pink #Desperate banner to his LinkedIn profile photo.

"It's hard not to feel desperate," says Velázquez, who lives in West New York, N.J.

The September jobs report showed a still-strong labor market. But Labor Department data from last week showed the number of workers quitting their jobs fell to the lowest rate in over four years in August, a sign people are more cautious about finding new roles. Every open job on LinkedIn in the U.S. attracts 2.5 applicants, up from 1.5 in 2022, according to LinkedIn data.

"There are still some lingering concerns in some corners of the labor market," says Cory Stahle, an economist with Indeed Hiring Lab, the economic-research arm of jobs website Indeed.

Helpful or hurtful?

Recruiters, hiring managers and career coaches are divided on whether LinkedIn's #OpenToWork banner helps or hurts would-be employees.

Workers can mark their profiles

as being open to work without displaying the badge. Using the highly visible banner alerts their extended network about their need for a job and can potentially spur referrals—or it can broadcast dissatisfaction with someone's current role.

The #Desperate banner draws even more attention to someone's need for a job. Recruiters say the tag could help people get noticed and hired. It also could backfire, because some hiring managers might see it as a signal that someone caused problems in their previous workplace.

#OpenToWork can result in "less aggressive" offers, says Keith Sims, chief executive of Integrity Resource Management, a recruiting firm in Indianapolis.

Courtney Summer Myers, a 28-year-old graphic designer and illustrator in Southampton, U.K., started the #Desperate label in late September after being laid off for the second time in January.

Myers's post hasn't led to an offer for a full-time job, but she has received thousands of messages, with people offering freelance projects and a few job interviews. Her post adding the hashtag garnered more than 426,000 reactions, as well as 9,500 comments and 8,815 reposts.

"There's been a lot of discourse about how the #OpenToWork banner puts off recruiters and hiring managers, because it makes you come across as desperate," she wrote in her LinkedIn post. "Frankly, as a victim of redundancy, I am desperate, and I don't think that's anything to be ashamed of."

A lot like dating'

Inspired by Myers, Mac Scheldt—who uses they as a pronoun—changed their LinkedIn profile picture in early October and posted about it.

Scheldt's frustration stems from the difficulty of getting any job in their industry and how long it has taken. In one particularly difficult scenario, Scheldt, a 25-year-old screenwriter and producer in Los Angeles, was ghosted by a would-be employer a few weeks after the writers strike began.

"It feels a lot like dating," Scheldt says about the job market.

Sixteen months later, Scheldt is struggling to land a full-time role

and cat-sitting to cover expenses.

A health scare further delayed their job hunt.

Currently, more than 200 million people have the #OpenToWork option turned on publicly or privately, LinkedIn says. And 85% of people who post about being open to work find support from their network, such as referrals and connections, according to the company.

Uneven job market

Today's job market feels uniquely frustrating to job seekers because

the labor market is so splintered, says recruiters and job seekers. Some sectors and cities—such as commercial construction in the Southwest—are still hiring briskly and have talent shortages, while other industries, such as marketing and brand management, have cooled off rapidly, says Jeff Kaye, chief executive of Sanford Rose Associates, an executive search and recruiting firm.

Danielle Blanding is a 27-year-old artist looking for work in the fine-arts industry. She started as an arts-administration intern at a

Clockwise from top, Courtney Summer Myers started the LinkedIn #Desperate trend in late September. Alex Velazquez, Mac Scheldt and Danielle Blanding have used the banner on their pages.

nonprofit art gallery in January 2020, shortly before graduating in March 2020. In August 2020, she was promoted to an arts-administrator role on a six-month contract.

Since the contract ended in February 2021, she has worked as a waitress and bartender to pay her bills.

Still, she is frustrated that she hasn't been able to find work in her field. Blanding moved back in with her parents in Atlanta and is seeing a therapist.

This month, Blanding posted on LinkedIn about being #OpenToWork and changed her profile picture to the #Desperate banner. She has received messages of support and commiseration from people who are in the same situation.

"I don't think the desperate banner takes away my confidence or bravery," Blanding says.

Lynn Cook contributed to this article.

CLOCKWISE FROM TOP: COURTESY SUMMER MYERS; ALEX VELAZQUEZ; MAC SCHELDT; DANIELLE BLANDING

MY RIDE | BY A.J. BAIME

Go-Karting Twins Tear Up the Race Track



Dane Blue, with wife, Malee, and their boys, 6-year-old twins Rhett, green suit, and Toby with their karts.

October. It's the friends we've made. That was wildly unexpected.

Malee: The hardest part? The chores you usually do on weekends, as we're not home on weekends. We do a lot on Sunday nights, so we don't drown in our house.

Dane: I've mowed my lawn at 10 p.m. But it's worth it. As for the expense, it's all relative. The karts are around \$4,500 each, and there's the cost of joining a country club. Maintaining the karts isn't that expensive. A set of Hoosier tires is about \$200. A bent axle costs \$100 to repair. If you factor in how much time the kids spend actually lapping, the cost comes way down.

Malee: Rhett and Toby finished first and second this season. They did so well that the karting director suggested moving them up to the next level. They turn 7 in February, and when the season starts in April, they'll be racing 8 to 12 year olds.

Dane: As I said, this has been the craziest year of our lives. Until next year comes around.

Dane: Dane Blue, 38, a financial advisor with Piazza Blue Wealth Management, and his wife Malee, 36, a nurse practitioner with the South Bend Clinic, who live in Elkhart, Ind., on their family weekend racing rides, as told to A.J. Baime.

Dane: This has been the craziest year of our lives. It started when we saw a YouTube video that took place at Autobahn Country Club, which is a country club set around motor racing in Joliet, Ill. One of the things that stood out was that kids could start kart racing at 6. Our twin boys, Rhett and Toby, were 6. Our house was under construction, and we had gutted our kitchen. We thought, what do we want to be in our house for? Let's try this.

Malee: I am fairly into motor sports. I have driven cars on race-

tracks with Dane. When the kids were 3, I bought them soccer cones and we set up an autocross course in the driveway. We got electric karts with plastic wheels. So they were doing donuts and sliding through turns at age 3.

Dane: Elkhart is known as the RV Capital of the World. We bought a Thor Delano, a 25-foot RV based on a Mercedes Sprinter van. It has a dinette, a loveseat, a cab over the driver's seat where the boys could sleep, and a bedroom in back for us. Because Delano is Franklin Roosevelt's middle name [no relation], we call the RV the "FDR V." The karts are called Margay Ignite Wildcat kid karts, and they have 50-cubic-centimeter Honda engines. At the beginning of the season last April, we started going to Autobahn, camping out in the kart

track parking lot across from the other racetracks. It's about a 2 1/2 hour drive each way from our house.

Malee: The karts go about 45 mph. It was nerve-racking at first. I was thinking: OK, you're 6, and I'm going to put you in this thing. But there is a lot of safety in place. They're not allowed to go out without full helmets and race suits, and they have to be approved to race by the staff. The people that work there do an amazing job.

Dane: They raced in a league of 6 to 8 year olds, and I think there were nine at the last race. The boys love it, and as long as they do, we want to give them the most track time we can. Seeing their faces when they are up on the winner's podium? It's incredible.

Malee: I have loved becoming a track mom. Pretty much every Saturday and Sunday, I'm slinging sausage and eggs in the RV for all the staff at the track, and on race weekends, I'll make a ton of food for the kids. There are other families, and we help each other.

Dane: The most surprising thing hasn't been that we ended up doing this almost every weekend, from April to the last race weekend in

LYNDON FRENCH FOR WSJ (3)

ARTS IN REVIEW

BY MARY TOMPKINS LEWIS

T Farmington, Conn. The Hill-Stead Museum, located about 10 miles outside of Hartford, is a little-known house museum on a bucolic estate with a spectacular Impressionist collection. Its holdings were acquired by Alfred Atmore Pope (1842-1913) and his wife, Ada Brooks Pope (1844-1920), between 1888 and 1907, at a time when, in the U.S. at least, such works—by Mary Cassatt, Edgar Degas, Edouard Manet and Claude Monet—were considered boldly vanguard.

As collection objects at Hill-Stead are never lent and rarely even moved on site, they are in remarkably pristine condition. None-

The project was the result of a fortuitous introduction to conservators.

theless, time does take its toll, and so a fortuitous meeting with a collector, and his introduction to the renowned, independent fine-art conservators David Bull and Teresa Longyear, led Anna Swinbourne, the museum's CEO and director, and her colleagues to undertake a campaign to restore four of the major Impressionist and proto-Impressionist paintings in the collection. In 2024, the project was one of 24 in museums worldwide to be funded by Bank of America's longstanding Art Conservation Project, which helps to preserve historically or culturally significant works of art, including those that have been designated national treasures.

Early this July, the conservators set up camp in a glassed-in gallery annexed to the museum, where visitors outside could watch them go about their meticulous task. Within only a matter of weeks, the paintings were rehung in the museum's drawing room, an intimate space beloved by the Popes in the house designed by their wonderfully headstrong daughter, Theodate (1867-1946). A self-trained architect who famously survived not only a disastrous 1915 voyage on the ill-fated Lusitania but the vi-



ART REVIEW

At Connecticut's Hill-Stead Museum, Masters Revived

Paintings by Monet, Degas and Manet have been restored to stunning effect that ups their drama

cissitudes of a professional career then unwelcoming to women, she designed the farmhouse as a Colonial revival home, its portico inspired by George Washington's Mount Vernon.

The museum is one of only a handful of institutions to own more than a single painting of grainstacks by Claude Monet. "Grainstacks, White Frost Effect" (1889), a lavish work on an unlined canvas and prelude to his thematic series of 1890-91, bears the markings of Monet's efforts to

capture transient atmospheric effects, and especially the opulent fall of sunlight through mist, that wrapped his humble agrarian motifs. The artist employed thin, striped passages of paint to depict the distant background; soft, scumbled touches to render the wintry sky; and vigorous, tactile strokes for the frozen ground and frost-covered grainstacks captured in a fleeting *envelope* of early morning light.

As before-and-after photos show, brownish layers of old varnish were removed and replaced by a modern resin and wax composite on the work's surface, which revealed little in the way of paint loss. The painting's gently restored, richly varied texture and stunningly luminous palette are nothing less than ravishing.

The 1889 canvas hangs in an elaborate gold frame above the drawing room's fireplace and next to Monet's newly restored "Grainstacks in Bright Sunlight" (1890), making them virtual mirror images of the Giverny countryside. In its familiar, but now speckled, grassy field, the conical forms of the grainstacks become gorgeous vessels of shadow haloed by light. The artist sometimes scratched through a work's surface to reveal the color-stained weave of its canvas support and the studied process that brought it into being, a proprietary gesture of sorts now visible on the 1890 canvas. The



Edgar Degas's 'Dancers in Pink' (c. 1876), top, and Claude Monet's 'Grainstacks, White Frost Effect' (1889), above.



Edouard Manet's 'Toreadors' (c. 1862-63), below, and a detail of the work during conservation, above.



painting, which thoroughly subordinates its subject to capture extraordinarily sensitive variations of color and light, has become both staggeringly beautiful to behold and indelible evidence of the countless aesthetic choices involved in its making.

Equally minimal conservation attended Edgar Degas's "Dancers in Pink" (c. 1876). That work, an equestrian scene in the Hill-Stead dining room, and his not-to-be-missed pastel (now hung in a bedroom) of a woman bathing encapsulate as a group Degas's

signature subjects. His fascination with ballerinas backstage at the Paris Opéra, reflected in "Dancers in Pink," would become an obsession.

Caught unposed and seemingly unaware against verdant stage scenery, Degas's dancers, one of whom wears a dazzling crystal earring, sport intensely pink costumes adorned with touches of fiery red. The removal of deeply discolored varnish allowed such vibrant color and also more detail to emerge in the painting, and the effect is transformative. Though executed in oil, the ballerinas' filmy, gauze-like tutus, which seem to flutter now on the canvas surface, reflect Degas's increasing interest in the delicate medium of pastel.

The most dramatic effects achieved in the Hill-Stead project, however, can be seen in Edouard Manet's "Toreadors" (c. 1862-63), a behind-the-scenes glimpse of bullfighters before—or between—rounds in the ring that reflects the fashion for all things Spanish that swept Paris in that decade. Long obscured and spatially flattened in parts by grimy, yellowed varnish, the work now, in its elegantly conserved state, reveals mesmerizing passages of blues, pinks and velvety blacks that attest to Manet's gifts as a colorist, as well as the sumptuous, painterly brushwork that made him heir to the Baroque Spanish master, Velázquez. As Mr. Bull has said about this painting of toreros, which now truly comes alive, "we can hear them chattering."

Ms. Lewis, who taught art history for many years at Trinity College, Hartford, Conn., writes about art for the Journal and other publications.

OPINION

China Is Turning Japanese



INSIDE VIEW
By Andy Kessler

An estimated 90 million

apartments are empty in China, many in underoccupied "ghost cities" such as Shenyang and Ordos. In 1980 the British band the Vapors sang: "I'm turning Japanese, I think I'm turning Japanese, I really think so." Is China's economy turning Japanese?

Other Chinese property developers such as Country Garden, Fantasia Holdings and Sunac are in disarray. China's economy is slowing. As of September, China factory activity had shrunk five months in a row. The International Monetary Fund forecasts that China's long-term growth rate is receding—over 10% in 2010 and now under 4%. In the 1990s Japan's growth rate slowed a similar amount.

In 2008 Treasury Secretary Henry Paulson described a U.S. fiscal-stimulus "bazooka." Last month China took out its own bazooka, a massive stimulus entailing lower interest and mortgage rates and reduced bank reserve requirements. The Shanghai Composite Index jumped 25%. All clear? Hardly. The rally fizzled, down roughly 8% since Tuesday with word of a smaller-than-expected stimulus. On Saturday, China's fi-

nance minister said Beijing will "significantly increase" government debt to stimulate the economy. Details were sparse, but that sounds desperate to me.

Japan spent lost decades trying to boost its economy with monetary and fiscal stimulus. But Japanese banks were stuffed with nonperforming loans, and rather than making structural changes to the economy and writing off these bad loans, Japan ended up with zombie banks that looked good on paper but stopped making new loans. The economy flatlined.

Is China Japan 2.0? Let's do the math. The average apartment in China is valued at \$200,000—970 square feet at \$205 a square foot. The 90 million empty apartments might be worth \$18 trillion.

Construction and purchase loans on these empty apartments are surely in multiple trillions of dollars and underwater. But China's official nonperforming-loan ratio is reported as a meager 1.6%. That's hard to believe. Chinese economic statistics are notoriously fuzzy, but it's hard to hide 90 million empty apartments for long.

The good news is that China has a high domestic savings rate. Maybe it can paper over the nonperforming loans. But the economy is still dominated by low-margin, low-productivity state-owned enterprises. Thanks to its now-abandoned one-child policy, China is cursed with an aging workforce. Higher-productivity enterprises are

the remedy for this demographic shift, but these are the very companies that Xi Jinping and the Chinese government have been crippling with restrictions in finance, trade, tutoring and gaming. That's not smart. Unlike Japan in the 1990s, China isn't yet rich. Official gross domestic product per capita is still below Mexico.

The mainland expects a sharp decline in its economic growth. Sound familiar?

Add to this Donald Trump's proposed 60% tariffs on Chinese goods, which could mean a huge shift in manufacturing to Mexico, Vietnam and India. Kamala Harris may also use tariffs against China. The European Union recently levied 45% tariffs on Chinese electric vehicles. I'm not sure China's economy can handle this. Tariffs are product-specific currency manipulation.

China has its own loan problems. The government's debt-to-GDP ratio is nearly 85%. Private nonfinancial debt is 205% of GDP. Of that, China's dollar-denominated debt is about \$1.1 trillion. Yet China has made a conscious effort to dump U.S. dollars. Its Treasury holdings peaked at \$1.32 trillion in 2013 and had fallen to \$776 billion this July. China may hold some dollars offshore, but that's still a major change—and dangerous.

If you remember the currency crises of 1997 and 1998, South Korea, Thailand, Indonesia and even Russia were caught with dollar-denominated debt and imploding currencies with no way to pay back loans except a fire sale of assets. The lesson: Hold dollars in reserves to prevent a run on currencies.

Instead, China is stockpiling gold, oil, copper and other commodities. Some think these moves are a precursor to a currency devaluation to kick-start its slowing growth of exports. That could wreak havoc on global markets and spark capital flight from China.

Because of the property mess and low-productivity state-owned companies, Yale economist Stephen Roach tells me, "China's growth rate may be unacceptably slow, and no amount of savings is going to free them of the structural problems along the lines of Japan."

In 2021 the Harvard Business Review headlined an interview "Americans Don't Know How Capitalist China Is." Really? Xi Jinping is a Marxist ideologue who throws around phrases such as "common prosperity" and "socialism with Chinese characteristics." That doesn't sound promising to resolve structural problems.

Be warned, a lost decade for China—turning Japanese—may be in the making. Capitalism without democracy may not, at the end of the day, be capitalism at all.

Write to kessler@wsj.com.

Canada's Unproven Mass-Grave Scandal



AMERICAS
By Mary Anastasia O'Grady

Progressives want the state to monitor truth in the public square, and some would give government the power to punish dissent from approved narratives. Last month Hillary Clinton proposed criminalizing speech she labels as "propaganda."

Any first-year law student can tell you why that won't fly under the U.S. Constitution. But in Canada protections for those who question conventional wisdom aren't nearly so secure—even if the truth is on their side.

Last month, Leah Gazan, a New Democratic Party member of Parliament from Winnipeg, introduced a bill to criminalize "wilfully promoting hatred against Indigenous peoples by condoning, denying, downplaying or justifying the Indian residential school system in Canada through statements communicated other than in private conversation."

The bill refers to government-sponsored Catholic and Anglican boarding schools that served indigenous children from the 1830s to the 1990s. Progressives argue the residential schools engaged in genocide against the Indian community. If the bill becomes law, Canadians who disagree could be hauled into court. New legislation drafted by the Trudeau government to out-

law hate speech might also be used to criminalize contrary views.

Canadians once considered residential schools a noble idea, a way to educate to Indian children whose families lived in remote areas. But in the 1990s allegations of abuse emerged. As part of a 2007 settlement of a class-action lawsuit, the government agreed to establish a truth and reconciliation commission using government data and first-person recollections. Truth was its first casualty.

In a 2010 speech to the United Nations Permanent Forum on Indigenous Issues, Commissioner Murray Sinclair declared that "for roughly seven generations nearly every Indigenous child in Canada was sent to a residential school. They were taken from their families, tribes, and communities, and forced to live in those institutions of assimilation."

That was untrue. During the time of the residential schools, only Indian children of "status" (i.e., belonging to "First Nation" groups) were required to go to school. According to Nina Green, who researched the history for a heavily documented essay in the Dorchester Review, in most years 30% to 35% or fewer Indian children with status attended the boarding schools. This was partly because demand outstripped supply in many years. The other two-thirds either attended day schools or didn't go to school. Retired University of Calgary professor Tom

Flanagan, who published a best-selling book of essays by historians and researchers on the controversy, maintains that most children attended residential schools with parental consent.

In his speech at the U.N., Mr. Sinclair tied residential schools to "unacceptably poor education results" and "runaway rates of suicide, family violence, substance abuse, high rates of incarceration,

Progressives want to outlaw 'denialism,' but no actual remains have been found.

street gang influence, child welfare apprehensions, homelessness, poverty, and family breakdowns." But as Ms. Green points out, residential schools achieved better results than day schools, which had high rates of absenteeism. Given that only a minority of Indian children went to residential schools, the system can't explain the broad social breakdown of Indian communities.

The commission's 2015 final report found the residential schools responsible for "cultural genocide." But that wasn't enough for the crowd seeking to rewrite Canadian history.

In May 2021 a researcher, using "ground penetrating radar," claimed to have discovered a mass grave containing the remains of 215 children at

the site of a Kamloops, British Columbia, residential school that closed in 1969. The news shocked the country. The following week, Prime Minister Justin Trudeau ordered flags flown at half-mast. In June of the same year Canadians learned the radar had been used to identify the presence of 751 unmarked graves at a residential school that had served the Cowessess First Nation in Saskatchewan. Mr. Trudeau was photographed at the site, kneeling with his head lowered. He was holding a teddy bear. Since then allegations of mass graves on former residential school sites have multiplied.

The only way to learn if the allegations are true is to excavate. Yet only a few excavations on lands alleged to contain unmarked graves have been performed and no remains have been found. Kamloops and the Cowessess First Nation sites remain untouched. Meantime, wild stories of maltreated children gone missing at residential schools—supposedly an attempt to eliminate the Indian people—have done their damage. Fires and vandalism at 85 Canadian Catholic churches followed these unproven charges.

Separating fact from fiction on this issue requires open and honest debate. Legislative attempts to close down speech by labeling contrary points of view "denialism" won't lead to reconciliation and won't restore the well-being of Canada's indigenous communities.

Write to O'Grady@wsj.com.

Beef Up the Freedom of the Press

By Floyd Abrams

The press is the only commercial enterprise that is explicitly protected by the First Amendment. Both freedom of speech and the press are constitutionally guaranteed. But the press has received little constitutional protection in addition to that provided to other speech.

For the past two years, three colleagues and I have worked on a project at Yale Law School to assess whether freedom of the press has been fulfilled. After reviewing cases throughout U.S. history and conferring at length with journalists, media lawyers, historians and other scholars, our unequivocal conclusion is that it has not. Our report will be released this month.

The basic legal problem is that while free-speech protections remain robust in our nation, the press requires certain additional protections that

aren't applicable to other forms of speech. For example, when the police break up protests or impose a curfew during times of civil unrest, reporters are often prohibited from staying and reporting on what has occurred. Some police allow journalists to stay, but the Supreme

Journalists need stronger protections than the Supreme Court has recognized.

Court has yet to hold that this protection is constitutionally required.

The same is true of confidential sources. Journalists need to be able to maintain the confidentiality of sources who provide information about government misconduct or other sensitive information. But in *Branzburg v. Hayes*

(1972), the Supreme Court ruled that journalists testifying in court could be compelled to disclose confidential information.

The Justice Department under Attorney General Merrick Garland has commendably adopted regulations barring its attorneys from requiring journalists to reveal their sources. But those limits apply only within the federal government and could be revoked by a future attorney general. Until the Supreme Court rules on the matter, journalists don't have a firm, constitutionally rooted right to withhold the identity of their sources.

Stronger First Amendment protection for journalists would also protect the press from those who seek to use the judicial system to intimidate reporters. Thirty-three states and the District of Columbia have adopted legislation restricting strategic lawsuits against public participation, or

SLAPP cases. These are cases filed not to win legal judgments but to saddle journalists and activists with high costs and time-consuming litigation, thereby pressuring them not to publish damaging information.

If the First Amendment were read more vigorously to protect the press, this state legislation would be unnecessary, since SLAPPs would be promptly dismissed and the attorneys who brought them personally subject to sanctions.

Thomas Jefferson said that a free press is the "most effectual . . . of all the avenues to truth" and hence the first right to be "shut up by those who fear the investigation of their actions." It's long past time for the First Amendment's promise of freedom of the press to become reality.

Mr. Abrams is senior counsel at Cahill Gordon & Reindel LLP and author of "The Soul of the First Amendment."

BOOKSHELF | By Dominic Green

Death in the City of Abraham

Ghosts of a Holy War

By Yardena Schwartz

Union Square, 432 pages, \$29.99

On Aug. 24, 1929, 3,000 Muslim men with swords, axes and daggers went from house to house in the Jewish Quarter of Hebron in the British-controlled Palestine Mandate. Shouting "Palestine is ours and the Jews are our dogs," they raped women and girls, killed infants in their mothers' arms, mutilated the corpses of elderly rabbis and yeshiva students, set houses on fire, and stole everything they could.

That day in Hebron, 67 unarmed men, women and children were slaughtered; dozens were wounded. A total of 133 Jews were murdered and hundreds more wounded as the riots spread across the Mandate. The British, underprepared and caught by surprise, extracted Hebron's surviving Jews in armored cars and told them not to return. "For the first time in nine centuries," Yardena Schwartz writes, "the City of Abraham was a city without Jews."

In "Ghosts of a Holy War," Ms. Schwartz calls the Hebron massacre the "ground zero" of what would become the Israel-Palestine conflict.

The author, an American journalist who has lived in Israel, traces a "direct line" between Hebron in 1929 and last year's Hamas-led invasion of southern Israel from Gaza: "The forces that drove Arabs in Hebron to slaughter their Jewish neighbors in 1929 were identical to the forces behind October 7."

The 1929 rioters believed false claims that "the Jews" wanted to destroy the Al Aqsa Mosque. Hamas, in 2023, code-named its rampage "Operation Al Aqsa Flood." In 1929, as in 2023, Arabs in Palestine hailed the

killers as heroes while simultaneously celebrating and denying their atrocities. In 1929 the British rewarded terrorism by reducing Jewish immigration into the Mandate. In 2023 the Biden administration led the international chorus calling for negotiations on a Palestinian state. "Ghosts of a Holy War" is bookended by these two detailed accounts of mass murder. In both cases, the sadism—rapes, decapitations, the torture of children, the mutilating of genitals—is harrowing.

Ms. Schwartz's account of the prelude to the 1929 massacre makes good use of the letters of David Shainberg, who was born in Tennessee and had enrolled at the Hebron Yeshiva in 1928 at the age of 22. Shainberg, who thought secular Zionism a "worthless anti-Jewish cause," wanted to study Torah close to Hebron's Tomb of the Patriarchs, where, the Book of Genesis records, Abraham, Isaac and Jacob are buried. The Jews and Arabs of Hebron got on well enough, but the power balance that favored Islam meant that the closest that Jews could get to their shrine was the seventh step of its exterior staircase. Zionism threatened to upset first this Islamic supremacy and then the population balance that favored Arabs. Shainberg was murdered in the 1929 riot.

The human dimension is more complex than the religious one and a frail source of hope for Ms. Schwartz. Many of Hebron's Arab policemen joined in the 1929 slaughter, but some two dozen Arab families, she notes, "risked their lives to save at least half the Jews in Hebron." The central section of "Ghosts of a Holy War" describes the erosion of this human middle ground over the following decades.

Haj Amin al-Husseini, the pro-Nazi Grand Mufti of Jerusalem, did more than anyone (barring his protégé and distant cousin, Yasser Arafat) to shape the dysfunctionality of Palestinian nationalism. One of the saddest threads in this tragic story comes when Ms. Schwartz seeks out the descendants of the good neighbors of Hebron. They are unwilling to talk. "In Palestinian society," she explains, "being labeled a collaborator with Israel is a death sentence."

After the murder of nearly 70 Jews in Hebron, the British extracted the survivors in armored cars and told them not to return.

The conflict is often explained as a particularly vicious real-estate dispute or a struggle between modern nationalists. Such disagreements can be resolved by compromise, so this explanation appeals to outsiders, atheists and the conflict-averse. Yet the Jewish victims of 1929 were not Zionists or anti-Arab. They were anti-Zionist yeshiva students or members of an ancient Sephardic population that, like their Arab neighbors, had yet to assume a modern political identity. Similarly, the victims of 2023 were not settlers. They were the kind of Israelis most likely to favor compromise and cohabitation: kibbutzniks, peace activists, leftists and Arab Israelis.

Ms. Schwartz argues that the conflict originates and continues in the "religious dimension." Palestinian nationalism, she observes, did not exist in any coherent sense in 1929. There was no State of Israel then, and Jews were a minority within its future borders. This was before the post-1967 military occupation of Judea and Samaria (the West Bank), which would return Jews to Hebron (as settlers). Then, as now, she argues, an Islamic-inspired refusal to live in equality with Jews produces jihadism ("holy war"). She also argues that it radicalizes the survivors.

After Hebron, the Mandate's Jews realized that the British could not protect them; the first Sephardic volunteers joined Zionist militias. The Zionist leadership, which had developed a protostate under British supervision and still hoped for an accommodation with the Mandate's Arabs, became more hostile to both Britain and the Arabs. The Arabs, who saw the Mandate as a piece of Syria, started to redefine themselves as "Palestinians." The British responded by rushing a "colonial army" to the Mandate, which would eventually be attacked first by the Arabs and then by both Jews and Arabs.

Back in 1929, Ms. Schwartz writes, Hebron's Sephardic men were "friends and business partners with their Arab neighbors." They "drank Turkish coffee, smoked hookah, and played backgammon in one another's homes." Today, Hebron is divided into sectors controlled by the Israeli army and the Palestinian Authority. The Palestinian mayor is a convicted terrorist who tells Ms. Schwartz that Jews have no historical connection to the Holy Land. The Israeli settlers live under armed guard. "Ghosts of a Holy War" is a good book about a bad mess. The winner will take all, or whatever is left.

Mr. Green is a Journal contributor and a fellow of the Royal Historical Society.

OPINION

REVIEW & OUTLOOK

Transgender Sports Is a 2024 Sleeper Issue

Every election has issues that are predictable—abortion and the economy this year—but also some that surprise the political class. This year one sleeper issue is progressive transgender coercion, which is playing against Democrats in races across the country.

Consider the ad running in Ohio against Sen. Sherrod Brown, in which a narrator says Mr. Brown is “too liberal for Ohio,” and he voted “to let transgender biological men participate in women’s sports.”

Some media fact-checkers are calling this claim false, but not without astounding sleight of hand. The ad, sponsored by a Republican-aligned Super PAC, cites Mr. Brown’s vote against a failed 2021 amendment offered by Alabama Sen. Tommy Tuberville. “When we pull up this vote on the U.S. Senate website,” says a report by WKYC in Cleveland, “we see it had nothing to do with allowing transgender people to participate in women’s sports. It was actually only about money.”

Only money? “Specifically,” WKYC explains, “Brown voted against including an amendment in the American Rescue Plan Act that would have stripped federal funding from Ohio schools if those schools allowed transgender people to participate in women’s sports.” Ergo, the ad’s claim is “false,” and Mr. Brown “did not vote ‘to let transgender biological men participate in women’s sports.’”

PolitiFact has a similar sloppy take, saying that such arguments about Mr. Brown are false because the 2021 amendment, as well as a similar one this year, “did not dictate athletic eligibility.” Well, not directly, but adding strings to federal funding is a common way for both parties in Congress to drive policy, and it’s hard to imagine any public school telling Uncle Sam to take his money and scram.

The LGBT activist group GLAAD confirms our point when it says Mr. Brown has “consistently opposed attempts to ban transgender athletes from participating in sports aligned with their gender identity.” It means this as a compliment.

The issue is popping up in other campaigns. An ad in Wisconsin says Democratic Sen. Tammy Baldwin “voted to let biological men into women’s sports.” Republican challenger Eric Hovde gets spontaneous applause when he raises the issue at campaign events. In Mon-

Sens. Brown, Tester and Baldwin are all under fire for their votes.

tana, an ad says Sen. Jon Tester “voted to let men compete against our girls,” and “those aren’t Montana values.” The proliferation of these arguments against so many Democratic incumbents suggests it’s resonating with the public.

A pluralistic society depends on an attitude of live and let live, and Americans adults are and should be free to make their own choices about gender. But what many people resent is having progressive cultural values imposed on them. That includes compelling their daughters to compete against athletes who were born male.

Last year 69% of Americans told Gallup that “transgender athletes should only be allowed to compete on sports teams that conform with their birth gender.”

This isn’t bigotry. For most Americans it’s a matter of fairness, as well as the equal opportunity for women in sports enshrined in Title IX. Not long ago most Democrats believed in that principle. But these days the hard edge of the transgender movement has dictated that its view of gender must be imposed nationwide. Senate Democrats have toed that line.

This includes whether minors should have access to medical gender transitions. That Super PAC ad about Sen. Brown says he supports “allowing puberty blockers and sex-change surgeries for minor children.” The source is an interview in which Mr. Brown said: “A child’s healthcare decisions are between them, their parents, their families, their doctors, not politicians.”

Mr. Brown’s campaign told WKYC that his remarks “were not in support of puberty blockers or gender reassignment surgeries,” but merely a call to keep politicians out of it. That sure sounds like a position of “allowing” minors to access such treatments. Somehow, though, WKYC also rated this claim as “false.” Who fact checks the fact-checkers?

This media conformity is one reason the transgender sports issue is catching Democrats by surprise. The press portrays any dissent on the issue as out of political bounds and gives it no coverage or dismisses as benighted bias what millions of Americans view as common sense. This means voters may hear about it only when a politician makes it a campaign issue, and it might cost Democrats control of Congress this year.

Our Continuing Age of Discovery

America’s political rancor and government dysfunction too often disguise better news: We continue to live in an era of astonishing technological advances. One was on display Sunday as SpaceX successfully landed its Super Heavy booster rocket with the help of “metal chopsticks.”

This is some feat of engineering. This Super Heavy booster is taller than a 20-story building and lifted an unmanned Starship spacecraft on its fifth test flight. The booster was caught in midair by enormous metal arms, the so-called chopsticks that are designed to prevent a hard landing. As the video of the landing shows, this isn’t like catching a lazy fly ball in center field.

Meanwhile, the Starship spacecraft was guided to a splash down on target in the Indian Ocean and won’t be retrieved. The goal is eventually to return the spacecraft safely to dry land. The Starship is the vehicle expected to take a manned U.S. mission back to the moon in 2026.

Reusable heavy booster rockets will make space travel more affordable and frequent, and

SpaceX safely catches and lands a Super Heavy booster rocket.

it is essential if humanity is going to explore the solar system. This is the vision of Elon Musk, who founded SpaceX, and it one day could save the human race.

The company has already helped to revive the U.S. space program and defense satellite launches.

This is a triumph for Mr. Musk’s entrepreneurship. It’s true that SpaceX is a government contractor these days, but that isn’t because the federal bureaucracy is thrilled by the partnership. The Pentagon has little choice if it wants to achieve its security and satellite intelligence goals.

Space travel is merely one of the wonders of our age of discovery. Advances in genomics are leading to progress in biotechnology and the fight against cancer and other deadly diseases. Artificial intelligence is producing new efficiencies across the economy.

There is peril as well as promise with new technologies, which need to be accompanied by ethical guardrails. But they offer hope for longer lives and broader prosperity. Congratulations to SpaceX for showing that America remains a nation of striving optimists.

The Machinists Take Boeing Hostage

If Boeing’s 33,000 International Association of Machinists and Aerospace Workers want to drive the company to its knees, they’re succeeding. The union’s hostage-taking strike, now into its fifth week, has succeeded in prompting large layoffs.

Boeing on Friday said it will slash its workforce by 10%, or about 17,000 workers, in the coming months. It also announced \$3 billion in charges related to its commercial jet program and \$2 billion on its defense and space division, largely owing to delays caused by the work stoppage as well as higher costs.

Credit rating agencies warn that Boeing debt could soon be downgraded to junk, which could make it harder to raise fresh capital and refinance some \$12 billion in debt maturing over the next two years. Boeing is considering issuing \$10 billion in new stock. Its sweeping layoffs are intended to avoid a downgrade and conserve cash as the strike drags on.

Boeing has offered a 30% pay increase over four years, plus \$9,360 a year in contributions to employee 401(k)s and lower healthcare premiums. But the union is refusing to settle for less than a 40% raise and restoration of the defined-benefit pensions that the company scrapped a decade ago.

The 62% pay increase recently won by East and Gulf Coast longshoremen may have emboldened the machinists to hold out for more. Boeing called off negotiations last week, saying the union made “non-negotiable demands

far in excess of what can be accepted if we are to remain competitive as a business.” Union boss Jon Holden replied: “We’re in this for the long haul.”

But the longer the strike lasts, the more harm it will do to the company and workers. Boeing has lost \$25 billion over the last six years, in part owing to settlements

from the 2018 and 2019 crashes of its 737 Max and the plane’s worldwide grounding. Its defense fixed-price contracts have been plagued by cost overruns.

The union’s demands would render Boeing less competitive against its commercial jet rival Airbus and U.S. defense contractors. That will mean less work for the machinists. Boeing may also try to lower costs and avoid future work disruptions by shifting more production to its plant in South Carolina, as it did after the 57-day machinists strike in 2008.

While the strike doesn’t have the same potential to shut down the U.S. economy as the longshoremen stoppage, it could have larger consequences for national security. The strike is delaying production of military jets, and the layoffs could reduce research and development on defense and space.

The union may feel it has the whip hand because politicians aren’t likely to let Boeing fail. But the company could still emerge from a strike much weaker. Management errors and unrealistic union demands are damaging a once great American company, and it is hurting workers as much as shareholders.

The company will lay off 17,000 as a strike goes into its fifth week.

LETTERS TO THE EDITOR

Abortion Debate Has Republicans on the Run

The mobilizing power of abortion is stronger than ever leading into this year’s election. That’s exactly why Republicans are claiming to have changed their tune on the issue.

Your editorial “The Abortion Distortion Campaign” (Oct. 8) takes Republicans’ sudden policy shifts at face value. But voters, like Democrats, aren’t buying their last-ditch attempts to appear moderate. Instead, they are looking to Republicans’ voting records and past statements to find out where they really stand.

Republican candidates like Larry Hogan may have decided to rebrand as “pro-choice” mere months ago, but when voters look at his record, they see that he vetoed a law that would have expanded abortion across Maryland as governor. When lawmakers overrode that veto, he withheld millions of dollars in state funding from training new abortion providers.

The rebranding takes the form of language changes for many Republicans, but it isn’t a change in their agenda. Sen. JD Vance’s promise of “some minimum national standard” on abortion is simply a new way of saying he and former President Donald Trump support a national ban.

The Republican Party’s platform appears to support states establishing fetal personhood via the 14th Amendment, opening the door for a nationwide ban on all abortion care.

It’s no coincidence that Republicans in tight races across the country are now trying to hide their antiabortion records. They know that they’re deeply out of step with the American people, and that when it comes to abortion, their greatest enemy is their own extremist records. It’s our responsibility to hold them to account and make sure American voters know the truth.

JESSICA MACKLER
President, Emily’s List
Bethesda, Md.

MARK VAN BRUSSEL
Poway, Calif.

Both parties should clarify what they mean by “medical emergency” and “life of the mother.” Even women who rarely consider the possibility of rape or incest, and have no inclination for elective abortion, can be seriously concerned that medical assistance would be unavailable in the event of an ectopic pregnancy or miscarriage.

For the millions of women like me who received a hospital bill for a D&C following miscarriage invoiced as “spontaneous abortion,” it’s natural to wonder: Under new laws, would I get the same care if this happens again?

JANET VANDERMEULEN
Newburyport, Mass.

There are state referendums on the abortion issue. Rather than embrace election defeat, Republicans should have states disconnect abortion from both political parties. Voters can decide the issue directly, not through Republican or Democratic elected officials. The medical decisions are then no longer in the hands of Congress. Of course, then you don’t get to lie about your opponent’s position.

JOE BOCCUZZI
Tomball, Texas

Poor Regulations Are Jamming GPS Security

Regarding “Fake GPS Signals Fill Cockpits, Adding Risk for Air Travelers” (Page One, Sept. 24): Solutions to interference of Global Positioning System signals are well-known but have been prohibited or delayed. For example, using a technique that’s more than 60 years old, multi-element digital antennas can null, or almost zero out, strong jamming or spoofing signals.

While a 100-watt jammer might interfere to about 100 miles for existing airline receivers, strong nulls in the direction of interference would reduce effectiveness to about 600 feet, meaning that jamming wouldn’t affect commercial aircraft flying above 1,000 feet. A Turkish avionics company sells such antennas worldwide. Unfortunately, the U.S. government’s International Traffic in Arms Regulations severely restrict civil use of them. These restrictions are outdated and prevent a major solution to GPS interference.

PROF. BRADFORD PARKINSON
Stanford University
Stanford, Calif.

Mr. Parkinson led the original design, advocacy, development and initial testing of GPS in the 1970s, when he was an Air Force colonel.

We Don’t Admit Why We Really Love Football

Perhaps we don’t need a book to tell us why we love football, as Will Leitch suggests in his review of “Why We Love Football” by Joe Posnanski (Fall Books, Oct. 5). We love football because it’s a game about sacrifice, courage, brotherhood. It’s about putting your personal safety in the hands of your brother and risking yourself so that your brother can succeed, knowing that both of your successes lift the entire team, a family.

Maybe we don’t admit this because the sport glorifies toughness and because love supposedly is soft, but there is no doubt that love for each other drives the greatest teams. And those of us watching want so desperately to feel that same love, to be included in that same family.

Target Iran to Help Ukraine

Potential targets not mentioned in David Asher’s excellent op-ed “A Strategy for Striking Back at Iran” (Oct. 11) are Iran’s drone and missile manufacturing sites.

Iran has provided Russia with thousands of Shahed kamikaze drones, and hundreds of Fath-360 missiles, which Vladimir Putin employs to attack Ukraine. Attacking weapons manufacturing sites in Iran would help Israel, as well as aid NATO and the U.S. in their efforts to defeat Russian forces in Ukraine. As a quid pro quo for targeting drone and missile manufacturing sites, Israel could ask for implicit or explicit support from its American and European allies as they degrade Iranian military capabilities.

JOHN BIRDSEY
Washington

Pepper ... And Salt

THE WALL STREET JOURNAL



“Your chicken was free range, organically raised, and named Denise.”

Letters intended for publication should be emailed to wsj.ltrs@wsj.com. Please include your city, state and telephone number. All letters are subject to editing, and unpublished letters cannot be acknowledged.

OPINION

This Is the House That Hezbollah Built

By **Yonah Jeremy Bob**

The kitchen is filled with advanced Kornet antitank missiles, the living room with grenades, mortars, high-caliber guns and dozens of military vests. Concealed near this southern Lebanese house is an antiaircraft gun.

Imagine a generation of children who grow up believing that it is normal to live among weapons of war. This is the monster that Hezbollah built across dozens of villages in southern Lebanon. I saw it first-hand on Oct. 10, riding in a convoy of Israel Defense Forces humvees. The IDF asked me not to identify the village lest it endanger their operations.

The kitchen is filled with antitank missiles, the living room with grenades, mortars, guns and vests.

Almost half the village was destroyed by a mix of room-to-room battles and the Israeli military's exploding Hezbollah weapon stockpiles. IDF soldiers in tanks or bulldozers rumbled from house to house to catalogue weapons Hezbollah had buried, then demolished the homes. The terror group had hoped to tap its infrastructure in southern

Lebanon to invade northern Israel in a replay of Hamas's Oct. 7, 2023, attack.

Israel's military learned about taking apart terror infrastructure built into civilian surroundings from dismantling Hamas in Gaza. But the two fronts are very different. The mountainous terrain I rode through to the village in southern Lebanon was unlike the mostly flat desert of Gaza.

That rocky topography makes it harder to destroy Hezbollah's tunnels, which sometimes requires pouring in huge amounts of cement. The terrain hasn't kept Israel from prevailing on the battlefield far more than it did in the 2006 Second Lebanon War. During my visit, I heard gunfire and explosions and saw Hezbollah rockets overhead.

As Israel tears apart Hezbollah's presence in southern Lebanon, it is also wiping out the West's view that this is an Israeli problem that can be solved by diplomacy alone. Since the invasion of southern Lebanon began on Sept. 30, the IDF has showered the West with evidence of weapons and materiel hidden in every third or fifth house. In some villages, Hezbollah commanders every house.

The West should be raining fire and brimstone down on Hezbollah and its sponsor, Iran, for making a farce of United Nations Resolution 1701. That resolution, adopted in 2006, said that Hezbollah couldn't operate in southern Lebanon.

The West can no longer deny that



Israeli soldiers with Hezbollah guns hidden in a home in Lebanon, Oct. 10.

its power. But if the West presses Israel into a cease-fire that merely reverts to Resolution 1701—which has been ignored for 17 years with no consequences—all of Israel's successes will have been for nothing.

The West must realize that Hezbollah and Iran can't be coaxed into joining the civilized world's norms of nonviolence. But military force without diplomacy won't end things either. Diplomacy backed by military force is the only way to achieve stability between Israel and Lebanon. This is even more true when it comes to the dangerous ayatollahs of the Islamic Republic. Tehran's ballistic-missile attacks on Israel in April and October showed that Iran can kill thousands of people and destroy whole cities more than 1,000 miles away—a fate Israel averted only through excellent antimissile defense.

The U.S. and Europe must understand that Iran might someday turn these capabilities against them. And what if Tehran has a nuclear weapon? The West must shift its attitude toward the Middle East—to save the region from more wars and save itself from Iran and its proxies.

Mr. Bob is a co-author of "Target Tehran: How Israel Is Using Sabotage, Cyberwarfare, Assassination—and Secret Diplomacy—to Stop a Nuclear Iran and Create a New Middle East," just out in paperback, and senior military analyst for the Jerusalem Post.

Hezbollah is out of control and must be restrained, preferably by diplomacy but if necessary by force. Yet the West's priority seems to be reaching a cease-fire so it can go on ignoring the dangers of these Middle Eastern actors.

In an ideal world, cease-fire and diplomacy are the way to prevent long wars. Diplomacy has worked wonders for Israel with six Arab and Muslim countries, most importantly Egypt. But until Hezbollah halts its rocket fire and accepts terms that let Israel and its allies expel the group from southern Lebanon, diplomacy is fruitless.

After Hamas's Oct. 7 massacre and Hezbollah's unprovoked firing of rockets into Israel starting the next

day, Israel gave Hezbollah 11 months to agree to a cease-fire that would have left its leader, Hassan Nasrallah, in power and most of the group's 150,000 rockets still able to threaten the Jewish state.

Nasrallah wasn't interested. He liked his new role as a lead player in Iran's "ring of fire" around Israel. He wanted to be able to fire rockets on Israel whenever it might be advantageous to Tehran—or any time he wished to wade into the Israeli-Palestinian conflict.

Israel's decision to kill Nasrallah, as well as his top advisers and commanders, and to destroy most of Hezbollah's rockets and dismantle its Radwan special forces unit made clear that Hezbollah can't maintain

Why a Former Democrat Stumped for Trump in Coachella



LIFE SCIENCE
By **Allysa Finley**

Famous for its eclectic music festival, Coachella, Calif., seems an unlikely place for Donald Trump to hold a rally. The Golden State hasn't voted for a Republican presidential candidate since 1988, and Democrats dominate statewide. But Mr. Trump is a showman, and his production Saturday evening shined a spotlight on how left-wing policies have turned the California dream into a nightmare. Warming up for him was an unexpected local star: Gloria Romero, a former Democrat who was state Senate majority leader, 2005-08.

"The Democratic Party has taken all of us—and especially we Latinos and Latinas—for granted," Ms. Romero said on stage. "Inflation, lawlessness, and an open border, highest unemployment rate—second in the nation—groceries, gas, you name it. And as a Latina, they will never take away my gas stove because you cannot toast a tortilla on an electric range."

Understanding how Ms. Romero, a self-described former progressive, became an ardent Trump supporter helps explain why Democrats have lost ground among Latino voters.

One of six children, Ms. Romero grew up in the working-class city of Barstow, best known as a stop between Los Angeles and Las Vegas. She was among the few students in her high school to attend college and later earned a doctorate in psychology. Her interest in civil rights drove her to run for office in 1998.

During her 12 years in California's Legislature, she built a reputation as a labor and community advocate. In 2010 she spearheaded California's "parent trigger law," which allows parents to take over failing public schools and implement reforms, such as converting them into charters.

I met her in 2012 when she was organizing minority parents to do exactly that, as well as launching a charter network of her own, Scholarship Prep. At around the same time, Attorney General Kamala Harris was opposing such efforts.

Ms. Romero reminds me that Ms. Harris appealed a state court decision in 2014 that struck down Cali-

fornia's teacher tenure and seniority policies. The judge found the harm to minority kids "shocks the conscience." Ms. Harris prevailed in an appellate court. In 2019 Sen. Harris supported a Los Angeles teachers union strike to block the expansion of charters. Still, Ms. Romero considered herself a Democrat.

A woke party, for mass migration and against school choice, pushed Gloria Romero rightward.

Her dismay with the Biden-Harris administration started with the "horrendous withdrawal from Afghanistan," which left 13 Americans dead, and deepened with the prosecutions of Mr. Trump.

"I was on the board of the Southern California ACLU. I fundamentally believe in a fair process, even if I don't like the person committing the crime. The first time I donated to the Trump campaign was after the first indictment," she says in an in-

terview. "It was sort of my way of saying, I don't agree with this."

Her exasperation grew as the administration waved masses of migrants across the border, whom she says have especially burdened the communities of second- and third-generation Latino families. "Latinos are a very patriotic people," she says. "We believe that this is the greatest nation on earth. And citizenship matters."

Many Latinos, including Ms. Romero, have also been put off by the Democratic Party's woke turn. "This whole thing about how a man can get pregnant is just so wacko," she says. She notes that she used to teach a class called "Sex and Gender" at California State University, Los Angeles: "There is a distinction between sex, biology, genetics, identity, culture, socialization."

Even more deranged: A new California law that bars schools from requiring parents to be notified if their children want to change their gender identities. Ms. Romero says it fits with Democrats' belief that parents shouldn't be allowed to control their kids' education.

While Ms. Romero calls herself

pro-choice, she disagrees with Democrats who oppose all limits on abortion. She also finds the party's position on abortion at odds with their opposition to school choice: "I'm a pro-choice woman. I do believe in choice when it comes to reproductive rights. And I believe in the right to choose my child's school."

The final straw was the undemocratic way in which Democrats deposed Joe Biden from the ticket and anointed Ms. Harris. It reminded her of political coups in Latin America: "The system was already rigged to begin with, but he paraded through the primary and people voted for him." That drove her to endorse Mr. Trump last month.

Ms. Harris tried to appeal to Latino voters in a Univision town hall last week by calling Mr. Trump a danger to democracy. Many seem unconvinced. Four years ago, Latinos nationwide favored Mr. Biden by 33 points. Recent polls show Ms. Harris's lead in single digits. Some Republicans want to restrict legal immigration because they think Latinos are destined to become Democratic voters. Don't be so sure.

How the U.S. Air Force Can Reclaim the Skies

By **Roger Wicker**
And **Eric Schmitt**

The U.S. military is in a dogfight to control the skies. For decades after World War II, America took its air superiority for granted. We no longer can. Our primary adversaries have massively invested in modern fighters, advanced surface-to-air missiles and other new countermeasure technologies. Each new system blunts our competitive edge.

China is on the cusp of world-changing air capabilities. If conflict erupts, China may be able to bracket off the Western Pacific, striking our bases with salvos of missiles and using state-of-the-art air-defense batteries to keep our aircraft at bay. Beijing could also launch swarms of sophisticated fighter jets that would far outnumber what the U.S. could muster on short notice.

This would support Xi Jinping's ambition to take Taiwan. America's top military brass suspect that Mr. Xi has directed the Chinese military to be ready to seize the island by 2027, and he has spent royally to give them the tools to do the job. This year Mr. Xi announced a 7.2% increase in defense spending. He has likely doubled production rates for

several tactical fighter programs, such as fourth- and fifth-generation J-16 and J-20 warplanes and has built one of the most sophisticated and continually improving air-defense systems.

China's new capabilities are formidable, but there is no reason for America to cede the skies. For the future to echo our past air superiority, we should execute a full-scale rebuilding of the shrinking U.S. Air Force. That should begin with the Next Generation Air Dominance initiative. NGAD is the manned replacement for the best fighter aircraft ever built, the F-22 Raptor, of which we field about 180 today.

These vital programs have encountered a roadblock: U.S. military leadership. Senior Air Force officials have repeatedly blocked, reversed or ignored initiatives that would restore America's command of the skies. The Air Force has paused the NGAD program and may cancel it. Officials cite a host of unconvincing reasons, such as its cost, the need for new air bases and the allure of unmanned aviation.

NGAD would be the most capable fighter aircraft ever produced, but it can't accomplish its mission on its own. The Air Force combat fleet that would accompany it—in particular,

the fighter fleet—is in a death spiral. Inventory is dwindling, forcing older aircraft to be overworked on longer deployments. These aircraft spend extended time in maintenance, requiring others to pick up the slack on their own increasingly lengthy missions. The Air Force intends to retire almost 1,000 aircraft in the next five years, including about 400 fighters.

Our air capabilities are dwindling as China's grow. Military officials must join Congress in fighting back.

Stalling decline is step one. This year, we fought for legislation in the Senate that would prevent the retirement of 26 F-15E and 32 F-22A fighters. The Air Force must now focus on growth. Defense Department planners intend to end production of F-15EX aircraft, but we led the charge to build six more this year, and we will work to keep the production lines open. We will also continue advocating for relatively inex-

pensive F-16 upgrades that keep that fleet in the fight.

An old adage says that fighters protect the bombers, and we must take care of those heavy-hitting warplanes. The B-21 Raider, an advanced stealth bomber, has performed well in preliminary testing. The Air Force hasn't committed to producing more than 100 thus far, but Congress should supercharge production of this plane by increasing the planned fleet size closer to 200. This would fully modernize our bomber fleet and provide industrial capacity to allow us to sell bombers to our allies, as we do attack submarines.

We must pair our weapons upgrades with updates to logistics networks. Current U.S. systems rely on unfettered access to the skies, but we can no longer assume that freedom of movement. Our adversaries have new air-denial capabilities, and the Pentagon has consistently underinvested in logistics networks, putting these lifelines at extreme risk.

The U.S. should fund Air Mobility Command's long-term plan to make every tanker a communications node. The logistics experts at U.S. Transportation Command must also begin

completing their unfunded requirements list, fulfilling a statutory obligation to tell lawmakers what resources the command needs but hasn't financed. The command has failed for years to provide this list to Congress.

A father of the modern Air Force, Gen. Hap Arnold (1886-1950), once said, "Air power will always be the business of every American citizen." He meant that America's rise as an aerospace superpower was built by an advanced ecosystem of defense production, civilian research and a strong industrial workforce. Large areas of this country were forever changed for the better when Uncle Sam came asking for warplanes.

Economic development and national security have always gone hand in hand. We have committed to restoring American air superiority by making the most of the nation's innovative defense manufacturers. We invite U.S. national security officials to join us.

Messrs. Wicker and Schmitt, both Republicans, are U.S. senators from Mississippi and Missouri, respectively.

Notable & Quotable: JD Vance on Aurora, Colo.

Martha Raddatz interviewing JD Vance on ABC News's "This Week," Oct. 13:

Raddatz: Aurora, in Colorado, where Trump said the city had been invaded and conquered by Venezuelan gangs. The Republican mayor of the city said flatly, the city and state have not been taken over or invaded or occupied by migrant gangs.

So, do you support Donald Trump making those claims that the Republican mayor says were grossly exaggerated and have hurt the city's identity and sense of safety? I understand what you're saying that some people left behind. But he's making these statements that the mayor is flat-out disputing.

Vance: Well, Martha, you just said the mayor said they were exaggerated.

Raddatz: Grossly exaggerated.

Vance: That means there's got to be some element of truth here, and of course President Trump was actually in Aurora, Colorado, talking to people on the ground, and what we're hearing, of course, Martha, is that people are terrified by what has happened with some of these Venezuelan gangs.

Raddatz: Senator Vance, I'm going to stop you because I know exactly what happened. I'm going to stop you. The incidents were limited to a handful of apartment complexes and the mayor said our dedicated police officers have acted on those concerns. A handful of problems.

Vance: Only—Martha, do you

hear yourself? Only a handful of apartment complexes in America were taken over by Venezuelan gangs, and Donald Trump is the problem, and not Kamala Harris's open border? Americans are so fed up with what's going on and they have every right to be, and I really find this exchange, Martha, sort of interesting because you seem to be more focused with nitpicking everything that Donald Trump has said rather than acknowledging that apartment complexes in the United States of America are being taken over by violent gangs....

Raddatz: OK. Let's—let's just—let's just end that with they did not invade or take over the city as Donald Trump said.

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WORLD NEWS

Russia's LGBTQ People Face New Threats

Putin weaponizes his antigay views to tighten grip as war in Ukraine persists

By ANN M. SIMMONS

A decade ago, Russian publisher Leo Veles says, he could hang out in gay bars and clubs in Moscow and St. Petersburg. The scene wasn't as vibrant as in New York or London, but gay people could gather relatively free from scrutiny.

"There were places where you could feel safe, surrounded by people like you, where you could hold hands with your partner and kiss them," he recalls. "It was a place to escape in such a conservative and homophobic society, a space where you could come and just be yourself."

Now Veles lives in a different and more dangerous world.

Russian President Vladimir Putin has accelerated his drive against sexual minorities over the past several months, binding the Kremlin closer to the Russian Orthodox Church and pushing LGBTQ people further to the margins with restrictive new laws. He says his goal is to renew the nation as it contin-

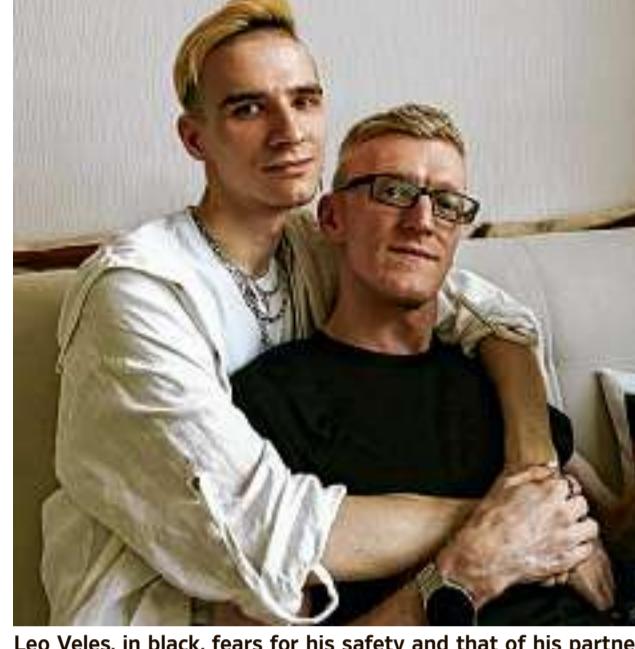
ues with its war in Ukraine. By taking a stand against what he deems to be the weakness and decadence of the West, Putin is also building bridges with like-minded leaders in Eastern Europe, Africa and some of the old Soviet republics.

This month, Georgia's parliament speaker said on social media that he signed into law a bill curtailing LGBTQ rights, mirroring recent legislation in Russia, despite objections from the country's president, who refused to sign the bill.

The space for LGBTQ Russians has drastically narrowed. An entire generation is left with a difficult choice—leave if possible, or go back to living in the shadows.

Homosexuality has long been viewed with suspicion in Russia. The country remains deeply conservative despite some earlier signs of loosening. Laws barring any portrayal of same-sex relationships have multiplied in recent years. One website listed the names and addresses of gay and lesbian people, some of whom have been targeted or even killed as a result.

Over the past year there has been a flurry of new measures affecting the community, the most severe of which



Leo Veles, in black, fears for his safety and that of his partner.

was the Russian Supreme Court's decision last November to declare what it vaguely called "the international LGBT movement" an illegal extremist organization.

Many gay-friendly establishments and bars responded by closing their doors. Others moved too slowly. In the first use of the new law, the owner, art director and administrator

of Pose bar, known for its drag shows, were arrested in March, sending a wave of fear rippling through the gay community. All three are still detained and face up to 10 years in prison. Their bar, in the southwest city of Orenburg, has been closed.

Many people are scrubbing their social-media accounts of any comments, photos or symbols that could lead to their

being accused of promoting a gay agenda. Even liking other people's posts could land them in trouble. Instead of using terms such as LGBT—which is more commonly used than LGBTQ in the country—some now use random abbreviations such as "LMNOP." The transgender community has come up with the term "Kilkot," a mashup of the Russian words for "sprat" and "cat," to describe its members.

Even Veles, who is openly gay and a well-known figure for blogging about his life, has made some adjustments.

"I can't publish books with queer story lines that interest me. I have to be more vigilant about my surroundings when I'm outside my home or safe locations. I also can't speak as openly in my blogs as before, because it's unsafe," he said.

In an email to The Wall Street Journal, Kremlin spokesman Dmitry Peskov de-

nied that Russian authorities are intentionally discriminating against the LGBTQ community, despite the various laws restricting gay rights. He noted that in many parts of Russia "LGBT culture is sharply re-

stricted by the people due to historical and religious norms."

The raid on the Pose bar in

Orenburg marked a turning point in Russia's creeping criminalization of gay culture.

Investigators seized from

the club and one staff mem-

ber's home what they described

as paraphernalia supporting

LGBTQ branding and activities.

Club owner Vyacheslav

Khasanov was detained

shortly after art director Alex-

ander Klimov and administra-

tor Diana Kamilyanova were

taken into custody. Investiga-

tors said the three supported

the views and activities of

what they described as the in-

ternational LGBTQ movement.

The case was splashed

across Russian media and had

an immediate chilling effect.

Veles, the publisher, says he

plans to continue living his life

as an openly gay man for as

long as he can. He fears for his

safety and that of his partner.

But he is determined to remain

in Russia in the hope the pen-

dulum might swing back.

"For me, being openly

queer is not about bravery or

heroism. It took me many

years to accept myself and

that process was long and un-

comfortable," he said. "Going

back into the closet is simply

unacceptable for me."

—Kate Vtorygina

contributed to this article.

African Port Deal Undercuts Fight Against Militants

By MICHAEL M. PHILLIPS

NAIROBI, Kenya—A deal that could allow Ethiopia to base warships in a breakaway region of Somalia is stoking tensions in a corner of Africa already ablaze with militant violence.

Under the agreement, Somaliland, a self-declared state within Somalia's recognized borders, would grant landlocked Ethiopia rights to naval and commercial port facilities on the Red Sea. In exchange, Ethiopia would become the first country in the world to recognize Somaliland.

Regional rifts

The accord, announced at the beginning of the year, has set the region on edge. Somali authorities are threatening to expel Ethiopian troops who have been helping them fight al-Shabaab, the local al Qaeda affiliate. Egypt—furious over a dam Ethiopia built on the Blue Nile—has joined Somalia's camp and in September delivered weapons to its capital.

The U.S., which has 450 defense personnel stationed in Somalia to advise local troops fighting al-Shabaab and Islamic State, worries the contretemps is distracting Mogadishu from the 18-year counterinsurgency war.

A year ago, the campaign seemed to be a rare case where the U.S. and allies had the upper hand in the global competition with militant Islamists. But American officials and their Western allies worry Mogadishu is so preoccupied with its quarrel with Ethiopia that it has let al-Shabaab regain territory and momentum.

In August, militants launched a suicide attack on Mogadishu's Lido Beach, kill-

ing 37 civilians and injuring more than 210, according to the U.N. Al-Shabaab is using the prospect of Ethiopia's taking control of Somali territory to recruit nationalistic Somali youth, Somali and Western officials said.

A small Islamic State force in Somalia's northeast is also gaining ground, the Combating Terrorism Center at West Point reported in September.

Western officials believe Yemen-based Houthi militants, who have been firing missiles at ships in the Red Sea, have made contact with al-Shabaab. The officials fear it is a prelude to providing Somali militants with advanced weapons.

Today's tensions trace their roots to two decades-old independence movements, one in Ethiopia and one in Somalia.

Seafront property

In 1991, Eritrea split off from Ethiopia, taking Ethiopia's only seacoast. Ethiopia has "been poking around the region for some time for access to the sea," said Michael Woldemariam, associate professor at the University of Maryland School of Public Policy.

Somaliland secured independence from Britain in 1960, days before Somalia broke free of Italian rule. They united soon after, only to fall out when Somali dictator Mohamed Siad Barre oversaw the slaughter of tens of thousands of Somalilanders in the late 1980s.

Somaliland declared independence from Somalia in 1991, but has failed to win international recognition. The deal with Ethiopia offers Somaliland its first crack at acceptance. Somaliland authorities earlier offered use of the port and adjacent runway to the U.S. mili-



Student supporters of Somalia demonstrated after the breakaway state of Somaliland signed a pact with Ethiopia in January.

tary, in exchange for an upgrade of relations. But the U.S. has been reluctant to provoke Mogadishu by accepting.

The dispute over the Somaliland-Ethiopia pact has delayed replacement of an African Union military force that has been fighting alongside the Somali military against al-Shabaab. It includes thousands of Ethiopian troops deployed when Ethiopia and Somalia were on better terms. Western officials say the Ethiopians are critical to fending off al-Shabaab in certain areas of the country. Now Somalia says the Ethiopians are unwelcome in the new AU force, leaving it unclear whether the AU will be able to fill its ranks.

"We cannot risk the creation of dangerous security gaps, which could worsen the humanitarian situation," U.S. Amb. Robert Wood told the U.N. Security Council last week. The U.N. says 6.9 million Somalis are in need of aid.

The Somalis have turned for support to Egypt, which is at odds with Ethiopia over the Grand Ethiopian Renaissance Dam upstream on the Nile. Cairo says the dam reduces

the flow of water into Egypt.

There is talk of Egypt contributing troops to replace the Ethiopians in the AU force in Somalia. Egyptian President Abdel Fattah Al Sisi said in September that Cairo's support for Somalia isn't aimed at Ethiopia, and is instead a gesture to assist a country that "has been in a state of instability for more than 30 years," according to the Egyptian state information service.

But Samira Gaid of Balqis Insights, a Mogadishu think tank, said September's arms package is widely seen in the Horn of Africa as an Egyptian warning shot to Ethiopia.

"We know our own interests, and we will choose between our allies and our enemies," Somali Defense Minister Abdulkadir Mohamed Nur wrote on X, alongside a photo of himself greeting the Egyptian warship dockside.

Turkey is mediating between Somalia and Ethiopia, to no apparent effect. The Biden administration is quietly urging Ethiopia not to recognize Somaliland, while searching for a way to satisfy Ethiopia's desire for an outlet to the sea.



The U.S. and its allies are concerned that the deal could give Ethiopia a foothold in Somalia, potentially threatening the stability of the country and the region.

The deal is also seen as a blow to the international community's efforts to combat piracy in the region. Piracy has been a major concern in the area since the early 1990s, and the international community has been working to address it.

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The deal is

BUSINESS & FINANCE

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Monday, October 14, 2024 | B1

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Apple Headset Runs Into Struggles

App developers fail to embrace Vision Pro, and the device's sales are disappointing

By AARON TILLEY

Apple's Vision Pro is struggling to attract major software makers to develop apps for the device, a challenge that threatens to slow the progress of the company's biggest new product in a decade.

New apps released on the Vision Pro every month have slowed since its launch in January. Some of the most-successful virtual-reality software de-

velopers have so far opted not to build apps for the headset.

Without enough killer apps, certain users have found the device less useful and are opting to sell it.

"It's a chicken-or-egg problem," said Bertrand Nepveu, who previously worked on the Vision Pro at Apple and is now an investor in this area at Triptyq Capital.

Nepveu and app developers think Apple should fund app makers to give them an incentive to port over their existing apps from other headsets or to develop fresh content. This practice has become common in the industry, with headset leader **Meta Platforms** fund-

ing many developers and even buying several app makers.

The social-media company is a formidable competitor to Apple, with a market share of all headsets reaching 74% in the second quarter of this year, according to Counterpoint Research.

Last month, Meta announced the Quest 3S headset—a cross between Meta's Quest 2 and Quest 3—starting at \$299, a price low enough that it could attract a new wave of users. Meta also showed off Orion, a prototype of so-called augmented reality glasses that can show digital content in the real world on see-through lenses.

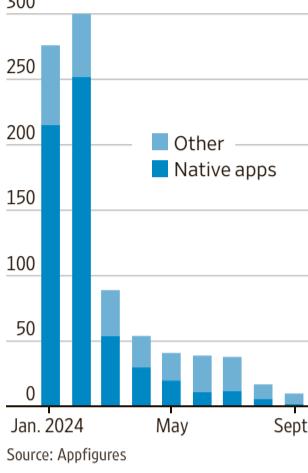
While Orion isn't ready for sale, it was a buzzy announcement that drew praise from analysts and enthusiasts. Apple, too, aims eventually to release an AR device that looks like a regular pair of glasses, people familiar with the company's plans said.

Many developers are already looking forward to a cheaper version of Apple's headset, which is expected as soon as next year.

Apple launched the Vision Pro with an experimental strategy: Sell a premium version of the goggles for \$3,499 before they had broad consumer appeal, betting the Vi-

Please turn to page B2

Number of apps released for Apple Vision Pro, monthly



Source: Appfigures

Low Used-EV Prices Pinch Dealers, Owners

By SEAN MCCLAIN

Electric cars have gone from pricey purchases to some of the biggest bargains on the used-car lot, as resale values for the vehicles have tumbled.

Two years ago, some used electric-vehicle models were selling for as much or more than new ones, because of a supply-chain crisis that resulted in a broader car shortage.

Now, the dynamic has flipped. Dealer lots are full of unsold EVs, and car companies—largely led by **Tesla**—have slashed prices on new models in an effort to sell them.

The discounts on new EVs have helped prop up flagging sales. Financing deals elevated Tesla's global deliveries in the third quarter, following declines earlier in the year.

But the flood of discounts has caused prices for previously owned EVs to plunge, adding to the challenges confronting the auto industry as its big bet on battery technology continues to sputter.

In September, the average selling price of a three-year-old EV was about \$28,400, less than that of a gas-engine vehicle of the same age and a 25% drop from the start of 2023, according to car-shopping website Edmunds. The sharp fall in the price of preowned EVs stands in contrast to the broader used-car market, where values have stayed steady during the same period, according to the firm's data.

The sharp decline in prices of used EVs could potentially broaden their appeal to budget-conscious buyers, analysts say. At the same time, many current owners who paid a premium for their cars are



Many current owners who paid a premium for their EVs are upside down on their loans, owing more than the car is worth.

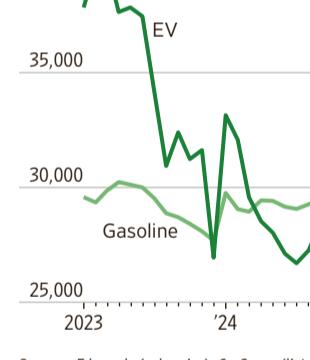
now upside down on their loans, owing more than the car is worth.

Among the hardest hit are some Tesla owners.

The world's top seller of EVs last year cut prices by as much as one-third on some new models in the U.S., leading other automakers to respond with their own markdowns. On top of that, rental-car company **Hertz** in January dumped a large chunk of its Tesla fleet into the used-car market, further depressing values, analysts and dealers say.

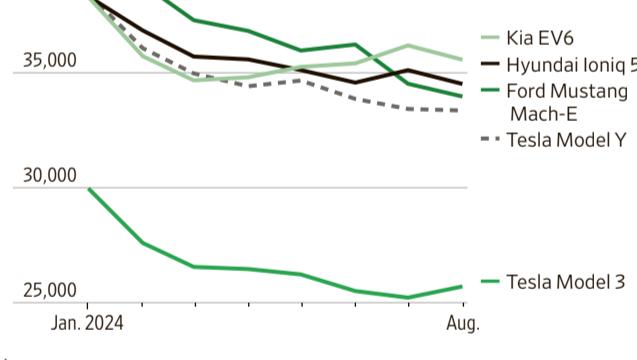
Within the past year, the average list price for a used

Average sale price of three-year-old vehicles



Sources: Edmunds (sale price); CarGurus (list price)

Average list price of select used EVs



Ziploc Billionaire Crusades Vs. Plastic Waste

By NATASHA KHAN

RACINE, Wis.—Billionaire Fisk Johnson has been on a crusade to contain the plastic-waste crisis.

He has gone scuba diving among plumes of plastic sludge. He has funded research on how microplastics are damaging for human health. And he has made trips to Congress to ask for regulations placing responsibility on consumer-goods companies to recycle the plastic waste their products generate.

Companies like his.

For 20 years, Johnson has been at the helm of one of the biggest consumer companies in the world—and a major manufacturer of products packaged in plastics. The 66-year-old is the fifth-generation leader of family-run **SC Johnson**, which makes Ziploc bags, Mrs. Meyer's Clean Day soaps and Windex cleaners.

"On one hand, I see plastic as one of the most useful, versatile and cost-effective materials developed in the last century," Johnson testified at a Senate committee hearing in March. "On the other hand, as a lifelong conservationist, I also have seen how plastic has become one of the more profound emerging global pollutants that is affecting planetary, animal, and human health."

That paradox is one of the most challenging questions confronting business leaders—how to balance the tide of consumerism with escalating environmental concerns? Are consumers prepared to pay more and change the way they get their soap, cleaners and food to drastically reduce plastic waste?

Some executives in the consumer packaged-goods industry question SC Johnson's commitment to better environmental practices. They say SC Johnson still relies on plastic for packaging many of its products, and single-use plastic films like Ziplocs aren't commonly recycled. Close to 40% of the world's millions of tons of plastics produced are used in packaging, according to the United Nations Environment Program, and 85% of that plastic ends up in landfills.

Johnson says he has introduced sustainable packaging, including Windex bottles made from recovered coastal

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Mattel makes its supply chain more nimble to respond to demand. **B3**



TECHNOLOGY

Elon Musk assures Tesla fans that robot cars are coming. **B4**

STREETWISE | By James Mackintosh

Federal Reserve Has a Problem With Data Dependency That Needs Fixing

Investors have once again been head-faked by the Fed. After seven false alarms where markets priced in a dovish pivot by policymakers, the Federal Reserve turned dovish in a big way—only for bond yields to rise sharply and investors to price in fewer rate cuts than they had before.

What's going on? The answer can be summed up in two words: data dependency. The Fed says it sets policy based on incoming data, especially on inflation and jobs. And those data have been unreliable and far more volatile than usual, confusing investors into a series of rapid reversals. The data point first to economic weakness and, sometimes after revisions, strength.

Since the Fed cut last month, economic data came in much stronger than expected. The economy appears strong. The weak jobs figures that spooked the Fed into a double cut of half a percentage point last month reversed in this month's re-

port, which was the third-strongest of the year. Live estimates of economic growth by the New York and Atlanta Feds are above 3% for the third quarter, up from 2% in late August.

The Fed should look at the data. But data dependency has come to mean looking only at recent data, ignoring projections for the

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Businesses focus on volatility in election year

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Horror Sequel Opens on Top



'Terrifier 3' earned \$18.2 million in its first weekend.

Estimated Box-Office Figures, Through Sunday

Film	Distributor	Sales, in Millions		
		Weekend [†]	Cumulative	% Change
1. Terrifier 3	Iconic Events	\$18.2	\$18.2	—
2. The Wild Robot	Universal	\$13.4	\$83.7	-29
3. Joker: Folie à Deux	Warner Bros.	\$7.1	\$51.6	-81
4. Beetlejuice	Warner Bros.	\$7.1	\$275.6	-30
5. Piece by Piece	Focus Features	\$3.8	\$3.8	—

[†]Friday, Saturday and Sunday in North American theaters

Source: Comscore

EV Dealers And Owners Feel Pinch

Continued from page B1

Model 3 and Model Y—Tesla's most-popular models—dropped about 25%, according to data from car-listing website CarGurus.

"They kept reducing the price of the cars, which killed the used-EV market," said Christian Lange, the owner of a 2018 Tesla Model 3, which he had purchased brand new. In early 2023, the vehicle was valued at around \$35,000, roughly equivalent to what he owed on his loan.

Normally, buyers gradually build equity in their vehicles as they make payments. But the reverse happened to Lange, because sharp price reductions on new Teslas made his vehicle worth less as well. At the start of this year, the value of Lange's Tesla had dropped so much it was worth \$10,000 less than what he owed on his loan.

Frustrated with Tesla, Lange said he traded his Model 3 for a Kia EV9. Tesla didn't return a request for comment.

As buyer interest in EVs has continued to subside this year, automakers have become more aggressive with their sales promotions for new models, offering cheap leases and low-interest-rate financing deals that are sapping demand from the used-car lot.

Some brands are lowering payments on new EVs by applying a \$7,500 tax credit available for such purchases directly to the lease deal.

As a result, the average monthly payment on an electric-car lease has fallen from \$950 at the start of last year to \$582 in August, according to Edmunds. That figure would be roughly comparable to what one would pay each month on a loan for a \$28,000 used EV, said Ivan Drury, the firm's director of insights.

The flood of discounts on new EVs has sunk prices of used ones.

Leasing has quickly become the most-popular method of buying a new EV. At the start of last year, 16% of electric-vehicle sales at dealerships were leases, according to Edmunds. Today, the figure is nearly 80%.

Auto executives admit they misjudged the market, and that miscalculation is taking a toll on used-EV prices. To limit supplies, car companies are pulling back on their ambitions, including reducing production and delaying expansion plans. Some also are taking precautions with their EV leases to preserve resale values.

"We don't want to end up in a situation where we're just producing to a target, and the demand isn't there," said **General Motors** Chief Financial Officer Paul Jacobson on a call with analysts in July. "You've got residual value implications which stay with you for a long, long time."

Prices in the preowned market also have been hurt by a new federal tax credit for used-EV purchases. The \$4,000 credit, introduced early last year, only applies to electric cars selling for under \$25,000,

a requirement that has led some dealers to cut the price to get under that amount, analysts say.

Dave KatarSKI, operations chief for Feldman Automotive Group, a large dealer group in Michigan, said his stores have been selling more than 200 used electric cars a month, a significant increase from a year ago.

The used-EV tax credit has helped stimulate interest among consumers, along with an influx of cheap Teslas previously owned by Hertz, he added. "We're seeing a ton of people flock to them when they can afford them," KatarSKI said.

There also are some troubling signs. An Edmunds study of EV trade-in values showed that in August, owners on average owed about \$10,000 more than the car was worth—up from about \$8,000 at the start of 2023.

—Mike Colias contributed to this article.

Johnson introduced Culbertson, now the chief executive of nonprofit Youth Service America, to diving. During a 2021 trip to Cocos Island off Costa Rica, Culbertson recalls Johnson peeling off from the dive to collect samples for microplastic research and analysis. In the evening, Johnson pulled out his microscope and analyzed samples, showing them to the boat's local crew and discussing what microplastics pollution had done.

Even before Johnson assumed the position of CEO in 2004, SC Johnson had been trying to tackle the issue of plastic waste. It was among the first companies to release a bottle made of recycled plastics, in 1990. And over the past decade, it has released different iterations of "reuse and refill" packaging, including a concentrated version of

BUSINESS & FINANCE



The tech company pitches the Vision Pro as a device with broad uses, not just for gaming. A demonstration in Beijing.

Apple Headset Stalls

Continued from page B1
sion Pro would kick-start an industry still in its infancy. To catch on, the Vision Pro would need killer apps, which helped turn the iPhone into one of the most-popular consumer products in history.

So far, the ecosystem for the headset has developed slowly, as many developers remain on the sidelines.

"We're not in a rush," said Hrafn Thorisson, chief executive of Iceland-based VR game developer Aldin Dynamics. "We're waiting until we see a better trajectory and when the next device comes out."

Aldin makes a popular game for the Meta Quest called "Waltz of the Wizard," in which players inhabit a fantasy world casting magical spells. The company has started testing software on the Vision Pro, but it doesn't have plans to release soon. Thorisson remains hopeful about Apple's long-term ambitions and thinks it was smart to approach the product as broader than just a gaming device.

There has been a significant slowdown in new apps coming to the Vision Pro ev-

ery month. Only 10 apps were introduced to the Vision App Store in September, down from the hundreds released in the first two months of the device's launch, according to analytics firm Appfigures.

It has counted around 1,770 apps available for the Vision Pro in the App Store as of September. Only 34% of those apps are built specifically for the Vision Pro, while the rest are versions of existing Apple apps that have additional Vision Pro functionality, Appfigures said.

Apple said in August that there are more than 2,500 apps built for the Vision Pro. Appfigures said the discrepancy between these two figures could be, in part, because some apps aren't used enough to register on usage charts, making them difficult for the analytics firm to detect.

"We're at the stage now where app growth may look slow, but you have to factor in those who are working on it to want to create the best app possible," said Tim Bajarin, a longtime Apple analyst at Creative Strategies. "They're not rushing those apps to market."

The Vision Pro ecosystem appears to be growing slower than the original iPhone and the Apple Watch. Nearly a year after the 2008 launch of the App Store for the iPhone, Apple said it had 50,000 apps. The Apple Watch, meanwhile, had 10,000 apps about five months after

its debut.

Both devices had lower starting price points and wider appeal than the Vision Pro. Developing apps for the Vision Pro is far more technologically challenging than doing so for many simple iPhone and Watch apps.

The Meta Quest store has around 3,500 apps, estimated Simon Carless, founder of gaming consulting firm GameDiscoverCo. Carless said the difference between the two platforms is that Quest is primarily a virtual-reality games ecosystem attempting to move into augmented-reality content, while the Vision Pro is an AR platform first.

Apple hasn't disclosed any sales figures for the Vision Pro, but analysts say the headset hasn't sold well. Apple cut its first-year Vision Pro shipments to between 400,000 and 450,000, down from between 700,000 and 800,000 units, according to supply chain analyst Ming-Chi Kuo in April.

In the second quarter of this year, Vision Pro sales plunged 80% from the first quarter, according to Counterpoint Research.

A large chunk of initial buyers also returned the device within the two-week window that Apple allows for a full refund, the research firm said.

Games are the most-popular type of app on the Meta Quest, and Apple by contrast has pitched the Vision Pro as a much-broader device for

work, health and entertainment. Instead of relying on controllers necessary for most games, the Vision Pro uses hand and eye tracking for users to interact with the software. The lack of controller has inhibited some game development for the Vision Pro.

"They need controllers," said Scott Albright, chief executive of Combat Waffle Studios, maker of the popular VR shooter game "Ghosts of Tabor." "I think it's great Apple is being here, but they need to figure out what the headset is meant for."

With the overall lack of Vision Pro apps, some early adopters are finding little to do on the headset, leading to either early returns or used device sales.

Rostyslav Aliksieienko, a 23-year-old software engineer, received his Vision Pro in February and said he tried everything he could do with it. Aliksieienko downloaded all the Apple-recommended apps and tried to use it for work. But he struggled to find reasons to pick it up again consistently.

"In the beginning, I was super excited," he said. "But it didn't integrate into my life. I ran out of stuff to do quickly. Then it was just laying around."

In August, Aliksieienko put it up for sale on Facebook Marketplace and ended up selling it for \$2,600, a hit from the \$4,000 he originally paid for it.



Fisk Johnson has run SC Johnson for 20 years.

nounced in 1975 that the company would remove polluting chlorofluorocarbons from its aerosol products. During a speech in which Sam Johnson announced the change, the head of a chemical company stood up and told Johnson he was ruining the industry.

The younger Johnson says today, fellow companies on the Consumer Goods Forum such as PepsiCo, Unilever and Walmart also are working on this issue.

More than a decade ago, Johnson started a team directly reporting to him focused on addressing global health problems. It was funded in part by the 5% of pretax profits the company has pledged to give back to its communities. Today, the unit's performance metrics include people affected and lives saved.

The team has spent \$100 million developing a not-for-profit spatial mosquito repellent that can be hung indoors; a study in Indonesia showed that it reduced first-time malaria infection rates by 28%.

Johnson carves out time at town hall meetings to give life updates, including about his daughter, who is training to be a wildlife conservation veterinarian. He says he has no plans to retire soon, and hopes two nieces who work at the company could eventually take over the role.

Johnson tells the story of a monthlong trip he and his brother took with their father, Sam, in 1998, re-creating a journey Sam's father had made in 1935. They commissioned a replica plane and flew from Racine to Fortaleza, Brazil.

On the trip, Sam "bared his soul" about the difficult relationship he had had with his father, who yelled at him and told him he was no good, Fisk recalls. The lesson Sam took from his upbringing was that it was more important to live up to your children's expectations than your father's.

Fisk Johnson says that is his goal, too.

Windex. But those products didn't take. People didn't buy them on a scale that would make a meaningful difference to tackling the problems of plastic waste, Johnson said.

"We keep running into walls," Johnson said. "I look back on what we've done on plastics—we've worked hard, but I can't say I'm proud of the progress we've made."

Johnson has focused his efforts on fighting for legislation, becoming a regular presence at symposiums to push for changes. He points to fees on plastics and packaging in British Columbia that funded collection efforts and pushed recycling rates higher.

Johnson is operating in a more receptive environment than his predecessors. His father, Sam Johnson, stunned the industry when he an-

Mattel Supply Chain Gets More Nimble

Toy maker closes some plants, trims product lines as it adjusts to demand

By LIZ YOUNG

When "Weird Barbie" became an unexpected breakout hit of the "Barbie" movie last year, Mattel kicked its new supply-chain strategy into action.

The toy maker accelerated the doll's design and manufacturing process to tap in to the attention to the character, rapidly bringing to store shelves a doll that—like its on-screen inspiration—looks like it has been "played with too much."

It was one example of how one of the world's largest toy makers has revamped its supply chain, closing some factories, outsourcing production at others and fine-tuning work at some sites to prepare for the expected spark from the Barbie movie.

The idea for the El Segundo, Calif.-based company has been to reset a supply chain long focused on relatively predictable seasonal patterns in the children's toy market to make it more-flexible to respond to rapid shifts in consumer demand.

The changes have cut Mattel's costs and helped increase its profit to \$57 million in the quarter ended June 30, from \$27 million a year earlier, even as sales declined. The toy industry is facing a broader slump as children shift their focus to video-games and smartphone apps,

The changes have cut Mattel's costs and helped increase profit.

Roberto Isaías, the company's chief supply-chain officer, said the strategy has helped Mattel better project demand to have products available when customers want them.

"We're trying to revitalize the brands and be commercially successful," Isaías said this month at the Council of Supply Chain Management Professionals conference in Nashville, Tenn. "At the same time, we're trying to get to the lowest possible cost."

The toy market in the U.S. has been on a roller coaster in recent years. Sales surged early in the Covid-19 pandemic as families stuck at home ordered more toys, but demand has since pulled back.

Toy sales in the U.S. fell 8% in 2023 from the previous year to \$28 billion, according to market-research firm Circana.

Mattel has faced pressure to take action on weaker parts of its business. Activist investor **Barington Capital Group** had built a 0.18% stake in Mattel as of June, according to FactSet. Barington in February sent a letter to Mattel's leadership recommending the company pursue strategic alternatives for its Fisher-Price and American Girl businesses.

Mattel brought in \$5.4 billion in its fiscal 2023, roughly flat with 2022. Its gross margin increased to 47.5% last year from 45.7% in 2022.

The maker of Hot Wheels cars, Fisher-Price toys and American Girl dolls is developing more movies and TV shows starring characters from its brands to drive demand for its toys and replicate the Barbie movie's success.

To align its supply chain more closely with event-driven sales, the toy maker has closed or sold five factories and invested in its most productive sites in Mexico and across Asia. It has cut the number of products it makes by about 45% since 2018 to get rid of some of its less-popular items.

Trimming the variety of toys it sells has helped the company better forecast shopper demand, reduce inventory and improve in-stock levels, Isaías said. The company's inventories fell to \$777 million in the quarter ended June 30 from \$972 million a year earlier.

Many retailers and brands have slashed the variety of goods they sell since the pandemic to focus on their most-popular items, said Brian Gibson, a professor of supply-chain management at Auburn University. Cutting

items that don't sell as quickly means "there's less complexity overall in your supply chain, and you're not having to try to manage so many different inventory items," Gibson said.

At its plants, Mattel has extended the time that each line produces a particular toy. Previously, it seemed as soon as Mattel factory workers got the hang of making one particular toy, "Boom, we changed it to a different toy," Isaías said. Now, workers have time to master the production of each item, he said.

For items with long lead times made in Asia, Isaías

said Mattel found it had time to focus on increasing output and to reduce labor costs instead of rushing to get toys to shelves in the U.S.

"When you're in Asia, 2½ months away from your market, if you run for a day, or half a day, or a day and a half, it makes no difference," he said.

The company also moved to outsource more manufacturing, including for items it makes under movie licensing agreements with entertainment companies. Although using contract manufacturers costs more than making the toys at its own factories, Isaías said it can help keep Mattel from getting stuck with



Last year's 'Barbie' movie sparked demand for 'Weird Barbie,' which Mattel raced to produce.

unused capacity when demand drops off.

Mattel also has adjusted its supply chain to react quickly to unexpected demand when

toys go viral online, as it did with "Weird Barbie." When the company needs to quickly get goods to shelves, it makes some items at its factory in

Mexico, close to U.S. customers, and absorbs the higher manufacturing costs, or it air-freights products to the U.S. from Asia.

Home Depot to Exit From 4 Warehouses

By LIZ YOUNG

Home Depot is shedding some of the sprawling warehouse space it added in the midst of the pandemic, as it grapples with falling sales in an uncertain consumer market.

The Atlanta-based home-improvement retailer is looking to sublease four buildings of around 1 million square feet or more across the U.S. It had been using them to store products imported from Asia that it had rushed into the country to get ahead of supply-chain bottlenecks.

The changes come as Home Depot is targeting about \$500 million in cost savings this fiscal year, including by getting rid of space leased during the Covid-19 pandemic amid feverish consumer demand to complete home-improvement projects.

The buildings the company is putting on the market total about 4.7 million square feet in all and are in Monroe, N.J.; Goodyear, Ariz.; Joliet, Ill.; and Riverside, Calif.

Home Depot's sales have fallen over the past year as high interest rates and low housing turnover have weighed on demand for home-improvement projects. The company's

comparable sales—those from stores and digital channels operating for at least 12 months—fell 3.3% for the quarter ended July 28 compared with the previous year.

The retailer's decision is the latest sign of contraction in the U.S. warehousing market following a period of red-hot growth during the pandemic as companies raced to place products as close to consumers as possible to speed up home delivery.

Retailers have more recently turned the corner on a big drawdown of inventories and are aligning their supply chains for more normal, prepandemic stocking and consumer spending patterns.

Amazon.com, one of the country's largest warehouse tenants, pared back its logistics network growth in 2022 and 2023, including by subleasing some sites.

The amount of U.S. warehouse space listed for sublease reached a record high of nearly 199 million square feet in the third quarter, up 45% from the previous year and far above the previous peak of 124 million square feet of sublease space available in 2009, according to real-estate services firm Savills.

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TIM HIGGINS

Musk Plays a Familiar Robotic Tune

Elon Musk, dressed in a leather jacket on stage playing one of his greatest hits.

Robot cars are coming.

The fans at Thursday's event swooned as they always have as he pushed out timelines for delivering robot cars and showed what those vehicles could look like. But outside the Hollywood-area venue, it wasn't exactly clear that everyone believed his vision for the future is as near as he says.

Tesla stock fell almost 9% Friday amid investors frustrated with the continued lack of details for how the company is going to make the complicated transition from maker of cars to maker of robots.

In essence, Thursday night's product reveal became something of a Rorschach test: Supporters, who point to everything Musk accomplished with electric cars and other industries, heard a glorious future with driverless cars and humanoid robots. Critics—mindful of missed goals and maybe peevish by his politics—saw more smoke and mirrors.

"Let's not get nuanced here," the chief executive told the crowd as they peppered Musk with questions, a reminder that even among the faithful, time is ticking for him to play some new notes. And to deliver a big hit.

What he did show was cool. A two-seat car with doors that swung upward to open, inspired, in part, by the sci-fi movie "Demolition Man."

Though as Musk talked about the vehicle, it wasn't clear he had settled on a formal name. On stage, he called it the "Cybercab," while the company released



maybe not even those watching on the livestreams through Musk's social-media platform X—which counted more than 9 million views by Friday evening.

The real target were the hundreds of attendees at the event who spent the evening riding around in the cars and posting fawning videos of their experiences on social media, in turn, helping the event go even more viral and generating even more attention for the idea that Tesla is paving the way for a robot future.

Robot cars are coming.

Not only did party attendees enjoy rides, but they were entertained by the latest versions of Tesla's humanoid robots Optimus, which Musk has said could one day add \$25 trillion to the company's market value.

Former Tesla board member Steve Jurvetson posted a video of himself playing rock, paper, scissors with one of the robots. "Optimus just beat me in rock paper scissors!" he tweeted.

Others shared videos of robots pouring drinks and dancing.

"The markets won't get what happened last night at @tesla," Robert Scoble, a blogger and former Microsoft tech evangelist, posted on X. "I couldn't be more impressed. @elonmusk laid out a bunch for next decade. I have been to a lot of product launches and never have been to one like this."

Some even compared the evening to when the late Steve Jobs unveiled Apple's first iPhone, marking the beginning of a new technology era. It was an idea that Musk was quick to endorse.

"Yes, this marks a fork in the road," he tweeted afterward.

Robot cars are coming.

A video image of the long-promised Cybercab during the unveiling at Warner Bros. studios near Los Angeles.

details on its website calling it the "Robotaxi."

Whatever the name, the straight lines of the small car resembled what might be the offspring of the Cybertruck, the pickup the company brought out last year after delays, and the new Roadster that was first revealed in 2017 and has yet to come to market. Those delays are examples of "Elon Standard Time," or his practice of setting a target only to miss it.

Robot cars are coming.

The Cybercab/Robotaxi reveal included what Musk says will be Tesla's autonomous van, an art-deco-inspired vehicle that resembled a toaster with an interior meant to feel like a spaceship and enough room for 20 passengers.

Like the small car, the van lacked a steering wheel—the sort of doodads currently required under regulations, though exceptions can be granted. The car could begin

production "probably" in 2026, Musk said. He didn't even suggest when the van might come.

The nearest timeline was deploying fully self-driving cars, through the company's current offerings, next year in Texas and California.

Musk has been predicting driverless cars being just around the corner for several years, including in 2016 when he said Tesla would demonstrate a car driving itself from Los Angeles to New York City in 2017. That didn't happen.

In 2019, he said he expected his robot taxis would arrive in 2020. That didn't happen.

But Tesla pushed the envelope with its driver-assist system that is essentially a glorified cruise control—adjusting speed, keeping within a lane and other maneuvers—but can't technically drive the car. Tesla

says the person behind the wheel is responsible for everything, though some drivers grow overconfident in its true abilities and act like the car is autonomous.

Musk likes to talk about how Tesla vehicles are collecting valuable real-world data that is used to train its AI systems.

After building Tesla into the world's leading electric-car company, Musk in recent years tried to position its future on robotics, saying it is focused on solving self-driving technology. "That's really the difference between Tesla being worth a lot of money and being worth basically zero," Musk said in 2020.

Despite that rhetoric, Tesla is behind in deploying cars on roadways without drivers. Alphabet's Waymo deployed fully autonomous vehicles in places such as San Francisco, where paying customers can take its vehicles around the city without

anyone behind the wheel.

On Thursday night, Tesla demonstrated 50 vehicles, including the new two-seater, driving autonomously on private property of the Warner Bros. studios where Musk held his party for investors and supporters.

Detractors were quick to pounce.

"After over 10 years of Full Self-Driving development, Tesla is limited to a 20-30 acre geofenced 5mph 1950s Disneyland ride on a preprogrammed, premapped and heavily rehearsed route with no traffic and no pedestrians," Dan O'Dowd, a critic of Tesla and founder of a rival software company, said in a statement. "Tesla robotaxi is nothing more than the latest work of fiction to come out of the Warner Bros. Studio."

But Thursday night wasn't about impressing the O'Dowds of the world. And

Robot cars are coming.

LED Case Ruling Leads to Ban

By KWANWOO JUN

Seoul Semiconductor's recent patent case against a German online retailer, expert e-Commerce, has led to the United Patent Court's ban on light-emitting diode products violating patent rights in eight European countries simultaneously.

The UPC, a common European patent court established in June 2023, said in an Oct. 10 ruling for the South Korean LED maker that the German retailer should stop selling LED goods unlawfully using Seoul Semiconductor's patented technology, according to people familiar with the case.

The landmark UPC ruling took effect at the same time in Germany, Austria, Belgium, France, Italy, Luxembourg, the Netherlands and Sweden, they said.

Expert e-Commerce, the third largest European online retailer with roughly \$14 billion in annual revenue, was also ordered by the UPC to retrieve and destroy all such LED goods already sold in the region, they said.

Though the total value of LED products to be removed



Seoul Semiconductor filed a series of LED lawsuits.

from the markets has yet to be determined, it could be "significant" given the retailer's sizable revenue, they added.

The German retailer didn't respond to a request seeking comment on the patent-case ruling.

Seoul Semiconductor has filed a series of lawsuits against rival LED makers and global retailers for selling LED products allegedly infringing on its patented technology.

The company has accused them of violating its "WICOP" technology and other signature patents for micro LEDs

for display products, which it says are crucial to making LED products smaller and more powerful.

Chung H. Lee, Seoul Semiconductor's founder and chief executive, said recently that the patent lawsuits aren't just for the benefit of his company but are so that young people and companies can continue to innovate creatively.

Seoul Semiconductor said it holds over 18,000 patents after spending nearly \$100 million annually over the past two decades in research and development.

Marketing Tech Firms to Merge

By MEGAN GRAHAM

Marketing technology company Zeta Global is buying LiveIntent, another marketing tech provider, for \$250 million in cash and stock.

New York-based Zeta, which went public in 2021 and employs about 1,900 people, offers a platform that aims to help large marketers such as Motel 6, Rent-A-Center and Citizens Financial acquire, keep and expand business from their customers using artificial intelligence and data.

Clients can use its data to see what behaviors their customers engaged in before they made a purchase, then use the platform's AI to find consumers with similar behavior to target, according to the company.

Zeta said the acquisition will

let the company integrate LiveIntent's database of consumer information into its own and add new capabilities to its portfolio.

"AI is going to become more and more ubiquitous. It's going to be the data that you feed into it that's going to be a differentiator," said David Steinberg, Zeta's co-founder, chairman and chief executive.

The deal comes as marketers seek to better control and organize the so-called first-party data they have gathered on current or potential customers, partly spurred by Google's long effort to eliminate third-party tracking cookies from its Chrome browser. Google ultimately abandoned that plan but said it would make other changes.

"They're simply going to

make it easier and easier for consumers to opt out" of tracking cookies, Steinberg said. "And they're already doing that."

LiveIntent's other services include helping publishers generate revenue and setting up retail media networks, in which businesses such as grocery and big-box chains offer advertisers ways to reach consumers using customer data.

Its acquisition expands Zeta's services, whose range analysts cite as an asset. Zeta's price for LiveIntent includes \$77.5 million in cash and \$172.5 million in stock. The agreement also provides for a potential earnout of 50% cash and 50% stock tied to certain performance targets in the next few years. The deal is expected to close before year-end.

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Seoul Semiconductor filed a series of LED lawsuits.

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BUSINESS & FINANCE

J&J Case to Remain in Texas

Claimants wanted third chapter 11 try to resolve talc suits moved to New Jersey

By AKIKO MATSUDA

A bankruptcy judge in Texas said **Johnson & Johnson's** third chapter 11 case seeking to resolve its talc-related liabilities can stay in his court in Houston, rejecting requests from lawyers for claimants who wanted the proceeding transferred to New Jersey.

"I think the New Jersey court and this court would be on equal footing as to the consideration of this plan," Judge Christopher Lopez of the U.S. Bankruptcy Court in Houston said.

J&J filed its third chapter 11 case last month, offering a roughly \$8 billion compensation plan supported by tens of thousands of personal-injury plaintiffs. The latest case aims once again to resolve all current and future lawsuits linking J&J's cosmetic talc products to cancer, after two previous bankruptcy cases filed by J&J were thrown out of court.

J&J then opted for a new venue, creating a subsidiary named Red River Talc as a vehicle to carry the talc lawsuits into bankruptcy court in Houston. The company garnered votes from 83% of the claimants who cast ballots backing its chapter 11 plan and its choice of Texas as a venue.

A coalition of talc claimants and personal-injury lawyers who didn't accept the company's offer sought to transfer Red River's case to a bankruptcy court in New Jersey that oversaw J&J's first two



J&J created a new subsidiary to carry the talc lawsuits into bankruptcy court in Houston.

failed cases. J&J's headquarters are in New Jersey.

Sunni Beville, a lawyer representing the coalition, argued during the court hearing that Red River was only created to manufacture a venue for the bankruptcy case in Houston, a more-favorable forum for the company than New Jersey.

"If this is not a poster child for abusive forum shopping, I really don't know what is," she said in court on Thursday. Red River didn't exist when its parent company solicited votes from injury claimants on its compensation plan, the backbone of the third bankruptcy filing, she said.

Allowing the case to stay in Houston would "destroy and impugn the integrity of the bankruptcy system," she added.

The choice of Houston as the third bankruptcy filing venue was supported by a much larger group of claim-

ants, said Kris Hansen, a lawyer representing talc claimants who accepted the company's offer. The third case came together because ovarian and gynecological cancer claimants wanted to separate themselves from other tort claimants, mainly mesothelioma victims, to expedite their compensation process, he said.

Gregory Gordon, a lawyer representing Red River, said that objecting claimants want the chapter 11 case transferred to New Jersey not because that is the appropriate forum but "because they think that maximizes their prospects for obtaining a dismissal."

In his previous rulings, Judge Michael Kaplan of the U.S. Bankruptcy Court in Trenton, N.J., said that J&J affiliate LTL Management LLC, created to carry the company's talc-related liabilities into bankruptcy, wasn't in sufficient financial

distress to warrant granting it the legal protections of chapter 11.

J&J recently established Red River using a Texas divisional merger, the same legal strategy it used to create LTL, loaded with its talc liabilities. Red River has defended its choice of venue in court papers and said that, unlike LTL, Red River never changed its domicile to relocate out of state and has always been a Texas entity.

Judge Lopez correctly ruled that Red River's prepackaged bankruptcy shall remain in Texas, where Red River is incorporated, where its assets are located, and where the claimants whose interests are at issue selected as the appropriate forum, a J&J representative said. "Today's decision is another step closer to full and final resolution of the talc litigation for the benefit of all stakeholders."

Public Firms Lure Private Equity

By MARIA ARMENTAL

Cash-rich buyout shops are eyeing opportunities to buy public companies whose shares trade below their estimated net worth, despite this year's overall strong stock-market performance.

While the market has rebounded strongly, "if you peel the onion a little bit...there's still a lot of dislocation," Goldman Sachs partner Ben Wallace said during a recent online panel. "There's a whole wave of 2021, '22, '23 [initial public offerings] that are trading below IPO price, and you have a lot of sectors where companies are trading at valuations that are pretty dislocated, or disconnected, relative to their historical averages."

Private equity was involved in 34 take-private deals in the U.S. in the first nine months of the year, compared with 27 for the comparable period a year earlier, according to data

provider PitchBook. Globally, private equity took private 72 companies through Sept. 30, down from 77 a year earlier.

U.S. take-private activity has remained strong despite growth in major U.S. indexes this year, including the S&P 500, Nasdaq Composite and the Dow Jones Industrial Average.

Fueling private equity's acquisitive appetite is the industry's large levels of dry powder, or capital raised but not yet committed to deals, as well as access to debt financing, from syndicated bank loans to private credit.

Private-equity and venture-capital funds held a record \$2.62 trillion in dry powder as of July 10, according to S&P Global Market Intelligence and Prequin data.

Buyout firms' high levels of dry powder are fueling the appetite.

Although deal activity appears to be recovering, regulatory uncertainty, particularly the presidential election's potential impact on healthcare policy, has weighed on parts of the market, analysts and industry advisers say.

That regulatory scrutiny has added to transaction costs and complicated financing, given lengthier deal timelines, Eric Waxman, a partner at Ares Management,

said during the panel hosted by Expert Webcast.

Take-private transactions require a different skill set than private company acquisitions, long the bread-and-butter of private equity deal making, industry advisers said.

"A lot of times in our private transactions, we talk

about how [private equity] is a terrific partner for management teams," Waxman said. "We talk about the fact that we can create a lot of value for management teams."

That is a no-no in take-private transactions because in the event a shareholder sues, that kind of talk could be interpreted as an improper attempt to woo management to tip the playing field, Waxman said.

Publicly traded companies have to put shareholders' financial interests first and, in doing so, often weigh other viable alternatives, including competing bids.

For example, food investor Butterfly Equity's \$1.95 billion deal to take private wine-maker Duckhorn Portfolio includes a 45-day "go shop" provision that allows the company to solicit other bids.

Advisers also recommend erring on the side of disclosure, which should help garner support for a deal.

Hain Celestial Aims to Invest in Its Brands

By KRISTIN BROUGHTON

Tea and snack maker **Hain Celestial Group** is under pressure to show investors that the company's turnaround effort, in place for a year, is bearing fruit.

Hain Celestial—whose brands include Celestial Seasonings tea, Garden of Eatin' chips and Earth's Best baby and toddler food—has struggled in recent years with sales growth, largely because of underinvestment in the company's best-known brands, Chief Financial Officer Lee Boyce said. The root cause: strain from years of acquisitions with little focus on integration, leaving the company with costly production and overlapping vendor relationships.

"When you're going through and doing all of these acquisitions and then divestitures, you're not focusing necessarily on things like innovation. You're not focusing on marketing," said Boyce, who joined the company in September 2023 as part of a new management team. Chief Executive Officer Wendy Davidson took over her role nine months earlier.

Hain Celestial said a year ago that it would restructure its operations in a three-year



CFO Lee Boyce

effort, with a goal of freeing up cash for innovation, marketing and debt reduction through better working-capital management and lower production costs. The company has made progress on its targets, for instance, unlocking over a third of its target \$165 million in working-capital improvements over the past year, Boyce said.

In the year ahead, it will face a test, with investors looking for improved gross margins and organic sales growth, analysts said. "This year is really going to be the proof point to show: How much can they extract out of the gross margin line?" said

Jim Salera, an analyst at investment firm Stephens.

During the quarter ended June 30, net sales fell 6% from a year earlier, to \$418.8 million. On an organic basis—excluding divestitures and discontinued products—net sales fell 4%. The company's gross margin edged up 0.9 percentage point, to 23.4%.

Hain Celestial, like its larger competitors, expanded in recent decades through acquisitions, with a focus on brands that appeal to health-focused consumers.

It operates 39 brands globally. In 2018, it owned 64 brands. The company began shedding brands in 2021, before the turnaround effort, and has streamlined product offerings over the past year as well.

One way Hain Celestial has cut costs is by consolidating manufacturing facilities and increasing utilization of production lines. Before the turnaround effort, the company operated 31 manufacturing plants; it now operates 12.

In total, Hain Celestial has generated \$65 million of what it describes as productivity savings over the past year, more than its fiscal 2024 goal of \$61 million, Boyce said. "We looked at everything across the whole supply chain, and

the endpoint is driving down the cost. And it has to be sustainable," he said.

Hain Celestial plans to redeploy savings into what it describes as brand building—innovation, marketing and expanded distribution. Recent examples include Sleepytime herbal tea with melatonin, a natural sleep aid, or biotin, a beauty supplement. The Garden Veggie brand this year added tortilla chips in nacho cheese and zesty ranch flavors. The company has recently increased distribution through convenience stores.

It has freed up working capital by reducing inventory through improved forecasting, and negotiating longer payment terms with large suppliers, Boyce said.

Meanwhile, the company is paying down debt.

Its turnaround plans include a target net debt-to-adjusted earnings before interest, taxes, depreciation and amortization ratio of between 2 and 3. That figure stood at 3.7 as of June 30.

"That gives them more freedom, more degrees of freedom, to both reinvest in the business and potentially drive some margin improvement," said Jon Andersen, an analyst at investment firm William Blair.

New York Denies Sale of Bankrupt Retirement Home

By AKIKO MATSUDA

New York officials denied a buyer's application to acquire the Harborside on Long Island, upending the sale and leaving hundreds of residents at the three-time-bankrupt retirement community at risk of losing their homes.

The New York State Department of Health denied the application filed by the Harbor-side's court-authorized new manager, an affiliate of retirement-home operator **Life Care Services Communities**, according to a letter dated Oct. 3 reviewed by The Wall Street Journal.

The department said it denied the application because of outstanding issues such as lack of financial transparency and a noncompliant management structure.

Residents have been waiting for new management since a bankruptcy judge authorized the not-for-profit community's sale to for-profit LCS in December.

The termination of the application "threatens to turn a

dent Daniel Lahey said LCS at no time has refused to provide information or documentation requested by the department.

A representative for the state agency said that the DOH is doing its job. "In keeping with its regulatory responsibility, the department protected vulnerable residents by denying an applicant who was unwilling to comply with instructions on how to bring the application in compliance with state law," the representative said.

The Harborside life-care community in Port Washington, N.Y., filed for bankruptcy in March 2023 for the third time, 18 months after exiting its second chapter 11. The community's nonprofit operator blamed falling occupancy and rising costs during the Covid-19 pandemic.

When the community entered its third bankruptcy, residents were at risk of losing their homes and the large sums they had paid to the operator as entrance fee deposits. At the urging of residents, Judge Alan

Trust of the U.S. Bankruptcy Court in Central Islip, N.Y., authorized the sale to LCS. LCS offered to honor existing residency contracts, including refunds of entrance fees, while keeping the facility open.

The last hurdle was for the Harborside and LCS to receive approval from the state regulatory agencies, a process that had dragged on since January.

Traci McBee, an LCS representative, said that with regulatory approval nowhere in sight, LCS "can no longer continue our pursuit of the Harborside."

Gordon Tepper, Long Island press secretary for Gov. Kathy Hochul, said the "state will work with the families to make sure that their loved ones have a place to go."

The move leaves hundreds of residents at risk of losing their homes.

THE TICKER

MARKET EVENTS COMING THIS WEEK



CSX is expected to post per-share earnings of 48 cents.

JUSTIN MERRIMAN/BLOOMBERG NEWS

Monday

U.S. bond markets closed for Columbus Day

Earnings expected

Estimate/Year Ago

Abbott Laboratories

Refinan, prev.

down 9.0%

Aug., previous

up 0.1%

Retail sales

Sept., expected

up 0.3%

Earnings expected

Estimate/Year Ago

Blackstone

0.96/0.94

Elevance Health

9.66/8.99

Intuitive Surgical

1.64/1.46

Marsh & McLennan

1.62/1.57

Netflix

5.09/3.73

Truist Financial

0.91/0.80

Thursday

Business inventories

July, previous

up 0.4%

Aug., expected

up 0.3%

Capacity utilization

Aug., previous

78%

Sep., expected

77.80%

EIA report: natural-gas

Previous change in stocks in

billions of cubic feet

up 82

Industrial production

Aug., previous

up 0.8%

Sep., expected

down 0.1%

Initial jobless claims

Previous

258,000

Expected

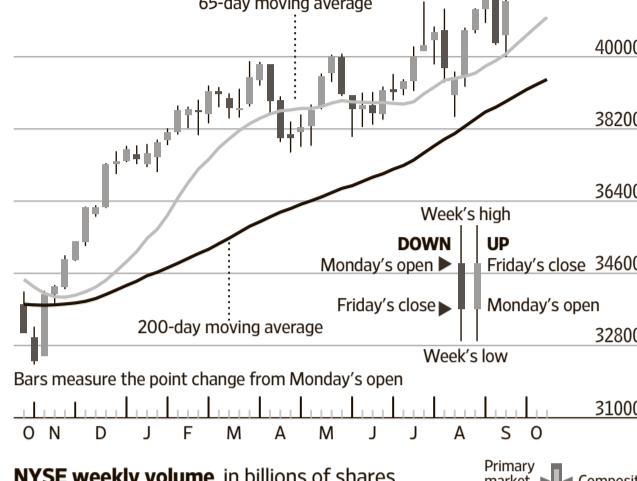
245

MARKETS DIGEST

Dow Jones Industrial Average

42863.86 ▲ 511.11, or 1.21% last week
High, low, open and close for each of the past 52 weeks

Current divisor 0.15221633137872



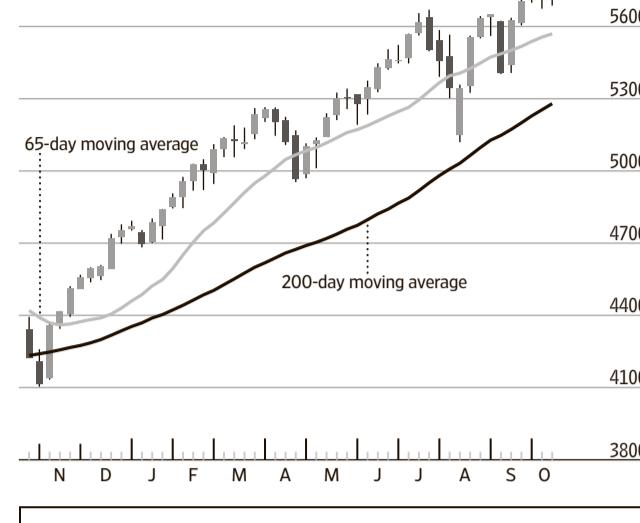
Bars measure the point change from Monday's open
Primary market ► Composite



*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.; †Based on Nasdaq-100 Index

S&P 500 Index

5815.03 ▲ 63.96, or 1.11% last week
High, low, open and close for each of the past 52 weeks



Bars measure the point change from Monday's open
Primary market ► Composite



*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.; †Based on Nasdaq-100 Index

Major U.S. Stock-Market Indexes

	High	Low	Latest Week Close	Net chg	% chg	Low	52-Week Close (●)	High	% chg	YTD % chg	3-yr. ann.
Dow Jones											
Industrial Average	42899.75	41831.74	42863.86	511.11	▲ 1.21%	1.21	32417.59	42863.86	27.3	13.7	7.5
Transportation Avg	16251.73	15649.80	16238.25	424.14	▲ 0.27%	2.68	3556.07	16331.72	10.5	2.1	3.6
Utility Average	1048.31	1022.20	1031.49	-19.93	▲ -1.90%	1.09	801.98	1065.16	25.1	17.0	5.7
Total Stock Market	57662.03	56290.14	57605.93	666.29	▲ 1.17%	1.17	40847.04	57605.93	34.1	20.5	8.4
Barron's 400	1246.72	1217.10	1246.49	13.28	▲ 1.08%	1.08	907.97	1246.49	31.0	16.2	6.9
Nasdaq Stock Market											
Nasdaq Composite	18375.53	17900.04	18342.94	205.09	▲ 1.13%	1.13	12595.61	18647.45	36.8	22.2	8.2
Nasdaq-100	20314.24	19763.04	20271.97	236.95	▲ 1.18%	1.18	14109.57	20675.38	35.2	20.5	11.3

S&P

	High	Low	Latest Week Close	Net chg	% chg	Low	52-Week Close (●)	High	% chg	YTD % chg	3-yr. ann.
500 Index	5822.13	5686.85	5815.03	63.96	▲ 1.11%	1.11	4117.37	5815.03	34.4	21.9	10.1
MidCap 400	3155.23	3079.51	3153.59	35.33	▲ 1.13%	1.13	2326.82	3153.59	29.1	13.4	5.6
SmallCap 600	1412.85	1376.32	1412.05	4.59	▲ 0.33%	0.33	1068.80	1435.83	26.9	7.1	1.5

Other Indexes

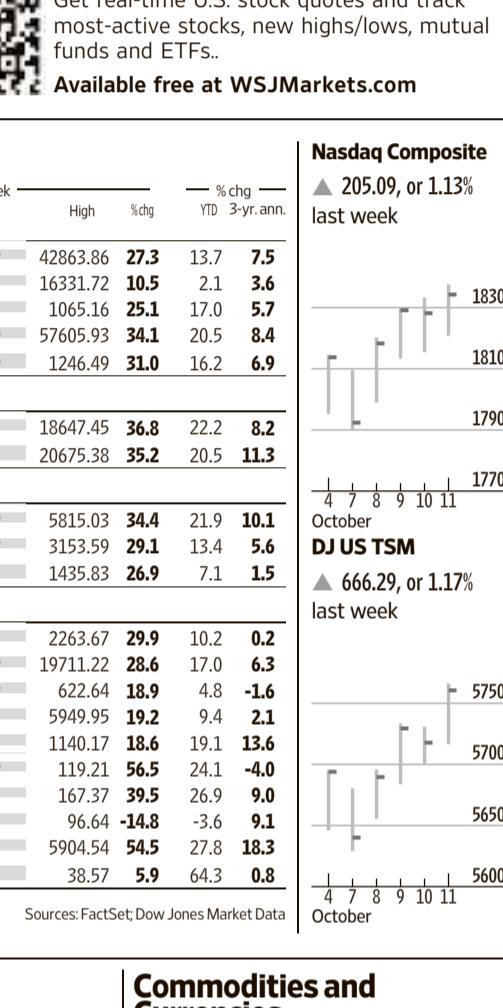
	High	Low	Latest Week Close	Net chg	% chg	Low	52-Week Close (●)	High	% chg	YTD % chg	3-yr. ann.
Russell 2000	2234.96	2170.61	2234.41	21.61	▲ 0.98%	0.98	1636.94	2236.67	29.9	10.2	0.2
NYSE Composite	19719.61	19136.73	19711.22	172.54	▲ 0.88%	0.88	14675.78	19711.22	28.6	17.0	6.3
Value Line	622.79	610.86	622.64	3.93	▲ 0.64%	0.64	498.09	622.64	18.9	4.8	-1.6
NYSE Arca Biotech	5932.48	5770.09	5928.35	17.31	▲ 0.29%	0.29	4544.40	5949.95	19.2	9.4	2.1
NYSE Arca Pharma	1083.76	1064.14	1083.74	19.60	▲ 1.84%	1.84	845.32	1140.17	18.6	19.1	13.6
KWB Bank	119.77	113.66	119.21	4.56	▲ 3.97%	3.97	71.71	119.21	56.5	24.1	-4.0
PHLX\$ Gold/Silver	161.34	152.17	159.49	1.42	▲ 0.90%	0.90	102.94	167.37	39.5	26.9	9.0
PHLX\$ Oil Service	82.37	78.68	80.84	-0.852	▲ -1.04%	-1.04	72.67	96.64	-14.8	-3.6	9.1
PHLX\$ Semiconductor	5351.71	5162.72	5335.94	129.10	▲ 2.48%	2.48	3185.18	5904.54	54.5	27.8	18.3
Cboe Volatility	23.14	20.14	20.46	1.25	▲ 6.51%	6.51	11.86	38.57	5.9	64.3	0.8

Nasdaq PHLX

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Sources: FactSet; Dow Jones Market Data

International Stock Indexes

	Region/Country	Index	Close	Latest Week Close	% chg	Low	52-Week Range Close	High	% chg	YTD % chg	3-yr. ann.
World	MSCI ACWI	852.73	0.63	629.46	▲ 0.63%	852.84	852.84	17.3	17.3	17.3	17.3
	MSCI ACWI ex-USA	348.14	-0.37	276.65	▲ -0.37%	357.36	357.36	10.0	10.0	10.0	10.0
	MSCI World	3731.93	0.91	2731.99	▲ 0.91%	3731.93	3731.93	17.8	17.8	17.8	17.8
	MSCI Emerging Markets	1159.56	-1.68	910.91	▲ -1.68%	1187.97	1187.97	13.3	13.3	13.3	13.3
Americas	MSCI AC Americas	2188.59	1.08	1557.56	▲ 1.08%	2188.59	2188.59	20.7	20.7	20.7	20.7
Canada	S&P/TSX Comp	24471.17	1.28	18737.39	▲ 1.28%	24471.17	24471.17	16.8	16.8	16.8	16.8
Latin Amer.	MSCI EM Latin America	2184.81	-2.86	2078.94	▲ -2.86%	2184.81	2184.81	-18.0	-18.0	-18.0	-18.0
Brazil	Bovespa	129992.29	-1.37	112531.52	▲ -1.37%	129992.29	129992.29	-3.1	-3.1	-3.1	-3.1
Chile	S&P IPSA	3560.32	1.42	3048.00	▲ 1.42%	3560.32	3560.32	2.7	2.7	2.7	2.7
Mexico	S&P/BMV IPC	52395.66	-0.41	48197.88	▲ -0.41%	52395.66	52395.66	-8.7	-8.7	-8.7	-8.7
EMEA	STOXX Europe 600	521.98	0.66	429.58	▲ 0.66%	521.98	521.98	9.0	9.0	9.0	9.0
Eurozone	STOXX Europe 50	4488.49	1.27	3783.73	▲ 1.27%	4488.49	4488.49	9.7	9.7	9.7	9.7
Austria	Euro STOXX	515.28	0.75	420.65	▲ 0.75%	515.28	515.28	8.7	8.7	8.7	8.7
Belgium	ATX	3614.78	0.15	3020.72	▲ 0.15%	3614.78	3614.78	5.2	5.2	5.2	5.2
France	CAC 40	7577.89	0.48	6795.38	▲ 0.48%	7577.89	7577.8				

CLOSED-END FUNDS

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike mutual funds, closed-end funds do not buy their shares back from investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange. **NA** signifies that the information is not available or not applicable. **NS** signifies funds not in existence for the entire period. 12 month yield is computed by dividing income dividends paid during the last 12 months for periods ending at a month-end or during the previous 52 weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions. Depending on the fund category, either 12-month yield or total return is listed.

Source: LSEG

Friday, October 11, 2024

52 wk

Fund (SYM) NAV Close/Disc Ret

General Equity Funds

Adams Diversified Eq Inc ADX 24.58 21.74 -11.6 42.9

Central Secs CET 56.72 46.44 -18.1 35.3

CohenStrsCeoPfd FOF 12.30 13.12 +6.6 41.4

EVTAAdvDivIncm EVT NA 24.70 30.0 30.7

GabelliDiv&Incr Tr GDF 28.66 53.64 -14.0 35.2

Gabelli Equity Tr GAB 5.53 5.44 -1.6 21.8

GeneralAmer GAM 62.88 53.64 -14.7 38.2

JHancockTaxAdvDiv HTD 2.56 23.13 -5.8 46.2

Liberty All-Star Equity USA 7.22 7.23 +1.1 36.8

Liberty All-Star Growth ASG 6.00 5.70 -6.4 29.5

Royce Micro-Cap Tr RMT 10.93 9.63 -11.9 35.2

Royce Value Trust RVT 17.47 15.70 -10.1 35.3

Source Capital SOR 46.84 44.16 -5.7 23.2

Sprout Focus Fund FUND 9.03 7.72 -14.6 11.8

SRH Total Return STEW 20.63 15.86 -23.1 27.5

Tri-Continental TY 37.69 33.31 -11.6 31.0

Specialized Equity Funds

abrdn Glb Prm Awp APP 4.30 4.31 +0.2 38.0

abrdn Global Infr Inc ASGI 20.77 19.90 -4.2 43.4

Adams Natural Resources PEG 27.58 24.35 -11.7 14.3

ASG Gold & Prec Mt'd ASA 23.90 13.12 -11.6 57.0

BR Enh C&I CII 21.70 19.86 -8.5 15.1

BlackRock Energy & Res RBR 14.92 13.23 -11.3 8.1

BlackRock Enr Div BDJ 9.50 8.81 -7.3 29.2

BlackRock Enr Div BDE 12.25 11.39 -10.7 29.9

BlackRock Enr Div BGY 6.46 5.70 -11.8 29.1

BlackRock ESG Cap Altr ECAT 18.66 17.97 -3.7 39.7

BlackRock Hlth Scrm BMEZ 17.75 15.79 -11.0 22.4

BlackRock Hlth Sciences BME 45.23 41.88 -7.4 15.3

BlackRock Innovs/Gro Term BIGZ 8.63 7.70 -10.8 23.2

BlackRock Res & Commn BCX 10.76 9.57 -11.1 13.3

BlackRock Sci&Tech Term BSTZ 22.99 19.36 -11.3 34.2

HncklPfdIncm III HPS 15.02 16.87 +12.3 48.1

52 wk

Fund (SYM) NAV Close/Disc Ret

BlackRock SoL Tech Trust BKV 38.51 36.81 -4.4 25.4

BlackRock Util Inf & Pwr BUI 24.30 23.83 -1.9 23.4

CLEARBANKEDGEYMDOPP EMO NA 43.96 40.7 47.7

ChmStrchr UTRF 25.40 25.23 -0.7 38.6

CohenStsRealEst & RLTY 17.19 16.95 -1.4 52.4

CohenStsRtPfdIncm RNP 22.44 23.30 +3.8 51.8

Columbia Sel Pm TechGr STK 33.19 33.65 +1.4 32.7

DNP Select Income DNG 9.61 9.14 4.2 40.0

Duff&Patt Util &Incr Inc Fd DNG 12.80 11.52 -10.0 43.0

EtrVnEqEqly EOI NA 20.19 41.2 41.2

EtrVnEqEqlycoll EOS NA 22.27 40.3 40.3

EVSKMDDvSEqnln ETJ NA 9.42 34.4 34.4

EVSKMDDvSEqnln ETJ NA 14.60 26.6 26.6

EtnVnTxDgBuy/WrtOpp ETV NA 13.93 27.3 27.3

EtnVnTxDvEqnln ETY NA 14.80 25.7 25.7

EV1XMDgbEqnln EXG NA 8.56 26.6 26.6

First Tr Enhanced Eq FFA 21.23 20.57 -3.1 28.9

BlackRock Cap Alloc Term BCAT 17.36 16.48 -5.1 31.4

Alisping Gl Div Oppy EDD 5.63 5.04 -9.4 38.9

Calamos ConvHi CHW 8.05 7.29 -6.6 45.7

EV TaxDivGlbDivEqnln ETG NA 19.36 34.0 36.2

EtnVnTxDvEqnln ETG NA 26.21 30.0 33.2

V Conv & Conv ACV NA 21.66 32.0 32.0

V Eqty & Conv NIE 25.51 23.32 -8.6 25.6

World Equity Funds

abrdn Eng Mkts Eq Inc AEF 6.63 5.68 -14.3 30.7

abrdn Glb Dyn Div AGD 11.61 10.52 -9.4 34.7

abrdn Trd Eqnln ADG 10.06 9.01 -10.4 33.2

Allsping Gl Div Oppy EDD 5.63 5.04 -9.4 38.9

BlackRock Cap Alloc Term BCAT 17.36 16.48 -5.1 31.4

Calamos GlbDivEqnln CHW 8.05 7.29 -6.6 45.7

EV TaxDivGlbDivEqnln ETG NA 19.36 34.0 36.2

EtnVnTxDvEqnln ETG NA 26.21 30.0 33.2

Highland Global Alloc HGLB 11.81 7.93 -32.9 17.1

India Fund IFN 20.00 18.72 -6.4 20.4

Japan Small Cap JOF 9.73 7.99 -17.9 8.2

Neuberger Nxt Conv NBNK 14.88 13.05 -12.3 42.5

NexDow 30 Dyn Income DIA 16.99 15.06 -11.4 21.0

Lazard Glb TotRetn LGI 18.68 17.40 -6.9 38.8

Mexico MXF 19.24 15.81 -21.1 2.8

Miller/Howard High Inc E HIE 12.47 12.25 -1.8 31.7

MS ChinaShrd Fnd CAF 16.57 13.59 -18.0 11.9

MS India IIF 34.22 28.76 -16.0 48.0

New Germany GE 10.32 8.69 -15.8 11.5

Nuveen Multi-Asset Inc NMII 14.09 12.95 -8.1 34.8

NYU Mellen Stru Muni Bond DMB 12.28 11.07 -9.9 3.3

NYU Mellen Stru Muni Bond DMB 6.85 6.19 -9.6 3.4

NYU Mellen Stru Muni Bond LEU 7.18 6.47 -9.7 3.5

DWS Muni Inc KTF 10.30 10.12 -1.7 5.3

EVN MuniLinc BIM 10.66 11.4 4.0 4.9

EVN MuniLincOpn EOT 17.66 11.4 4.0 4.9

InvAdmVnlnTrl VKI 9.84 9.07 -7.8 5.2

Invesco Mun Opia OIA 6.53 6.83 -4.6 4.9

Invesco MuOpnTrl VMO 11.00 10.15 -7.7 5.2

Invesco MuTrk VKO 11.03 10.16 -7.9 5.3

InvescoQual Inc IQI 11.10 10.37 -6.6 5.3

Variant Altrvtr Inclntrznt 27.22 22.0 5.3

InvescoVnlMunInc IIM 13.55 12.70 -6.3 5.3

Versus Capital Infrntr Inv 10.27 22.0 5.3

Convertible Funds

Calmos Dyn Conv & Inc CD 19.69 25.79 +31.0 22.5

World Equity Funds

AllBerkNatlMunic AFB 12.74 11.60 -8.9 3.3

BlckRck Muni Ym OBN 13.11 12.88 -1.8 5.0

Pender Real Estate CRJ 10.06 9.00 4.0 8.4

BlackRock Munil Blk BFK 11.49 10.61 -7.7 5.3

BlackRock Munil Blk BLE 12.19 11.15 -8.5 5.2

BR Munil Asst Rlsta A 25.92 11.4 4.0 8.4

Principal Real Asst Inv 26.35 11.4 4.0 7.9

Redwood Rl Estl 25.12 11.4 4.0 7.9

The Private Shares 39.54 11.4 4.0 7.9

The Private ShrsL 40.26 11.4 4.0 7.9

The Private ShrsL 38.86 11.4 4.0 7.9

Thirdline Real Estat 10.01 11.4 4.0 7.9

AMG Pantheon Crdt Sln 10.69 11.4 4.0 7.9

AMG Pantheon Crdt Sln 21.68 11.4 4.0 7.9

Angel Oak Str CrdtFl 21.68 11.4 4.0 7.9

Angel Oak Str CrdtFl 21.67 11.4 4.0 7.9

BR Credit StratA 8.64 11.4 4.0 7.9

WildermuthI 4.91 11.4 4.0 7.9

Income & Preferred Stock Funds

ALPHA ALT ASSTFA 6.33 6.0 4.0 8.4

Alpha Alternative Asset 6.40 6.0 4.0 8.4

CalmosEq &Eqnln ETQ 17.65 15.65 -10.9 15.0

Dennl Strctr Rstr Strat 11.25 11.4 4.0 8.4

Lord Abbott SpecI A 9.34 11.4 4.0 8.4

Lord Abbott SpecI Id 9.34 11.4 4.0 8.4

CION Ares Dvfd CrdtU2 11.38 11.4 4.0 8.4

CION Ares Dvfd CrdtU2 11.38 11.4 4.0 8.4

CION Ares Dvfd CrdtU2 11.38 11.4 4.0 8.4

Diamond Hill Sec CrdtFl 10.00 11.4 4.0 8.4

First Eagle Crdt OppsA 23.24 11.4 4.0 8.4

First Eagle Crdt OppsA 23.18 11.4 4.0 8.4

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HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

Tesla Leaves Uber Plenty of Road

Musk's brief Cybergab unveiling doesn't hurt the case for the ride-booking operator's key role in the robotaxi business

Tesla isn't going to be a problem for **Uber** for a long while. Maybe it never will.

That was about the only certainty that emerged from Tesla's much-hyped "We, Robot" event Thursday night. The gathering was ostensibly for Tesla to unveil a robotaxi vehicle and related service, but it was light on details about the cars and included even less about a service. Tesla Chief Executive Elon Musk spent barely 20 minutes on stage—after arriving nearly an hour late.

Tesla shareholders were flummoxed. "That's it? Disappointing lack of detail," read the headline of a report Friday by the Morgan Stanley analyst Adam Jonas, a noted Tesla bull. Tesla's shares slid nearly 9% on Friday. The shares had run up 45% since Musk announced in early April a plan to unveil a robotaxi this year.

Uber shares did the opposite, jumping nearly 11% by the close. That, too, can be seen as a correc-

tion to an overreaction. Musk's announcement in April sent the ride-booking provider's stock tumbling in the ensuing months as investors worried about a competitive threat that Uber had formally spelled out in its initial-public-offering prospectus in 2019.

Many analysts saw Tesla's disappointing event as removing a financial overhang on a company that has dramatically improved its operations and cash flows over the past couple of years. "Twenty-minute robotaxi event concludes six months of Uber event worry," Justin Post of BofA Securities noted to clients. "Tesla's toothless taxi is a best-case outcome for Uber," John Colantuoni of Jefferies wrote in his report.

The risk isn't zero. Musk plans to have Tesla's robotaxi—dubbed the Cybergab—in production in a couple of years and to sell it for less than \$30,000. The idea is that individual buyers would turn the vehicles into a business. "Someone

Share-price performance since Tesla's robotaxi announcement



Source: FactSet

who is an Uber or **Lyft** driver today can manage a fleet of cars," Musk said Thursday. He also promised that the Cybergab would have a total operating cost of about 40 cents a mile, which BofA's Post noted "would far un-

dercut Uber's driver costs (\$2.00/mile+) and would drive industry pricing lower."

But those new "fleet operators" would still need riders to fill their fleets and produce a return on their investment. The same logic has led other robotaxi operators to sign partnership deals with Uber. The most-notable of those is with Waymo, owned by Google parent **Alphabet**, which is already offering commercial robotaxi service in San Francisco, Los Angeles and Phoenix but will use Uber's app exclusively when it launches in Atlanta and Austin, Texas, next year.

Uber has a global base of 156 million monthly active platform customers, and its mobility business in the U.S. alone now handles more than \$34 billion a year in gross bookings. Lyft, which operates mainly in the U.S., reported 23.7 million active riders at the end of the second quarter. Building a new robotaxi network from scratch would be a tall order, even if every

existing Tesla owner signs on to such a service. Tesla has shipped about 6.7 million cars since 2015, according to FactSet data.

Musk, of course, actually needs to get those Cybergabs rolling first. And that also will be challenging—likely more so than he envisions. Building the cars is one thing, but Tesla also needs to be certified for full, unsupervised self-driving in the states where it plans to sell them.

That is typically a multiyear process, though Musk claimed Thursday that the company intends to have such driving available for its Model 3 and Y vehicles in California and Texas next year. In their report Friday, Bernstein's analysts said, "We continue to struggle to see Tesla overcoming the technological and regulatory hurdles needed to leapfrog current level 4 robotaxis."

Uber's robotaxi road looks free of merging traffic for now.

—Dan Gallagher

Soft Landing or Hard? Bank Results Show Path to No Landing

Economists, investors and business leaders have been debating for months whether the economy is headed for a soft landing or a hard landing. But there is a third option: no landing at all.

Rather than the economy slowing gradually or rapidly, it might be poised to keep growing as it is, at a moderate or better pace.

Bank executives' recent comments suggested some of the recent indicators of slowing for consumers and businesses might be more echoes of the past than visions of the future. There are some numbers that might spark concern. **JPMorgan Chase** and **Wells Fargo** on Friday reported slowing card-spending growth and rising late card payments. JPMorgan's card-services sales volume, which excludes commercial cards, rose just under 7% from a year prior, versus growth closer to 8% in the second quarter, and over 9% in the first.

On the face of it, that appears to be a sign that activity might be slowing, albeit perhaps only softly. But JPMorgan Chief Financial Officer Jeremy Barnum said the spending numbers still need to be considered with the pandemic, and its

aftermath, as context. "I think we're getting to the point where it no longer makes sense to talk about the pandemic," Barnum told analysts Friday. "But maybe one last time."

Coming out of that difficult period, there was a "heavy rotation" into travel and entertainment spending, "as people did a lot of traveling and they booked cruises that they hadn't done before, and everyone was going out to dinner a lot, whatever," Barnum said. "That's now normalized."

Normally a reduction in this kind of spending might signal a rotation out of discretionary spending and into nondiscretionary items—the things consumers need every day, such as gasoline or groceries. That in turn is usually a sign that consumers are preparing for a worse economic environment. But that isn't what JPMorgan has been seeing across its consumer data. It hasn't seen a weakening in retail spending.

"So overall, we see the spending patterns as being sort of solid and consistent with the narrative that the consumer is on solid footing, and consistent with the strong labor market and the current central

case of a kind of no-landing scenario economically," Barnum said.

Consistently, lenders have said that some of their worst credit performance is among the "vintages" of lending done in parts of 2021 or 2022, when many borrowers were unusually flush because of government stimulus checks, superlow interest rates and the forced belt-tightening of lockdowns. Under these conditions, certain borrowers got access to credit they wouldn't have in other circumstances. But the set of loans exposed to this issue appears manageable.

Even for the segment of customers that have struggled more to keep up with payments, there are reasons to anticipate some improvement. Wells Fargo Chief Executive Charlie Scharf on Friday told analysts that "the benefits of inflation slowing and interest rates starting to ease should be helpful to all customers but especially those on the lower end of the income scale."

Banks' numbers need context when it comes to economic analysis. Consider corporate-loan demand. Alternative ways for commercial clients to borrow, via the credit markets, can be a reason

JPMorgan Chase quarterly card services sales volume, change from a year earlier



Note: Excludes commercial cards

Source: the company

banks' loan growth might look soft.

JPMorgan on Friday noted in multifamily commercial real estate, there are "encouraging signs" in new originations as longer-term interest rates come down—but overall lending growth might stay muted as more older loans start to pay off.

Time can help. Beyond the presidential election, and if interest rates come down, "Those things will come together and help give

clients more confidence about either building inventories or making further capital expenditures that they're holding off on now," Wells Fargo CFO Michael Santomassimo told analysts Friday.

Even rising credit-card charge-off rates can reveal an economy-boosting trend, which is the loosening of credit conditions.

JPMorgan said its expected card net charge-off rate this year, around 3.4%, is below what it has targeted longer-term in underwriting new card debt. That means the bank can lend to a wider range of customers, or let customers borrow a bit more, and still make money even if defaults tick up.

Wells Fargo and JPMorgan are aiming for solid growth in cards. JPMorgan told analysts that although lower rates might slow the bank's core net interest income into 2025, by the middle of next year growth in revolving card balances might start to help it build up again. New card products keep coming, too: Wells Fargo in the third quarter launched new travel-rewards credit cards with **Expedia Group**.

No landing, after all, implies more flying.

—Telis Demos

MARKETS

Fed Has a Dependency Problem

Continued from page B1
effects of interest rates on the economy in future. Data dependency has made bond markets unnecessarily volatile.

In the summer, data suggested high rates (along with a global slowdown, troubles in China and wars in the Middle East and Eastern Europe) were hurting the economy as the jobs market slowed. Now it seems as if the economy is fine, China's stimulus might mean it stops being such a drag, and inflation may be stickier than was thought.

Use only the most recent data and short-term gloom and mini-booms get extrapolated, generating big swings in expectations for Fed interest rates, and so for Treasuries.

Investors are chasing group-think, rather than expressing the wisdom of the crowd. As hope built of a half-point cut coming in September, the probability priced into federal-funds-rate futures of further cuts of 1.75 percentage points or more by June soared to 77%, according to CME FedWatch.

Could there really be cuts equivalent to more than a quarter point at the next six meetings? No. Traders say the probability is back to zero, where it stood before weak jobs figures for July sparked a serious, but brief, selloff.

Data dependency at the Fed exacerbated what psychologists

U.S. Treasury yields



*Priced into federal-funds rate futures

**Current population survey. Monthly data through Sept.

Sources: Tullett Prebon (yields); CME FedWatch (probability); LSEG (index); Labor Department (response rate)

Probability of rates below 3.25% by June*

Citigroup economic surprise index

Response rate for unemployment survey†



yields reaching their lowest ever and better economic data leading investors to price rate rises not at the next meeting after the data, but further ahead.

That changed in the post-pandemic inflation, according to a study by the Cleveland Fed, which found futures traders were supersensitive to the inflation figures just before each Fed meeting—true data dependence.

Data dependency in this short-term way makes much less sense as the Fed tries to navigate a soft landing. It can afford to look through noisy month-to-month data and focus on the big picture. The jobs market may still be hot, but it is no longer red-hot. Inflation is still above target, but it is no longer scary.

Step back from the data, and the big question isn't how to knock a few more tenths of a percentage point off inflation, but how fast and how far to bring down interest rates. That requires predictions about what level of rates the economy can put up with in the long run.

Cynics quite rightly point out that past Fed predictions have been terrible. Skeptics, including me, point to the wide disagreement among Fed policymakers about where interest rates will eventually come to rest.

But navigating a soft landing using the rearview mirror isn't an option when it takes half a year or more for rate changes to have an effect on jobs and inflation. It is time for the Fed to kill its "data dependency," and try to get investors to think about the longer run.

Ceribell, Maker of Medical Devices, Goes Public

By BRIAN GORMLEY

Ceribell, whose headband is designed to speed seizure detection in hospitals, went public Friday in a rare initial public offering for a medical-device company.

High interest rates discouraged IPOs, and the poor performances of several medtechs that went public during the pandemic have made investors more cautious.

Sunnyvale, Calif.-based Ceribell, founded in 2014, began selling its system—which includes an AI seizure-detection algorithm—in 2018. Its revenue rose 74% to \$45.2 million in 2023 from the prior year and the company booked \$29.7 million in revenue in the first half of 2024.

Ceribell, whose venture backers include the Rise Fund, Longitude Capital and Ally Bridge Group, sold 10.6 million shares, up from an earlier plan to sell 6.7 million, and went public on Nasdaq at \$17 a share, the top of its expected range, raising \$180.3 million. Its shares climbed more than 47% Friday to close at \$25 a share.

Investors will watch to see if other medtechs can follow Ceribell's lead.

call recency bias in the market, with shifts in a couple of months of jobs or inflation data showing up in major moves.

Being data dependent made sense when the Fed was extremely worried about inflation. It feared that high inflation would feed through into consumer and business expectations of future inflation, in a self-fulfilling upward spiral.

To break the spiral, it yanked rates higher, predicting it would cause a recession and get price expectations under control. If reported price rises lead, via expectations, to future price rises, then it is reasonable to focus on reported price rises.

There is a case to be made for relying on past data when rates were stuck at zero, too.

For many years after the financial crisis of 2007-09, the Fed wanted to convince investors that it would be slow to raise rates, waiting until the economy got going before it moved. The aim was to lower long-term yields and prevent economic green shoots being crushed by rapidly rising rate expectations.

Both worked, with 10-year



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