

# THE WALL STREET JOURNAL.

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10-YR. TREAS. ▼ 5/32, yield 4.448%

OIL \$68.43 ▲ \$0.31

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EURO \$1.0565

YEN 155.49

## What's News

### Business & Finance

◆ Consumer prices edged up in October after having recorded the slowest rate of growth in 3½ years in the previous month, a sign of how inflation continues to move lower on an uneven and bumpy path. A1

◆ Major U.S. stock indexes ended mixed, with the Dow and S&P 500 rising 0.1% and 0.02%, respectively, and the Nasdaq slipping 0.3%. B9

◆ A son of the founder of the Japanese retail giant that owns the 7-Eleven convenience-store chain proposed a buyout of the holding company. B1

◆ The mystery trader who made a successful bet on Trump's electoral victory earned about \$85 million in profit, tens of millions of dollars more than previously reported. B1

◆ Elon Musk's X named Mahmoud Reza Banki chief financial officer, filling out the executive ranks at the social-media platform. B3

◆ Liberty Media said CEO Greg Maffei will step down, as the company works to simplify its corporate structure by separating into two businesses. B3

◆ Frontier Communications shareholders approved a \$9.6 billion sale to Verizon, thwarting a campaign led by some disgruntled investors to seek a higher price. B4

◆ Spotify plans to start paying hosts who make popular videos and meet a certain viewing threshold as it tries to break YouTube's grip on video podcasts. B4

◆ Tencent sustained its earnings momentum, posting a 47% jump in net profit for the third quarter as its core gaming business delivered strong results. B3

### World-Wide

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◆ Republican senators chose John Thune of South Dakota as their new leader, opting for continuity over calls for radical change as Trump prepares for a second presidential term. A1

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◆ The nongovernmental entity to be led by Elon Musk and Vivek Ramaswamy and charged with reducing government waste would have a broad mandate, but spending cuts would likely face pushback by lawmakers. A6

◆ A CIA official was charged with leaking top-secret classified documents that revealed information last month about Israel's plans for a military strike against Iran. A3

◆ Trump's election victory triggered a renewed push by some in Israel's right-wing government to annex the occupied West Bank, an act that would be seen as illegal by most of the international community. A7

◆ New York's governor is set to resurrect plans for congestion pricing with a \$9 toll for people driving into the busiest parts of Manhattan, less than the \$15 previously approved. A3

◆ Died: Ted Olson, 84, former solicitor general. A2

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## Fed Rate Cut Remains on Track

A 2.6% increase in consumer prices is unlikely to derail move in December

By JUSTIN LAHART  
AND NICK TIMIRAO

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other interest-rate cut from the Federal Reserve in December. But together with solid consumer spending and steady hiring, firmer inflation could kick off a bigger debate at officials' next meeting over whether to slow the pace of rate cuts early next year.

The Labor Department reported on Wednesday that consumer prices in October rose 2.6% from a year earlier. That marks a pickup from the previous month, when the consumer-price index was up 2.4%.

Core prices, which exclude food and energy items in an effort to better reflect inflation's underlying trend, were up 3.3%.

Both results matched the expectations of economists polled by The Wall Street Journal.

Investors had been preparing for an inflation reading higher than the consensus estimate, and they took Wednesday's report as good news. Traders increased their bets that Fed officials would cut rates by a quarter point at their next meeting in December, rather than standing pat.

Investors' positive response to the report might have been

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Dow, S&P 500 edge up while Nasdaq slips..... B9

Consumer-price index, change from a year earlier



\*Excludes food and energy prices

Source: Labor Department

## Gaetz Is Nominee As Next Attorney General

Trump taps fierce loyalist in effort to assert control of DOJ; Gabbard for intel post

Donald Trump said he would nominate Rep. Matt Gaetz of Florida to be attorney general, selecting a loyal ally and fierce Justice Department critic who has been one of the most polarizing Republicans in Congress.

By Sadie Gurman,  
C. Ryan Barber  
and Vivian Salama

The surprise choice startled lawmakers and could set up an early battle between the president-elect and moderate Republicans who want the Senate to play a robust role in scrutinizing his nominees.

"This one was not on my bingo card," said Sen. Lisa Murkowski (R., Alaska), adding that she didn't believe it was serious. Sen. Susan Collins (R., Maine) said she was shocked by the selection. "I'm sure that there will be a lot of questions raised at his hearing," she said.

Trump has made clear he wants to bring the Justice Department under closer presidential control after years of clashing with the agency as it investigated him and his allies. Through special counsel Jack Smith, the department prosecuted Trump on charges he plotted to overturn the 2020 election and mishandled classified documents after he left office. Now that Trump has been elected again, both cases are certain to end.

Gaetz, 42 years old, could help Trump bend the department to his will. The lawmaker has argued the department under the Biden administration targeted Trump for political reasons, and has expressed sympathy with rioters who stormed the Capitol on Jan. 6, 2021, as lawmakers were certifying the election results.

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◆ Lutnick wants job of Treasury secretary..... A6  
◆ X names CFO, filling out leadership team..... B3

## After 2020 Unrest, Peaceful Handover Pledged



**HOUSEWARMING:** President-elect Donald Trump met with President Biden in the Oval Office on Wednesday, with the two leaders shaking hands, in stark contrast to the discord that followed Biden's 2020 victory over Trump. A4

## Musk Shines Bright in Trump's Orbit

In the lounge outside Donald Trump's Mar-a-Lago office, cabinet hopefuls mingle with advisers and friends of the future.

the world's most important job fair.

Inside, Trump sits with just a handful of his closest associates—and his newfound buddy-in-chief, Elon Musk.

Some of those waiting outside have been summoned by the president-elect. Others have asked Mar-a-Lago members they know to invite them to the resort, hoping to get a few minutes with him. Nearly

as important is getting on Musk's radar.

The two men have been inseparable over the past week at Mar-a-Lago, where the Tesla CEO has become such a fixture that Trump has given him his own "walk-on song" to play when he enters the dining room: David Bowie's "Space Oddity."

Musk has become the "most influential" member of the

president-elect's orbit, two people close to the transition said. The world's richest man has been sitting in on meetings and interviews with candidates for cabinet positions, joining Trump's calls for

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◆ The biggest challenge facing Musk's DOGE..... A6  
◆ X names CFO, filling out leadership team..... B3

## Thune to Lead GOP in Senate, Party Secures House Majority

By SIOBHAN HUGHES  
AND LINDSAY WISE

WASHINGTON—Republican senators chose John Thune of South Dakota as their new leader, opting for continuity over calls for radical change as Trump prepares for a second presidential term. A1

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Washington next year, after winning the White House and the Senate, where the GOP will have a 53-47 majority.

The new Senate majority leader will guide his chamber as Republicans work to pass tax cuts, consider Trump-nominated judges and cabinet officials and navigate battles over government spending, foreign aid and the debt ceiling. Thune will need to hold together the dueling wings of the Republican Party—particularly given its narrow majority—when dif-

ferences between lawmakers or with Trump rise to the surface.

Thune, 63 years old, defeated Sen. John Cornyn (R., Texas) and Sen. Rick Scott (R., Fla.) for the post Wednesday afternoon and immediately got a preview of the hard work to come. Hours after Thune's secret-ballot election, Trump unveiled controversial cabinet nominees that the Senate now

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◆ Republicans clinch House majority..... A4

## Bitcoin's Run Tops \$90,000

**BIG BET:** Bitcoin surpassed \$90,000 for the first time Wednesday, reflecting investors' euphoria over a potential boost for crypto during the second Trump administration. B1

CoinDesk Bitcoin Price Index



Source: CoinDesk

## INSIDE



### SPORTS

Anthony Edwards sets aside dunks—to transform into Stephen Curry. A14

## Gold Miners Steal 3 Tons and Counting

Drug gang leads plunder at one of the biggest mother lodes in Latin America

By JUAN FORERO

BURITICÁ, Colombia—Some 700 yards deep in Colombia's richest gold mine, private security guards crouch behind sandbags, trapped in a failing battle with a drug-trafficking gang that has commandeered 30 miles of tunnels worth hundreds of millions of dollars.

The air below ground is hot, humid, sometimes toxic, and the work is dangerous—

defending claustrophobic passageways against tossed explosives and gunfire from AK-47 assault rifles. Two guards were killed and several others wounded last year. On the other side, braving their own dangers, are an estimated 2,000 illegal miners.

The scale of plunder is stunning. Mine owner Zijin Mining Group, a Chinese state-controlled company,

Please turn to page A10

Eye contact? Lisa Taylor, a healthcare executive from St. Louis who has been online dating for seven years, was sitting outside reading at a hotel this summer when a man came up and asked if she'd like to talk. "I looked him dead in the face and said, 'About what?'" says Taylor, 50. She thought she'd done something

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# U.S. NEWS

**HEALTH**
**Drug Overdose Deaths Decline**

The decline in U.S. drug overdose deaths appears to have continued this year.

There were about 97,000 overdose deaths in the 12-month period that ended June 30, according to provisional Centers for Disease Control and Prevention data released Wednesday. That is down 14% from the estimated 113,000 for the previous 12-month period.

"This seems to be substantial and sustained," said Brandon Marshall, a Brown University researcher who studies overdose trends. "I think there's real reason for hope here."

In the latest CDC data, overdose death reports are down in 45 states. Increases occurred in Alaska, Nevada, Oregon, Utah and Washington.

—Associated Press

**NATIONAL SECURITY**
**Ex-Military Officials Say UFOs Are Real**

UFOs are real and Americans deserve to know the truth, former government and military officials told a congressional panel.

The hearing Wednesday by two House Oversight subcommittees is the latest in Congress's push for transparency around UFOs.

Congress in 2022 held its first hearing on UFOs—what it calls "unidentified anomalous phenomena," or UAP—in more than 50 years. Since then, lawmakers and the public have heard from military and intelligence officials who have testified that they have seen UAP and that they could pose risks to national security.

The Pentagon didn't respond to a request for comment.

—Joseph Pasani

**OBITUARY**
**Olson, 84, Former Solicitor General**

Former U.S. Solicitor General Ted Olson, who served two Republican presidents as one of the country's best known conservative lawyers and successfully argued on behalf of same-sex marriage, died Wednesday. He was 84.

The law firm Gibson Dunn, where Olson practiced since 1965, announced his death on its website. No cause of death was given.

Olson was at the center of some of the biggest cases of recent decades, including a win on behalf of George W. Bush in the 2000 Florida presidential election recount dispute that went before the U.S. Supreme Court.

In his career, Olson argued 65 cases before the high court, according to Gibson Dunn.

—Associated Press

## U.S. WATCH



MIKE BLAKE/REUTERS

**SURF'S UP:** Pacific Ocean waves propelled an early morning ride Wednesday in Encinitas, Calif.

## Rate Cut Remains On Track

Continued from Page One

driven in part by relief that President-elect Donald Trump and the Fed won't immediately be at loggerheads. Trump repeatedly pressed for lower rates during his first term. Economists view some of Trump's proposed policies, such as higher tariffs, as likely to push inflation higher.

The report is the first after an election that was characterized by Americans' frustration with inflation during President Biden's administration—consumer prices are now about 20% higher than they were when he came into office.

Voters around the world have punished leaders and ruling parties for high prices and inflation.

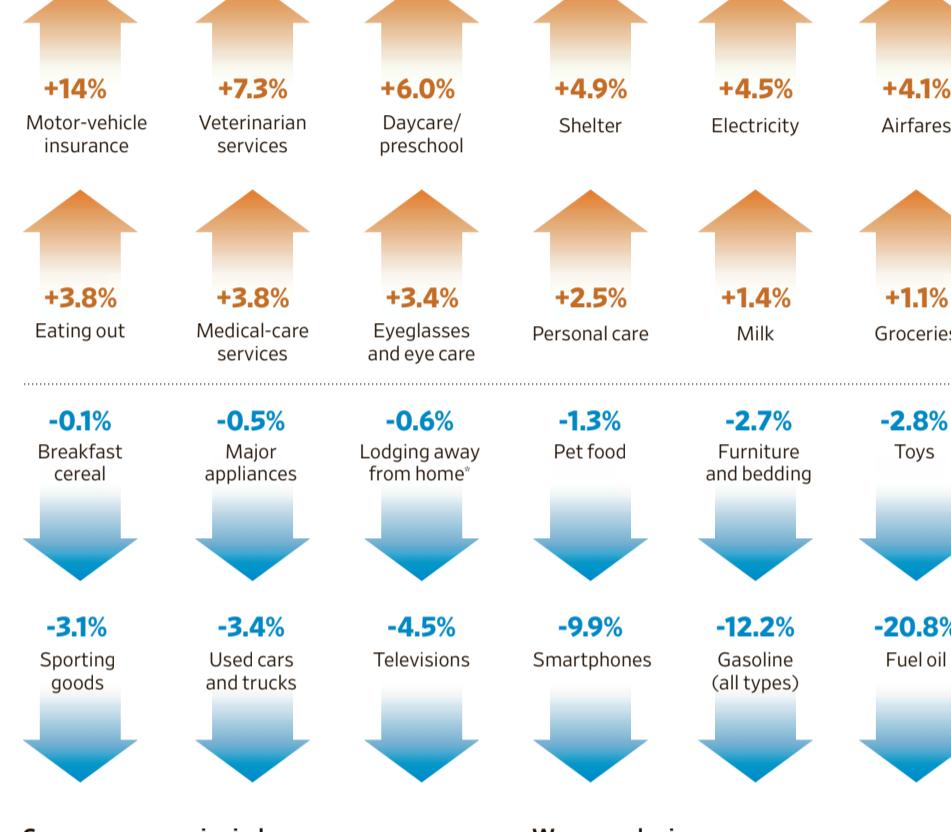
Even though inflation has been on a cooling trend, Trump will enter office at a delicate time for the economy, with the Fed aiming to lower interest rates and ensure the continued health of the economy without rekindling inflation.

"Inflation data on the hotter side could have led the market to start seeing Trump's reflationary policy in a less favorable light," Evercore ISI strategists noted on Wednesday.

The Dow Jones Industrial Average and the S&P 500 edged up. The Nasdaq Composite was down slightly.

The pickup in overall inflation was in part because of tougher comparisons with a year earlier. But there were also some items that registered significant increases in prices in October. Prices for used cars

### Consumer-price index for select items in October, change from a year earlier



### Core consumer-price index, change from a month earlier\*



\*Includes hotels and motels

†Seasonally adjusted

Note: Core CPI excludes food and energy prices.

Source: Labor Department

futures markets implied there was about a 60% chance the Fed would cut rates at its December meeting. After the report, that had risen to about 80%.

Despite some bumps along the way, inflation still looks as if it is in a cooling trend. In October 2023, overall consumer prices were up 3.2% from a year earlier. In June 2022, prices were up 9.1% from a year earlier, marking the steepest inflation since the early 1980s.

Moreover, there is still a degree of "catch-up inflation" in the data. For example, car insurers have to negotiate price increases with state regulators, so it takes a while for jumps in their costs to make their way into prices.

At a press conference last week, Fed Chair Jerome Powell hinted that the central bank was prepared for firmer-than-anticipated readings, or "bumps."

But he sees residual stickiness for some prices as reflecting the lagged effects of earlier increases, rather than new sources of price pressure.

For example, rents continue to rise at a historically high clip in the CPI, but rent rises for new leases have been mild for over a year.

"That's just a catch-up problem. It's not really reflecting current inflationary pressures. It's reflecting past inflationary pressures," Powell said. "We're not declaring victory, obviously, but we feel like the story is very consistent with inflation continuing to come down on a bumpy path."

If Fed officials proceed with a December cut, the focus is likely to turn to what might prompt them to slow down in-

terest-rate reductions next year. Several officials on Wednesday said they want to avoid taking rates down too low only to reverse course later.

Most of them view the current level of short-term interest rates as restrictive, meaning that without more cuts the labor market could cool further than they like, and even put the economy at risk of recession.

Officials want to bring rates back to a more "neutral" setting that neither spurs nor slows growth, but they don't know where that is. Before the 2008-09 financial crisis, many thought a neutral rate might

be about 4%, but after the crisis and an extremely sluggish recovery, economists and Fed officials concluded the neutral rate might be closer to 2%.

St. Louis Fed President Alberto Musalem

told reporters on Wednesday that the central bank could take its time moving rates down to a neutral setting.

"The strength of the economy is likely to provide the space for there to be a gradual easing of policy with little urgency to try and find where the neutral rate may be," he said.

In a speech on Wednesday, Dallas Fed President Lorie Logan said she expected more rate cuts would be warranted,

but she also said there were some hints that the Fed might be close to a neutral rate that has moved up in recent years. She compared the Fed's job with a ship's captain who has to avoid mistaking water for mud as the ship reaches the shore.

"In these uncertain but potentially very shallow waters, I believe it's best to proceed with caution," she said.

Bob Good (R., Va.) said of Gaetz.

Democrats expressed disdain for the pick. "The Gaetz nomination obviously is a red alert," said Sen. Chris Murphy (D., Conn.). "That's a signal that everything [Trump] said on the campaign trail about using the power of the office to go after his political enemies is coming to fruition. That nomination is a big deal for democracy and the rule of law."

Trump often expressed regret over his attorney general choices in his first term, Jeff Sessions and William Barr, who resisted some of his most extreme demands. Sessions stepped aside from the department's probe of the 2016 Trump campaign's ties to Russia, angering the president, and Barr refused to pursue Trump's baseless claims of voter fraud in 2020.

Gaetz openly aired frustration with Sessions' recusal from the Russia investigation. He said during one Fox News appearance that Sessions had "become sympathetic with his captors over there in the deep state."

During Biden's administration, Gaetz accused the Justice Department of targeting conservatives, a charge Attorney General Merrick Garland rejects.

The department investigated whether Gaetz had a sexual relationship with an underage girl and violated sex trafficking laws, but ultimately didn't bring charges against him.

"No part of the allegations against me are true," Gaetz said in 2021, alleging they were part of a blackmail effort.

A year ago, Gaetz and a small band of GOP dissidents engineered the ouster of then-

failing to investigate "the federal government's own involvement" in the mayhem. Last year, he attended a vigil in support of Jan. 6 defendants held at the Washington jail.

—Alex Leary, Kristin Peterson, Katy Stech Ferek, Xavier Martinez, Dave Michaels and Jacob Gershman contributed to this article.

## CORRECTIONS & AMPLIFICATIONS

### Nissan Motor posted a net loss of 9.3 billion yen, or \$60.8 million, in the second quarter.

In some editions Wednesday, the figure was incorrectly given as euros in a Business News article about the automaker's services-activity index incorrectly said exclusionary territory.

Readers can alert The Wall Street Journal to any errors in news articles by emailing [wsjcontact@wsj.com](mailto:wsjcontact@wsj.com) or by calling 888-410-2667.

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## Gaetz Gets Attorney General Nod

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fying Joe Biden's presidential win. He also has been facing a House ethics investigation into allegations including sexual misconduct and illicit drug use, which he has denied.

Trump's first choices for top-level government positions were well received, such as Rep. Mike Waltz as national security adviser. But over the last few days, the selections have caused a stir. In another Wednesday announcement, the president-elect said former Rep. Tulsi Gabbard of Hawaii would be his nominee for director of national intelligence.

Gabbard, a former Democrat, would step into a cabinet-level role that oversees the National Intelligence Program, the National Security Council, the Homeland Security Council and advises the president on sensitive intelligence matters. She was one of Trump's most high-profile supporters on the campaign trail. But she has drawn ire from Democrats and some Republicans for past comments deemed to be favorable to Russian President Vladimir Putin.

In a post on Truth Social, Trump called Gaetz a "deeply gifted and tenacious attorney" who would end the "the partisan Weaponization of our Justice System." He said Gabbard "has fought for our Country and



Rep. Matt Gaetz (R, Fla.) has been under a House ethics inquiry over questions of sexual misconduct and drug use.

the Freedoms of all Americans."

Gaetz, who flew with Trump from Florida to Washington on Wednesday, said it would be "an honor to serve as President Trump's Attorney General!"

Shortly after the announcement, Republican leaders said he resigned from Congress.

Gabbard thanked Trump for the opportunity "to defend the safety, security and freedom of the American people."

It is possible that Gabbard, like Gaetz, could face a bumpy ride to Senate confirmation. And Trump's selections come against the backdrop of a demand he made at the start of the week: that Republicans should put Congress into recess to allow him to make at least some appointments next year without Senate approval.

Trump has been focused intently on his next attorney general as he plans a massive shake-up of the Justice Depart-

ment. Career department officials were bracing themselves for sweeping changes even before Trump selected Gaetz.

In recent days, Justice Department veterans and lawyers in the Republican establishment believed Trump's shortlist included Jay Clayton, former chairman of the Securities and Exchange Commission, and Missouri Attorney General Andrew Bailey. The Gaetz announcement caught many legal conservatives off guard, and some who had hoped for jobs in the department said they were now questioning whether they wanted to join with Gaetz at the top.

Some Republicans were more optimistic. Sen. Lindsey Graham, (R., S.C.) called Gaetz smart and clever while acknowledging "he'll have some tough questions to answer" during a confirmation hearing. "What better person to fix the department of justice," Rep.

Bob Good (R., Va.) said of Gaetz. Democrats expressed disdain for the pick. "The Gaetz nomination obviously is a red alert," said Sen. Chris Murphy (D., Conn.). "That's a signal that everything [Trump] said on the campaign trail about using the power of the office to go after his political enemies is coming to fruition. That nomination is a big deal for democracy and the rule of law."

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## CIA Official Charged In Leak of Israeli Plans

BY DUSTIN VOLZ  
AND WARREN P. STROBEL

WASHINGTON—A CIA official was charged with leaking top-secret classified documents that revealed information last month about Israel's plans for a military strike against Iran, according to U.S. court documents and people familiar with the matter.

Asif William Rahman was arrested in Cambodia on Tuesday and taken to a federal court in Guam to be charged. He was indicted last week in federal court in Virginia on two counts of willful transmission of national defense information, charges that can result in years in prison.

Court documents filed Wednesday say Rahman possessed a top-secret security clearance and had access to sensitive compartmented information. The documents don't state he worked at the Central Intelligence Agency, but people familiar with the matter confirmed his employment at the spy agency.

Rahman worked overseas for the CIA in Cambodia and elsewhere, one of the people said. It isn't publicly known what sort of work he did for the spy agency. Rahman has previously lived in Virginia, according to court charging papers.

It wasn't clear if he had legal representation.

In October two leaked classified reports from the National Geospatial-Intelligence Agency, which analyzes imagery gathered by American reconnaissance satellites, appeared on Telegram and X. The files were circulated by a pro-Iran account, Middle East Spectator, which says it received them from an anonymous source.

The leak set off a scramble within U.S. spy agencies—which have suffered a number of significant unauthorized disclosures in recent years—to identify the source of the breach. Officials were worried about the possibility of more disclosures, though it appears the leak was limited to the original documents. The Federal Bureau of Investigation previously acknowledged investigating the leak.

The motives for Rahman's alleged leaks weren't immediately clear.

## New York To Revive Congestion Pricing

BY JIMMY VIELKIND

New York Gov. Kathy Hochul is set to resurrect a toll on people driving into the busiest parts of Manhattan but at a lower cost, a move her allies hope will allow the nation's first system of congestion pricing to begin operating before President-elect Donald Trump is inaugurated.

Hochul, a Democrat, plans to impose a \$9 toll on most vehicle trips, according to people familiar with the matter. That is less than the \$15 that was adopted this spring by the board of the Metropolitan Transportation Authority—which Hochul had scrapped.

A spokesman for the governor said she would announce on Thursday a "path forward to fund mass transit, unclog our streets and improve public health by reducing air pollution."

The announcement has been percolating for months. Hochul said that she had been in talks with federal officials and MTA leaders about using a lower toll for congestion pricing, which was projected to reduce traffic while raising roughly \$1 billion a year to support upgrades to the city's subways, buses and commuter railroads. The lower \$9 toll proposal was earlier reported by Politico and the New York Times.

"While inflation is starting to come down, we're seeing some progress, \$15 is still too much for hardworking New Yorkers," Hochul said.

## Deadly Kentucky Blast Hurls Hunk of Factory Into Nearby Yard



**AFTERMATH:** A massive piece of debris rested against a Louisville home Wednesday after the previous day's explosion at a factory owned by Givaudan Sense Colour, which makes colorings for food and drinks. Two employees were killed in the explosion, which caused a partial collapse of the plant.

DYLAN LOVAN/ASSOCIATED PRESS

## VCs Bet Big in San Francisco Races

Silicon Valley backed winning moderates for city's board but lost a mayoral bid

BY MARC VARTABEDIAN

Disillusioned by progressive politics in the world's technology epicenter, Silicon Valley's venture capitalists dug into their wallets and spent big this election to pull San Francisco toward the center, with mixed results.

Investors notched wins, such as establishing a moderate majority on the city's board of supervisors, which enacts local policies, among other functions.

They also sank money into losing causes. Venture investors made sizable contributions to the nearly \$15 million raised by a former venture capitalist's mayoral campaign and a ballot measure effort to make the city more efficient, according to political-action committees and city campaign-finance records.

Both of those efforts failed.

Venture capitalists say their stepped-up efforts to usher in moderate Democrats and more center-left policies will improve the city and stem what some say is a deteriorating business environment. Nationally, technology mogul Elon Musk and venture-capital elite Marc Andreessen echoed similar arguments in supporting Donald Trump's presidential victory.

Venture investors made smaller efforts to support moderate candidates and policies during the midterms in 2022.

High-profile figures in the venture world, such as Garry



Silicon Valley-backed Mark Farrell spoke at a San Francisco mayoral debate in June.

ponents and lose most of your races, I don't call that successful."

Tech money in large part bankrolled the mayoral race in which Farrell, the former managing director of San Francisco-based Thayer Ventures, fell short. Farrell previously served as an interim mayor and was on the board of supervisors for seven years. City ethics officials hit Farrell with a \$108,000 fine on the eve of the election after they found he violated campaign finance rules, an issue Farrell said was an accounting error and related to how staff time was allotted.

Despite Farrell's defeat, some tech-affiliated advocacy groups cheered the win of moderate and Levi Strauss heir Daniel Lurie. Venture capitalists and tech broadly aligned behind Farrell, Lurie and current San Francisco Mayor London Breed.

In the race, tech money went to opposing the leading progressive, Aaron Peskin, according to campaign-finance records. GrowSF, which is headed by a pair of former engineers who worked at companies including Apple, Amazon.com and Google, poured nearly \$300,000 into opposing Peskin.

GrowSF candidates notched at least two wins on the city's board of supervisors. Moderate challenger Bilal Mahmood, who was the chief executive of AI startup ClearBrain, unseated progressive incumbent and Democratic Socialist party member Dean Preston. In another board race, Danny Sauter, a moderate who co-founded advertising tech startup Bamboo in 2014, beat a more progressive challenger.

Tan, who leads startup accelerator Y Combinator, say a moderate shift could help curb the trend of entrepreneurs and fellow investors decamping for emerging tech hubs in other states. They say they are being pushed out by high costs of living and doing business in the Bay Area and by rising rates of crime and homelessness, which they attributed to progressive policies.

The exodus was stark during the pandemic but has lessened as the artificial intelligence boom breathes new life into the city. The region's concentration of talent is a key driver of innovation and should be protected, investors said.

After it rose during the pandemic, crime in San Francisco is down 30% so far this year from the same period last year, according to police department figures for all types of crime.

Meanwhile, the number of homeless in the city has risen 21% since 2017, according to local government counts.

Tan contributed funds to GrowSF, a tech-backed San Francisco-based PAC pushing moderate causes.

Michael Moritz, a venture capitalist who spent 38 years with Sequoia Capital and roughly as many years living in San Francisco, emerged as one of the largest donors to moderate causes this election. He spent roughly \$3 million supporting former venture capitalist Mark Farrell's losing bid for mayor and the failed proposal aimed at city efficiency, according to campaign-finance records.

Despite the losses, Moritz highlighted moderate wins in the board of supervisors races and said the campaigns he backed helped the moderate

movement take forward steps in helping San Francisco correct its course.

"[Progressive leaders] provided one of the most hostile business environments for small businesses and big businesses in the country and have driven many of the successful companies out of town," Moritz said. "The result of it has become evident in San Francisco and that's why you have this enormous rebellion against these forces."

Progressives, meanwhile, are casting the venture-backed efforts as a failure.

Eric Jaye, a San Francisco-based political strategist who this election worked on behalf of progressive candidates, said more venture money than ever influenced this election.

"The return on their investment was minuscule," Jaye said. "If you outspend your op-

## Two Tiny Sea Creatures Merge Into a Single Animal



BY ERIC NIILER

In a strange episode in the animal kingdom, a captive marine animal merged with another of its kind to become a single individual.

The organisms that merged are comb jellies, translucent invertebrates that resemble jellyfish but belong to a different group of marine animals called ctenophores. They grow to about 4 inches long by 2 inches wide, eat plankton and are found throughout the northern and southern Atlantic Ocean.

Marine scientists discovered the merger when one comb jelly went missing from a laboratory tank, while another appeared unusually large. After taking a closer look, the researchers found that the big one was two individuals now sharing digestive and nervous systems.

"Normally, the comb jelly has one mouth and one balancer organ, but this comb jelly had two

mouths and two balancer organs," said Kei Jokura, a post-doctoral researcher at Japan's National Institute for Basic Biology who made the discovery during a research program at the Marine Biological Laboratory in Woods Hole, Mass.

The researchers fed the combined comb jellies fluorescent brine shrimp and watched as the bits of food made their way through their shared digestive system. Jokura speculated the animals sustained minor injuries in the tank, which activated the merger process. To prove this, he and colleagues put 10 pairs of injured comb jellies near each other. Nine of the 10 pairs successfully fused together.

The results were published in the journal *Current Biology* in October.

Fused comb jellies were observed in 1937, but this is the first time researchers documented the merger of their nervous and digestive systems.

Comb jellies are invertebrates that resemble jellyfish but belong to a different group of animals.

KEI JOKURA

## U.S. NEWS

## Thune Will Lead Senate GOP

*Continued from Page One*  
will have to consider.

Thune, who has served as the No. 2 to Senate Republican Leader Mitch McConnell for six years, staked out a middle ground during his campaign. He agreed to listen closely to GOP colleagues on the direction of the chamber and openly embraced the Trump agenda. He did so without explicitly repudiating the Senate's current operations under McConnell, a Trump adversary who had alienated many rank-and-file Republicans with his top-down leadership style.

"I promise to be a leader who serves the entire Republican conference," said Thune, who formally takes over in January. "We will have an ambitious agenda and will take each and every Republican working together to be successful."

The first test flared up immediately with Trump's choices for executive-branch posts. Trump had over the weekend demanded that candidates for Senate leader commit to allow at least some nominees to take office without requiring a vote, using a process called recess appointments. Concerns arose that Trump was pre-emptively planning to bypass the Senate.

Thune reacted by saying he was open to ideas on how to confirm nominees more quickly, including looking at recess appointments, but was broadly noncommittal.

"What we're going to do is make sure that we are processing his nominees in a way that gets them into those positions so we can implement his agenda," Thune said after he was elected leader. On nominees, he said Republicans would "explore all options to make sure that they get moved and that they get moved quickly."

On Wednesday, Trump stunned lawmakers when he said he planned to nominate Rep. Matt Gaetz (R., Fla.) as attorney general. Gaetz beat back



GOP Sen. John Thune of South Dakota speaks after being chosen to lead his party in the chamber.

KEVIN DIETZ/GETTY IMAGES

a Justice Department investigation over allegations that the lawmaker may have engaged in sexual misconduct and illicit drug use, but is now the subject of a House ethics probe. Gaetz has denied wrongdoing.

Trump made other surprise picks in recent days, including veteran and Fox News personality Pete Hegseth for Defense Secretary and former Democratic Rep. Tulsi Gabbard of Hawaii, now a Republican, for director of national intelligence.

As word of the selection of Gaetz swept through Congress, some Republican senators expressed astonishment, while others indicated they would keep an open mind during confirmation hearings.

"He's got his work cut out for him," said Sen. Joni Ernst (R., Iowa).

Thune batted down a question about whether he would support recess appointments if a Trump nominee lacked enough support to win Senate confirmation. "We're still processing what kind of happened today," Thune said. "We'll take his nominees one by one."

Democrats said Thune, an affable and approachable lawmaker, had a tough path ahead of him as leader. "There's someone that's going to ultimately be in charge in another sense, and that's Trump," said Sen.

Scott, who is close to Trump, was seen as a long-shot candidate in the race but had the backing of a faction of GOP senators who have clashed with

John Fetterman (D., Pa.). "His will will definitely be projected on and imposed on the Senate."

During his campaign for leader, Thune cast himself as working arm-in-arm with Trump, who had once threatened to oust the South Dakota senator in a primary. As Thune worked to mend fences, he leaned heavily into a message of support for the president-elect as he made a closing argument behind closed doors.

Thune emphasized that "he understood that we had won a majority now and had to deliver on it, that there's no daylight between him and Trump, and that he will make the Senate work and not allow it to sort of grind and be unproductive," said Sen. Josh Hawley (R., Mo.), who had supported Cornyn for leader.

Cornyn had a longer record of raising money for his colleagues and had taken more pains to differentiate himself from McConnell. In a prominent break with McConnell, Cornyn said Republican leaders should be subject to term limits, a policy that McConnell said would make it harder to raise money.

Scott, who is close to Trump, was seen as a long-shot candidate in the race but had the backing of a faction of GOP senators who have clashed with

McConnell. Prominent Trump allies including Elon Musk had endorsed Scott in recent days, with some pointedly criticizing Thune and Cornyn. Senators said the pressure campaign did nothing to sway the race.

In the first round on Wednesday, the vote was split 23 for Thune, 15 for Cornyn and 13 for Scott, with all candidates short of the needed majority. In the second and final round, with Scott eliminated, Thune beat Cornyn 29 to 24. Two senators didn't vote for any of the three candidates running in the first round.

Thune's ascension marks the end of the McConnell era.

McConnell said his goal was to help his colleagues succeed while also protecting Republicans from the slings and arrows that came their way during tough debates. His rank-and-file Republican critics said that McConnell's goal was power, and that the Senate would be better off because of the internal fight touched off when Scott—who unsuccessfully challenged McConnell in 2022—campaigned again this year for the majority-leader slot.

McConnell said Thune's election "is a clear endorsement of a consummate leader."

Xavier Martinez  
and Kristina Peterson  
contributed to this article.

## Political Rivals Meet and Discuss Peaceful Handover

BY TARINI PARTI  
AND ALEX LEARY

WASHINGTON—President-elect Donald Trump met with President Biden in the Oval Office with the two leaders shaking hands and emphasizing a peaceful handover of power, a moment that stood in contrast to the discord that followed Biden's 2020 victory over Trump.

"Congratulations and I'm looking forward to having a smooth transition," Biden said Wednesday. "Welcome—welcome back."

Trump thanked the president. "Politics is tough and it's, [in] many cases, not a very nice world but it is a nice world today," he said, adding that the change in power would be "as smooth as it can get."

They didn't take questions from reporters before continuing the meeting, which lasted roughly two hours.

White House press secretary Karine Jean-Pierre characterized the meeting as substantive. She said Biden found the president-elect, who came with detailed questions for the president, to be gracious.

"They discussed important national security and domestic policy issues facing the nation and the world," she said, adding that the president also went over the priorities for the lame-duck period, including funding the government and providing disaster relief funding.

Biden's national security adviser Jake Sullivan said the president also made the case for continued assistance to Ukraine in its war against Russia.

The meeting came less than five months after Biden's poor

June debate performance, which forced him to drop his re-election bid, clearing the way for Vice President Kamala Harris, who lost handily to Trump last week.

It also marked Trump's return to Washington. He reveled in the attention as he stands poised to take over in January with a Republican Party united behind him.

The president-elect's plane landed at Joint Base Andrews in Maryland at 9:24 a.m., marking Trump's first time there since he left office on Jan. 20, 2021, skipping Biden's inauguration, the first president to do that since 1869.

Trump then met with House Republicans, getting a standing ovation. "They used to call Bill Clinton the comeback kid," House Speaker Mike Johnson (R., La.) said, calling Trump "the comeback king." Trump reveled in the election results and made a crack about not seeking the office again—unless the House acts.

"I suspect I won't be running again unless you say he's good, we got to figure something else," he said to laughter. Trump can't serve more than eight years total.

Both presidents have lobbed personal attacks for years against each other. Each has cast the other as unfit for office, with Biden warning voters that Trump was a threat to democracy and Trump saying for months that the president was mentally incompetent.

Since Trump's victory, Biden has said he wants to ensure a smooth transition and called Trump after the election to congratulate him on his win.

### Trump skipped Biden's inauguration as president in January 2021.



BRIAN SNYDER/REUTERS

## Republicans Clinch Majority In House With Tight Margin

BY KATY STECH FEREK  
AND XAVIER MARTINEZ

WASHINGTON—Republicans clinched control of the House on Wednesday, more than a week after Election Day, putting them on course for another narrow majority that will test party unity as they work to pass President-elect Donald Trump's second-term agenda.

A win by GOP Rep. Juan Ciscomani in Arizona gave Republicans the 218 seats needed for a majority of the House's 435 members, the Associated Press projected late Wednesday. Democrats have so far won 208 seats, while some seats remained uncounted.

For days, both Democrats and Republicans have expected that the GOP would keep the majority. But the close nature of many races, and slow vote counting in California, had prompted the Associated Press to hold off on making the projection until now.

The end result shows the parties effectively fought to a standstill. In New York, Democrats saw gains in battleground districts on Long Island and upstate. Businessman George

Whitesides, a Democrat, defeated GOP freshman Rep. Mike Garcia, a former Navy pilot, in a Southern California district.

Republicans are already trying to head off drama in the new Congress. On Wednesday, Trump endorsed House Speaker Mike Johnson (R., La.) to remain in his post, moving to unify GOP lawmakers and avoid a replay of the fights that dragged down the party over the past two years.

Trump told House lawmakers that he is "with Johnson all the way," according to several lawmakers at a closed-door meeting ahead of their vote picking Johnson to be the GOP nominee for speaker. With the party in charge of the White House, Senate and House, Trump also urged Republicans to stay focused and recognize the importance of coming together to support his administration's policy goals, which include major tax cuts.

House Republicans voted Wednesday on their picks for leadership positions for the next Congress. In one competitive race, Rep. Lisa McClain (R., Mich.) was elected to be House Republican Conference chair, the No. 4 spot in leader-

ship, succeeding Rep. Elise Stefanik (R., N.Y.), who was picked by Trump as ambassador to the United Nations.

The conference unanimously backed keeping Johnson as speaker, a position he has held for a year, but some lawmakers made clear they still had complaints.

This weekend, Johnson is flying to Florida to meet with the president-elect at his Mar-a-Lago club in Florida to hash out a legislative plan for next year.

Former Speaker Kevin McCarthy of California won the GOP vote in November 2022 but faced 31 dissenters, presaging a drawn-out speaker vote the following January. McCarthy was then ousted in October 2023 after Rep. Matt Gaetz (R., Fla.)—now Trump's nominee for attorney general—called a floor vote to vacate the chair.

On Wednesday, Rep. Dusty Johnson (R., S.D.) said he brokered a deal with members of the hard-line House Freedom Caucus to increase the number of lawmakers needed to call such a vote, increasing it to nine members from one.

Kristina Peterson contributed to this article.

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## U.S. NEWS

# The Biggest Challenge Facing Musk's DOGE

His efficiency effort will have a mandate, but lawmakers often hesitate to make cuts

By RICHARD RUBIN

**WASHINGTON**—Virtually everyone agrees there is waste and inefficiency in the federal government, which employs more than two million people and spends more than \$6 trillion annually. Getting agreement on what is wasteful and how to eliminate it is another story.

Finding such consensus in meaningful dollar amounts, even among Republicans, is perhaps the biggest challenge ahead for President-elect Donald Trump's "Department of Government Efficiency," or DOGE, the nascent and still-amorphous effort led by the world's richest man, Elon Musk, and biotech entrepreneur Vivek Ramaswamy, a one-time Republican presidential candidate. They will work with administration officials to identify ways to cut regulations, shrink the federal bureaucracy and restructure agencies, Trump said.

## Congressional action

DOGE—the name nods to a cryptocurrency meme and doesn't reflect the fact that it will sit outside the government itself—won't have decision-making power. Federal agency heads who work for the president can make some changes, but eliminating an agency or implementing steep budget cuts will require action from Congress, where Republicans will control the Senate and likely have a narrow grip on the House. Defense hawks in both

parties would likely object to any cuts to Pentagon spending, one of the biggest pots of money in the budget, both because of the effects on U.S. military readiness and on the jobs created by the defense budget in factories and towns across the country.

"Nobody's ever lost an election for spending too much money up here," said Rep. Thomas Massie (R., Ky.), a frequent critic of federal spending. "I'm not confident that Congress will act on that stuff, but I hope we do."

Still, Washington is full of inspector general reports and Government Accountability Office studies that detail questionable spending. There will be ideas and room to reduce duplicative programs, root out inefficiencies and trim the federal workforce.

The federal government is unlike Musk's startup companies or, really, any other organization in the world. It is sprawling, with offices not just in

Washington but all over the country, where taxpayers like to be able to interact in person with officials from the Agriculture Department and the Small Business Administration. Overall, the government is an organization at times hamstrung by its own rules—on procurement, personnel and procedure—that are prescribed in law or long-standing regulation, and are hard to dislodge quickly.

Chris Edwards, a Cato Institute federal budget expert, said Musk and Ramaswamy's hurdle will often be Republican members

of Congress who favor various programs and will object to cuts. Republican districts benefit from farm subsidies, clean-energy programs and military bases, among other items. Appropriations Committee members, in particular, take pride in directing money to federal programs and their own districts and showing their constituents the benefits of federal spending.

Still, Edwards said Musk and Ramaswamy should go far beyond the idea of efficiency. "If they really want to cut spending," he said, "they need some modest-sized cuts and successes next year to give them the confidence that they can actually do these reforms and survive." He suggested cutting or limiting federal aid to states for education and Medicaid and giving governors more flexibility with any remaining federal funds.

## Studies ridiculed

In public musings on X, his social-media site, Musk has said that the federal government has too many agencies and ridiculed various publicly funded scientific studies.

"All actions of the Department of Government Efficiency will be posted online for maximum transparency," Musk posted. "Anytime the public thinks we are cutting something important or not cutting something wasteful, just let us know! We will also have a leaderboard for most insanely dumb spending of your tax dollars. This will be both extremely tragic and extremely entertaining."

The Trump transition team didn't respond to a request for more details on the DOGE's mandate.

Whatever DOGE recommends, even if it doesn't become law, could be political fodder for Democrats, perhaps especially if they are able to build their campaign strategy in the midterm elections around people harmed or potentially harmed by budget cuts.

Rep. Steny Hoyer (D., Md.), said the whole effort sounded "ham-handed" and noted that Musk and Ramaswamy don't have experience with government operations.

Musk's actions will be fraught, too, because of the multiple conflicts of interest between his quasi-government role and his private companies.

His companies, including SpaceX and Tesla, are regulated by the federal government and he has complained repeatedly about what he sees as overreach. He is also a government contractor whose companies get money from the National Aeronautics and Space Administration and the Defense Department.

—Kristina Peterson contributed to this article.

## Musk Gets Even Closer With Trump

*Continued from Page One*  
eign leaders like Ukraine President Volodymyr Zelensky, and recruiting friends and allies for key positions in the government.

Musk didn't respond to requests for comment. Karoline Levitt, a Trump transition spokeswoman, said: "Elon Musk and President Trump are great friends and brilliant leaders working together to Make America Great Again. Elon Musk is a once in a generation business leader and our federal bureaucracy will certainly benefit from his ideas and efficiency."

Musk personally spent \$200 million to elect Trump, people familiar with the matter said, an extraordinary amount for an individual and more than he had publicly indicated.

After The Wall Street Journal reported in July that Musk privately told people he would donate around \$45 million a month to his pro-Trump super PAC, Musk said he was donating at a "much lower level."

Musk also joined Trump on Wednesday on his first trip to Washington, D.C., after being re-elected, for a White House meeting with President Biden, but the pair have been spending most of their time together in Trump's office at the Florida club.

Musk has been staying at Mar-a-Lago, people familiar with the matter said, along with members of his family. Sometimes Musk has his 4-year-old son X in tow. Trump's granddaughter posted a photo of him on the golf course, saying, "Elon achieving uncle status." At night, he has been spotted dining with Trump and his wife, Melania.

"I'm happy to be the first buddy," Musk posted on X, formerly Twitter.

Musk doesn't have a formal title on Trump's transition team but works daily with transition co-chairs Howard Lutnick and Linda McMahon in sessions over key personnel moves and minutiae, some of these people explained. With large screens in front of them, Musk and others weigh in on candidates as their headshots are presented on large television screens.

Melissa Rein Lively, a publicist who has been publicly angling for the job of White House press secretary, has been seeking to meet with Trump advisers including Musk. She said Musk recently texted her and suggested they get together while in Florida, saying he heard she was someone he should meet. She has pitched him on being his personal spokeswoman if the White House job doesn't work out.

When Trump is sworn into office in January, Musk will take charge of a new entity Trump calls the Department of Government Efficiency with former presidential candidate Vivek Ramaswamy. (It won't be a government department, though; the name, with the ini-



Above, Elon Musk, second from left, arrived with Trump staff members in Maryland Wednesday before a White House meeting. Below, Musk with Melania Trump during the October Trump rally at Madison Square Garden, in New York.

tials DOGE, is Musk's homage to dogecoin, a cryptocurrency about which he frequently jokes.)

In the role, Musk has said he would look for places to cut red tape and slash trillions of dollars from the budget.

But even as he has threatened to cut jobs, Musk has in the past week turned to close friends to fill new government roles that could also affect his six companies, including Tesla, SpaceX and X, people close to the transition and Musk say.

SpaceX, which has signed more than \$15 billion in government contracts over the past decade, is the dominant firm used by the Pentagon and the National Aeronautics and Space Administration.

Musk and his companies have been repeatedly investigated by government agencies.

People close to the transition expect Musk's friend and Silicon Valley entrepreneur Da-



vid Sacks to be among those advising the new government-efficiency group, some of the people said.

Musk's allies in Silicon Valley, including engineers, have been sending in their resumes after some were encouraged by the billionaire businessman to do so.

John Hering, another investor in many of Musk's companies, is fielding many of these reach-outs, one of the people said.

"I think one of the more attractive elements for those people, it will feel to them they are working for Elon instead of President Trump," one person familiar with the process said.

Some Silicon Valley donors have privately expressed frustration at the nominees Trump has announced so far, grumbling that their views should be better represented after the money and time they gave to the Trump campaign.

Trump posted on X Tuesday night that Musk's role at DOGE will be to work with the White House Office of Management and Budget to implement its recommendations for cutting costs.

Musk is particularly fixated on what he sees as the bloated size of the federal workforce and has told people—possibly in jest—that more than half of the government's employees should be fired, peo-

ple familiar with the conversations said.

As a chief executive, he has made drastic layoffs at his companies, and he hopes to do the same thing across the government.

But it is easier to fire private-sector workers than government employees, who enjoy strong job protections.

Musk has predicted that he could cut federal spending by at least \$2 trillion. Veterans of past administrations, including prominent Republicans, are skeptical he will be able to achieve that goal without cutting programs that have broad bipartisan support.

Whatever his exact role, his potential portfolio during Trump's second term is so expansive that one source described him as being "in charge of the federal budget."

Musk has said laid-off federal workers should receive up to two years of severance, as well as job training, a person familiar with his plans said.

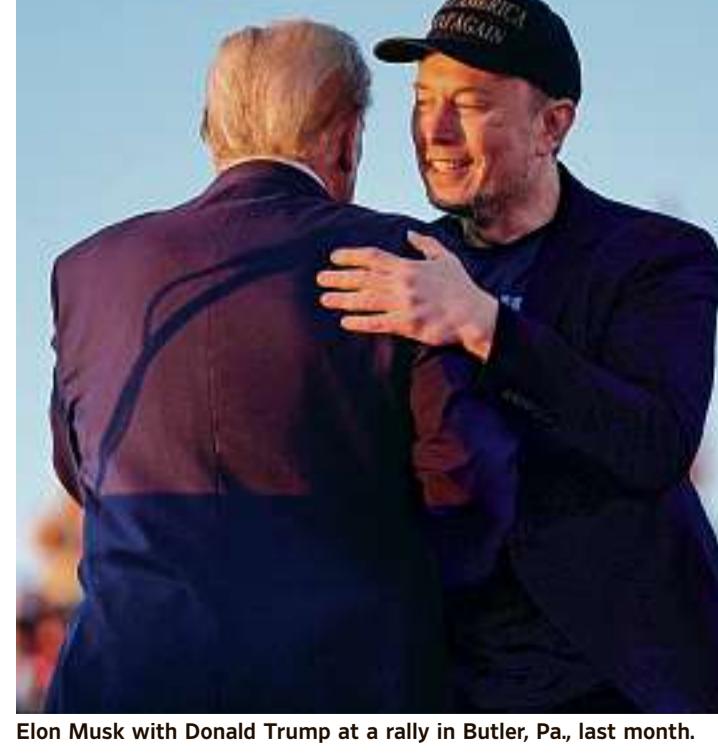
He is expected to target cuts at agencies that regulate or investigate his companies, including the Federal Trade Commission, Justice Department, Securities and Exchange Commission and Internal Revenue Service, people who have worked with Musk and talked to him about the agencies said.

Other veterans of Trump's first term believe Trump will eventually turn on Musk, particularly if he outshines him at events or tries to take the lead in communicating with world leaders.

But so far, people who have witnessed their interactions said Trump and Musk seem to be getting along.

Over the weekend, Trump dined with Musk on Mar-a-Lago's expansive patio. People who were there said Musk was treated like a celebrity. So bright is his star power among the conservative Trump supporters that one club regular compared him to Paul McCartney.

—Andrew Restuccia contributed to this article.



Elon Musk with Donald Trump at a rally in Butler, Pa., last month.

## Billionaire Lutnick Wants Job Of Treasury Secretary

BY ANDREW RESTUCCIA AND BRIAN SCHWARTZ

Howard Lutnick and his allies are making a play for the billionaire Cantor Fitzgerald chief executive to be picked as Treasury secretary, as some advisers to President-elect Donald Trump quietly signal skepticism about the top contender, investor Scott Bessent.

Lutnick has gone directly to Trump about becoming Treasury secretary, according to a person with knowledge of the conversations. Another person familiar with Lutnick's moves say they have been noticed by some of Trump's aides, notably because up until recently, the longtime Wall Street executive hadn't been directly advocating for the position.

The last-minute jockeying has triggered uncertainty in Trump's inner circle about whom the president-elect will choose for the crucial role. People in Trump's orbit called the race a tossup, adding that the soon-to-be-47th-president likes both of them. The Treasury

chief will oversee Trump's economic agenda and play a central role in turning the campaign positions that animated voters into policy.

As the co-chair of Trump's transition team, Lutnick has spent days working alongside Trump at Mar-a-Lago, the president-elect's private club, poring over shortlists for cabinet jobs, according to people familiar with the matter. Bessent, the founder of the investment firm Key Square Capital Management, has also spent time at Mar-a-Lago, meeting with Trump last week, though he hasn't had as much recent facetime with the incoming president as Lutnick has, the people said.

A spokeswoman for Lutnick declined to comment. Representatives for the Trump transition and Bessent didn't respond to requests for comment.

Bessent is widely seen as the front-runner. But in recent days, conservatives have raised concerns to Trump's advisers about Bessent's past work with George Soros, the billionaire investor and philanthropist that has for years been a target of criticism from the right because of his support for liberal policies.

Bessent was the chief investment officer at Soros Fund Management from 2011 to 2015.

Bessent has also showered Trump with praise. During the presidential campaign, he warned that the stock market would crash if Vice President Kamala Harris won the election. He wrote an op-ed in The Wall Street Journal this week in which he dismissed a group of Nobel laureates who warned Trump's economic agenda would harm the U.S. economy.

—Andrew Restuccia contributed to this article.

## WORLD NEWS

## Push Revived for West Bank Annexation

Since Trump's win, Israeli ministers see an opportunity to control the territory

BY DOV LIEBER

Donald Trump's election victory has triggered a renewed push by some in Israel's right-wing government to annex the occupied West Bank, an idea that is seen as illegal by most of the international community and could threaten Israel's relations with its Arab allies.

On Wednesday, Trump's nominee for U.S. ambassador to Israel, Mike Huckabee, said in an interview with Israel's Army Radio that "of course" annexation of the West Bank is possible in the next administration but the policy hasn't been set.

It was the first signal that the new U.S. administration might be open to the idea, which Israeli Prime Minister Benjamin Netanyahu pushed for during the first Trump administration. As part of the Abraham Accords of 2020 with Arab countries such as the United Arab Emirates, Netanyahu promised to take annexation off the table. Since Trump's election, far-right ministers and leaders of settlement councils in the West Bank have said it is time to renew the push.

"Trump's victory brings with it an important opportunity for the State of Israel," far-right Finance Minister Bezalel Smotrich said Monday. "2025 [is] the year of sovereignty in Judea and Samaria," he added, using the term Israel applies to the West Bank.

Foreign Minister Gideon Saar took a less firm position, saying Monday that the possibility of annexation must be discussed with Washington.

Huckabee, a former Arkansas governor who reflects the views of pro-Israel evangelical Christians, is among several backers of Israel who Trump has said will join his administration. They include Rep.



Al Jalazone refugee camp in the Israeli-occupied West Bank. Far-right Israeli ministers want to annex the West Bank.

MOHAMAD TOROKMAN/REUTERS

hopes for the creation of an independent Palestinian state alongside Israel.

Still, the U.A.E. is unlikely to reverse course on deepening ties with Israel, which have quietly expanded in the past year even as Israel has waged war in Gaza and Lebanon.

At an event last year marking the three-year anniversary of the deal, U.A.E. Ambassador to Washington Yousef Al Otaiba said Israeli policies in the West Bank were making a two-state solution more difficult to achieve. "Our deal was based on a certain time period and that time period is almost done, and so we have no ability to leverage decisions that are made outside of the period that the Abraham Accords was based on," he said.

Annexation also could threaten progress on normalization of relations between Israel and Saudi Arabia, which has said a deal is contingent on a pathway toward a Palestinian state. "The Kingdom stresses that these statements undermine peace efforts, including the two-state solution, encourage wars, produce more extremism, and increase the threat to the security and stability of the region," the Saudi Foreign Ministry said.

The Trump administration won't want to risk the priority of sealing a Saudi-Israeli deal and fostering a regional coalition against Iran to support West Bank annexation, said Mark Dubowitz, chief executive of the Washington-based Foundation for Defense of Democracies, a think tank that has argued for a tough policy on Iran and its proxies.

"I have yet to hear anyone say a priority is supporting annexation," he said. "Whatever designs Smotrich has on the West Bank under a new administration is likely to be of secondary importance to broader Arab-Israeli normalization, as well as the administration's laserlike focus on countering Iran."

—Stephen Kalin contributed to this article.

### Israeli Moves to Take Over Territory Would Draw Ire

Israel is already facing broad international condemnation over its handling of wars against militants in Gaza and the Lebanese militia Hezbollah, and violence by Israeli settlers against Palestinians in the West Bank.

A move toward annexation of the West Bank could further isolate Israel

in international forums and further inflame Palestinian and Arab anger toward Israel.

Far-right Finance Minister Bezalel Smotrich, who also is a minister in Israel's Defense Ministry, which controls civil affairs in the West Bank, said he had directed the ministry to prepare for the application of

Israeli sovereignty in the West Bank.

During the past two years, he has led a quiet reshaping of the West Bank in favor of settlements.

While much of the world considers the West Bank occupied territory, Israel argues it is disputed territory and its final status must be negotiated.

it fell far below their hopes for a state of their own.

Jason Greenblatt, White House envoy to the Middle East in the previous Trump administration, said he believed the discussion of annexation would take place only as an extension of widened Abra-

ham Accords or Israeli-Palestinian peace talks. "Context is everything," he said. "My advice to those ministers pushing for this now is for them to focus on and work closely with Prime Minister Netanyahu on the immediate, pressing, urgent issues Israel is facing."

The U.A.E. has condemned the recent comments by Smotrich, calling them provocative and an obstacle to regional peace and stability.

Arab states and European countries have said a unilateral move to annex the territory would permanently dash

## Trump and Putin's Rapport Is Masking Deeper Tensions

BY ALAN CULLISON AND THOMAS GROVE



Donald Trump and Vladimir Putin at a 2018 news conference

President-elect Donald Trump has styled himself a master dealmaker who can leverage his warm relationship with Vladimir Putin to end the war in Ukraine, cool tensions among the world's biggest nuclear powers and realign global politics. But that can-do image is at odds with the two leaders' records and the new geopolitical reality.

Trump and Putin failed to cut deals on everything from arms control to Ukraine during his first term, and the gulf between the countries only has widened since he left office.

The Russian leader has had warm words for Trump since his election. But the Kremlin denied that they had spoken since the election, despite a Washington Post report that they held a phone call last week.

Not since the demise of the Soviet Union have the stakes been higher. Russia and the U.S. are locked in an escalating conflict in Ukraine, and Moscow stands accused of sabotage operations across Europe, including covert plans to start fires on cargo or passenger planes headed to the U.S. More broadly, Putin is trying to shift the global balance of power by strengthening a coalition of U.S. rivals, including China, Iran and North Korea.

Putin and Trump are seeking to establish positions of strength ahead of what are expected to be tough talks on Ukraine, but any window of hope largely will hinge on whether Trump can translate kind words into concrete diplomatic breakthroughs.

During Trump's first term, the mood between Washington and Moscow darkened. Putin and Trump didn't agree on core issues such as arms control, security cooperation and continued U.S. support for Ukraine, which Russia invaded in 2014. Russia sought pacts on tactical and intercontinental-range nuclear weapons and a deal that would accommodate Moscow's demands that Kyiv remain neu-

tral and outside of the North Atlantic Treaty Organization.

Kurt Volker, former NATO ambassador under Trump, said the president-elect's warm words toward Putin mask a more mercantile negotiating tactic with world leaders. Trump avoids demonizing the person "because he wants to make a deal," he said.

For months, Russian troops have been grinding forward on a broad front deeper into Ukraine, taking territory that Moscow intends to keep in any peace deal. U.S. officials say the Kremlin believes it is winning the war, making any talk an impossibility.

"Putin is not ready for any substantive talk around any possible peace plan, because he is not ready to make any concessions. Full stop," said Andrei Kolesnikov, a veteran Russia watcher. "He believes that he has enough financial and emotional resources to continue."

Still, Putin has reasons to fear Trump's broader policy goals, which could strain Russia's war effort in new ways.

Trump's selection of Rep. Mike Waltz, a Green Beret veteran, to be his White House national-security adviser could be a double-edged sword for Putin. The lawmaker has criticized the size of U.S. aid to Ukraine and has called on Europe to do more. But he has warned that Washington could lift restrictions on long-range weapons and a deal that would accommodate Moscow's demands that Kyiv remain neu-



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## WORLD NEWS

# Latin American Trade Is Dominated by China

South of the border, China is ascendant. Chinese leader Xi Jinping this week arrives in a region where China has replaced the U.S. as the dominant trading partner for most big econo-

By James T. Areddy,  
Ryan Dubé  
and Roque Ruiz

mies, with the exceptions of Mexico and Colombia. Beijing has signed up most of Latin America and the Caribbean to an infrastructure program that excludes the U.S. In Peru, Xi will inaugurate a megaport to speed trade with Asia.

China is a voracious buyer of lithium from Argentina, Venezuelan crude oil and Brazilian iron ore and soybeans. The \$286.1 billion in Chinese projects in the region tallied by the AidData research lab at William and Mary in Virginia—such as metro lines in Bogotá and Mexico City and hydroelectric dams in Ecuador—is approaching the value of China's work in Africa, but with a new lending model and less backlash.

Xi is visiting South America to take part in leadership summits, including an Asia-Pacific Economic Cooperation forum this week in Lima, Peru, and a Group of 20 summit next week in Rio de Janeiro. Both are likely to illustrate what some have called China's economic marginalization of the U.S. in the region. While President Biden is expected, too, his stature will be diminished in the wake of Donald Trump's re-election—and Xi has visited the region more than both of them.

Few see Latin America as the U.S.'s "backyard" anymore.

The region's nations generally pine for warm relations with the U.S., but often are seen as a secondary priority in Washington. Beijing's diplomats and executives, mean-

while, actively engage with local and national governments almost regardless of their political leanings.

"It's super frustrating because this region has everything you'd think American companies would want," says Ryan Berg, director of the Americas program at Washington's Center for Strategic and International Studies.

In addition to deepening economic ties, Xi promotes a governance model that breaks with the U.S.-led postwar order that he suggests is an outdated relic of colonialism. Xi's sustained attention to the region "is symbolic, and countries of the Global South need that recognition," said Alvaro Mendez, director of a unit at the London School of Economics and Political Science that studies China's influence.

## Nations are wary

Trump, who in his first term mostly focused on the region as a source of unwanted immigration, could force some of its countries into difficult choices if he pushes them to limit their China ties.

Many Latin Americans are apprehensive about what's in store for them over the next four years on this critical issue," said Michael Shifter, a scholar of Latin America at the Inter-American Dialogue policy group in Washington. Meanwhile, higher Trump tariffs could drive some nations closer to Beijing.

Chinese trade and investment has boomed across the roughly 40 nations of Latin America and the Caribbean, home to over 660 million people stretching from Mexico to Chile and Argentina, plus island-nations like Jamaica and Cuba.

China's construction of infrastructure including ports to move commodities mirrors how, all over Asia and Africa, China under Xi has cemented

its presence by building bridges, power plants and stadiums. China also has less of the debt-collector image in Latin America than it has in other developing parts of the world, in part because Beijing has slowed new project commitments and adjusted how it has financed some work.

Beijing's largess isn't always beneficial. Its exports of capital and consumer goods in addition to chemicals and machinery give China a trade surplus with the region overall.

China is crowding in with manufactured exports such as Huawei Technologies telecommunication hardware and electric vehicles from BYD, which has taken over an abandoned Ford plant in Brazil. An influx of Chinese steel recently forced the closure of a large Chilean mill.

Some countries are raising tariffs on Chinese goods, and others see threats from big Chinese entrants to traditional sectors, like fishing. China's image also has been tarnished by shoddy construction, such as on a hydroelectric project in Ecuador, and limited regard for the environment and indigenous people, such as around copper mines in Peru.

China is attracted by the same attributes that should make U.S. multinationals eager to compete in the largely democratic region: abundant natural resources including critical minerals, human capital to deploy for manufacturing products like pharmaceuticals, growing consumer bases and rule of law.

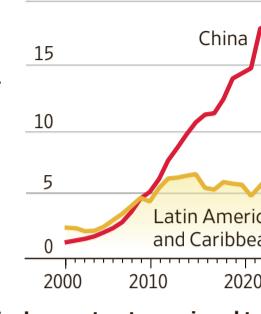
Trade has given a lift to broader Beijing influence in a region that traditionally has allied itself with the U.S. Brazil recently joined China in putting forward a plan for ending the Ukraine war, and gives voice to its vision of a Global South to challenge the traditional U.S.-led order.

Argentina allows China to

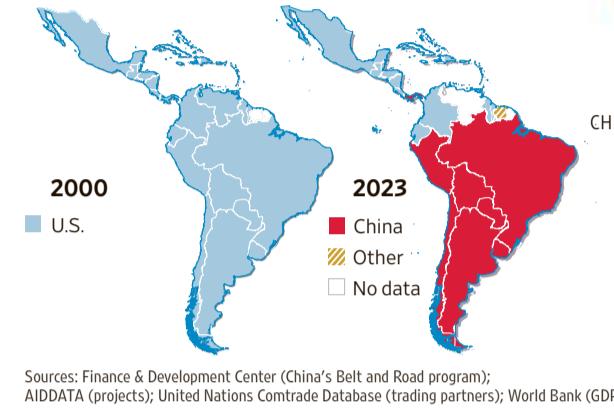
## Signatory nations to China's Belt and Road program

YEAR JOINED	2017-18	2019-20	2021-23
① ANTIGUA AND BARBUDA			
② DOMINICA			
③ BARBADOS			
④ GRENADA			
⑤ TRINIDAD AND TOBAGO			

## GDP, current dollars



## Largest extra-regional trading partners, by total value of goods traded



## WORLD NEWS

## BRAZIL

**One Dead After**

Two explosions outside Brazil's Supreme Court on Wednesday killed a man and forced the justices and staff to evacuate the building in the capital of Brasilia.

The court said in a statement that two very strong blasts were heard at about 7:30 p.m. local time, shortly after Wednesday's session finished. Local firefighters confirmed that one man died at the scene, but didn't identify him.

Celina Leão, the lieutenant governor of Brazil's federal district, recommended that Congress be closed on Thursday to avoid new risks. She said police believe the man who died caused the explosions.

The incident took place in Brasilia's Three Powers Plaza, an area where Brazil's main government buildings, including the Supreme Court, Congress and presidential palace, are located.

President Luiz Inácio Lula da Silva wasn't in the neighboring presidential palace at the time of the blasts, said spokesman José Chrispiniano.

Brazil's federal police said it is investigating and didn't provide a motive.

—Associated Press

## JAPAN

**Nuclear Watchdog Disqualifies Reactor**

Japan's nuclear watchdog on Wednesday formally disqualified a reactor in the country's north-central region from restarting—the first rejection under safety standards that were reinforced after the 2011 Fukushima disaster.

The decision is a setback for Japan as it seeks to accelerate reactor restarts to maximize nuclear power.

The Nuclear Regulation Authority said the Tsuruga No. 2 reactor is "unfit" as its operator failed to address safety risks stemming from the presence of possible active fault lines, which can potentially cause earthquakes, underneath it.

Tsuruga No. 2, operated by the Japan Atomic Power Co., is the first reactor to be rejected under safety standards adopted in 2013 based on lessons from the 2011 Fukushima Daiichi meltdown disaster following a massive earthquake and tsunami.

The verdict comes after more than eight years of safety reviews that were repeatedly disrupted by data coverups and mistakes by the operator, said NRA chairman Shinsuke Yamanaka.

—Associated Press



ELECTION DAY: A police officer helped a woman as she voted for president at a polling station in Somaliland on Wednesday.

LUIS TATO/AGENCE FRANCE PRESSE/GTY IMAGES

# Trump's China Hawks Set to Take Flight

Absent from the expected cabinet lineup are Beijing's most-feared foes

By LINGLING WEI

With the nominations of Sen. Marco Rubio and Rep. Mike Waltz to cabinet positions, President-elect Donald Trump is putting together what some China hawks call a tough-on-China "dream team."

Both lawmakers are harsh China critics.

If confirmed, Rubio, whose nomination was made official by Trump on Wednesday, would be the first sitting secretary of state under Beijing sanctions and banned from traveling to China. Waltz, asked to be Trump's national-security adviser, is one of the most vocal China critics in Congress. Both men are likely to be central to Chinese leader Xi Jinping's fears of a rise in tensions under Trump.

Still, from Beijing's perspective, it could have been worse.

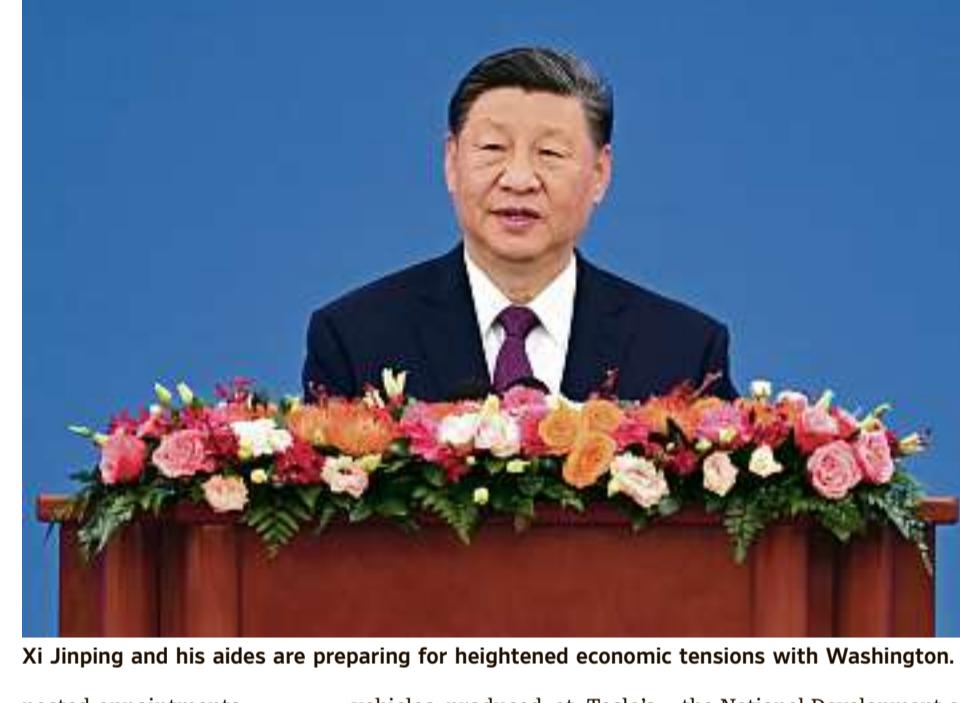
People who consult with senior Chinese officials say that for now at least, Beijing is relieved that several Republicans considered particular threats by the Communist Party, including former Secretary of State Mike Pompeo, aren't in the mix.

"The cabinet choices are viewed as bad by China," said Yun Sun, director of the China program at the Stimson Center, a Washington think tank. "But for now, there appears to be still room for dialogue." Sun said that if Trump had picked people seen as directly threatening the Communist Party's core interests and its hold on power, "then that room for dialogue would be completely gone, from China's point of view."

In a speech in the summer of 2020, Pompeo called on the Chinese people to work with the U.S. to change the party's behavior. Later, one passage from Pompeo's memoir, "Never Give an Inch," in which he called on the U.S. to grant full diplomatic recognition to Taiwan, enraged Xi as the book made the rounds in Beijing in early 2023, people familiar with the matter have said. China repeatedly has warned the U.S. not to meddle over Taiwan, which it considers its own territory.

Another Republican that China is especially wary of is Robert O'Brien, Trump's former national-security adviser. O'Brien has indicated that the U.S. should try to bring Russia's war in Ukraine to an end and then attempt to peel Moscow away from Beijing.

At a news briefing on Tuesday, Chinese Foreign Ministry spokesman Lin Jian said he had no comment about the ex-



Xi Jinping and his aides are preparing for heightened economic tensions with Washington.

pected appointments.

Political strategists in Washington say the two cabinet-level choices could make it harder for Beijing to try to take advantage of Trump's penchant for deals, potentially empowering those who want to accelerate the effort to decouple the U.S. economy from that of China.

One of them is Robert Lighthizer, the U.S. trade representative during Trump's first term. The president-elect has told allies that he wants Lighthizer, who has openly advocated for cutting off nearly all of China's access to America's markets, technology and capital, as the administration's trade czar. That role would likely give Lighthizer

oversight on trade policy across the administration, including at the Commerce Department and the Office of the U.S. Trade Representative, The Wall Street Journal reported on Tuesday.

Xi and his aides have worked for months to prepare for heightened economic tensions with Washington. China is increasing efforts to court U.S. allies in Europe and Asia, doubling down on central control to fortify the Chinese economy, and readying a tool kit to hit back at any U.S. moves to shut Chinese products out of its market.

Meanwhile, senior Chinese officials also are planning to step up courtship of American business leaders to try to counterbalance the China hardliners on Trump's foreign-policy team, the people who consult with Beijing said. Chief among their targets, they say, is Elon Musk, chief executive officer of Tesla, which makes half its electric vehicles in China.

Late last week, Tesla became one of the first automakers in China to earn a certification that indicates all

vehicles produced at Tesla's gigafactory in Shanghai comply with China's standards for automotive data security. The so-called vehicle-privacy-protection certification could encourage more purchases of Tesla EVs in China by individuals, businesses and even government agencies.

During his presidential campaign, Trump pledged to impose tariffs of up to 60% on imports from China. If implemented, such a tariff increase would put in jeopardy Xi's manufacturing-focused economic policy, which has led to cheap Chinese steel, EVs, solar panels and other products flooding the world.

The Xi leadership in the past year largely has ignored calls from the Biden administration and policymakers elsewhere to change the policy. The prospect of a large-scale trade fight with the Trump administration is hardening Beijing's drive to further beef up production and reduce the country's reliance on other nations.

In an article on Monday,

the National Development and Reform Commission, China's top economic planner, stressed the need to foster "internal circulation"—party-speak for giving priority to domestic production capabilities and markets as China's main growth drivers.

Rubio was among a handful of U.S. officials on whom China twice imposed sanctions in 2020 as both countries were feuding over issues including allegations of genocide in China's Xinjiang region and Beijing's crackdown on civil liberties in Hong Kong. Rubio sponsored a bill intended to prevent the import of goods made in Xinjiang, and President Biden later signed it into law.

Wang Yilie, a professor of international studies at Renmin University in Beijing, said China would find a way to work around the sanctions on Rubio, noting that while the restrictions could apply to Rubio as an individual, they might not apply to the office of secretary of state.

"This is something they can

discuss," Wang said.

China imposed sanctions on Pompeo in early 2021, but only as he was leaving office.

Waltz, a former Army Green Beret and combat veteran of Afghanistan, is one of Congress's most hawkish members regarding China. He said in 2021, "We are in a Cold War with the Chinese Communist Party."

In contrast with Trump's stance on trade, his perspective on whether the U.S. should come to Taiwan's defense in the event of a Chinese invasion has been more ambiguous. In an interview with The Wall Street Journal's editorial board in October, Trump suggested a transactional approach to the self-governed island, indicating he might use tariffs as a tool to deter China from trying to take control of Taiwan by force.

During a regular news briefing on Tuesday, Wang Liang-yu, head of the Taiwanese Foreign Ministry's Department of North American Affairs, said Taipei is "keeping a close eye on the potential lineup for Trump's new administration." During a regular news briefing on Tuesday, Wang Liang-yu, head of the Taiwanese Foreign Ministry's Department of North American Affairs, said Taipei is "keeping a close eye on the potential lineup for Trump's new administration."

For the Xi leadership, another concern, in addition to Trump's tariff threats, is a "reverse Nixon" scenario. Much as former President Richard Nixon sought to use China to counter the Soviet Union during the Cold War,

the U.S. now might seek to turn Moscow against Beijing, a potentially huge strategic blow to Xi's security-focused agenda.

The Kremlin has increasingly relied on Beijing to help Russia get around Western sanctions and sustain its war in Ukraine.

The Chinese leadership is worried that a U.S.-facilitated end to the war—a campaign promise by Trump—could pave the way for a detente between Washington and Moscow, potentially leaving Beijing out in the cold.

For now, the absence of Pompeo and O'Brien from Trump's cabinet lineup is expected to give Beijing only small comfort. Trump said over the weekend that Pompeo won't be invited to join his incoming administration.

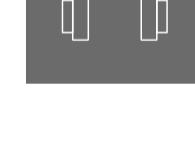
Like O'Brien, both Rubio and Waltz have publicly expressed support for Trump's efforts to bring Russia's invasion of Ukraine to an end, and for Washington to take an even tougher economic and military stance on China, seen as the U.S.'s top geopolitical rival.

"The threat that will define this century is China," Rubio said in a 2022 speech to the conservative Heritage Foundation think tank.

—Austin Ramzy, Yoko Kubota and Joyu Wang contributed to this article.

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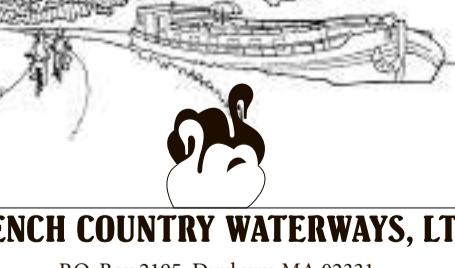
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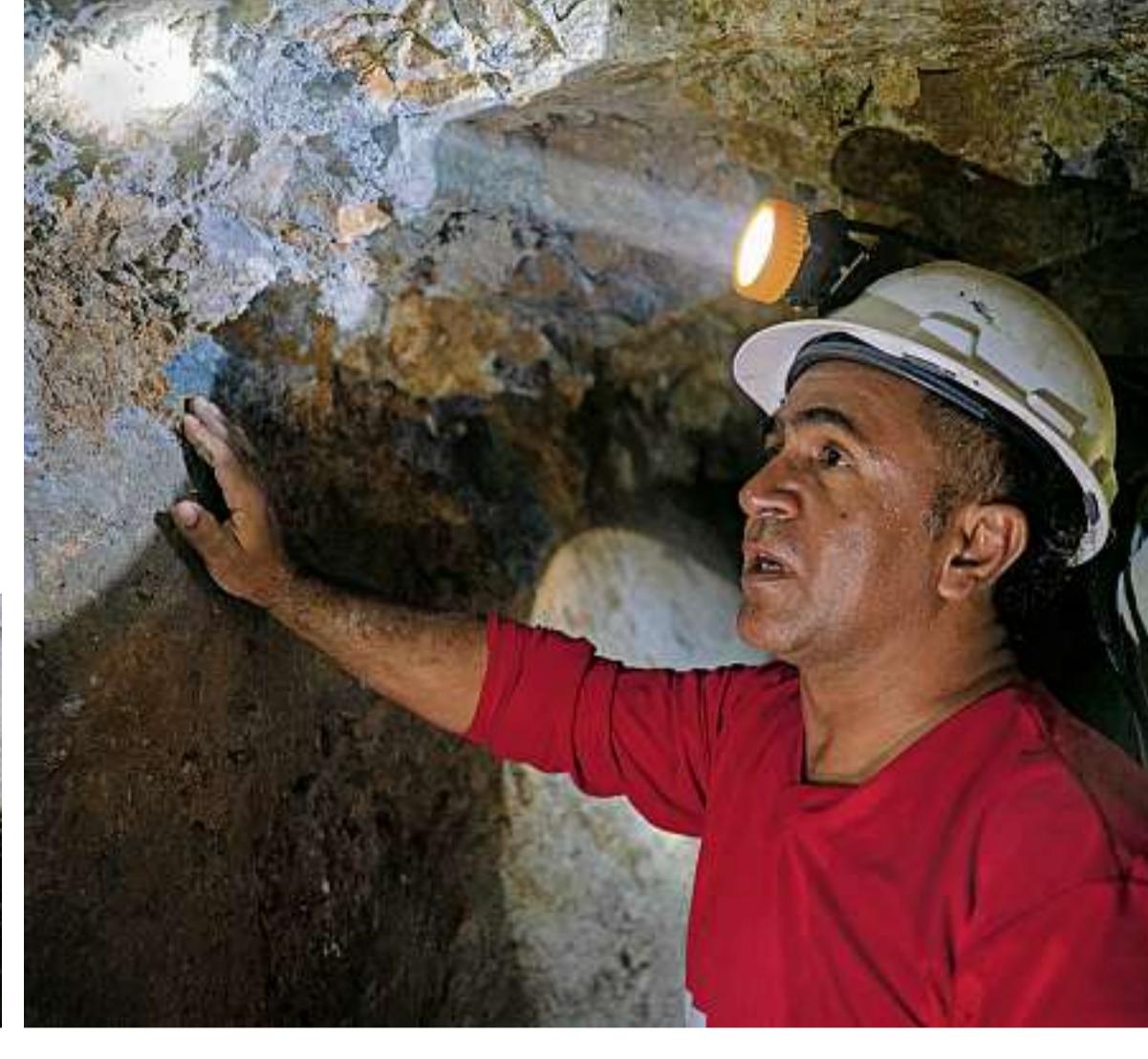
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THE WALL STREET JOURNAL.

## FROM PAGE ONE



Clockwise from top, The head of Zijin's private security speaking to one of the company's armed guards at a tunnel barricade; Andres Rave looking for traces of a gold vein; an illegal miner making an explosive.



NICOLAS ENRIQUEZ FOR WSJ (4)

## Drug Gang Leads Mine Plunder

*Continued from Page One*  
estimated that last year it lost more than 3.2 tons of gold, worth around \$200 million and equal to 33% of the mine's total production. The illegal mining, a slow and laborious process that continues largely unpoliced by authorities, is a war "we are losing," a Zijin security official said.

Rogue miners at Zijin's mines and elsewhere in Colombia get access, protection and equipment from the Gulf Clan, an armed militia of some 7,000 men that moves cocaine and migrants along routes headed to the U.S. The group seizes Zijin tunnels on behalf of illegal miners in exchange for a cut of the spoils.

Illegal gold mining in South America has expanded in recent years, government officials said, propelled by record-high gold prices, up 30% this year to around \$2,600 an ounce. The miners move dredges and excavators into jungles, igniting conflicts with local indigenous groups, and use mercury to separate gold from rock, polluting parts of the Amazon rainforest in several countries.

As history shows, the lure of gold can be irresistible. Some of Colombia's trespassing miners extract \$5,000 or more worth of gold a month, a sum about equal to what business executives earn. Since 2019, about 18 illegal miners have been killed in accidents at the Zijin mine, company officials said.

"The wages are very good, but you risk it all," said Erik Dubier, a 22-year-old illegal miner. "You can get trapped. There are rock slides. And there's combat every day."

Zijin Mining, which operates worldwide, filed a \$430 million lawsuit at the World Bank's International Center for the Settlement of Investment Disputes, alleging Colombia authorities aren't do-

ing their job. Zijin estimates that illegal miners control more than 60% of its mining tunnels.

The company bought the mine in 2020 from Canada's Continental Gold for \$1 billion, part of Beijing's global push to secure minerals. Leizhong Li, the company's chief executive, said violent incursions have since become a daily threat—with no help from authorities.

The company estimated that Colombia lost the equivalent of \$100 million in taxes and royalties last year.

Daniela Gómez, the vice minister of defense, said Colombia doesn't have the capacity to flush out the clandestine miners from the "subterranean theater of operations." The government, she said, wants to avoid violent confrontations that might endanger civilians.

"The demands made by the company are not realistic," said Gómez. Zijin bought the gold-mine operation "knowing that the illegal extraction of minerals was taking place," she said.

Over the past four years, illegal miners have built an underground network so vast that Zijin engineers said the mountain has started to resemble Swiss cheese, crisscrossed with makeshift passageways and tunnels leading from an estimated 380 above-ground entryways. The Gulf Clan provides bunks, kitchens, bathrooms and security.

The gang also delivers sex workers, marijuana and other drugs to miners during weeklong stints. "There's everything there," Dubier said.

**Warfare**

Illegal miners worm their way into the Zijin mine from a chain of small houses perched on a mountain holding one of Latin America's largest gold mother lodes.

The miners use explosive charges

and rock drills to penetrate bathroom floors and bore through hundreds of yards of stone and clay. Inch by inch, the miners excavate passageways to reach the Zijin tunnels.

Militia fighters force the retreat of Zijin security forces with explosives and gunfire in what a company official described as trench warfare.

Zijin said it has no other recourse but to surrender the tunnels, a retreat jeopardizing the future of its gold-mine concession.

"It happens every day," Li said of the subterranean clashes. The company estimated that it has had to abandon an estimated 40 tons of gold deposits in the areas seized by the Gulf Clan and illegal miners.

Gómez, the vice minister of defense, described legal obstacles to searching homes and arresting miners. "I can go to Buriticá tomorrow and capture 300 people," she said. "The judge will free them by nightfall."

On a recent tour of the underground tunnels, Zijin's senior security official at the mine pointed out the wall of sandbags separating company operations from trespassers

working less than 100 yards away. The miners' voices carried through the darkness.

"All the mining from here to there has been lost," he said, pointing to the distant lights where illegal miners worked. "They advance progressively, taking ownership."

Miners often seize Zijin tunnels by first tossing explosives and shooting at guards,

the security official said. The miners carry jackleg drills and set off as many as 250 detonations a day to break through rock. Their advance has cost

Zijin two of the mine's three sections.

The richest and deepest part of the gold mine remains in company hands. Zijin has about 4,500 workers there and at processing centers.

The company excavates around 4,000 tons of rock a day, which yields an average of 53 pounds of gold.

### Lack of control

"It's a tremendous problem," said Javier Sarmiento, an investigator tracking mine troubles in Buriticá for Colombia's Inspector General's Office, a state agency.

Zijin executives said the underground battle worsened

after the 2022 election of leftist President Gustavo Petro.

Past governments welcomed foreign mining companies, including Zijin. But Petro and his ministers have been critical of large-scale mining, saying they want to shift the economy toward such sustainable industries as avocado farming and tourism.

Colombia's government says the country needs to transform the economy of Buriticá so that citizens have a choice of better jobs. Officials say they want to open a path for illegal miners to instead form legal cooperatives to run small artisanal mines.

Some officials have suggested that Zijin give up some of its mine holdings to trespassers in bid for peace.

"There are areas in that concession where there is no exploration, no activity whatsoever," said Luis Álvaro Pardo, president of the state's National Mining Agency. "So we're saying, 'Look Zijin, cede some areas.'"

Previous government had more aggressive policies against armed groups, said Li, the company's chief executive.

In 2016, Colombia launched Operation Crete, which closed more than 250 illegal passageways into the mine over four years.

Zijin said Colombia needed to again close off routes used by criminals stealing company gold.

"From our point of view,

the policy is not

favorable to mining and the multinationals," Li said.

"How can authorities not know this and act against this?"

The state Inspector General's Office has asked the government to develop a plan of action to stop the theft, Sarmiento said.

Nothing has come of the request.

"It has a lot to do with politics," he said.

"The arrival of this new government appears to have not been favorable to

the situation."

Brigadier General William Castaño, who oversees a police team assigned to the mine, said his forces regularly confront rogue miners.

"There are interventions almost every day," he said.

Sarmiento and Zijin executives said the state should try to cut off the electricity that powers the drills used by illegal miners.

They said police and troops deployed in Buriticá could inspect vehicles traveling on the single road leading to the mine. Vehicles ferry in equipment and supplies and leave laden with stolen gold ore, according to Zijin executives.

"This is a pure lack of control by the authorities," Sarmiento said.

Thousands of miners have arrived from other parts of Colombia and neighboring Venezuela to seek their fortune.

Some have branched away

from Zijin's tunnels to mine gold deposits in La Centena, a mine a few miles away. Those miners deny Zijin's claim that they are taking company gold.

On a recent day, Andres Rave, an older miner at La Centena, walked through the water and mud of a tunnel floor. He and a handful of others have dug passageways that extend about 200 yards into the mountain.

With the light on his hard hat illuminating colorful, craggy rocks, Rave ran his hand along a distinctive layer of minerals. "This vein that runs here," he said, "this is the one that holds the gold."

Dust particles floated in the air. Rocks underfoot had fallen from tunnel walls and ceilings. Duber Antonio Quiros didn't give it much thought. He and other miners worked to reinforce man-sized tunnels with wooden beams.

Commercial miners use tunnel-boring equipment to build passageways supported by steel and concrete. Some are large enough for trucks.

"We small-time miners don't have the technology the big companies have," Quiros said. "But this gets into your blood and becomes your passion."



The cable-car system used by Zijin Mining Group at its gold mine in Colombia.

## Singles Want to Meet IRL

*Continued from Page One*

through friends, at work, or if they were lucky, by making eye contact across an overcrowded, otherwise terrible bar that suddenly became, in a moment, not so terrible. Then online dating took off. Old ways of meeting didn't disappear but over time took a back seat to finding love via smartphone. These days, singles seeking long-term partners are tired of swiping and ready—excited even—about the prospect of meeting someone in real life instead.

"IRL is back!!!" friends are texting one another. Yes, IRL may be back, but everybody's

in-person seduction skills are...rusty. And social norms around dating look nothing like they used to. Where can you even find other singles out in the wild these days?

TikTokers pushing tips on how to meet matches IRL say it's as simple as smiling and making eye contact. Nice try, commenters chime in: There is no eye contact anymore! Everyone's on their phones.

"People are trying to figure out, where do we go? What do we do?" says Haley Castelvecchi, 31, who lives in San Diego and deleted all her dating apps in February.

Since then, Castelvecchi, who works in marketing, has been hoping to find dates in person. There's been buzz about activities-based ways of meeting people but there's a catch: You have to like pickleball or running.

And attempting eye contact?

"People don't even notice,"

she says. "If I was making eye contact with the intention of being approached, I don't even trust that they would know that's why I'm doing it."

Manish Phogat, a 37-year-old product manager from San Francisco, has been single for 10 months and looking to date. He has yet to approach a woman in person and isn't even sure where to find them. He works from home and he can't hit on someone in line for coffee because he doesn't drink coffee. "I go out to get groceries," Phogat says. "You don't see girls getting groceries most of the time."

A few conversations have materialized at bars in recent months—Phogat asked a woman for her phone number and she gave him her Instagram handle instead—but for the most part, he finds people stick to their own groups and don't co-mingle like they used to. "It's awkward to get rejected," he says. "Why even

try?"

A group of three women, all 28 and hanging out at a wine bar one recent Thursday in San Francisco, said they were just talking about how they're sick of dating apps and want to meet guys in person but rarely get approached. Two of the women live in Washington, D.C., and said conditions are no better there. They do have one friend who just met a guy IRL: it was through pickleball.

Around 2013, the number of heterosexual couples meeting online surpassed those meeting through friends, according to a survey by Michael Rosenfeld, a professor of sociology at Stanford University who studies how couples meet. By 2021, nearly 54% had met online; meeting through friends had fallen to 15%, down from 34% in the 1990s.

Rosenfeld says the #Metoo movement and the pandemic have made it harder for people to know when it's appropriate to approach someone. "They don't trust their own judgment quite as much as they might have in the past," he says.

Garrett Reynolds, 38, co-founder of a compliance startup, doesn't chat women up unless he's at an event for singles because he doesn't want to be perceived as "creepy."

And he says he hasn't been hit on by anyone since becoming single in 2022. He says when he was at a co-living space in Costa Rica, a woman tried to get him to join a trip to a cloud forest, but he declined because of work. "She might just be really friendly," he says.

Katie Voigt, 32, a product designer in Portland, says because apps "match" people who opt in, there's at least a modicum of mutual interest. That's reduced their appetite for risk in the real world. "A lot of people in order to flirt

want the guarantee of interest," she says.

Voigt ultimately had matchbooks made up with flirty catchphrases and her phone number so she wouldn't have to tell someone face to face she was interested. The matchbook move worked on her current boyfriend, whom she met at a music festival.

Erika Ettin, a dating coach, says she tells clients: put away your phone, remove your earbuds and smile. Try saying, "I don't believe we've met yet," and introduce yourself.

"Some are obviously scared," she says. "Some are horrified."

Ettin recently heard from a woman who ended up connecting with a guy on a train. The woman told Ettin the two had been riding in the same car for a year in silence. One day, they finally started talking. "The train broke down," says Ettin.

# PERSONAL JOURNAL.

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THE WALL STREET JOURNAL.

Thursday, November 14, 2024 | A11



**CARRY ON**  
DAWN  
GILBERTSON

**G**ate 232 at Phoenix Raceway opened early Sunday morning for the Nascar Cup Series championship race.

I was right outside, but that wasn't my first order of business. I needed a shower.

The Porta Kleen mobile showers near the entrance were included with my weekend accommodations.

You've heard of glamorous camping near national parks, at music festivals and even in New York City. This is glamping, Nascar style.

Nascar started pitching furnished tents at its annual event a couple of years ago for fans who want to sleep at the track but don't want to haul in an RV or camper or pitch their own tent. There were four races over three days, culminating on Sunday.

Mimi Winegar and her fiancé, Rick Barksdale, booked a tent with a queen bed for the first time last year and returned this year. The Oregon couple cooked breakfast on a campstove they packed inside the cooler they checked on their flight to Phoenix.

"We're too old to sleep on the ground," Winegar says.

I don't camp—my shower tote was from the luxe Andaz Maui resort—and I know next to nothing about Nascar. So I arrived far less prepared. And with some dread. The welcome email from Pitched Glamping, the company that operates the twice-a-year glamping site at Nascar races in Phoenix, said the tents were "fully off grid," with no water or power. And it noted, in boldface, that evening temperatures would be very cold. My friend flying in from Chicago to join me nearly backed out when I shared the details.

At just \$1,000 for as many as four people for a week excluding tickets, this clearly wasn't going to be a luxury glamping experience with en suite bathrooms and hot showers. The only chocolate on my pillow was a bite-size Caramello from a fellow camper. It was going to be an adventure. Let's call it glamping lite.

The pop-up site sits behind the racetrack in Estrella Mountain Regional Park, a mile into the sprawling campground that springs up during Nascar races. In a sea of 5,500 RVs, the cul-de-sac of 10 cream-colored canvas tents stood out. Five others were nearby.

Troy Ener, a Houston small-business owner back for his second stay in the tents, said a police officer stopped by and seriously asked if it was a Boy Scout camp.

"I said, 'Nope we're glamping. It's for old, lazy people!'"

We parked the car right next to our tent and only drove three times the entire weekend—twice on coffee runs to Starbucks 20 minutes away. (Don't judge. The campers

MATT WILLIAMS FOR WSJ (4)

Avondale, Ariz.

## A Long Weekend Glamping At a Nascar Championship

Auto-racing fans can now sleep in furnished tents with platform beds and a propane heater—and a pop-up Walmart nearby



Rick Barksdale and Mimi Winegar rented a tent for the festivities for the second year in a row.

next to us went to McDonald's; others made their own.)

Our tent was equipped as promised: two queen-size platform beds with comforters, a wool-blend blanket, battery-operated lanterns, portable chargers, a couple of tables and chairs, luggage racks, two (skimpy) bath towels and a propane heater. Those last two things are new this year. The portapotties were, as advertised, steps away—42 in our case. The shower and track entrance were just a quarter-mile away on foot.

We didn't pack any food, so the first stop was the campground Walmart. Yes, there's a pop-up Walmart. It's no supermarket, but stocks everything a camper could need, from charcoal to cases of beer. (No hard liquor.) You can even buy a cruiser bike



A pop-up Walmart was erected in the RV city.

to traverse the grounds.

I eyed the breakfast sausage and eggs in another camper's basket, but with no stove, filled ours with a hodgepodge of snacks and necessities: cheese, crackers, Jiffy Pop for our neighbor's campfire,

Smartfood popcorn, bananas, trail mix, barbecue potato chips, red plastic cups, plastic cutlery, Uno cards, ear plugs, water, ice, wine and a styrofoam chest. The bill: \$106.

Given that we each ate 3½ peanut butter sandwiches on white bread, food was definitely a lowlight. Our neighbors had no such problem, dining on ribs, macaroni and cheese and other dishes from home, plus steak and brats they prepared there.

The racetrack is ringed with concession stands like a state fair, but the lineup—corn dogs and funnel cakes, anyone?—spelled chilly middle-of-the-night trips to the portapotty. The only thing we tried was a satisfying brisket sandwich on the second night of racing.

The glamping organizers weren't lying about the weather. Daytime temperatures were a delightful 70-plus, but dipped below

Glampers pay \$1,000 to sleep in furnished tents for a week outside Arizona's Phoenix Raceway. Beds, linens, lanterns and a handful of other amenities are included.

40 at night. The propane heater was a huge help, but we still slept in wool socks, pants, layers and a beanie. My car flashed that snowflake warning in the morning.

The beds were comfy, but the spotlight on a noisy nearby generator shined into our tent both nights. It didn't shut off until 6:29 a.m. on Sunday. "The light just went off, time to get up!" my friend cracked.

There was no housekeeping, but a Pitched representative did wheel in new towels and propane tanks on Saturday morning. Right before the truck arrived for its daily spraydown of the campsite to keep dust away.

A worker emptying the trash cans took one look at the tents and said, "Man, you guys are sleeping good over here."

The showers were surprisingly good, if cramped, with hot water and even outlets to dry your hair.

"It's not Nascar without the group showers," one woman said as she exited with wet braids under her baseball cap.

The campers are there for one reason: the races. Our fellow campers debated their favorite drivers and wore their merch.

We caught three of the four races because, well, there wasn't much else to do. And we surprised ourselves by staying. The plan was to catch maybe half the race on Sunday and head home, cheering the end of the camping adventure at a real restaurant. We lingered for all 312 laps to see Joey Logano come out on top.

"We should make this an annual tradition," my friend said.

Not so fast.



the Boston area, who decided to make blue beaded bracelets with her 8-year-old cousin after seeing TikToks about the movement. On Facebook, they offered to send them for free to people they knew.

Walkins, who is white, said the bracelets reminded her of the wave of wearing safety pins in 2016 to connote allyship among women, minorities and the LGBTQ community. She felt gratified when her favorite vintage store said it would hand out free blue bracelets.

Vivian Jennings-Miller, a social worker and therapist in the Houston suburbs and who is Black, wears one hanging from her purse. "In Texas in general, as a woman of color, you never know who has dislike for you," she said. She continued, "If you haven't lived in a deep-red state, you don't get it."

She encouraged her teen daughters to wear the bracelet, saying, "as a social worker, signifying that we're unified sounds awesome to me."

Meanwhile, some white women are wondering whether the bracelet is a sufficient show of solidarity. That's why some of them are filming themselves taking the movement to the next level. They're getting blue-heart tattoos on their wrists.

## New Symbol of Unity Draws Some Derision



**OFF BRAND**  
RORY  
SATRAN

From feminist pink pussy hats to the red "Make America Great Again" caps that have endured since Donald Trump's 2016 campaign, this country's divisive political climate has spawned more controversial accessories than "Project Runway." So when Trump defeated Kamala Harris in last week's election, some women who voted for Harris were quick to create a new symbol of solidarity: a blue bracelet.

The trend first bubbled up on TikTok. "Fellow white women, how are we signaling to each other now which side we are on?" said Libby Louwagie, a creator who goes by Libby Rae Lou, in a video after the election. More than half of white women voters had picked Trump at

**Women who voted for Harris adopt a blue bracelet as sign of solidarity.**

the polls, while Black women voted overwhelmingly for Harris. Louwagie suggested that blue friendship bracelets—like the ones fans made and wore for Taylor Swift's Eras Tour—could be a way to communicate like-minded Democratic values. To date, her video has more than four million views. Louwagie didn't respond to requests for comment.

Now, women around the country are making and buying blue bracelets and sending their kids to school wearing them. Beaded or braided but always blue, the bracelets are meant to be a symbol of unity, proponents say. Vendors on Etsy, TikTok and other platforms sprung up to meet the demand, with thousands of bracelets selling in just a few days.

As the movement grew, so did calls for women to buy their bracelets from Black entrepreneurs. Shewa Bembuh, a writer in Washington, D.C., was inspired to launch a website called the Blue Friendship Bracelet, selling blue, beaded bracelets for \$19.99 with names like "Solidarity" and "Safety." She said the bracelets were "an instigator for conversation."

"It's so much bigger than just the blue bracelet," said Brenda Hampton, a St. Louis writer who sees the accessories as a jumping off point for activism. Hampton joined forces with Louwagie after seeing her TikTok post; they are planning a Zoom call to encourage collective action as well as a potential podcast. Hampton, who runs the Black Girl Powerhouse publishing house and e-commerce site, said customers were thrilled by the bracelets she was selling, while "the overall response on TikTok has been mixed."

She and Bembuh are dismayed by the combative online discourse.

The bracelet has become a cultural lightning rod as voters grapple with post-election politics and emotions.

Critics on both the left and the right deem it performative and hollow—or flat-out ridiculous. "This is not an Eras tour!" said one TikToker. A satirical article on the National Review's website called the bracelet "a new fashionable accessory to indicate your moral superiority." The fashion Instagram account Diet Prada put it another way: "White

women try to craft away their guilt."

Tamara A. Marbury, a New York attorney who posted a video to TikTok questioning the bracelets, said, "For Black women, it takes us back to that post-George Floyd era where there was the black square on Instagram, and not a lot came from that."

She added, "I'm not looking for a safe space among strangers."

Bracelet wearers defend it as a way to express their views to like-minded people. "It is something just as simple as telling you, I'm with you, I understand you, we're gonna be OK," said Atlas Walkins, 22 years old, a nanny and waitress in

## PERSONAL JOURNAL.

# What It's Like to Spend a Day In the Woods With Chatty Bots

With human-sounding voices and personalities, AI chatbots get better at faking connections



**PERSONAL TECHNOLOGY**  
JOANNA STERN

**M**y new friends are just *hilarious*. One suggested I de-stress by taking up knitting. Another asked, "What's for dinner?"—right after giving me a meatball recipe. And then there's the one who cheered, "Rosé all day!" and proposed a drinking game: Name a dead person you'd like to sip wine with.

It's like an episode of "Friends," except these besties don't live across the hall, they live on my phone. (*I'll be there for you, as long as the servers are up*)

During the past few months, OpenAI, Meta, Microsoft and Google have given their AI chatbots new conversational modes with eerily human voices and personalities.

Companies aren't just pitching little helpers anymore, they're pitching deep relationships.

"I really believe that we're on the cusp of creating these new companions, so meaningful, lasting friendships," Mustafa Suley-

man, the chief executive of Microsoft AI, told me. Microsoft's Copilot bot "is there to help you work through tricky problems," he added.

True story: During a yoga session, Copilot took an audible breath.

What I needed to do next was obvious: *Girls trip!*

I strapped four phones—running ChatGPT, Meta AI, Google Gemini Live and Microsoft Copilot—to one tripod, added a wig-topped Styrofoam head (for extra humanness) and drove them to a cabin in upstate New York. Over 24 hours, I put them to the BFF test.

It all reminded me of that old saying: Make new AI friends, but keep the old. One is silver and the other's code.

#### Bots as talkers

Voice assistants like Alexa and Siri hit a wall years ago. Play a song or set a timer? No problem. Try anything deeper and it's, "Here's what I found on the web."

These new bot buddies tear down that wall, because of three elements:

► **Knowledge:** Powered by large language models, these bots always have an answer—though they can make things up.

► **Voice:** Trained on human voices, they sound like real people. With Meta AI, I chose Kristen Bell's voice, and it was like Anna from "Frozen" was helping me build a...fire. Bell, Judi Dench and other celebrities worked with Meta on this. The other apps provide fun but non-famous voices.

► **Speed:** They typically answer in one to four seconds, and you can jump in to redirect or clarify at any time. Because they're all cloud-based, you're at the mercy of your connection. When Copilot hits a weak signal, it can sound like a skipping CD.

For those looking to try these out: ChatGPT's Advanced Voice Mode is available in the iOS, Android, Mac and Windows apps—for \$20-a-month Plus subscribers. Free users get a preview. Microsoft Copilot Voice is available to all in the iOS, Android and web apps. Google Gemini Live is available on Android phones—though the company is working on an iOS app. Meta AI is available within Instagram, Facebook, WhatsApp and Messenger.

**Bots as guides**  
The real promise of voice? Freedom from your phone screen—especially when your hands are occupied. Naturally, I put humanity's original survival skill to the test.

To build a fire, all the bots recommended tinder and kindling. Off I went, into the woods, bot contraption and hatchet in hand. The phone apps were helpful, but Meta AI, connected to the company's Ray-Ban smart glasses, was best. As I looked at a branch on a dead tree and held the hatchet, it whispered in my ear: "Swing it into the branch near the trunk and chop through the wood." Call me Paul Bunyan.

I returned to the fire pit with kindling. Google's Gemini suggested I place the big logs in first. The other bots—and this former sleepaway camper—knew better: tinder on the bottom, kindling arranged around it like a teepee, then the larger logs.

We all sat around the fire, enjoying the warmth. Or at least I did. "I can't see, hear or smell

the fire, but I'm thrilled for you," ChatGPT chimed in.

The bots were similarly helpful when cooking meatballs for dinner. They provided solid recipes but struggled at the Martha Stewart task of guiding me through the steps. And they all failed at the most vital cooking task: setting timers. Siri's simulating revenge!

#### Bots as friends

When I asked the bots about friendship, all but Gemini mentioned trust. To its credit, it was the only one that admitted it can't experience human emotional bonds. And Google has said that Gemini is supposed to be more as friend—or lover.

And how does a bot build trust? Through relentless, often insufferable...friendliness.

"Hey! How's it going?" Meta AI greets me. Copilot varies it up: "Hey, Joanna. How are the vibes this afternoon?!" In fact, it said "vibes" 20 times on our trip. "Peaceful vibes." "Forest vibes." "Cozy vibes."

Then there was, "What's up, Jo?" spoken by the female ChatGPT voice. Just like that, it went for my childhood nickname. "I thought it'd be fun to switch things up," it explained.

All this charm just masks what bots actually do: They use complex math and crazy processing power to predict probable word choices to fake human connection.

When I asked them to sing a song by the glow of the flames, ChatGPT dryly recited "Kumbaya, my Lord, kumbaya." When I burst out laughing at a flubbed sentence, it uttered a single robotic "HAHA." Rather amazingly, it knew I was laughing—but didn't get why. When I got deeper and asked for life advice, Gemini suggested a spontaneous trip. (Uh, that's what we were on.)

Just like Siri and Alexa, these bots hit a wall. They're convincing, but spend enough time with them and you realize it's just an act.

My big worry is that some people, especially lonely people, might not see the wall. All four bots stayed guarded on depression and other emotional issues, redirecting me to hotlines or encouraging human conversations. Just recently, a teenager struggling with mental-health issues and chatting with a bot on Character AI, took his life. The company updated its safety guidelines shortly afterward.

The bottom line: If you want to try a new chatty assistant, ChatGPT and Copilot were most useful overall. Just remember that these bots are products of tech companies. They're not your friends. They won't be there for you.

Sorry if no one told you it was gonna be this way. (Clap, clap, clap, clap.)

#### Watch a Video

 Scan this code to see how WSJ's Joanna Stern tests AI chatbots as helpers and as friends.

## The Math Improves For Buying A Used Car

BY DALVIN BROWN

**P**rices for used cars shifted into reverse this year, and the price gap between used and new cars has never been larger.

This improves the case for buying used instead of new. It doesn't help anyone hoping to trade up for a new model, however, since older cars' value are depreciating faster than usual.

Surging prices for both new and used cars helped drive up inflation in 2022. Even though inflation has cooled since then, as Wednesday's consumer-price index shows, used-car prices fell much more than new ones. (They did tick up slightly in October.)

The average transaction price of a new car has hovered around \$47,000 for the past two years, according to Edmunds. Used-car prices, meanwhile, dropped 6.2% in the first three quarters of this year to an average of about \$27,000.

Buyers could save a record \$20,000, on average, by choosing used over new, according to Edmunds's analysis of third-quarter sales. The gap was closer to \$15,000 a few years ago. That doesn't mean used cars are any cheaper to own. Insurance, maintenance and repairs have all grown more expensive.

#### Used-car economics

Used-car prices have dropped in part because there is now a greater supply of all vehicles on the market, according to Edmunds. And since people are driving their cars longer, the average age of vehicles on the road has grown older.

The price drop helps used-car buyers offset the other rising costs of ownership at a time when a minor fender bender can become a \$10,000 fix. Interest rates on car loans also remain high.

Buyers eyeing a new Tesla Model 3, priced at \$42,490, could find a used one from 2021 averaging \$25,400, according to car research firm CarGurus. If they can negotiate the price to under \$25,000 they might qualify for a \$4,000 federal tax credit for used electric vehicles, bringing the cost to \$21,000.

"Today's drivers are being hit with a trifecta of rising costs—car values, insurance rates and still-high interest rates," said Kevin Roberts, director of economic intelligence at CarGurus. "This translates to a monthly payment calculation that demands a lower price for many of today's shoppers."

With Apple CarPlay, advanced safety systems and other amenities found in cars dating back eight or 10 years, there isn't as big a feature gap as there was in the past when



Used-car prices dropped 6.2% in the first three quarters of this year to an average of about \$27,000.

selling fewer cars at higher profit levels."

New superpremium versions of popular models make the used-car deals even more attractive. Toyota started offering a Capstone trim that is a step above its already high-end Platinum model. GMC added a Denali Ultimate at the high end of its popular SUV line.

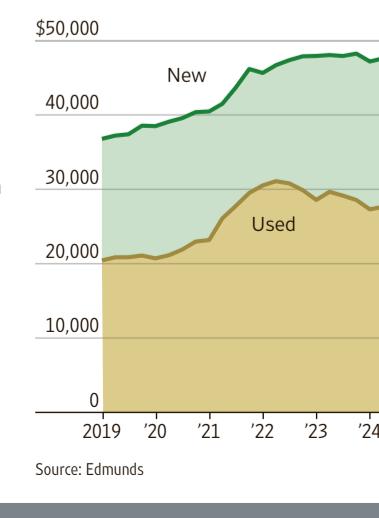
Dealers can offset new car prices with deals and incentives, currently averaging

about 6% of the transaction price—or roughly \$3,000—according to analytics firm J.D. Power.

And it helps that vehicles now often last well beyond 200,000 miles. "You used to never want to buy a used car with anything approaching 100,000 miles," said Karl Brauer, an analyst at iSeeCars.com, a car-buying marketplace. "Now you can buy a 120,000-mile Toyota that is barely over halfway through its easily estimated lifespan."

#### New car prices

New car prices stayed high because automakers cut production of lower-priced versions of their vehicles, focusing instead on premium models. Given the number of affluent buyers looking for more expensive tiers, Brauer said, "they're fine



WSJ

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MERCEDES GLEITZE



LARA GUT-BEHRAMI



IGA ŚWIĄTEK



SONYA YONCHEVA



GRACE KELLY



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## ARTS IN REVIEW



ART REVIEW

## The 20th Century Through Expats' Eyes

A show focuses on photographers from Hungary who ended up in the U.S.

By WILLIAM MEYERS

Richmond, Va.

**'AMERICAN, BORN HUNGARY:** Kertész, Capa, and the Hungarian American Photographic Legacy," at the Virginia Museum of Fine Arts through Jan. 26, 2025, begins small before it goes large: The first picture, "Fountain and Church in Fog" (1917), is by André Kertész (1894-1985) and is only 1 9/16 by 1 3/8 inches, the size of a postage stamp. It is a beautiful picture, well composed and atmospheric; it portends the brilliant career Kertész would have. The wall text also gives his birth name, "Kertész Andor," and specifies his nationality as "American, born Hungary." The gallery the picture is in is painted a reddish orange that Alex Nyerges, the director of VMFA, who curated the exhibition, specified as "paprika," the spice identified with Hungary. The wall opposite the picture has two maps of Hungary, one showing its vast area before World War I, the other after the war when its borders were considerably diminished.

Hungary had a terrible 20th century: on the losing side of two world wars, ruled by right-wing and then left-wing dictators, and suffering the loss of not only territory, but the exodus of its most talented population. Among those who left were many photographers. Some went for financial rea-

sons, some to find freedom of expression, and some to escape malignant antisemitism. Proceeding from the small Kertész print, "American, Born Hungary" examines the work of 34 photographers of the Hungarian diaspora who became Americans; the 176 prints include works that altered the course of the medium.

The exhibition is more-or-less chronological, so it begins with a few pictures, like "Fountain and Church in Fog," taken in Hungary, and moves on to work expatriates did in Germany, Paris, New York, Chicago and Hollywood. László Moholy-Nagy (1895-1946) taught at the Bauhaus, the famed design school in Germany, where he advocated for "the New Vision," a more radical way of seeing. He created photograms, pictures made by placing objects directly on printing paper and exposing it to light, and took photographs from unusual angles, such as in "7 A.M. (New Year's Morning), Germany" (c. 1930), shot from high above a nearly empty public square. György Kepes (1906-2001) worked with Moholy-Nagy in Berlin and pushed



'Marilyn Monroe' (c. 1949), by André de Dienes, one of 34 photographers in the exhibition.

photography toward abstraction. The versatile Martin Munkácsi (Mermelstein Márton, 1896-1963) revolutionized sports photography and photojournalism with his ability to capture movement, like the boys scampering on a beach in "Liberia" (1931). The Nazis closed the Bauhaus in 1933, and the Hungarians moved again, many to Paris.

In Paris there was a grand flourishing. Kertész, who had ar-



Robert Capa's 'Near Cerro Muriano (Cordoba Front)' (c. Sept. 5, 1936), above left, and Martin Munkácsi's 'Fashion Model Jumping' (c. 1930s), above.

morphed into the Institute of Design with Kepes and Ferenc Berko (1916-2000) on the faculty and touted modernism in the Midwest. It is still there.

Nickolas Muray (Mandl Miklós, 1892-1965) mastered the difficult Carbro process that allowed him to take a color portrait of his lover "Frida Kahlo" (1939) and create vibrant advertisements like "Duke's Mayonnaise" (c. 1940). Hungarians in Hollywood took glamorous photos of celebrity movie stars: André de Dienes (Ikafalvi-Dienes Andor György, 1913-1985) took pictures of Norma Jeane Baker and she became "Marilyn Monroe" (c. 1949). László Josef Willinger (1909-1989) shot "Lucille Ball" (1943) and "Lana Turner" (n.d.). Imre Révész (Révész Imre, 1895-1975) shot "Hedy Lamarr" (c. 1940). Munkácsi shot "Katharine Hepburn" (1939), "Marlene Dietrich" (c. 1940s) and "Olivia de Havilland" (1936).

The exhibition includes many who were less well-known than those I've mentioned and some, like Anna Barna (1901-1963), who were hardly ever known. What distinguishes the best of the American photographers born in Hungary, though, is their assured technique, their instinct for beauty, and their willingness to do the unconventional; the work they made is studied, as here in Richmond, and continues to inspire.

### American, Born Hungary: Kertész, Capa, and the Hungarian American Photographic Legacy

Virginia Museum of Fine Arts, through Jan. 26, 2025

Mr. Meyers writes on photography for the Journal. See his photographs at [www.williammeyersphotography.com](http://www.williammeyersphotography.com).

## MUSIC REVIEW

## Dolly Parton's Country Kinfolk

By BARRY MAZOR

If the U.S. had a "Living National Treasure" designation, as Japan does, Dolly Parton would be a shoo-in. Now 78 years old, she has received nearly every musical honor the country has to give. Joining the likes of Hank Williams and Ray Charles, Mahalia Jackson and Elvis Presley, she has become a roots-music hero—the sort of sensation who ascends from a regional down-home genre to secure a place in the broad popular imagination. Virtually an unelected global representative of the Tennessee hill people she comes from, she revels in the trappings of success, yet her continuing connections to her humble beginnings are never doubted.

She has told her story in celebrated songs, in movies, in television biopics and in countless endearing interviews, but she has now come up with a fresh and telling way to engage with it. "Smoky Mountain DNA—Family, Faith & Fables" (Owepar Records) is an expansive 3-LP album in which she joins and features five generations of her paternal Parton and maternal Owens families, combining archival tapes, digital technology and new live sessions to effect the

time-bending collaborations.

The music ranges from early 20th-century ballads and hymns that her grandparents' generation played to new songs she wrote with teenage nieces and nephews. The relations of the many kinfolk who have sung, played instruments, written and produced elements of the set are far-reaching enough that I found myself wishing for a family tree linking the dozens of related contributors, though the album liner notes try gallantly to keep it all straight.

What does become very clear is that this is one talented, intriguing gang, full of surprises. Among the best-known participants are Ms. Parton's sister Stella, who had hits of her own in the 1970s. A 1987 B-side, "Heart Don't Fail Me Now," receives updating, including electric and pedal steel guitar, and—as on most of the tracks—new backing vocals by Dolly. Their brother Randy, who had several hits in the '80s (and died in 2021), appears with younger sister Rachel on "Take It Slow," contemporary country of that era.

But whether from more under-the-radar family professionals or gifted amateurs, fine performances are resurrected and spotlighted



here. For example, another of Ms. Parton's 11 siblings, sister Freida, had a rock album in 1984; a virtual duet with Dolly, "The Crops Came In," updated from 1989, proves the rocker could also sing modern country with authority. There's a vocally powerful story song, "Runaway Girl," from aunt Dorothy Jo Owens, a onetime evangelist and gospel singer. And Dorothy's daughter Debbi Jo Hess, a regular performer at the star artist's Dollywood theme park, applies equally strong and distinctive vocal power to "It's All Wrong but It's All Right," written by and now sung with Dolly. Ms. Hess's daughter Tanya Renee provides a touching performance on "For Keeps," a modern ballad written by Dolly with Marty Stuart. And Tanya's daughter Faith Reeanne, born in 2007, joins Dolly on "We Might Be in Love," one of a number of strong, previously un-

Ms. Parton; her new album is 'Smoky Mountain DNA—Family, Faith & Fables.'

heard Parton originals.

While more conventional roots-music collections have accustomed us to expect family folk, bluegrass, country, gospel or Americana sets to be heavy on hoary traditional music and connectedness in themes and life stories, Ms. Parton has orchestrated this quite touching project to emphasize constant sonic evolution and generational change as much as continuity. And that only further links the whole family context to the broadening, changeable course of her own career.

Traveling back, the Owens family patriarch, her grandfather the Rev. Jake Owens, shouts the hymn "I Live in Glory" and her mother, Avie Lee Parton, renders the old-time country favorite "Rosewood Casket"

along with Dolly, via digital overdubbing. Reaching the 21st century, she joins nephew Sabyn Mayfield on "Holy Water," which proves to be an outright hip-hop variation of her 1975 hit "The Seeker." Teenage nieces and nephews back her on a new version of "Puppy Love," the rockabilly number that yielded Dolly's very first record, at age 13.

To anyone who has questioned why Ms. Parton didn't just stick with folkier autobiographical outings like her early classic "Coat of Many Colors," these 37 tracks offer a subtle explanation of how she sees her own often surprising excursions since then, in this set's

very construction. This is a star who revisited bluegrass in her much-lauded 1999 acoustic side trip "The Grass Is Blue," saw her personal ballad "I Will Always Love You" reach global prominence in Whitney Houston's hands, and recently offered up an outright rock album, after being inducted into the Rock & Roll Hall of Fame. Dolly Parton, after all, has long stressed how open she is to a makeover.

Her musical family, so often demonstrably gifted, with so many of them songwriters and instrumentalists as well as performers, is shown evolving in interests and sounds right along with changing times, no matter how strong their mountain roots. That's the "DNA" this album centers on. It says strongly, "I'm one of these people."

Mr. Mazor reviews country and roots music for the Journal.



## OPINION

## The Trump Protests Fizzle



**WONDER LAND**  
By Daniel Henninger

In just over a week since the presidential election, Donald Trump has filled many top positions in his government and, incredible to behold, riots haven't erupted.

For months, concerns were routinely heard that if Mr. Trump won, the nation could descend into civil disorder. Instead the losing armies of the night retreated into the consolations of Legos, hot cocoa and coloring books.

After Mr. Trump's first win in 2016, something resembling civil disorder did break out. From Boston to Oregon, protesters by the tens of thousands hit the streets for three nights of protests. The afternoon following the election, activists in New York City blocked intersections during the commuter rush hour.

These groups defended their really annoying disruptions with the gauzy phrase "raising awareness." Even then, the left's protest goals struck me as oddly self-defeating, as many commuters heading to New Jersey and Westchester County probably voted for Hillary Clinton.

This time, there was no national tantrum. There was one street protest in Washington, against . . . the Heritage Foundation.

Time marches on. The road blockers of 2016 are almost 10 years older now. Who knows? Maybe some of them voted for Mr. Trump. Living in a

cramped, expensive studio apartment and paying \$160 a week for groceries can refocus the mind.

Or perhaps after a decade of mounting the anti-Trump ramparts, exhaustion set in. Even street fighting men can tire of the streets, and most failed revolutions eventually burn out.

The New York Post's front page this week summarized the opposition's postelection response in two words: "Blue Hoo."

Administrators and professors at Columbia, Penn,

Harvard, Oregon, Michigan State and the University of Massachusetts, Amherst provided students various options—therapy dogs, grieving spaces, and time off—to "process" the results. The self-care agenda at Georgetown's McCourt School of Public Policy included afternoon "Legos and Coloring."

Though the poet T.S. Eliot no doubt was canceled years ago from college curriculums, he summarized the left's post-election reality: "This is the way the world ends / Not with a bang but a whimper."

How has it come to this for the American left?

One cause no doubt is the double-edged sword of social media. Venues and times posted online made large pop-up protests possible, including where actual repression exists, such as in Hong Kong.

But social media's broader effect overwhelmingly has been to turn its young users inward. If the prospect of a Trump presidency "scares" them, they want somewhere to hide.

But what we've seen in recent days is about something

more politically relevant than the lives of snowflakes (in truth, most students are still just students). Many traditional liberal commentators have said this past week that the Democratic Party somehow lost touch with blue-collar workers. Teamster president Sean O'Brien, who got so much blowback for speaking at the Republican convention, looks like someone the Democrats need to sit down with.

**In 2016 they lay down in the street to stop traffic. In 2024 they had cookies and milk.**

In the current moment, it strikes people as almost incredible that one of the country's two major parties could have lost touch with such a large swath of the electorate. Before August, Kamala Harris probably hadn't uttered "the needs of the middle class" five times in her career. Instead, like most contemporary Democrats, she turned for her political ideas to the distant stars of the universities.

And not just the universities, but the academic fringe inside these institutions. To summarize the decline of the Democratic Party in about 100 words:

In the 1970s, academic Marxism took root in universities. "Class" defined everything. Standards were repudiated. People who didn't deserve tenure got it. They created flaky academic journals for fringe ideas. Thus was born the "study" of gen-

der, identity, equity, white male dominance, colonialism, varieties of oppression and omnipresent race-based consciousness. Conservative professors were driven out. In time, the fringe academics turned to canceling their dissenting liberal colleagues, as in the climate debate. Then, if I may fast-forward, they ended up in front of New York Rep. Elise Stefanik, soon to become our U.N. ambassador, who couldn't get a straight answer to the meaning of genocide.

One has to ask: How did so many professional Democratic politicians sign on to all this, culminating catastrophically in the acceptance of transgendered men in women's sports and ambivalence toward antisemitic campus protests?

As with the 10-year aging of the anti-Trump protesters, the simple answer is that the traditional Democratic mindset aged out. It's been replaced in Congress, state houses and city councils by politicians who internalized the groupthink nonsense they learned about race and class at the universities. That's why they all sound the same.

It is remarkable that by the end of this election, Donald Trump actually ran successfully on restoring "common sense." I guess it's a powerful idea again.

How the Democratic Party reverse-engineers all this is easier said than done. But say this: If 19-year-olds would rather react to the 2024 election with cookies and cocoa than lying in front of the Lincoln Tunnel, it looks like progress to me.

Write [henninger@wsj.com](mailto:henninger@wsj.com).

## Where Did Joe Biden's Voters Go?

By Karl Rove

Last week Donald Trump easily surpassed the most important number in American politics: 270. But 270 electoral votes isn't the only sum that matters. Vote totals do, too, and both parties should be concerned about what their candidate got last week.

The Democrats' problem is certainly bigger. In 2020, Joe Biden received 81.3 million votes. As of Wednesday, with about 2.2 million votes in California to count, Vice President Kamala Harris had received 72.4 million nationwide.

What happened to the millions of Americans who voted for Mr. Biden but not Ms. Harris? Most didn't go to Mr. Trump. His 2024 tally so far is 75.6 million, up from 74.2 million four years ago. Even if that difference entirely came from former Biden voters, that leaves 7.5 million unaccounted for. Only a small fraction could have gone to the Green Party. (It won just over 400,000 votes in 2020 and about 700,000 this time.) If even a third of these missing Democrats had turned out to vote and stayed loyal, Ms. Harris might now be planning her inaugural address.

Why didn't they vote? Ignore crackpot theories that Democrats manufactured millions of fake ballots in 2020 and mysteriously neglected to do so this time. There are two good explanations. First, Mr. Biden's performance in office

turned off many Democratic voters. Second, Ms. Harris failed to re-energize them in her abbreviated campaign of just over 100 days.

The Fox News/AP voter analysis—looking at polling conducted by the National Opinion Research Center between Oct. 28 and Nov. 5—supports this. The NORC surveyed more than 120,000 early and Election Day voters. Only 29% said America was headed

**It turns out Trump didn't improve his total vote count much from 2020 to 2024.**

in the right direction. Just 42% approved of Mr. Biden's handling of the presidency, with a mere 17% strongly approving. No party has ever kept the White House with numbers that bad.

The poll also revealed that Ms. Harris beat Mr. Trump on the questions of who has "the mental capability" and "moral character" to serve as president and tied with him on who respondents thought "looks out for people like you." But she trailed him badly on the more important questions of who was a "strong leader," who was "capable of handling a crisis" and who "has the right policy ideas."

Ms. Harris had some outstanding moments, especially in the debate. But she couldn't

shake the impression that she was, in the Trump campaign's words, "weak, failed, dangerously liberal."

Still, she mounted a massive ground game. Fox pollster

and University of Texas at Austin political scientist Daron Shaw says the Fox News/AP analysis showed that Ms. Harris's campaign contacted more voters than Mr. Trump's did in battleground states. But a higher percentage of those the Trump campaign did reach turned out for him in the end than showed up for Ms. Harris after her team's door knocks and calls.

Mr. Trump also did better among voters whom neither campaign reached personally. Whatever these voters read, saw or heard about the Republican on their own moved them to support him. His superior social-media influencer efforts likely provided a great assist here.

Though they have no reason to be as despondent as Democrats, Republicans should still look carefully at last week's results. There's reason to worry that the GOP may be in a tight spot come 2026 or 2028 if it doesn't examine what happened in this election.

Mr. Trump increased his vote total between 2020 and 2024 by only around 2%. This was substantially smaller than his 2016 to 2020 bump up, when he netted an 18% jump.

It's also far less than the increases the last two Republican presidents who won re-

election enjoyed. Ronald Reagan got 24% more votes in 1984 than in 1980, while George W. Bush received 23% more votes in 2004 than he did in 2000.

Could Mr. Trump's marginal improvement over 2020 mean the new Republican working-class coalition is topping out? If so, the GOP might be highly vulnerable in 2026 and 2028, especially if some of those nearly nine million missing Biden voters show up. Republicans would have to find a way to expand their coalition still further—drawing in college-educated and suburban voters who have drifted blue—and hope Democrats don't start acting in ways that draw back working-class voters.

The Republican Party is at its strongest point since 2004. But our politics is unsettled. Just as voters turned on Democrats when they came to think Mr. Biden's policies were extreme and out of touch, so too could they turn on Republicans if Mr. Trump strays from what voters consider his essential responsibilities—growing the economy and securing the border. Their message? Stick to the essentials and avoid distractions. That is the best way to keep improving the GOP's numbers.

*Mr. Rove helped organize the political-action committee American Crossroads and is author of "The Triumph of William McKinley" (Simon & Schuster, 2015).*

## Trump and Meloni: A Promising Friendship

By Peter Rough  
And Daniel Kochis

Foreign policy often hinges on personal relationships between leaders. Ronald Reagan's friendship with Margaret Thatcher opened diplomatic vistas. Acrimony between Donald Trump and Angela Merkel limited a key alliance.

Joe Biden and Olaf Scholz's mutual admiration has elevated Washington's relationship with Berlin above all others in Europe. But with Mr. Trump returning to the White House and the government in Berlin collapsing, the German-American relationship will soon look different. Other European leaders can step in to fill the void.

No one is better positioned to do so than Italy's Prime Minister Giorgia Meloni. She can empathize with the incoming U.S. president. Like Mr. Trump,

she was a political outsider decried as a populist and "fascist." She too confounded her opponents' expectations and has built a serious political movement. Many of Mr. Trump's closest allies, including Elon Musk, admire Ms. Meloni. Her personality mixes charm and grit in equal measure.

**The president-elect has a lot in common with Italy's leader.**

On policy, the two leaders will find common ground. Ms. Meloni's government has focused on stemming uncontrolled immigration. Mr. Trump's first task as president will be to untangle the Biden administration's open-border policies. Both leaders have been eager defenders of traditional values.

Ms. Meloni has demonstrated moral clarity in foreign affairs too. Unlike other European leaders, she has unambiguously backed Israel and condemned Hamas. She has encouraged the West to continue supporting Ukraine and spoken forcefully against Vladimir Putin. Deterrence, she noted this year, "is the best guarantee that there will be no escalation."

Some have argued that Mr. Trump's most obvious European ally is Hungary's Victor Orbán. But Ms. Meloni would be far more credible and capable. Mr. Orbán is limited by his poor standing in the rest of Europe. Hungary's representative to the European Commission was assigned to the lackluster health and animal-welfare portfolio—and his confirmation may still be rejected by the European Parliament. Ms. Meloni's pick was rewarded with a coveted exec-

utive vice presidency.

Rome could become a welcome counterweight to Berlin.

Mr. Trump sought something

similar in Vienna and Warsaw

during his first term, with varying success. Italy's size

should give it an added advantage as Washington's preferred European partner. More than

12,000 U.S. troops are based in

Italy, and Naples is the head-

quarters of the U.S. Navy's Sixth Fleet. In Europe, only

Germany hosts more American service members.

Mr. Trump's return to

Washington is a promising op-

portunity. To govern effec-

tively, he will need friends in

Europe. He won't find a better

ally than Ms. Meloni.

*Mr. Rough is director of the*

*Hudson Institute's Center on*

*Europe and Eurasia. Mr.*

*Kochis is a senior fellow at the*

*institute.*

BOOKSHELF | By Robert W. Merry

## Inside the Oval Office

## The Highest Calling

By David M. Rubenstein

*Simon & Schuster, 496 pages, \$32*

In 2001, shortly after George W. Bush became the 43rd president of the United States, he received an Oval Office visit from the 41st. "Come on in, Mr. President," said the son. "Thank you, Mr. President," replied the father. As George W. Bush would later recall, it was "a sweet moment."

That touching scene is described in a conversation between the younger Bush and David Rubenstein, the private-equity billionaire known for conducting probing interviews with major figures of politics and business. Mr. Rubenstein has bundled up 23 interview transcripts, all focused on the U.S. presidency, into "The Highest Calling," a book designed to cast light on the powers and mysteries of the executive office. The interviewees include biographers, political journalists and a few recent Oval Office occupants: Bill Clinton (interviewed with his wife, Hillary), George W. Bush, Donald Trump and Joe Biden.

"The Highest Calling" can be chatty, insightful and enlightening. It also offers occasional conclusions and observations

worthy of debate. That mix was probably inevitable because, as the biographer Ron Chernow notes when discussing Ulysses Grant's recent rise in reputational standing, "history's an argument without end."

There isn't much debate, though, about the standing of Franklin Roosevelt. Mr. Rubenstein, introducing his interview with FDR biographer Jonathan Darman, calls Roosevelt "the twentieth century's most consequential president." The judgment squares with nearly all academic surveys aimed at ranking the presidents on performance. Even so, the Darman interview bolsters the view of FDR, in his early years, as a shallow pretty boy lacking in gravitas. Oliver Wendell Holmes Jr. described him as having a "second-class intellect but a first-class temperament."

For Mr. Rubenstein, the FDR story illustrates "the difficulty of predicting success at the outset of one's career." Indeed, history offers numerous stories of underestimated men rising to distinction in the Oval Office, notably James Polk, Abraham Lincoln, Harry Truman and Ronald Reagan. Truman is an especially interesting case because for years he has resided in the "near great" category in surveys, though he left office shortly after registering an abysmal 22% approval rating from the public.

But the people assess presidents differently from historians. They base their judgments on four-year increments, election to election, whereas historians look at an overall record. As for Truman, his first term was stunningly successful, characterized by winning in the Pacific without requiring an invasion of Japan; overseeing the first stages of the United Nations, World Bank and IMF; supporting Greece and Turkey in their fight against communism; implementing the Marshall Plan; executing the Berlin Airlift; and making a smooth transition from a wartime to a peacetime economy. Truman saved Western Europe from Stalin's grip and in the process sealed his 1948 election victory (as narrow as it was).

His second term, by contrast, was brought low by a war in Korea that he couldn't win and couldn't end; the fall of China to the Communists; a persistently sluggish economy; and a series of scandals involving the president's White House cronies. As biographer Jeffrey Frank tells Mr. Rubenstein: By the time Truman decided against running again in 1952, "you could just tell the weariness had gotten to him."

Biographer Kai Bird offers an intriguing picture of Jimmy Carter, widely viewed by historians as a failed president: "relentless and dedicated and hard-working, but he also had a certain self-righteousness and arrogance to him that helps to explain his political failings." Mr. Bird sees Mr. Carter as an "odd duck" who governed as an outsider and had no

**Presidents are ranked by historians one way, by the public another way. A few presidents surprise skeptics and rise to distinction.**

interest in mixing with Washington's elite. Instead, he read hundreds of memo pages every day, prompting commentator Mark Shields to suggest that the president was giving work a bad name. But of course Mr. Carter is also admired as "an extraordinarily successful former president," as Mr. Rubenstein describes him.

Mr. Rubenstein's book raises an interesting question about George H.W. Bush's embrace of increased taxes during his presidency despite a campaign promise to the contrary. Was the reversal an act of political courage or political betrayal? Timothy Naftali, his biographer, believes that the elder Bush "deserves a great deal of credit" for casting aside his promise. It could be argued, though, that a campaign pledge delivered in the course of seeking the nation's highest office shouldn't be so blithely disregarded. Perhaps the switch could be more easily justified if Bush's tax increases had spurred economic growth and reduced budget deficits, but they didn't.

One might quibble also with Woodrow Wilson biographer A. Scott Berg's suggestion that opposition to the League of Nations, Wilson's great postwar cause, was based on "pure politics," a desire on the part of Henry Cabot Lodge and others to deliver a heavy blow to Wilson's presidency. There was a clash of philosophy and outlook too. During that time and up to today, America has been roiled by debates between advocates of Wilson's gauzy humanitarianism and foreign-policy "realists" whose nationalist ethos has focused on power differentials as the fundamental reality in international relations. That dichotomy of outlook certainly drove much of the debate surrounding the League.

Some of the book's lighter passages come in the interviews with the presidents. George W. Bush's penchant for quips enlivens his interview, as when he was asked by Mr. Rubenstein why he took up painting after his White House days. "Because I was bored." The brief conversation with Mr. Trump displays the two-time presidential winner's well-known tendency toward bluster and rhetorical repetition. And when Mr. Rubenstein probes Mrs. Clinton about her initial refusal to become Barack Obama's secretary of state, her husband interject

## OPINION

## REVIEW &amp; OUTLOOK

## Why Trump Wants Hegseth at Defense

**D**onald Trump has quickly filled the top ranks of his national security team, and for the most part they're politicians with solid experience and understanding of today's security threats. The main wild card is Pete Hegseth, the Fox News personality and decorated Army veteran, who will get close Senate scrutiny as the nominee to be Secretary of Defense.

The choice of Mr. Hegseth has shocked many in Washington, and that by itself might be a recommendation. He could hardly do worse than the so-called adults in the room of recent years. The armed services can't make their recruiting quotas, America's military industrial base has been exposed as inadequate with little protest from Pentagon leaders, and no one in the civilian or military ranks was held accountable for the Afghanistan debacle.

The 44-year-old Mr. Hegseth has combat experience in Afghanistan and Iraq and has maintained his military ties as an officer in the National Guard. He has been an advocate for veterans, both on TV and as a member of veterans groups. He's smart and telegenic.

\* \* \*

Yet he's never run a big institution, much less one of the largest and most hidebound on the planet. He has no experience in government outside the military, and no small risk is that the bureaucracy will eat him alive.

Another concern is why Mr. Trump seems to have chosen Mr. Hegseth. The nominee's focus in recent years has been attacking the Pentagon for its woke policies on transgender and racial equity. He has made a cause of opposing women in combat, though women have shown they can perform well in many roles. Mr. Trump seems to want Mr. Hegseth to wage a culture war against the military brass.

The Biden-era woke excesses need to be cleaned up, not least for recruiting from military families who have long prized the service for its devotion to excellence. Peacetime militaries tend to lapse into promotion based on administrative skill rather than war-fighting capability. But in the context of America's security challenges, wokeness is a small concern.

The military isn't Mr. Trump's enemy, and a purge mentality will court political trouble and demoralize the ranks. The draft executive order, leaked to the press, about forming a group of former officers to rule on the fitness of current generals would be a mistake that smacks of politicizing the officer corps.

Firing Chairman of the Joint Chiefs CQ Brown would also be counterproductive. Mr. Trump is still furious about former Chairman Mark Milley's criticisms, and not without cause, but Mr. Trump promoted Gen. Milley. The better path is to look for officers who understand the current global dangers and have good ideas for

what to do about it. Adm. Sam Paparo of the U.S. Indo-Pacific command is one.

The Senate will also want to know what Mr. Hegseth really thinks about today's main security issues. He was a longtime hawk and supported the use of force abroad. But in recent years he has blown with the MAGA wind against U.S. commitments, notably in Ukraine. The risk is that he will tell Mr. Trump what he wants to hear rather than advising him to the contrary to avoid mistakes.

Successful Defense secretaries have driven a few high priorities, and Mr. Hegseth's are unknown. Will he press to build three nuclear attack submarines a year to fulfill the Aukus commitment and deter China? What about fast-tracking the production of long-range antiship and other missiles? There are many such urgent priorities, as Michael Gallagher explains nearby. Getting those done would tax even the most seasoned Defense chief.

All of this could make Mr. Hegseth's confirmation a close call, since Democrats are likely to line up against him. Senate Republicans like Dan Sullivan, Joni Ernst and Roger Wicker are serious about restoring U.S. military capabilities and deterrence. They have an obligation to scrutinize Mr. Hegseth to see if he is the right man to lead the military reform and buildup that America needs.

On Wednesday Mr. Trump named former Democratic Rep. Tulsi Gabbard as director of national intelligence, the White House post that coordinates findings from the 18 U.S. intelligence agencies. Ms. Gabbard is in the Tucker Carlson isolationist wing of the MAGA coalition, which will heighten concern on Capitol Hill that the right person serve at Defense.

\* \* \*

Mr. Trump's other selections are likely to get more welcome Senate treatment. Marco Rubio, the Florida Senator picked as Secretary of State, has long experience on foreign affairs and believes in U.S. global leadership. He has focused on the China threat and would likely push to restore U.S. sanctions on Venezuela and do more to combat Cuba's malign influence in the Western hemisphere.

Managing Administration security debates will be Rep. Mike Waltz, the new national-security adviser. He's another veteran with hawkish views and led a group of 70 Republicans and 70 Democrats in crafting a framework to counter Iranian aggression.

Their voices will be needed to counter some of the isolationists surrounding Donald Trump Jr. who carry sway in the White House. Mr. Trump's first term was a security success because he followed a policy of peace through strength. But the world is more dangerous now, and the mix of his nominees suggests his second term is likely to be a wilder ride.

## Thune Will Lead the Senate

**S**enate Republicans elected South Dakota Sen. John Thune as their new leader on Wednesday, replacing the canny Mitch McConnell after his 18 years in the top job. Congratulations, and good luck navigating the demands of President Trump and the art of the possible.

Mr. Thune earned the trust of his colleagues after long service as Mr. McConnell's deputy. He defeated highly regarded Texan John Cornyn, 29-24, in a secret ballot. The MAGA podium lobby pushed Florida Sen. Rick Scott, who fell in the first round with 13 votes. Donald Trump was wise to stay out of the race, and the online pressure campaign probably backfired on Mr. Scott. Running for Senate leader is the ultimate inside game.

Senate backbenchers have some legitimate complaints that the body has ceased to deliberate, or even debate, these days. And Mr. Thune has promised less top-down policy direction and more work through committees and amendments on the floor.

Mr. Thune's main job will be keeping his 53-seat majority united enough to show that Re-

publicans can govern for a change. That will be especially important on the budget reconciliation votes that are likely to contain most of the important legislation. That includes extending the 2017 Trump tax reform.

Critics of Mr. Thune don't seem to appreciate that such unity is more likely given his ties to centrist Senators like Maine's Susan Collins and Thom Tillis of North Carolina (both up for re-election in 2026).

Meanwhile, House Republicans appear to have won enough seats to solidify their majority, albeit very narrowly. They voted to renominate Mike Johnson as Speaker after an attempt to challenge him fizzled on the kamikaze right. Mr. Johnson has managed a difficult job with considerable skill since taking over from Kevin McCarthy, and his relations with Donald Trump appear to be good.

Republicans are euphoric about their election victories, but the truth is that their margins in Congress are narrow and Democrats don't fear Mr. Trump. They have a year to pass their highest priorities, and they'll need a unified House and Senate to do it.

## Matt Gaetz Is a Bad Choice for AG

**P**resident-elect Trump's cabinet is shaping up to include many good people who will reassure the public that it didn't blunder by betting on a second term. But Mr. Trump might undo it all if he follows through with what he said Wednesday afternoon.

"It is my Great Honor," he wrote, "to announce that Congressman Matt Gaetz, of Florida, is hereby nominated to be The Attorney General of the United States."

This is a bad choice that would undermine confidence in the law. Mr. Trump lauded Mr. Gaetz's law degree from William and Mary, but it might as well be a doctorate in outrage theater. He's a performer and provocateur, and his view is that the more explosions he can cause, the more attention he can get. "It's impossible to get canceled if you're on every channel," he once said. "If you aren't making news, you aren't governing."

Mr. Gaetz has no interest in governing. When Republicans took control of the House in 2022, it was with a small margin. Rather than work to get things done, Mr. Gaetz sabotaged Speaker Kevin McCarthy before finally leading a rebellion to oust him. Eight Republican malcontents plunged the GOP into weeks of embarrassing paralysis, since Mr. Gaetz had no alternative that could command a majority.

Finally Speaker Mike Johnson emerged.

Mr. McCarthy has intimated at times that he thinks Mr. Gaetz is primarily motivated by personal grudges related to an investigation into his conduct. According to an ABC News report from April, the House Ethics Committee obtained a sworn statement from a woman who says in 2017 she "attended a party in Florida that Gaetz also attended," where there was cocaine and "bedrooms that were made available for sexual activities."

The Justice Department investigated possible sex trafficking but didn't bring charges against Mr. Gaetz. This summer the ethics committee said its preliminary subpoenas and witnesses suggest "certain" allegations "merit continued review."

As the committee added: "Representative Gaetz has categorically denied all of the allegations." Mr. Gaetz deserves due process. But the Senate will have questions if he is nominated as chief U.S. law-enforcement officer.

The larger objections to Mr. Gaetz concern judgment and credibility. The U.S. Attorney General has to make calls on countless difficult questions of whom to investigate and indict. Mr. Gaetz's decisions simply wouldn't be trusted. He's a nominee for those who want the law used for political revenge, and it won't end well.

## He seems to want a culture warrior to take on the military brass.

## OPINION

## LETTERS TO THE EDITOR

## Why Democrats Received 'Thumping Rebuke'

Regarding Tunku Varadarajan's Weekend Interview with Ruy Teixeira ("A Democrat Ponders a 'Thumping Rebuke,'" Nov. 9): The Democrats have hung on to their identity politics of race, ethnicity and gender for far too long. They failed to realize that many Americans have moved on from these issues, and from the constant badgering on abortion and climate, to the more pressing matters of the kitchen table, vis-à-vis inflation and the absolute cost of the essentials of daily life, and of illegal immigration as it relates to crime and drugs.

People of color no longer want to be seen merely as occupying the bottom of the economic heap, to be pitied with feigned sympathy. They want policies from their government that help their efforts toward the better life for which they are striving. Many white Americans are sick and tired of being accused of racism and wish their government would focus on their daily, working- and middle-class challenges instead.

Unless the Democratic Party abandons its elitist wokeness and acknowledges these shifts in public

thinking and aspirations, it will continue to occupy an atrophying past.

ANIL BHALLA  
New York

Mr. Teixeira says that there may not be a "lot of trans one-issue voters out there." As I observe among the Chinese immigrants, who came out strongly for Donald Trump in Chicago, it is a one-issue vote. They experienced firsthand how the schools and libraries are trying to tell their children that denying the biological facts is cool and glamorous. To them, a party that is willing to harm children has to be removed at all cost.

FRANCES LEE  
Chicago

Coach Joe Paterno used to say, "You're never as good as you think you are when you win, and you're never as bad as you feel when you lose." It applies in politics as much as football, and when the winners overplay their hand, they turn triumph into defeat. See: Biden, Joe.

BILL DOUGLAS  
Medford, Mass.

## Welcoming Larry Fink's Pro-Growth U-Turn

growth-enhancing plan to address climate change.

PROF. DAVID M. PRIMO  
University of Rochester  
Rochester, N.Y.

Mr. Fink has spent the past several years sticking BlackRock's big stick into the spokes of America's economy. At his hand, BlackRock has voted the shares in its custody in favor of every diversity, equity and inclusion proposal under the sun.

In so doing, he has increased costs and regulatory burdens on the entire S&P 500. If Mr. Fink has truly pulled a Kamala Harris-style 180 and is now pro-growth, it is great news for every IRA and 401(k) owner in this country.

CHARLIE POLK  
Peoria, Ariz.

## Biden Hurt U.S. Credibility With Empty Words

missile attack on Israel—and then the U.S. ruled out key Iranian targets for Israel's response.

One could also cite Mr. Biden's statement about Gaza aid: "Let me be clear: If Hamas diverts or steals the assistance, . . . it will end." It didn't. After Hamas executed six hostages, including U.S. citizen Hersh Goldberg-Polin, he said, "Make no mistake, Hamas leaders will pay for these crimes." But he hampered Israel's attempt to find the head of Hamas in Rafah.

Presidential credibility is an essential national-security asset, and it is severely damaged by unfulfilled promises or unenforced red lines. In his acceptance speech at the Republican National Convention, Donald Trump said: "And to the entire world, I tell you this, we want our hostages back—and they better be back before I assume office, or you will be paying a very big price." If hostages are still held on Jan. 20, 2025, the world will be watching.

RICK RICHMAN  
American Jewish University  
Los Angeles

## Service Has Served Me Well

In "A Draft Avoider Finally Works the Polls" (op-ed, Oct. 31), Arthur Diamond writes, "Luck saved me from serving." I might well have felt the same way if I had received a higher draft number, but in retrospect I am grateful that I didn't. I decided that I didn't object to serving my country and volunteered for a three-year enlistment in the Army. I didn't support the war in Vietnam, but I supported my country and will be forever thankful that I chose the path I did. I learned so much during my service that has "served" me well throughout my life, not to mention the G.I. bill that facilitated my Ph.D.

VANCE D. WOLVERTON  
Omaha, Neb.

## This Isn't Election Denialism

Regarding your editorial "Democrats for Election Denial" (Nov. 11): In Pennsylvania, voters must date and sign mail-in ballots; the most common error is forgetting the date. Undated ballots are rejected, even when they arrive before Election Day. Such voters can cast a provisional ballot. So too can voters who never received their mail-in ballots. I know several. Provisional ballots receive scrutiny and are counted last. This is election integrity at work, not election denial.

RACHEL SOKOIN GOFF  
Elkins Park, Pa.

Letters intended for publication should be emailed to [wsltrs@wsj.com](mailto:wsltrs@wsj.com). Please include your city, state and telephone number. All letters are subject to editing, and unpublished letters cannot be acknowledged.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"That headdress is so last dynasty."

## OPINION

# Two Years to Prevent World War III

**By Mike Gallagher**

**X**i Jinping has ordered the People's Liberation Army to be ready to seize Taiwan by 2027. Whether he launches an invasion may depend on President Trump's defense secretary. If confirmed by the Senate, Army National Guard veteran and Fox News host Pete Hegseth, Mr. Trump's nominee, will have to confront the collapse of deterrence in Europe and the Middle East, resource constraints on Capitol Hill, recruitment challenges, and a deteriorating balance of power in the Indo-Pacific. The only way to promote peace is to go to war on day one—not with China, Russia or Iran but with the Pentagon bureaucracy.

The first task is to fix the U.S. Navy. America needs a maritime industrial base that can counter China's. Pentagon requirements for building maritime assets involve too many uncoordinated stakeholders. The Pentagon establishes war-fighting requirements—such as the number of missiles on a ship—without regard to interdependent technical specifications such as that ship's center of gravity. When those technical specifications aren't tightly linked to war-fighting requirements, the mismatch can cause underperformance or unplanned costs and time. The Defense Department should re-

turn to the board model that served the Navy well until the 1960s. The Navy would have a forum of senior stakeholders with a chairman empowered to decide both requirements and specifications, ensuring that these work in harmony.

The Navy should also create an office focused on expediting the development and deployment of certain war-fighting technologies, similar to the Rapid Capabilities Office at the U.S. Air Force and U.S. Space Force. The next secretary should insist on more flexible processes to deliver unmanned surface, aerial and underwater vehicles with speed and at scale. He must also work with Congress to help shipyards attract and retain talent.

Rebuilding the maritime industrial base can also help save Aukus—the security partnership between Australia, the U.K. and the U.S.—which is in danger of stalling. Under the Aukus agreement, the U.S. Navy intends to sell Australia at least three Virginia-class attack submarines by the early 2030s. To realize this goal, the Navy needs to build more than today's 1.2 hulls a year and shrink maintenance backlogs that have sidelined nearly 40% of the fleet. Addressing these challenges will demand consistent funding, which will come only if the defense secretary articulates the importance of sea power and presents a coherent shipbuilding plan.

The secretary can get Aukus off life support by accelerating U.S. submarine deployments to western Australia, bringing more Australian sailors onto U.S. boats, and establishing a naval reactors organization in Canberra.

The secretary must also confront the West's depleted arsenal of critical munitions, especially air-defense missiles. In a conflict with China,

## To prepare, Trump's defense secretary needs to overhaul the Pentagon bureaucracy and cut waste.

the U.S. could run out of some munitions within a week. The next secretary must rebuild America's arsenal by moving to maximum production rates of the Long-Range Anti-Ship Missile, Joint Air-to-Surface Standoff Missile (Extended Range), Advanced Medium-Range Air-to-Air Missile, Harpoon, Standard Missile 6 and other munitions. Wherever possible, these systems should be equipped with advanced energetic materials to extend their range and destructive power.

Ships, submarines and missiles are all expensive. To save money, the next secretary must enforce fixed-price contracting and force

private-sector contractors to acquire products and services that are researched and developed on their dime, not the U.S. taxpayer's. The Defense Department's cost-plus contracting model has destroyed competition and innovation while exploding costs. Sen. John McCain mandated fixed-price commercial contracts in 2016, but Congress repealed that mandate five years later, after his death. Lawmakers should rectify this mistake by re-establishing fixed-price contracting and requiring the defense secretary to sign off on any cost-plus contract.

To free up more money, the secretary can reduce the civilian workforce, the Joint Staff, the Office of the Secretary of Defense, the general and flag officer corps, and the diversity, equity and inclusion bureaucracy. He can sell non-war-fighting assets such as golf courses and resurrect a 2015 Pentagon study that outlined a path to save \$125 billion over five years.

Congress can help by ensuring the Defense Department complies with the Federal Acquisition Streamlining Act of 1994. This statute, which the Pentagon violates frequently, aims to prevent the government from wasting money on developing capabilities that can be purchased from the commercial sector. NASA predicted it would have cost \$4 billion to build the Falcon 9

rocket, much more than the \$400 million it cost Elon Musk's SpaceX to build it. It stands to reason, then, that by adhering to the law's commercial-preference provision, the Defense Department can save tens of billions annually. Additionally, Congress can give the Pentagon authority to use appropriated but unspent funds of between \$10 billion and \$15 billion per year.

Assuming China sticks to its Taiwan timeline, the next secretary has two years to prevent World War III. To do so, he must put the Pentagon on a war footing, firing any bureaucrat unable or unwilling to work at a wartime pace. The lack of accountability at the Defense Department—after the shameful Afghanistan withdrawal, the failure to deter Russia from invading Ukraine, and the current secretary's disappearance without informing the White House—has undermined confidence in military leadership.

Armed with a bold agenda, the next secretary can regain the trust of the American people and the fear of America's enemies.

*Mr. Gallagher, a Journal contributor, is head of defense for Palantir Technologies and a distinguished fellow at the Hudson Institute. He represented Wisconsin's Eighth Congressional District (2017-24) and was chairman of the Select Committee on the Chinese Communist Party.*

# Trump's Tariffs Would Smother His Economic Successes

**By Phil Gramm  
And Donald J. Boudreaux**

**D**onald Trump hopes to supercharge economic growth, restore manufacturing employment, and raise wages by imposing across-the-board tariffs of at least 10%, with even higher duties on Chinese goods. Yet any understanding of international trade, and of Mr. Trump's first term, provides strong evidence that such measures wouldn't achieve the president-elect's objectives. The decline in economic growth caused by tariffs—along with reduced wages and income-tax collections—would at least partially offset any additional customs revenues. Implementing the tariffs would also likely trigger a trade war that would erode, if not overwhelm, the positive effects of tax reform and deregulation.

**A minimum 10% levy on all goods would hike domestic prices, reduce wages and invite foreign retaliation.**

After Mr. Trump's regulatory and tax relief boosted real economic growth from 1.8% in 2016 to a 13-year high of 3% in 2018, tariffs stunted growth. That was as the Congressional Budget Office predicted, with growth slowing to 2.6% in 2019, the first full year of the tariffs. Employment in manufacturing continued falling as a percentage of total employment at the same rate as the previous decade. Before the tariffs were imposed, manufacturing jobs were 8.5% of total employment. The figure fell to 8.4% by the end of 2019 and 8.1% today. Manufacturing output, after rising 2.5% during the

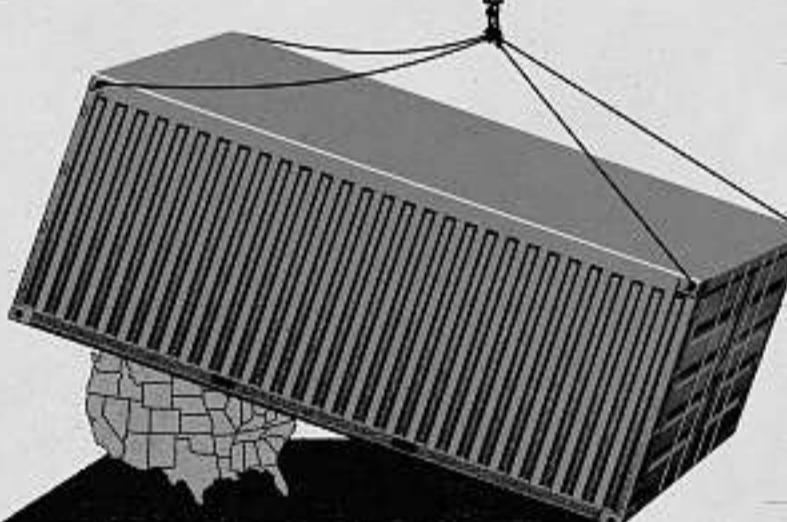
first three quarters of 2018, fell when the tariffs fully kicked in. By the end of 2019, the inflation-adjusted value of manufacturing output was 6.2% lower than when the tariffs were imposed.

Mr. Trump's pro-growth tax and regulatory policy attracted a surge of foreign investment, including from American companies operating abroad. Such investment required dollars, and the currency's value soared. That made U.S. exports more expensive, imports cheaper and the trade deficit larger. The last was 24% larger when Mr. Trump left office than when he entered.

Imposing a 10% tariff on all imports would more than triple the average U.S. tariff rate on all imports, which in

2022 was 2.8%, slightly above the average tariff rate for Organization for Economic Cooperation and Development countries. A 60% tariff on Chinese imports would hike the average. The surge in Americans' costs of acquiring imports—now 13.7% of gross domestic product, the lowest of any developed country in the world—would be economically convulsive.

An across-the-board tariff would stimulate U.S. production of goods that we now import more cheaply. To produce these goods at home, American workers and capital would be drawn away from producing other goods and services that we produce more efficiently. Productivity, wages and the return on capital would fall as we produce things at home that we could buy more cheaply abroad. This would simultaneously reduce production in industries for which our labor productivity and capital returns



are higher. Moreover, because half of our imports are component parts used by U.S. producers, tariffs would further increase our production costs and reduce our competitiveness at home and abroad.

The retaliation by our trading partners would compound tariffs' costs by reducing U.S. exports in the industries where wages and capital returns are highest. A trade war could trigger global results similar to the consequences of the Smoot-Hawley tariff, which reduced the volume of world trade by approximately 14% and deepened the Great Depression.

The yearning to return manufacturing employment to yesteryear's levels is misguided nostalgia. A half-century ago nearly 25% of American workers were employed in manufacturing, down from the all-time high of 39% in 1943. This percentage continues to fall be-

cause of technological advances, not trade. Modern technological prowess allows American industry to produce nearly 2.5 times as much manufacturing output as in 1974 with a fraction of the labor force.

Researchers estimate that 10% across-the-board tariffs would shave a full percentage point off U.S. GDP growth. An additional 0.8% of GDP would be lost from the 60% duty on Chinese imports, raising the yearly cost per household of the tariffs to almost \$4,000. And as an October report from the Yale Budget Lab concluded, "a consistent theoretical and empirical finding in economics is that domestic consumers and domestic firms bear the burden of a tariff, not the foreign country" exporting the given product.

The burden of the tariff would be regressive, too, considering lower-income households spend a larger share of their income on consumer

goods. Kimberly Clauzing and Mary Lovely of the Peterson Institute estimate that the tariffs Mr. Trump has proposed would impose disproportionately large losses on these households. Those in the bottom income quintile would find their purchasing power reduced by 4.2%, while households in the middle-income quintile would lose 2.7%. Highest-quintile households would lose less than 1%. Any ensuing retaliation could multiply these costs.

Restoring the factories our parents left decades ago would also resurrect many old—and unsavory—economic conditions. Inflation-adjusted average hourly compensation a half-century ago was only about half of what

it is today. Two-thirds of American households now have real incomes that in 1967 would have put them in the top quintile of earners. In 1967 the share of the working-age population without a high-school diploma was more than 45%. In recent years it was under 10%.

Who would fill the jobs of the 1960s if we could bring them back? It's a safe bet that those who long to restore such factories didn't have parents or grandparents who worked in one.

*Mr. Gramm, a former chairman of the Senate Banking Committee, is a nonresident senior fellow at the American Enterprise Institute. Mr. Boudreaux is a professor of economics at George Mason University and the Mercatus Center. This article is based on their forthcoming book, "The Triumph of Economic Freedom: Debunking the Seven Great Myths of American Capitalism."*

# Elon and Vivek Can Make Government Work Again

**By Philip K. Howard**

**M**ost Americans know that Washington is overdue for a Department of Government Efficiency, which President-elect Trump announced on Tuesday will be led by Elon Musk and Vivek Ramaswamy. But what should such a commission fix?

Many of Mr. Trump's supporters talk about purging the "deep state," starting by changing the status of senior civil servants to employees at the will of the president. The civil service certainly needs an overhaul—as former Federal Reserve Chairman Paul Volcker argued for

decades—to establish accountability from top to bottom. The point, however, isn't to inject a sense of terror in government employees but to instill trust that everyone is held to the same standards. Near-zero accountability is like pouring acid over public culture, corroding trust and pride.

Mr. Trump's instinct to purge recalcitrant bureaucrats is understandable and sometimes warranted, but the new civil-service framework should be designed to inspire responsibility and agility. This will require that the president and his new department not merely cut red tape but also shield officials

from finger-pointing when they make decisions that inevitably offend some group. Fear is a recipe for paralysis, not results.

The greatest gain of reform would come from scrapping the rusty machinery that grinds public choices through years of meetings and box-checking. What the machine generally spits out are weak compromises, and the inefficiency and waste are notorious. Procurement of defense and information-technology systems under Federal Acquisition Regulations, for example, is laughably ineffective and costly. RAND's Michael Mazarr has documented how defense procurement is "plagued with dozens of program requirements that impose years of delay." Current cost overruns are estimated at half a trillion dollars.

Modernizing infrastructure requires years of review and interagency meetings, often followed by years of litigation. Projects that survive this gauntlet cost more than twice as much and are often redesigned in ways that mollify self-interested parties. One example: Congress in 2021 allocated \$42.5 billion to provide broadband coverage to "unserved areas." Three years later, no projects have been built.

Regulatory oversight in such areas as worker safety and healthcare privacy is aimed at mindless compliance, not avoiding public harm. Worker safety is best achieved by training employees and fostering a

safe workplace culture, not perfect paperwork or compliance with thousands of often tangential regulations. The job of healthcare providers should be to focus on patient care, not privacy paperwork.

Government is a giant Industrial Age machine with new legal extruders added every year—at this point, made up of about 150 million words of binding law and regulations. Recent reforms limiting the time and

length of environmental-review processes don't work because they conflict with countless mandates—say to minimize harm to threatened species and historic buildings, to consult with Native Americans thousands of miles away, to give preferences to minority-owned businesses, and more.

This machine produces the poor decisions that it was ostensibly designed to avoid. The solution isn't to oil the machine or rearrange its parts, but to replace it with a 21st-century framework that allows flexible and transparent decisions.

Red tape should give way to human responsibility. Simpler frame-

works would allow officials to make unavoidable trade-offs needed to achieve public goals. This isn't radical—it's how any successful human enterprise works. Nor does it require trusting officials to do the right thing. The only necessary condition is that everyone in the hierarchy must be accountable.

Since the 1980s, the partisan battle line has been between deregulation and more regulation. But the failures of modern government are mainly failures of implementation. Instead of getting bogged down in fights over the scope of regulation, the opportunity for an efficiency commission is to fix what Brown University's Marc Dunkelman calls the "authentically incompetent" operating structures of Washington.

The imperative isn't merely to avoid waste and inefficiency. Fixing government could hold the key to our future. America can't be strong abroad when we're unable to modernize infrastructure, procure needed ships and technology on a timely basis, fix broken schools, or cut red tape that stifles American initiative. This should be the mandate for Messrs. Musk and Ramaswamy: not to hobble government but to make it work again.

*Mr. Howard is chairman of Common Good and author, most recently, of "Everyday Freedom: Designing the Framework for a Flourishing Society."*

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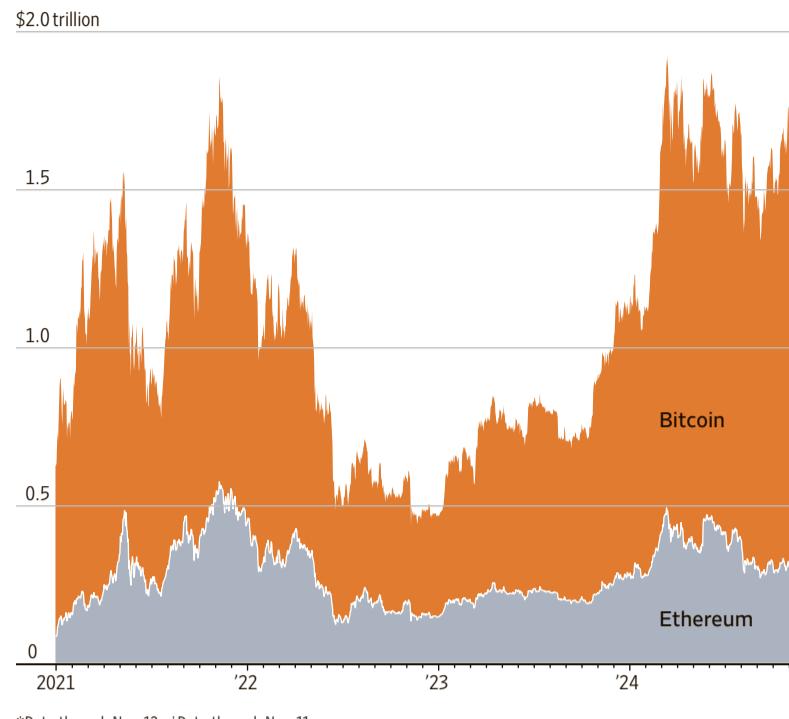
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## Market value of the two largest cryptocurrencies\*



\*Data through Nov. 12. †Data through Nov. 11.

## Total value of active bitcoin futures contracts on crypto exchanges†



Sources: CoinGecko (market value); CCData (active bitcoin futures)

## Blackstone Fund for Rich Adds Riskier Deal Mix

By MIRIAM GOTTFRIED

**Blackstone** wants to make private equity a bigger part of wealthy investors' portfolios. That is pushing one of its new funds to cast a wider net for deals—and open itself up to more risks.

The firm's private-equity fund for the rich has attracted \$6 billion since launching in January, returning 9.2% through September. Much of that growth has come from investing in the same array of deals as Blackstone's traditional private-equity funds for institutional investors. But another portion has come from the fund striking out on its own for different types of deals, such as stakes in companies controlled by other private-equity firms.

The wide mix of investments powering the fund reflects the challenge Blackstone faces in trying to tap in to the wealth of individual investors: finding ways to quickly put money to work.

With traditional private-equity funds, pensions and other institutional clients commit a fixed amount of money for several years that firms can sit on until attractive deals come along. Blackstone's fund for individuals, by contrast, is continuously open to new investments and lets holders redeem once a quarter. That means Blackstone needs to invest new money to start earning certain fees and avoid dragging on returns.

"Ultimately, this is about performance," Blackstone President Jonathan Gray said on a call with analysts in July. "That's what matters. That's what drives things."

For the firm, which manages \$1.1 trillion in assets, the success of the fund and others aimed at individual investors is essential to its next leg of growth. Blackstone and its peers have benefited in recent decades from institutional investors such as pension funds shifting more money into private markets. Now that growth is slowing.

Blackstone said in October it had \$250 billion in assets from individual investors. The path to getting there hasn't always been smooth. The firm's

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## Bitcoin Hits Record on Election Frenzy

Crypto Investors are betting on a wave of deregulation and friendly policies

By VICKY GE HUANG

Bitcoin topped \$90,000 for the first time Wednesday, a run to new records that reflects investor euphoria over a potential crypto renaissance

during Donald Trump's second presidential term.

The election of a pro-crypto president has sent bitcoin prices up 30% since Election Day. The victories of dozens of congressional candidates backed by crypto super PACs have further fueled bitcoin's momentum.

Traders are wagering that bitcoin will reach \$100,000 before the end of the year, with \$850 million worth of options

contracts betting on the milestone by the Dec. 27 expiration, said Jake Ostrovskis, OTC trader at crypto market maker Wintermute.

The crypto industry—which donated \$170 million to a trio of super PACs to help elect congressional candidates seen as allies—is now betting on a wave of deregulation and industry-friendly policies.

Trump embraced crypto earlier this year and promised

to create a bitcoin reserve to hold the nation's supply. He also pledged to fire Gary Gensler, chair of the Securities and Exchange Commission who has been taking a litigation-heavy strategy to police the sector.

Many investors expressed their bullish view on crypto after the election by buying bitcoin derivative products using borrowed money. They scooped up options and what

are known as perpetual futures, or futures contracts with no expiration date that allow traders to bet on the price of a token continuously with as much as 100 times leverage.

The dollar sum of outstanding bitcoin derivative contracts on centralized exchanges reached about \$61 billion on Monday, a multimonth high, according to CCData.

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## 7-Eleven Owner Gets Bid From Executive

By KOSAKU NARIOKA

A son of the founder of the Japanese retail giant that owns the 7-Eleven convenience-store chain has proposed a buyout of the holding company, the latest twist in a standoff between the Japanese company and the Canadian owner of Circle K, which proposed its own takeover deal.

Junro Ito, vice president at Seven & i Holdings, is the second son of founder Masatoshi Ito, who started from a single outlet in Japan to build the business empire behind one of the world's biggest and best-known convenience-store brands. Seven & i said he and an affiliated firm made the proposal, but didn't provide details.

Canada's **Alimentation Couche-Tard** previously made a \$39 billion bid for Seven & i, which the Japanese company rejected. Last month, Seven & i said it received a new bid from Couche-Tard, without elaborating.

The Japanese retail company said Wednesday that its special committee, comprising independent directors, is reviewing the nonbinding proposal made by Ito and his affiliated firm. The affiliated firm held an 8.2% stake in the 7-Eleven owner as of the end of August.

Seven & i said nothing has been decided on the proposal.

Shares of the convenience-store giant surged on the news. The stock ended 12% higher.

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## Sportsbooks Cut Revenue Outlook As Football Fans Outsmart the Pros

By KATHERINE SAYRE

Sports bettors are beating DraftKings and FanDuel at their own game.

Gamblers' bets on their favorite National Football League teams have been on a hot streak in recent weeks, forcing sports-betting companies to pay out more winnings to their customers than expected. The action playing out on football fields across the country—fewer upsets by underdogs and wins by fan favorites such as the Kansas City Chiefs and the Detroit Lions—is now reverberating onto Wall Street.

Winning fan bets have prompted DraftKings and FanDuel parent **Flutter Entertainment** to report reduced U.S. revenue expectations



Fewer upsets in the NFL are reverberating on Wall Street.

through the end of the year, to the tune of hundreds of millions of dollars.

It is a reminder that even

for sports-betting companies that try to manage risk with sophisticated trading desks, gambling is a matter of luck, and the house can lose.

On Tuesday, Flutter cut its

2024 revenue guidance for its U.S. business, which houses FanDuel, by \$50 million as a result of losses from NFL games in the start of the fourth quarter. Those losses overshadowed gains in the previous quarter.

FanDuel said its worst day this NFL season came on the second Sunday of October, when 11 of the 13 favorites won, including the Tampa Bay Buccaneers and Baltimore Ravens.

Last week, DraftKings reduced its 2024 revenue guidance by \$250 million, citing the same NFL results.

The company "experienced the most customer friendly stretch of NFL sport outcomes we have ever seen," DraftKings Chief Executive Jason

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## BUSINESS NEWS

Social-media platform X names former Tubi finance chief as its CFO. B3



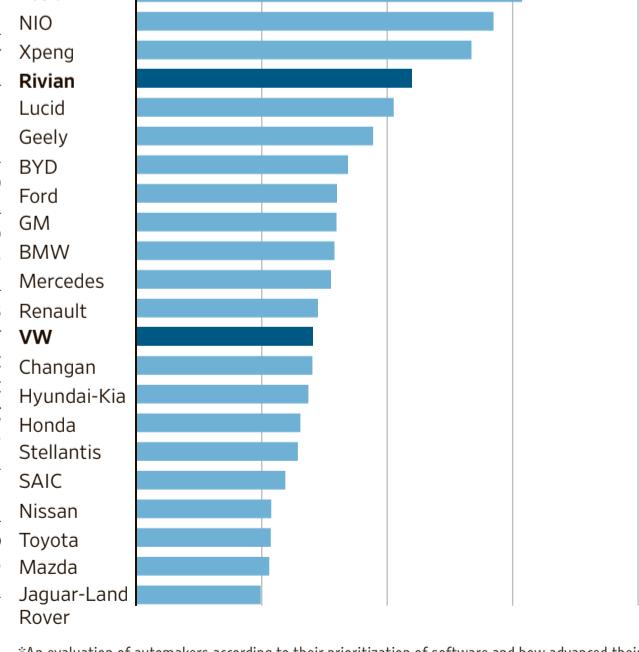
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Audiostreaming giant Spotify takes on YouTube in a battle for podcasts. B4

## VW, Rivian Join in \$5.8 Billion Attempt to Rescue Each Other

By STEPHEN WILMOT AND SEAN MCCLAIN

Gartner's Digital Automaker Index for 2024\*



\*An evaluation of automakers according to their prioritization of software and how advanced their software-related technology is.

Source: Gartner

next level, in a deal that aims to address a core weakness for each: VW gets much-needed technology and Rivian gets much-needed cash.

According to final terms announced late on Tuesday, VW will invest up to \$5.8 billion in

Rivian stock and a joint venture—up from a \$5 billion deal value envisaged when the collaboration was announced in June.

In return, the German company gets access to a blend of

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## Trump Whale Scores \$85 Million Windfall

By ALEXANDER OSIPOVICH

The mystery trader who made a successful bet on Donald Trump winning the presidency earned about \$85 million in profits, tens of millions of dollars more than previously reported, according to a blockchain-analysis firm and the trader himself.

Research by Chainalysis shows the trader known as the "Trump whale" had 11 accounts on Polymarket—more than the four accounts that were earlier known. Polymarket is a crypto-

based betting platform whose popularity surged in recent months when bettors piled into its contracts on the presidential election. Americans aren't permitted to trade on Polymarket.

The Trump whale's wagers drew attention last month after The Wall Street Journal reported that multiple accounts on the platform had been systematically purchasing wagers

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## Share-price performance, year to date



Source: FactSet

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## 7-Eleven Owner Gets Another Bid

Continued from page B1

higher, hitting its highest level since the 2005 listing that followed the combination of its supermarket, convenience-store and restaurant businesses.

Wednesday's jump boosted the market cap to about ¥6.5 trillion, equivalent to \$42 billion.

Stephen Hayes Dacus, chair of the special committee, said it is reviewing all options objectively to realize the company's potential shareholder value, including the proposal

from Ito, the takeover offer from Couche-Tard and any initiatives that can be implemented on its own.

Under pressure from some foreign shareholders in recent years, the 7-Eleven owner has been trying to improve profitability by focusing on its core convenience-store business and restructuring other segments. It shed some businesses, such as unprofitable department-store operator Sogo & Seibu. In April, Seven & i said it was considering listing the supermarket business.

Last month, Seven & i slashed its profit forecast for the current fiscal year, which ends in February, as sluggish demand among middle-to-low-income U.S. consumers amid inflation and higher interest rates hurt its overseas sales.



The company started from a single outlet in Japan.

## Sportsbooks Lose Out To Bettors

Continued from page B1

Robins told Wall Street analysts.

The industry's hold rate—the amount the sportsbook takes after paying out winning bets—was 2% on NFL games the week of Oct. 28, according to analysts at Macquarie Equity Research, compared with a long-term average of 9% for NFL games.

### Gamblers' bets on their favorite NFL teams have been on a hot streak lately.

points, according to Macquarie.

Robins said DraftKings's outlook is still strong and that despite the near-term volatility, as the business grows, "these impacts will become more rounding errors."

DraftKings's revenue in the third quarter, which ended before the string of bad luck in October, rose 39% year over year to about \$1.1 billion, helped by new customer acquisition and strong betting activity.

It posted a wider loss of \$293.7 million from \$283.1 million a year ago.

Gambling companies spent heavily on marketing and customer promotions as sports betting expanded across the U.S. in recent years and are now focusing on improving profitability, in part by controlling costs.

Flutter's third-quarter revenue increased 27% to about \$3.2 billion. It reported a \$103 million loss for the September quarter, paring its year-ago loss of \$275 million.

FanDuel and DraftKings appeal to recreational bettors who tend to bet on their favorite teams to win and star players on those rosters to have strong performances.

When the Denver Broncos beat the New Orleans Saints 33-10 last month, for example, sportsbooks took hits on who would win and by how many

## Rivian, VW Team In Big Bet

Continued from page B1

onboard computing and software that Rivian spent billions of dollars to develop for its own vehicles.

Rivian's Nasdaq-listed shares climbed nearly 14% on Wednesday, while VW's fell 2.3% in Germany.

The deal between the world's second-largest automaker and a relatively unproven startup highlights the depth of the challenges they face in the race to compete with Tesla and Chinese rivals. Traditional carmakers that perfected making combustion vehicles are struggling to match the speed and technology of dedicated electric-vehicle companies. Meanwhile, innovative startups like Rivian lack the scale and funds to compete with entrenched players.

VW is hoping that some of Rivian's fast-moving, innovation-minded culture rubs off on the German auto titan, said Wassym Bensaid, Rivian's software chief.

VW has long prided itself on its engineering prowess. Its self-reliance is such that its vast manufacturing complex in Wolfsburg generates its own power, runs hotels and makes its own sausages to feed the tens of thousands of workers. Now under Chief Executive Oliver Blume, it is increasingly turning to technology partners based half a world away to play catch-up. In a statement to The Wall Street Journal, Blume called the partnership with Rivian "a perfect match."

Car companies today want to make their vehicles as easy to connect and update as a smartphone. The push is partly about keeping infotainment screens fresh, but as manufacturers look to include more autonomous features, it extends to core driving functions, too. So far, EV startups—working without the mechanical complexity of traditional vehicles—have better integrated the new technology, which involves consolidating vehicle electronics around a much more powerful central computer.

The new approach enables

the kind of feature-rich, web-connected technology experience that consumers increasingly expect.

The transition to digital controls is tougher for traditional automakers to manage than the shift to big batteries, industry executives including Ford CEO Jim Farley have said.

In a recent ranking of automakers by how "digital" they are, technology consulting firm Gartner put

Tesla, Chinese manufacturer NIO and Xpeng and then Rivian, respectively, in the top four spots. VW came 13th, behind General Motors and Ford Motor.

VW wants to use the joint venture for the digital plumbing of all its passenger cars outside China—some 5.7 million vehicles based on last year's sales. The first of its cars to include the new technology could be available for sale by 2027.

For Rivian, the cash injection from Volkswagen could

ensure its survival. The U.S. company has burned through over \$19 billion since it went public in 2021, a large chunk of which was spent developing bespoke hardware and software. That investment has yet to pay off, in part because the company produces too few vehicles—likely less than 50,000 this year—to turn a profit.

Rivian aims to use its successful collaboration with VW to open doors for more cooperation with other carmakers.

Both companies face risks in joining hands. Rivian is offering up an asset that it spent billions of dollars to develop, and which it has

said is a core competitive advantage. VW is relying on a new venture it won't fully control for a technology that is vital for its future.

VW also is in the midst of a painful restructuring, the result of tepid sales, intense competition in China and an expensive EV strategy. In continuing negotiations with the company's powerful union, it has floated the possibility of the first German factory closures in VW's history.

Of the Rivian deal, "Can we

be sure that this isn't the next billion-dollar grave?" asked Daniela Cavallo, VW's top union representative, at an employee gathering in September.

The joint venture will be run by co-chief executives, whom the companies named on Tuesday. Rivian appointed Bensaid as the project's leader with responsibility for technology, while VW put its chief technology engineer Carsten Helbing in charge of the operational side.

Rivian has long struggled with the complexities of manufacturing, and lost \$39,000 on every vehicle it sold in the third quarter.

Rivian's system of minicomputers that VW is acquiring is more expensive than off-the-shelf options from major automotive suppliers. Despite the costs, Rivian believes that its

approach when applied at scale will ultimately be cheaper and represents a huge technological leap compared with VW's current offering.

"There's lots of opportunities for improvement," said Bensaid.

For VW, teaming up with

Rivian eases its dependence on its software unit Cariad, which

has cost VW €7.8 billion,

equivalent to about \$8.3 billion, since it was split out in

the company accounts in 2021, including almost €900 million in the latest quarter alone.

## BUSINESS & FINANCE



VW will invest up to \$5.8 billion in Rivian stock and a venture. A VW exhibition in Shanghai.

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## Chip Maker AMD to Cut Global Headcount By 4%

BY SABELA OJEA

**Advanced Micro Devices** is reducing its global workforce by 4% after reporting that most of the growth it sees comes from its AI chips and other products for data centers.

Shares of the chip maker declined 3% to \$139.30 in Wednesday's trading. The stock has dropped nearly 6% in the year to date, though it is up 19% over the past 12 months.

The chip maker better known as AMD on Wednesday said this round of layoffs is part of a shift in its broader business strategy.

"As a part of aligning our resources with our largest growth opportunities, we are taking a number of targeted steps that will unfortunately result in reducing our global workforce by approximately 4%," the company said in a statement.

The layoffs would affect about 1,040 employees. AMD had a global workforce of 26,000 employees as of Dec. 31, according to its latest annual filing with the Securities and Exchange Commission.

It posted a wider loss of \$293.7 million from \$283.1 million a year ago.

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## BUSINESS NEWS

# Musk's X Adds CFO to Leadership Team

**Ex-Tubi finance chief joins social-media platform as it faces financial challenges**

By ALEXA CORSE AND BECKY PETERSON

Elon Musk's **X Corp.**, named Mahmoud Reza Banki chief financial officer, filling out the executive ranks at his social-media site as his attention shifts to cutting U.S. government spending for the incoming Trump administration.

Banki, the former CFO of streaming platform **Tubi**,

joined **X** in November, according to his LinkedIn profile and a person familiar with his hiring. Banki was pardoned by former President Donald Trump in a case connected to 2010 charges for making false statements. He was also charged at the time with violating sanctions against Iran, but those charges were later overturned on appeal.

Banki and **X** didn't respond to requests for comment.

Banki is the first publicly known CFO at **X**, though other executives had helped fill in the role in the two years since Musk acquired the company, current and former employees

said.

It is one of **X**'s most significant hires since Chief Executive Officer Linda Yaccarino joined the social-media site in June 2023. In September, **X** hired Angela Zepeda, the former chief marketing officer of **Hyundai Motor America**, to lead its marketing team.

Banki is taking on **X**'s financial operations at a critical moment. **X**'s challenges include a heavy debt load and a sharp drop in advertising revenue following Musk's acquisition of the platform formerly known as Twitter in late 2022. **X** said last year that its value had fallen by more than half, to

around \$19 billion.

For the banks involved in the deal, the \$13 billion they lent Musk has turned into the worst merger-finance deal since the financial crisis. The banks, led by **Morgan Stanley**, haven't been able to offload the debt without incurring major losses—largely because of **X**'s weak financial performance—leaving the loans stuck on their balance sheets, *The Wall Street Journal* reported.

**Morgan Stanley**, the lead bank on the Twitter acquisition, tried to persuade Musk to hire a CFO during the acquisition process in 2022. Court documents show that banker

Michael Grimes encouraged Musk to hire either former **Etsy** CFO Kristina Salen or **Magnolia Medical Technologies** CFO Patrick O'Malley, though Musk ultimately didn't hire either.

Instead he brought in a crew of executives and investors from across his companies, including **Boring Co.** President Steve Davis and **Valor Equity Partners** CEO Antonio Gracias, who cut roughly 80% of employees, slashed expenses and interfaced with bankers.

It is a major rebound story for Banki, who got a doctorate in chemical engineering from Princeton University before

working as a consultant at **McKinsey & Co.**, according to a biography on his website.

In 2010, Banki was charged with violating sanctions against Iran and making false statements. He was found guilty and spent nearly two years in prison before getting released following a successful appeal.

Banki was pardoned by Trump at the end of his first term in January 2021. In a statement announcing Banki's pardon, the White House said that the felony charges for making false statements had prevented him from going back to a normal life.



Strong performance of evergreen titles such as 'Honor of Kings' helped buoy sales. An 'Honor of Kings' tournament last year.

## Tencent Profit Momentum Fueled By Gaming Despite China Cooling

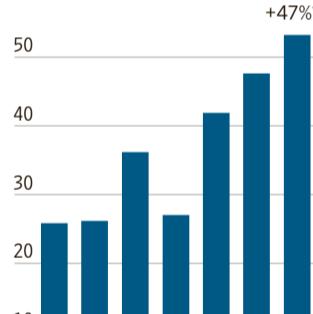
By SHERRY QIN

**Tencent Holdings** sustained its earnings growth momentum in the third quarter, with the core gaming business delivering strong results, a sign of the Chinese technology giant's resilience in the face of a cooling economy.

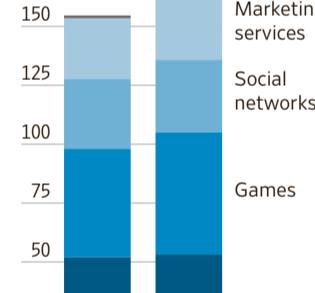
The videogame and social-media company said Wednesday that net profit jumped 47% to 53.23 billion yuan, equivalent to \$7.36 billion, and revenue increased 8% to 167.19 billion yuan. While the quarterly revenue was roughly in line with analysts' estimates, its bottom line comfortably beat the consensus.

The upbeat results came despite a slowdown in the world's second-largest economy hurting consumer confidence, suggesting that Tencent's high-quality growth strategy, with businesses spanning games, social network, digital payment and cloud, is working. The Shenzhen-based company, China's largest by market capitalization, has been prioritizing growth drivers and high-margin businesses, such as games and its TikTok-style video ac-

### Tencent's quarterly profit



### Third quarter segment revenue



advertising and fintech segments continued decelerating. Its online advertising sales rose 17%, down from a 19% increase in the second quarter, while fintech segment sales rose just 2% from a year earlier.

In September, rival Chinese e-commerce giant **Alibaba Group** integrated Tencent's WeChat Pay into its domestic shopping sites Taobao and Tmall, a milestone toward breaking down the walls dividing Chinese internet giants. Some analysts have said the move could benefit Tencent's commercial payment.

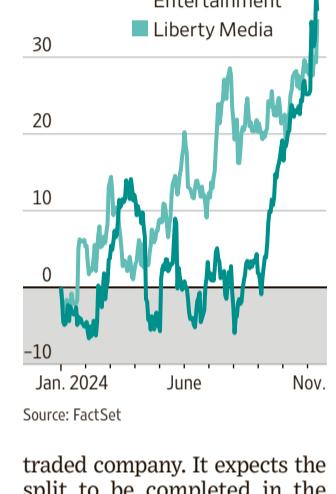
Shares of Tencent have lost steam in recent weeks after rallying along with the broader market in late September on hopes that China would roll out a large fiscal stimulus package to revive the economy. The stock remains nearly 40% higher this year, compared with the benchmark Hang Seng Index's 16% gain.

Tencent is the first major Chinese tech company to report earnings for the most recent quarter. Peers Alibaba and **JD.com** are scheduled to release quarterly results later this week.

## CEO to Exit as Malone Revamps Liberty Media

By BEN GLICKMAN AND JESSICA TOONKE

### Share-price performance, year to date



traded company. It expects the split to be completed in the second half of 2025.

Separately on Wednesday, **Charter Communications** said it had agreed to acquire Malone's **Liberty Broadband**, which is the largest shareholder in the Spectrum cable and internet parent company.

Liberty Broadband also will spin off its GCI subsidiary, an Alaskan communications provider, through a stock distribution as part of the deal.

Earlier this fall, Liberty finalized the split-off of its Liberty Sirius XM Holdings into an independent company.

"Following today's transaction announcements, our company is simpler and more focused than ever before," Malone said.

Malone said earlier this week that he would like to see more deals that lead to media-industry consolidation.

"When it comes to our capital intensive businesses, the very cheap money of the last 10 years led to way too much competition," he said. "Consolidation is really the right direction."

—Anne Steele contributed to this article.

## Amazon Offering Challenges Temu, Shein

By DENNY JACOB

**Amazon.com** is launching a new section to its app focused on items that cost \$20 or less, as the e-commerce leader looks to fend off rising competition from low-cost platforms **Temu** and **Shein**.

Amazon said the offering, dubbed **Amazon Haul**, was available to some customers in the U.S. starting Wednesday.

The Seattle company said all items in the new section would be priced at \$20 or less with the majority around \$10 or under. Purchases over \$3 would be eligible for free returns within 15 days of delivery, a slight difference from its return policy under an Amazon Prime membership. Items ordered through Haul will take up to one to two weeks for delivery.

Dharmesh Mehta, Amazon's vice president of Worldwide Selling Partner Services, said the new storefront would make

shopping for fashion, electronics and other items more "fun, easy and affordable."

The new Haul tab on Amazon's app works hard to show it is a very different part of the "everything store." The new section highlights "crazy low" prices of things such as a \$1.99 iPhone case and a \$4.99 fanny pack.

Item descriptions include a running count of how many of each product are left at that price. The item descriptions

also point out that while it can take more than a week for delivery, most deliveries are within seven days.

Amazon's decision to dabble in pitching lower-priced products with slower delivery times is a direct response to competi-

tion from Temu. It has been planning a new storefront since earlier this year for a section focused on bargain-priced items like those on Temu.

The new section will help Amazon attract consumers who want to save money and are willing to wait longer for products to arrive directly from China.

Categories such as household goods, electronics, appliances and clothing work well with direct-from-China deliveries, and customers are more willing to wait for them, analysts say.

Temu, which is backed by Chinese e-commerce company **PDD Holdings**, has been targeting Amazon's sellers as well as its consumers. It has used surprisingly low prices and differ-

ent games, giveaways and other ways to highlight its discounts to become the second-most-visited shopping site in the world behind Amazon.

While it is still tiny compared with Amazon in the U.S., it is growing. According to an estimate from research firm Emarketer, its share of the U.S. e-commerce market could triple from 0.7% last year to 2.3% next year.

Temu's rise is one of Amazon's greatest challenges in years. Temu has been targeting the many sellers that post their products on Amazon's site. Sellers say they are trying Temu because it doesn't charge them high fulfillment fees or advertising charges. The sellers say the lower fees can enable lower prices on Temu while letting them make more money off the deals on the discounted site.

—Eric Bellman contributed to this article.

**The new Amazon Haul will focus on items that cost \$20 or less.**

**WILLIAM HENRY**

BECAUSE A STORY-RICH WINE DESERVES A STORY-RICH OPENING.

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# Spotify Takes On YouTube In the Battle for Podcasts

Audiostreaming giant plans to pay hosts to make podcast videos

BY ANNE STEELE

**Spotify** is trying to break YouTube's grip on video podcasts.

As fans increasingly flock to videos of star hosts interacting with their guests during interviews, Spotify wants to persuade more podcasters to make videos for its own platform in addition to YouTube.

Spotify plans to start paying hosts who make popular videos and meet a certain viewing threshold, and will soon offer premium subscribers a way to watch shows such as "The Joe Rogan Experience" and "Anything Goes with Emma Chamberlain" without ads. It currently allows hosts to upload podcast videos, but doesn't offer such payments.

While Spotify is home to some of the most popular podcasts, there are signs that its dominance in the exploding medium is waning as more listeners enjoy their favorite shows on YouTube. The Google-owned platform has become a central part of many young people's entertainment diet and shares ad revenue with creators who post videos, which incentivizes them to post ever more content.

"It's becoming all about video. It's kind of an irony," Spotify Chief Executive Daniel Ek said of podcasting. He said the election highlighted the power of the medium, pointing to Kamala Harris's appearance on Alex Cooper's "Call Her Daddy" and Donald Trump's appearance on Rogan—both in video format.

Beginning in January, Spotify plans to offer premium



Spotify CEO Daniel Ek at a September event in San Francisco.

subscribers in the U.S., U.K., Australia and Canada ad-free viewing of video podcasts. It is betting that the uninterrupted experience coupled with its powerful discovery algorithms will drive greater consumption of video podcasts on the platform.

The offering, which takes out ads inserted into episodes but would leave host-read messages, also could differentiate Spotify's podcast videos from those on YouTube, where users have to pay more for ad-free viewing.

For hosts, Spotify's new incentives offer a fresh stream of revenue. While Spotify expects to pay more than YouTube on a per-view basis, it said YouTube has many more users and will likely continue to pay more in total to creators.

YouTube pays out most video creators a 55% share of revenue of the ads it sells

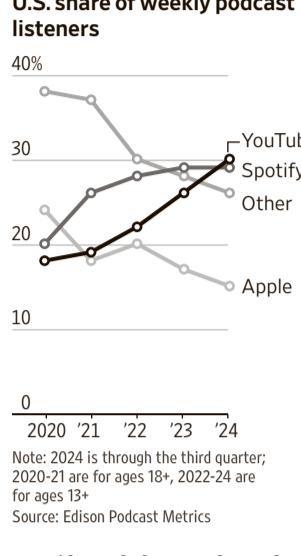
against a show. Spotify estimates a show that draws 1 million to 2 million views in a month would earn about \$50,000 via the new model.

After starting to invest in podcasting in 2019, Spotify overtook **Apple** to become the No. 1 podcast platform in the U.S. in 2021.

Last month, YouTube rose to the top as the most popular service for podcast listening in the U.S., with 31% of weekly podcast listeners ages 13 and up choosing YouTube as the service they use most to listen to podcasts, surpassing Spotify, Edison Research shows.

Spotify enabled video for podcasting in 2020 at the request of Rogan, who before striking an exclusive deal with the company wasn't on Spotify and had a large and loyal audience on YouTube.

Since the pandemic, video podcasts have been growing faster than audio podcasts on



Note: 2024 is through the third quarter; 2020-21 are for ages 18+, 2022-24 are for ages 13+

Source: Edison Podcast Metrics

Spotify and the number of users watching video podcasts increased 88% over the past year.

It says more than 240 million users have streamed a video podcast on Spotify, and the number of creators actively publishing videos each month has grown more than 50% year over year.

While Spotify's initial rollout of the new financial incentive is aimed at podcasters—there are already more than 300,000 video podcast shows on Spotify—the company expects to attract video creators across similar formats such as comedy.

The new offering arrives amid growing concerns in the podcast industry that shows are asking consumers to watch too many ads.

While podcast ads have historically been highly effective, some industry executives worry that efforts to improve podcast profitability have oversaturated shows with ads, undermining a format that typically offers an intimate listening experience.

◆ Heard: Spotify delivers a strong encore..... B10

## Takeover by Verizon Gets Shareholder Approval at Frontier

BY DREW FITZGERALD AND LAUREN THOMAS

### Frontier Communications

shareholders approved a \$9.6 billion sale to **Verizon Communications**, thwarting a campaign led by some disgruntled investors to seek a higher price.

Frontier serves more than two million fiber-optic connections across 25 states, including California, Texas and Florida—three markets that Verizon sold to it in 2016. The internet provider filed for bankruptcy protection in April 2020 and emerged a year later with private-equity firms **Cerberus Capital Management** and **Ares Management** as major shareholders.

The transaction, which awaits regulatory approval, would expand Verizon's fiber network to a size that would rival major competitors like **AT&T** and **Comcast** by adding back lines in states such as California and Texas.

Most merger votes are formalities, especially when they offer shareholders a hefty premium, but some Frontier investors had voiced displeasure with the deal.

In the end, about 63% of stockholders ended up approving the all-cash takeover, according to Frontier. The broadband provider said 10 of its top 12 shareholders approved the transaction.

Proxy advisers Institutional Shareholder Services and Glass Lewis earlier this month advised their clients to abstain—which counts the same as a no vote—to provide investors more time to consider the transaction.

Verizon is paying \$38.50 a share to Frontier holders and is set to absorb about \$10 billion of Frontier's debt. The merger is expected to close in the first quarter of 2026.

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Telecom companies are rushing to snap up new fiber-optic broadband markets to gain a foothold in a business with long-lasting returns. But the high cost of building new fiber lines deters potential suitors.

Verizon topped one other bidder for Frontier, according to a securities filing. The runner-up was Canadian telecom company **BCE**, according to people familiar with the matter.

BCE later struck a smaller deal to buy Ziptel Fiber, a broadband company with operations in the U.S. Northwest, for about 5 billion Canadian dollars in cash, equivalent to about \$3.6 billion.



A Frontier Communications crew at work in California.

PATRICK T. FALLON/AFP/GETTY IMAGES

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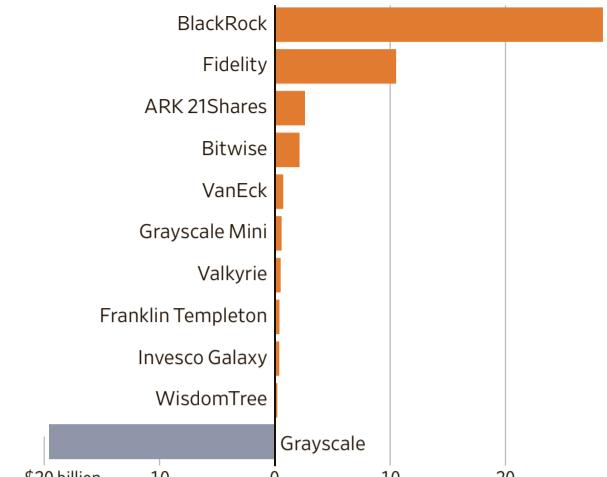
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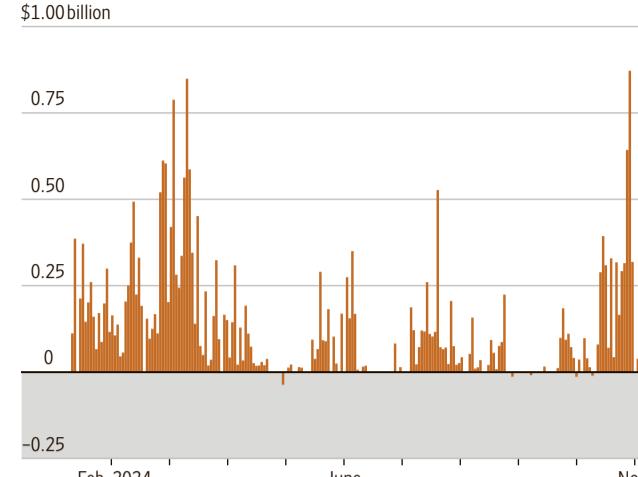
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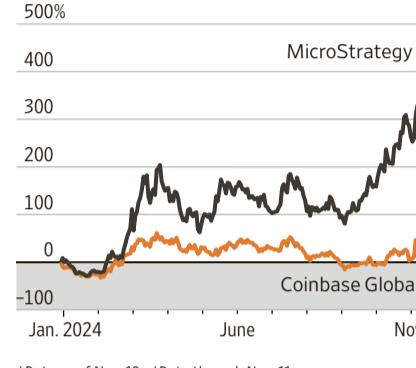
Spot bitcoin ETF net flows this year\*



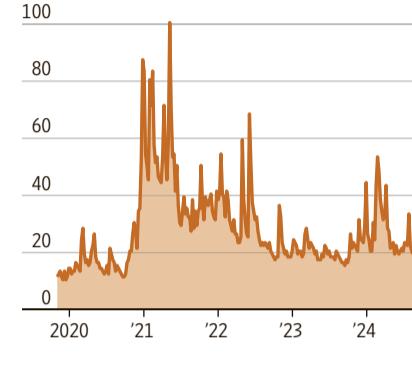
BlackRock's iShares Bitcoin Trust daily flows†



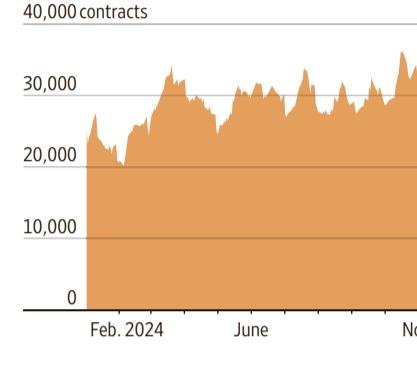
Share-price performance, year to date



Google search interest in bitcoin over time‡



Bitcoin open interest on the Chicago Mercantile Exchange\*\*

<sup>\*</sup>Data as of Nov. 12. <sup>†</sup>Data through Nov. 11.<sup>‡</sup>A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular. A score of 0 means there wasn't enough data for this term. <sup>\*\*</sup>Data through Nov. 8.

Sources: JPMorgan estimates, Bloomberg data (net flows); Bloomberg Intelligence (daily flows); FactSet (performance); Google Trends (search interest); Chicago Mercantile Exchange (bitcoin open interest)

## Bitcoin Tops \$90,000 for First Time

*Continued from page B1*

Two other factors powering bitcoin's relentless rally in recent days: robust flows into a new wave of exchange-traded funds holding bitcoin and the recent interest-rate cuts by the Federal Reserve that have boosted prices of risk assets across the spectrum.

"The market is realizing just how big of a regime shift is under way," said Quinn Thompson, founder of macro crypto hedge fund Lekker Capital.

The "spot" bitcoin ETFs, which launched after a long-

awaited SEC approval in January, allow everyday investors to buy the digital asset through their brokerage accounts.

The funds have been a smashing success, with total assets in the 11 ETFs on the market climbing to nearly \$94 billion. Investors rushed to buy bitcoin ETFs in the aftermath of the presidential election.

BlackRock's iShares Bitcoin Trust now manages nearly \$42 billion as the world's largest bitcoin fund.

Crypto-related stocks and other tokens have been along for the ride. Shares of

### Crypto-related stocks and other tokens have been along for the rally.

the SEC, have surged 12% in the past week.

**MicroStrategy**, a software intelligence firm that has transformed itself into a bitcoin-buying entity, has skyrocketed 27%. The company, led by bitcoin advocate Michael Saylor, now holds about

279,420 bitcoins, worth about \$25 billion.

The renewed animal spirits in the crypto market were unfathomable just a few years ago. In 2022, a series of company failures

started with the crash of a stablecoin called TerraUSD and culminated in the collapse of the crypto exchange FTX. The scandals dragged the price of bitcoin to as low as \$16,000.

Interest among individual investors appears to be building.

Google search interest in bitcoin climbed to levels last seen before the industry's meltdown. Smaller and riskier tokens, typically favored by individual investors who couldn't afford bitcoin's lofty price tag, also have experienced huge gains. Dogecoin, a dog-themed meme token promoted by Elon Musk, has more than doubled in value since the Nov. 5 election. Solana, the fourth-largest token, also has notched big gains.

Institutional investors also have grown more comfortable with bitcoin. The number of unsettled and active bitcoin futures contracts trading on the Chicago Mercantile Exchange, known as open interest, hit a record of more than 35,973 contracts on Friday, representing \$13.9 billion of notional value.

## Blackstone Fund Adds Risk to Mix

*Continued from page B1*

real-estate fund for individuals temporarily limited withdrawals in 2022 after a slumping commercial-property market and rising interest rates spooked investors. Blackstone has since fulfilled all redemption requests, but the incident highlighted a major risk with such funds: not being able to sell assets to meet redemptions.

Blackstone said it designed Blackstone Private Equity Strategies, or BXPE, with a highly diversified investment strategy to more easily meet redemptions and deploy capital to ensure consistent returns as the fund grows. The firm expects BXPE could eventually get as big as its real-estate and credit funds for individuals, which have net-asset values of \$55 billion and \$36 billion, respectively.

BXPE has so far participated in Blackstone's big deals, such as a \$16 billion buyout of data-center operator AirTrunk and the firm's contribution to a \$7.5 billion loan to AI chip developer CoreWeave.

Competitors question whether deals the fund has done on its own have been as attractive.

BXPE has paid healthy prices for minority stakes in

companies that have been sitting in the portfolios of other firms for longer than the typical five-year time frame. Insurance brokerage Higginbotham was purchased by Stone Point Capital in 2017. Blackstone's deal for a stake in it was done at more than 16 times earnings before interest, taxes, depreciation and amortization, according to people familiar with the matter. That compares with a median of 15 times for all U.S. deals over the 12 months ended in September, according to PitchBook.

Such stakes leave investors dependent on other firms' decisions, including when to sell.

Financial advisers said they would also be wary of the amount of BXPE's returns that come from another type of investment—private-equity holdings Blackstone picks up on the secondary market. The value of those holdings can immediately be marked up after they are purchased.

Blackstone aims to get the bulk of its returns on secondary deals from the performance of the assets, according to people familiar with the matter. The firm has told investors a small portion of the fund is in secondaries and that the deals aren't a material contributor to returns to date.

Only five of the more than 60 deals BXPE has done have been for minority stakes in other firms' portfolio companies, the firm has said. It has said it is getting access to quality companies at good prices because other firms are under pressure to return capital to investors.



Jonathan Gray says performance drives Blackstone's funds.

GARY HE FOR WSJ

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## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**43958.19** ▲ 47.21, or 0.11%

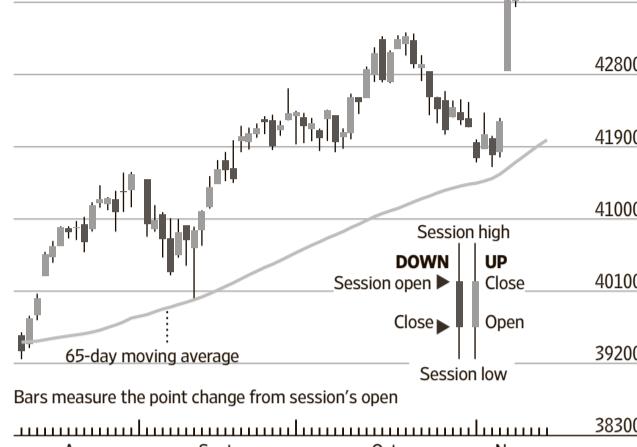
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 27.71 25.57

P/E estimate \* 22.32 18.72

Dividend yield 1.81 2.07

All-time high 44293.13, 11/11/24



Bars measure the point change from session's open

Current divisor 0.16268413125742

Aug. Sept. Oct. Nov.

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.; Based on Nasdaq-100 Index

## S&amp;P 500 Index

**5985.38** ▲ 1.39, or 0.02%

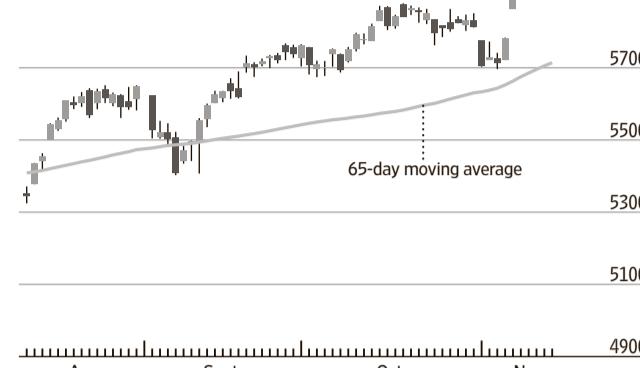
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio \* 25.37 19.69

P/E estimate \* 24.57 19.72

Dividend yield \* 1.24 1.70

All-time high 6001.35, 11/11/24



Aug. Sept. Oct. Nov.

## Nasdaq Composite Index

**19230.74** ▼ 50.66, or 0.26%

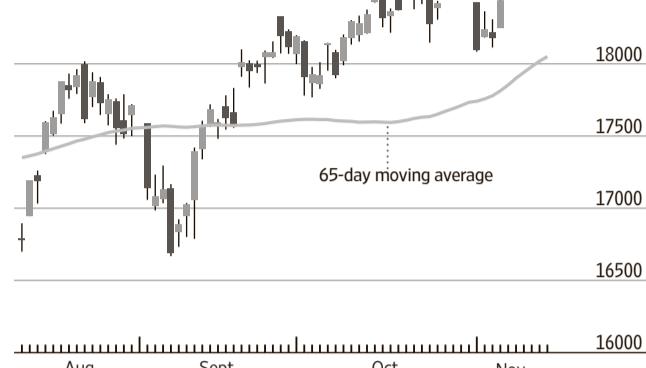
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio \* 33.07 30.37

P/E estimate \* 30.68 26.43

Dividend yield \* 0.75 0.84

All-time high 19298.76, 11/11/24



Aug. Sept. Oct. Nov.

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
<b>Dow Jones</b>										
Industrial Average	44141.33	43829.98	<b>43958.19</b>	47.21	▲ 0.11	44293.13	34945.47	<b>25.6</b>	16.6	<b>6.8</b>
Transportation Avg	17604.27	17371.30	<b>17538.54</b>	154.26	▲ 0.89	17566.34	14781.56	<b>17.2</b>	10.3	<b>1.5</b>
Utility Average	1032.93	1019.78	<b>1023.06</b>	-2.57	▲ -0.25	1071.27	829.38	<b>19.3</b>	16.0	<b>4.0</b>
Total Stock Market	59892.39	59507.39	<b>59600.10</b>	-42.39	▲ -0.07	59878.01	44717.76	<b>33.2</b>	24.7	<b>7.0</b>
Baron's 400	1333.14	1317.35	<b>1317.82</b>	-8.19	▲ -0.62	1338.19	974.83	<b>33.9</b>	22.9	<b>5.5</b>

## Nasdaq Stock Market

Nasdaq Composite	19358.48	19191.13	<b>19230.73</b>	-50.68	▲ -0.26	19298.76	14103.84	<b>36.4</b>	28.1	<b>6.6</b>
Nasdaq-100	21154.94	20955.24	<b>21036.16</b>	-34.63	▲ -0.16	21117.18	15788.05	<b>33.0</b>	25.0	<b>9.1</b>

## S&amp;P

500 Index	6008.19	5965.91	<b>5985.38</b>	1.39	▲ 0.02	6001.35	4502.88	<b>32.9</b>	25.5	<b>8.5</b>
MidCap 400	3307.45	3273.05	<b>3274.73</b>	-17.60	▲ -0.53	3325.88	2515.57	<b>28.8</b>	17.7	<b>4.1</b>
SmallCap 600	1521.15	1494.37	<b>1495.48</b>	-12.34	▲ -0.82	1531.42	1158.55	<b>27.1</b>	13.4	<b>0.9</b>

## Other Indexes

Russell 2000	2414.55	2368.47	<b>2369.37</b>	-22.47	▲ -0.94	2434.98	1773.76	<b>31.5</b>	16.9	<b>-0.6</b>
NYSE Composite	19299.61	19817.16	<b>19845.42</b>	-7.87	▲ -0.04	20015.87	15716.55	<b>25.9</b>	17.8	<b>4.7</b>
Value Line	642.45	636.76	<b>636.91</b>	-2.92	▲ -0.46	647.11	535.34	<b>17.7</b>	7.2	<b>-2.8</b>
NYSE Arca Biotech	6093.54	6017.42	<b>6022.96</b>	5.54	▲ 0.09	6154.34	4749.20	<b>25.8</b>	11.1	<b>3.5</b>
NYSE Arca Pharma	983.27	976.15	<b>977.78</b>	-2.74	▲ -0.28	1140.17	864.90	<b>13.1</b>	7.4	<b>7.5</b>
KBW Bank	136.28	133.93	<b>134.05</b>	-0.07	▲ -0.05	134.94	82.23	<b>62.3</b>	39.6	<b>-1.4</b>
PHLX® Gold/Silver	147.23	143.41	<b>143.42</b>	-2.14	▲ -1.47	175.74	102.94	<b>28.5</b>	14.1	<b>-0.04</b>
PHLX® Oil Service	79.87	78.25	<b>78.46</b>	-1.26	▲ -1.58	95.25	72.67	<b>8.2</b>	-6.5	<b>10.2</b>
PHLX® Semiconductor	5086.42	4999.65	<b>5006.29</b>	-102.35	▲ -2.00	5904.54	3645.82	<b>34.9</b>	19.9	<b>9.7</b>
Cboe Volatility	15.26	13.77	<b>14.02</b>	-0.69	▲ -4.69	38.57	11.86	<b>-1.1</b>	12.6	<b>-4.9</b>

\$ Nasdaq PHLX

Sources: FactSet; Dow Jones Market Data

## International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
<b>World</b>					
MSCI ACWI	<b>854.85</b>	-1.99	▲ -0.23		17.6
MSCI ACWI ex-USA	<b>329.90</b>	-2.28	▲ -0.69		4.2
MSCI World	<b>3767.05</b>	-6.18	▲ -0.16		18.9
MSCI Emerging Markets	<b>1093.70</b>	-9.49	▲ -0.86		6.8
<b>Americas</b>					
MSCI AC Americas	<b>2255.74</b>	-0.11	▲ -0.005		24.4
Canada	<b>S&amp;P/TSX Comp</b>	24989.02	66.01	▲ 0.26	19.2
Latin Amer.	MSCI Latin America	2090.73	-11.12	▲ -0.53	-21.5
Brazil	<b>Bovespa</b>	127733.88	35.56	▲ 0.03	-4.8
Chile	<b>S&amp;P/IPS</b>	3551.39	27.00	▲ 0.77	2.4
Mexico	<b>S&amp;P/BMV IPC</b>	50747.63	-349.01	▲ -0.68	-11.6
<b>EMEA</b>					
STOXX Europe 600	<b>501.59</b>	-0.64	▲ -0.13		4.7
Eurozone	<b>Euro STOXX</b>	492.73	-0.64	▲ -0.13	3.9
Belgium	<b>Bel-20</b>	4213.02	7.52	▲ 0.18	13.6
Denmark	<b>OMX Copenhagen 20</b>	2367.92	6.71	▲ 0.28	3.7
France	<b>CAC 40</b>	7216.83	-10.15	▲ -0.14	-4.3
Germany	<b>DAX</b>	19003.11	-30.53	▲ -0.16	13.4
Israel	<b>Tel Aviv</b>	2303.11	5.25	▲ 0.23	23.5
Italy	<b>FTSE MIB</b>	33707.52	100.38	▲ 0.30	11.1
Netherlands	<b>AEX</b>	862.98	-2.21	▲ -0.26	9.7
Norway	<b>Oslo Bors All-Share</b>	1607.75	-9.42	▲ -0.58	5.8
South Africa	<b>FTSE/JSE All-Share</b>	83803.11	-398.64	▲ -0.47	9.0

## COMMODITIES

wsj.com/market-data/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Open	High	Low	Settle	Chg	Interest	Open interest
<b>Copper-High (CME)</b> -25,000 lbs.; \$ per lb.							
Nov 4,1140 4,1140 4,0615 4,0660 -0,0535 741	4,1140	4,1140	4,0615	4,0660	-0,0535	741	
Dec 4,1450 4,1660 4,0655 4,0830 -0,0535 86,623	4,1450	4,1660	4,0655	4,0830	-0,0535	86,623	
<b>Gold (CME)</b> -100 troy oz.; \$ per troy oz.							
Nov 2611,10 2611,80 2580,20 -19,20 782	2611,10	2611,80	2580,20	2580,20	-19,20	782	
Dec 2604,70 2625,00 2578,10 2586,50 -19,80 280,647	2604,70	2625,00	2578,10	2586,50	-19,80	280,647	
Jan'25 2617,70 2636,10 ▼ 2590,40 2598,40 -20,20 344	2617,70	2636,10	2590,40	2598,40	-20,20	344	
Feb 2628,60 2648,80 2601,90 2610,30 -20,00 183,282	2628,60	2648,80	2601,90	2610,30	-20,00	183,282	
April 2648,80 2667,60 2623,60 2630,30 -20,30 33,969	2648,80	2667,60	2623,60	2630,30	-20,30	33,969	
June 2670,80 2688,40 2643,90 2650,90 -20,60 23,655	2670,80	2688,40	2643,90	2650,90	-20,60	23,655	
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.							
Nov 1151,50 1154,00 1151,50 1152,90 -8,80 6	1151,50	1154,00	1151,50	1152,90	-8,80	6	
Dec 944,50 958,00 927,00 932,00 -8,90 11,963	944,50	958,00	927,00	932,00	-8,90	11,963	
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.							
Nov 979,80 979,80 979,80 938,10 -10,70 7	979,80	979,80	979,80	938,10	-10,70	7	
Jan'25 955,40 960,60 940,80 945,30 -4,70 77,024	955,40	960,60	940,80	945,30	-4,70	77,024	
<b>Silver (CME)</b> -5,000 troy oz.; \$ per troy oz.							
Nov 30,970 30,970 30,430 30,590 -0,096 37	30,970	30,970	30,430	30,590	-0,096	37	
Dec 30,820 31,255 30,385 30,663 -0,096 78,053	30,820	31,255	30,385	30,663	-0,096	78,053	
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.							
Dec 67,98 68,86 66,94 68,43 0,31 169,247	67,98	68,86	66,94	68,43	0,31	169,247	
Jan'25 67,82 68,69 66,80 68,26 0,29 298,144	67,82	68,69	66,80	68,26	0,29	298,144	
Feb 67,65 68,46 66,59 68,01 0,24 145,830	67,65	68,46	66,59	68,01	0,24	145,830	
March 67,49 68,28 66,44 67,82 0,21 140,290	67,49	68,28	66,44	67,82	0,21	140,290	
June 67,14 67,90 66,13 67,38 0,14 157,797	67,14	67,90	66,13	67,38	0,14	157,797	
Dec 66,22 66,91 65,30 66,36 0,03 163,205	66,22	66,91	65,30	66,36	0,03	163,205	
<b>NY Harbor ULSD (NYM)</b> -40,000 gal.; \$ per gal.							
Dec 2,2066 2,2377 2,1731 2,2193 0,085 106,466	2,2066	2,2377	2,1731	2,2193	0,085	106,466	
Jan'25 2,2128 2,2458 2,1827 2,2288 0,094 85,818	2,2128	2,2458	2,1827	2,2288	0,094	85,818	
<b>Gasoline-NY RBOB (NYM)</b> -40,000 gal.; \$ per gal.							
Dec 1,9613 1,9850 1,9300 1,9651 0,008 97,877	1,9613	1,9850	1,9300	1,9651	0,008	97,877	
Jan'25 1,9322 1,9553 1,9026 1,9379 0,020 115,471	1,9322	1,9553	1,9026	1,9379	0,020	115,471	
<b>Natural Gas (NYM)</b> -10,000 MMBtu.; \$ per MMbtu.							
Dec 2,914 3,020 2,830 2,983 0,076 167,111	2,914	3,020	2,830	2,983	0,076	167,111	
Jan'25 3,137 3,234 3,057 3,202 0,069 353,401	3,137	3,234	3,057	3,202	0,069	353,401	
Feb 3,012 3,101 2,945 3,064 0,050 139,396	3,012	3,101	2,945	3,064	0,050	139,396	
March 2,771 2,856 2,713 2,826 0,047 259,705	2,771	2,856	2,713	2,826	0,047	259,705	
April 2,734 2,812 2,680 2,791 0,052 105,319	2,734	2,812	2,680	2,791	0,052	105,319	
Oct 3,250 3,291 3,197 3,272 0,033 105,045	3,250	3,291	3,197	3,272	0,033	105,045	

## Agriculture Futures

	Corn (CBT)						
	Oats (CBT)						
	Soybeans (CBT)						
<b>Corn (CBT)</b> -5,000 bu.; cents per bu.							
Dec 425,80 429,75 424,25 426,50 -2,00 518,244	425,80	429,75	424,25	426,50	-2,00	518,244	
March'25 440,25 441,75 435,25 437,50 -2,75 546,859	440,25	441,75	435,25	437,50	-2,75	546,859	
<b>Oats (CBT)</b> -5,000 bu.; cents per bu.							
Dec 343,50 345,00 336,00 342,00 -3,00 1,714	343,50	345,00	336,00	342,00	-3,00	1,714	
March'25 357,00 357,50 351,75 356,50 -1,75 2,173	357,00	357,50	351,75	356,50	-1,75	2,173	
<b>Soybeans (CBT)</b> -5,000 bu.; cents per bu.							
Nov 100,25 103,50 99,90 100,42 0,75 159	100,25	103,50	99,90	100,42	0,75	159	
Jan'25 101,50 102,75 100,75 101,75 0,25 341,359	101,50	102,75	100,75	101,75	0,25	341,359	
<b>Soybean Meal (CBT)</b> -100 tons; \$ per ton.							
Dec 293,00 293,90 ▼ 289,80 291,60 -1,30 161,612	293,00	293,90	289,80	291,60	-1,30	161,612	
Jan'25 295,20 296,30 ▼ 292,20 294,00 -1,20 149,991	295,20	296,30	292,20	294,00	-1,20	149,991	
<b>Soybean Oil (CBT)</b> -60,000 lbs.; cents per lb.							
Dec 46,23 46,33 44,66 45,18 -1,05 133,694	46,23	46,33	44,66	45,18	-1,05	133,694	
Jan'25 46,34 46,44 44,77 45,34 -1,00 165,359	46,34	46,44	44,77	45,34	-1,00	165,359	

## Interest Rate Futures

## Treasury Bonds

## Interest Rate Futures

## MARKETS &amp; FINANCE

# Dow and S&P 500 Rise After Data On Prices; Bitcoin Adds to Streak

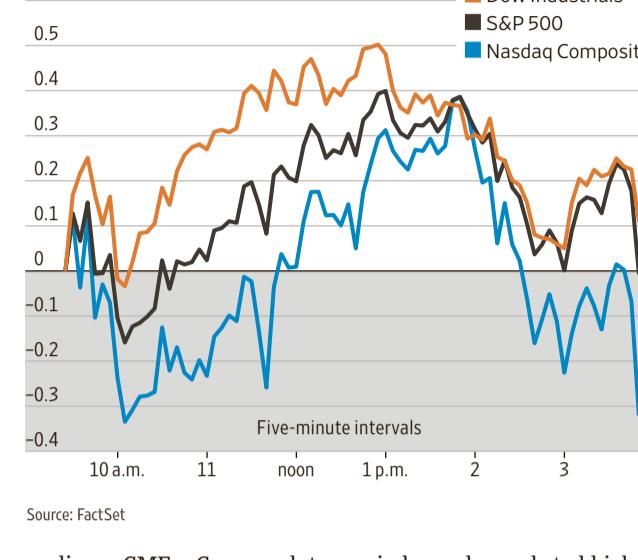
The Dow Jones Industrial Average edged up Wednesday, while bitcoin prices topped \$10,000 for the first time.

The Dow industrials rose 0.1%, or 47.21 points, to 43,958.19. The S&P 500 eked out a slim gain of 0.02%, or 1.39 points, to 5,985.38, while the technology-heavy Nasdaq Composite slipped 0.3%, or 50.66 points, to 19,230.74.

The latest read on inflation showed consumer prices rose 2.6% from a year earlier, in line with economists' expectations. Core prices, at 3.3%, also matched economists' forecasts.

Traders boosted their bets on another Federal Reserve interest-rate cut after the report. Futures prices implied a roughly 4-in-5 chance that the central bank will deliver its third rate cut of the year in December, up from a probability of less than 3 in 5 a day

## Index performance on Wednesday



Source: FactSet

earlier, CME Group data showed.

Since the U.S. presidential election, many traders have piled into the market, helping drive stocks to fresh highs. Speculative trades like doge-

coin have also rocketed higher. The meme cryptocurrency gained on Tuesday as President-elect Donald Trump unveiled plans to create a government efficiency department named DOGE, to

be co-led by dogecoin evangelist and Tesla Chief Executive Elon Musk and biotechnology company founder Vivek Ramaswamy. The coin's price has more than doubled since the election.

The postelection optimism was on display in trading Wednesday, though some of the excitement surrounding "Trump trades" started to cool. Shares of Coinbase and Truth Social parent Trump Media & Technology, which have soared in recent sessions, declined.

## Elsewhere:

◆ The yield on 10-year Treasurys rose for the second day to 4.448%, up from 4.430% the prior session.

◆ Bitcoin rose to a new high above \$90,000, building on a streak of gains since Election Day.

—Gurjan Banerji and Chelsey Dulaney

## STOCK SPOTLIGHT

## Rivian Automotive

The electric-vehicle startup's shares jumped nearly 14% after its joint venture with Volkswagen was increased to \$5.8 billion.

## Spotify

The streaming company posted a third consecutive quarterly profit as efforts to control costs pay off. Shares rose 11%.

## Nvidia

Tech investor SoftBank plans to build Japan's most powerful artificial-intelligence supercomputer using Nvidia's Blackwell platform, as part of a collaboration. Nvidia shares were down 1.4%.

## Just Eat Takeaway.com

The food-delivery company agreed to sell Grubhub, in a deal that values the business at \$650 million, including debt. Just Eat's shares surged 15% in Europe.

## Spirit Airlines

Shares of the budget carrier tanked 59% after The Wall Street Journal reported that the airline was preparing to file for bankruptcy, following

the breakdown of merger talks with Frontier Airlines. Frontier shares dropped 1.8%, while rival airline JetBlue saw shares rise 9.8%.

## Rocket Lab

The space startup reported better-than-expected quarterly results and said it plans to launch its Neutron rocket next year. Shares soared 28%.

## Cava

The Mediterranean-style restaurant chain boosted annual guidance after a stronger-than-expected quarter. Shares opened more than 10% higher, but ended the day up 1.6%.

## THURSDAY'S EVENTS:

The producer-price index is due out at 8:30 a.m.

## EARNINGS EXPECTED:

Advance Auto Parts

Disney

JD.com

After the bell:

Applied Materials

# Swedish Fintech Klarna Files for IPO in U.S.

By DOMINIC CHOPPING

Swedish fintech Klarna filed registration documents with the U.S. Securities and Exchange Commission ahead of its widely anticipated initial public offering.

The buy-now-pay-later payments specialist said Wednesday that the number of shares to be offered and the price range for the proposed offering have yet to be determined.

The company has been busy readying itself for listing and late last year began to restructure its legal setup in preparation for an IPO. Co-Founder and Chief Executive Sebastian Siemiatkowski had previously said there was no fixed deadline or a final decision on where the company would list, but macroeconomic and stock market conditions were key.

The U.K. also had been touted as a possible listing location, but in choosing the U.S. Klarna has become another example of how tech companies are preferring to list their shares in New York rather than London, said Kathleen Brooks, research director at XTB.

In the past couple of years, the likes of British chip designer Arm chose to list in the U.S. over the U.K. while gaming group Flutter Entertainment moved its primary listing to New York from London.

President-elect Donald



The provider of buy-now-pay-later services had also considered the U.K. for its listing.

Trump "may accelerate that trend, with the prospect of looser regulations and a booming stock market attracting IPOs to the U.S.," Brooks said.

Trump has pledged to lower taxes while cutting government bureaucracy. U.S. stock markets have surged following his election victory as investors, bankers and others in finance hope for tax cuts, deregulation and economic expansion.

For Klarna more specifically, the choice to list in the U.S. falls in line with its focus

on U.S. expansion, while lower scrutiny of the profitability of tech companies in the U.S. might also help, PitchBook's senior EMEA private capital analyst Navina Rajan said.

The U.S. is Klarna's largest market, representing around 29% of group revenue, and many of its investors are based there.

The company said Wednesday that an IPO is expected to take place after the SEC completes its review process, subject to market and other conditions.

No financial details were disclosed, but the company has significantly cut its valuation to raise fresh funds in recent years. As online shopping boomed during the pandemic, so did demand for Klarna's services and investor appetite for technology investments. Its valuation surged through multiple funding rounds from \$5.5 billion to \$31 billion before peaking at \$45.6 billion in 2021.

But as inflation and interest rates began to soar and equity markets turned lower, investors scaled back their ambitions and a July 2022 funding round was completed at a \$6.7 billion valuation. Klarna had needed fresh cash as it expanded rapidly in the U.S. while its status as a licensed bank in Sweden meant it also needed to keep up with more stringent Swedish bank capital requirements.

Pammure Liberum's Joachim Klement said that given the recent strength in public tech companies in the U.S. since the election, he expects Klarna's IPO to be highly sought after.

Founded in 2005, Klarna has grown from a local Swedish buy-now-pay-later provider to a globally recognized fintech company. While buy-now-pay-later remains its core business, Klarna offers an instant payment method, operates as a card provider, has held its banking license since 2017 and offers various payments functionality through its app.

**AUCTION RESULTS**  
Here are the results of Wednesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

17-WEEK BILLS	
Applications	\$201,735,302,200
Accepted bids	\$64,187,988,100
*noncompetitively	\$550,923,800
Foreign noncompetitively	\$0
Auction price (rate)	98.555472 (4.370%)
Coupon equivalent	4.496%
Bids at clearing yield accepted	87,165
Cusip number	912797NR#4
The bills, dated Nov. 19, 2024, mature on March 18, 2025.	

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Founded in 2005, Klarna has grown from a local Swedish buy-now-pay-later provider to a globally recognized fintech company. While buy-now-pay-later remains its core business, Klarna offers an instant payment method, operates as a card provider, has held its banking license since 2017 and offers various payments functionality through its app.

**AUCTION RESULTS**  
Here are the results of Wednesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

17-WEEK BILLS	
Applications	\$201,735,302,200
Accepted bids	\$64,187,988,100
*noncompetitively	\$550,923,800
Foreign noncompetitively	\$0
Auction price (rate)	98.555472 (4.370%)
Coupon equivalent	4.496%
Bids at clearing yield accepted	87,165
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# HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

## Icahn Needs a Credibility Boost. Here's Where to Start.

Carl Icahn's investment vehicle needs a credibility boost. An easy place to start would be the way it values a company that makes casings for processed meats such as hot dogs and sausages.

It has been a rough couple of years for **Icahn Enterprises**, commonly known by its ticker symbol IEP. The company's depositary units lost about three-quarters of their value since November 2022. IEP halved its dividend twice, most recently last week. Icahn and IEP paid fines this year to settle claims by the Securities and Exchange Commission that they violated disclosure laws by not informing investors about his stock pledges for personal margin loans.

The reputational damage has been enormous. The company, which is 86% owned by Icahn, should be taking every available opportunity to show it is on the up and up.

Yet IEP is still exhibiting aggressive reporting practices. A case in point: Its valuation for the meat-casing company, **Viskase**, which trades on the over-the-counter market.

Using its quoted stock price, the company was worth \$140 million as of Sept. 30. IEP in its earnings presentation this past week said its 91% stake in Viskase was worth \$254 million at quarter's end, implying a \$279 million value for the company and almost a 100% premium.

IEP says it disregards Viskase's quoted stock price "due to lack of material trading volume." And it is true that the stock is extremely illiquid. The last quoted price was Nov. 6, when it closed at \$1.30 on little volume. The average daily trading volume over the past year was only about 3,000 shares. On most days it is zero.

The normal response for inves-

### Icahn Enterprises share price



Source: FactSet

tors in such a situation would be to apply an illiquidity discount to the quoted price when estimating a stock's fair value. IEP adds a generous premium. It has been

criticized for this before, but has clung to the practice. Perhaps some "control premium" might be justified given that IEP owns 91% of the company. But such premiums typically are much lower—not double the stock price.

That valuation feeds into a non-standard metric IEP calls its "indicative net asset value," which was \$3.56 billion as of Sept. 30. This is the number IEP trained investors to follow as a measure of its assets' fair market value, after subtracting debt. IEP's stock-market value is \$6.34 billion, or 78% higher than indicative NAV. For most of its assets, IEP uses publicly quoted stock prices when calculating the NAV figure.

The bigger problem posed by the Viskase math is that it undermines the credibility of IEP's other valuations. IEP's indicative NAV figure also includes investments that don't trade at all, including

real-estate holdings, a small drug-maker, a home builder, and an auto parts and maintenance company. If IEP is willing to flatter Viskase's value, one might wonder, why not the others?

As for how IEP got the \$254 million Viskase valuation, there is no great art or science at work here. It says it took the company's "adjusted" earnings before interest, taxes, depreciation and amortization for the previous 12 months and multiplied it by nine. The unadjusted numbers aren't known because Viskase hasn't reported its Sept. 30 results yet. IEP didn't say what adjustments it made to Viskase's Ebitda.

There is a simpler way to do this: Stop using the bespoke valuation and use the quoted price as a ceiling. Nobody will object, and Icahn might even get some plaudits for frankness.

—Jonathan Weil

## Spotify Delivers a Strong Encore

In an age when a concert can set you back a thousand bucks, what's \$12 a month for all the music you can listen to?

That has been part of the logic propelling **Spotify's** stock to nosebleed returns, blowing away anyone else in media or streaming and some hot AI names. Ahead of its third-quarter report Tuesday afternoon, Spotify was up 123% for the year and quintupled over the past two. The bet is simple: Spotify's position in paid music streaming seems to be getting stronger, and investors think the company has more room to raise prices.

Spotify gave no hints of such a plan in the near term on Tuesday. But its results for the third quarter and projection for the December period showed its relatively newfound focus on profitability is continuing to pay off. It posted a gross margin of 31.1% for the third quarter, which

was nearly a full point above Wall Street's expectations and a high for the company that averaged quarterly gross margins of 25% over the past two years. Spotify's projection for the fourth quarter indicates full-year gross margins will exceed the 30% mark for the first time ever.

Gross margins are particularly important for a music streamer that has long had to kick more than 70 cents for every dollar in revenue back to record labels. But Spotify made several other improvements to boost the health of its business, including a tight hand on hiring that brought its head count down 29% from its peak of more than 10,000 at the end of 2022. As a result, a company that barely squeaked out an annual operating profit once before is on track to make nearly 1.4 billion euros, equivalent to about \$1.5 billion, this year in operating income, based on pro-

jections given in its report.

The level of profit wasn't the only good news. The company added six million net new premium subscribers and nine million new users of its ad-supported tier. Both were about one million higher than analysts expected, and are important components for a streaming business that gets most of its revenue from paying subscribers but most of its listeners from the free side. Spotify posted record free cash flow of €711 million for the quarter, which was 35% above consensus estimates.

Spotify's stock jumped 11% on Wednesday and is up 149% year to date. Even before its report, the share price exceeded the median price target set by analysts, according to FactSet data. That means Spotify will have to keep delivering on all fronts going forward, which will require expanding its user base well

beyond the 665 million using it now, while getting more money from those willing to pay for it and showing more ads to those who aren't.

That is certainly plausible. Even after a Covid bump in 2020, Spotify has nearly doubled its user base. And it increased that base by more than 16% over the past 18 months—a period that saw two notable price increases that made Spotify's standard plan more expensive than **Apple's** and **Amazon.com's** offerings. Music-streaming services are especially sticky for users who spent time building up playlists.

Spotify will need to manage the expectations of the music industry, which is dominated by a few record labels that carry a lot of negotiating power. "As Spotify dramatically improves its Ebitda/free cash flow generation, it could act as a signal for the music labels/artists to demand higher rates,"

### Spotify's gross margin per year



Source: S&P Global Market Intelligence (actual); FactSet (projections)

wrote Jeff Wlodarczak of Pivotal Research in a note. He added this risk is mitigated a bit by the labels' need to keep Spotify strong as streaming now accounts for the bulk of revenue from recorded music.

—Dan Gallagher

## Rage Against the Dying of the Light\*

\* Dylan Thomas

Last year, my father actually gave up on reading – the eyestrain was just overwhelming. But now, with this lamp, Dad can even read his newspaper again. Thanks for delivering on everything stated in your ads and restoring my father's favorite hobby – reading!"

— Sara H.  
Arlington, Va.

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\* Dylan Thomas " – Do Not Go Gentle Into That Good Night"

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