

THE WALL STREET JOURNAL.

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Last week: DJIA 44544.66 ▲ 120.41 0.27% NASDAQ 19627.44 ▼ 1.6% STOXX 600 539.53 ▲ 1.8% 10-YR. TREASURY ▲ 14/32, yield 4.566%

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What's News

Business & Finance

◆ Stock futures fell and oil prices and the value of the dollar jumped after Trump imposed tariffs on Canada and Mexico, jolting investors' outlook on the economy. A1

◆ Tensions between Tesla's working culture and local norms are set to reach German courts in a test of the company's global resistance to unionization as an initial mediation meeting nears. B1

◆ Musk's social-media company X added more brands to its suit claiming that an ad-industry coalition illegally boycotted the site. B3

◆ British engineering group Smiths plans to spin off or sell its detection-technologies business and return to shareholders as much as \$1.6 billion. B3

◆ Some bond investors, anticipating the release of the Treasury's quarterly borrowing plans, worry that it might lengthen duration, putting upward pressure on already elevated yields. B1

◆ Animated film "Dog Man" led the North American weekend box office with \$36 million in a win for distributor Universal. B2

◆ More than two years after the launch of ChatGPT, software companies still haven't found a compelling way of charging for AI tools, chief information officers say. B1

◆ Prediction markets, fresh off their success in calling the presidential election, are offering a wild array of betting contracts, testing the boundaries of taste and the law. B1

World-Wide

◆ Canada and Mexico prepared to retaliate against Trump's tariffs as the U.S. and its neighbors spiraled into a trade war that threatens to hurt American consumers and upend decades of economic integration. A1, A2

◆ Musk's allies moved swiftly to exert control over vast swaths of the U.S. government, as they demand access to sensitive information at federal agencies and lay out plans to block spending they deem excessive.

Musk, the billionaire adviser to President Trump who runs the Department of Government Efficiency, oversaw a successful effort by his representatives to get direct access to a payment system that distributes trillions of dollars to

Americans each year. And individuals working for DOGE accessed systems, including classified information, at the U.S. Agency for International Development following a clash with security officials.

The moves marked the start of a far-reaching campaign by Musk to upend the federal government agency by agency, according to his allies. The effort prompted outrage from Democrats—and some Republicans—who said Musk doesn't have the authority to overturn programs and spending priorities decided by Congress. They also

raised concerns about the nature of Musk's operation, which is run by individuals with ties to the tech sector who haven't been confirmed by the Senate and could benefit financially from the actions DOGE takes.

"This is completely unprecedented," said Richard Painter, the chief White House ethics lawyer under former President George W.

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◆ Budget pick to partner with Musk's DOGE.....A4

◆ Consumer watchdog's chief is fired.....A4

DOJ Probe Trapped Russian Billions at JPMorgan

A few months after invading Ukraine, Russia sent a series of huge payments to Turkey. In short order, it transferred more than \$5 billion with the promise of more to come.

By Joe Wallace,
Costas Paris
and Jared Maisin

To the outside world, the money was to pay for Turkey's first nuclear-power plant. Decades in the making and championed by Russian leader Vladimir Putin and Turkish President Recep Tayyip Erdogan, it was being built and financed by Russia's state atomic conglomerate.

Over in New York, the transfers caught the attention of Justice Department investigators tasked with policing Wall Street. The reason? Two of the U.S.'s pre-eminent banks, JP Morgan Chase and Citigroup, handled the flow of money.

The investigators found Russia and Turkey used the nuclear project in 2022 to dance around U.S. sanctions imposed on Russia's central bank, people familiar with the matter said. Technocrats in Moscow slipped billions of dollars through the U.S. banks into a friendly country, from which the money could bankroll Russian state initiatives.

JPMorgan and Citigroup aren't targets of the investigation, which hasn't been previously reported. However, \$2 billion of the Russian funds are trapped at JPMorgan after the U.S. government halted some of the bank transfers.

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INSIDE



SPORTS
Luka Doncic goes to the L.A. Lakers in a trade no one saw coming. A14

BUSINESS & FINANCE

Investors are betting on AI companies in Wall Street's latest gold rush. B1

The Cutthroat Game of Snagging A Pool Chair on Vacation

* * *

Travelers wake up at 4, work in shifts to secure seating in prime locations

By Tara Weiss

of the trip.

"We hated getting up at 4 a.m.," said Toler, of Naples, Fla. "It is a brutal payoff to have a great chair in the premium spot or at all, in some cases. If you get up at 5 or 6 you might still get a chair, just not the best one. If you get there at God-forbid 7 a.m. you might miss out altogether."

Many hotels have way more people than chairs, leaving travelers with a choice: Devise a predawn battle plan or spend your days wandering the pool deck.

For those who choose to fight for a chair, it isn't always as simple as waking up early. Night owls leave items on chairs before heading to bed, while others tip pool staff to do the early morning hunt for them. Then there is

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Canada, Mexico Set Retaliation For U.S. Tariffs

Canada and Mexico prepared to retaliate over tariffs from President Trump, as the U.S. and its neighbors spiraled into a trade war that threatens to hurt American consumers and upend decades of economic integration.

By Santiago Pérez,
Vipal Monga
and Anthony Harrup

The U.S.'s new 25% tariffs on all goods and 10% duties on energy products, due to go into effect Tuesday, will inflict severe damage on America's neighbors to the north and south. The tariffs risk pushing the U.S.'s top trading partners into recession, as both nations send 80% of

their exports to America. The Canadian dollar and the Mexican peso are likely to weaken against the U.S. dollar.

Their strategy is to make sure Americans feel the pain, too. But they are likely to focus on what experts call precision strikes against U.S. exports from Republican strongholds and industry groups with political leverage in Washington.

Late Saturday, Canadian Prime Minister Justin Trudeau said his country would impose 25% tariffs on more than \$105 billion of U.S. goods. "We didn't ask for this, but we will Please turn to page A2

◆ From toys to avocados, pinch to be felt.....A2

Trump Trade War Hits Futures, Asia

U.S. stock futures and Asian markets fell and oil prices rose early Monday after the U.S. imposed sweeping tariffs on imports from major trading partners, jolting Wall Street's outlook for the economy.

By David Uberi,
Ryan DeZember
And Vipal Monga

Futures linked to the tech-heavy Nasdaq Composite led the declines, falling by more than 2%, while the S&P 500 slipped by 1.6%. Dow Jones Industrial Average futures slid by about 1.1%, or around 500 points. Changes in futures prices don't always reflect market moves after the opening bell.

Markets in Asia declined

broadly in response to the U.S. tariff announcement early Monday. Japan's Nikkei 225 dropped 2.6%, notching the sharpest daily decline since the beginning of November last year. South Korea's benchmark Kospi index fell 3%. MSCI Taiwan dropped 5.6%, with Taiwan's tech-heavy economy particularly dependent on global trade.

Stock markets in mainland China are closed for the Lunar New Year holiday and will re-open on Wednesday. Hong Kong's Hang Seng index edged down 0.7% after dropping as much as 2% earlier in the Please turn to page A2

◆ Heard on the Street: U.S. lead far from guaranteed...B9

Inside Chick-fil-A's Quest To Make Fast Food Faster

The booming chicken chain aims to reinvent the drive-through with drones, 'game films'; revamping the cockpit

By Heather Haddon

ROCKFORD, Ill.—The Chick-fil-A in a shopping complex was straining under a crush of customers lured by a chicken sandwich deal one recent Friday afternoon. Cars inched along two drive-through lanes while tablet-toting workers tapped in orders and others handed off bags of sandwiches and waffle fries.

Weeks later, at a high-top table in the dining room, the restaurant's operator, Philip Everett, and a few colleagues from the chain's headquarters hunched over a laptop studying the earlier mayhem. Security cameras in the

kitchen and a drone over the parking lot had captured footage of the rush, which set a new sales record for the store. At its peak, the drive-through served one car every 13 seconds.

That's an enviable achievement for any fast-food operation, but Everett figured he could shave off more seconds. Studying the images, he and the others pinpointed a couple of problems: One veteran worker was shouldering too much of the drive-through duties, and the WiFi used by parking-lot order-takers didn't extend far enough.

"We hadn't understood half of what our diff-

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U.S. NEWS

Canada, Mexico Set Retaliation

Continued from Page One
not back down," he said, warning that American jobs in their auto and manufacturing industries were at risk.

A first wave, set to take effect on Tuesday, will hit \$20 billion of imports from the U.S., including alcohol, coffee, clothing and shoes, furniture and household appliances. On Sunday, Canada released a list of tariff targets, including products from Republican-leaning states, such as whiskeys from Kentucky, oranges from Florida and appliances from South Carolina. Government officials on Sunday also said they were targeting motorcycles in Pennsylvania, which has a Harley-Davidson plant in York.

A second wave on another \$85 billion of goods would include tariffs on cars and trucks, agricultural products, steel and aluminum and aerospace products. The second phase will begin in three weeks, to give businesses enough time to stockpile and find alternatives.

Two Canadian provinces

said they would join in the effort, too, with Ontario and British Columbia moving to block the sale of U.S. wine, spirits and seltzers. Ontario alone is one of the biggest buyers of U.S. alcoholic beverages, selling almost \$700 million of them every year, said Doug Ford, the provincial leader.

Trudeau said he spoke with Mexican President Claudia Sheinbaum and that both leaders agreed to work together to deal with Trump's actions. Sheinbaum said Mexico's response will include tariff and non-tariff measures.

Her plan, which will be disclosed on Monday, calls for tariffs on specific U.S. goods from Republican strongholds, one person familiar with the matter said. The Sheinbaum administration also aims to accelerate an ambitious import-substitution program known as "Plan Mexico" and would also launch a campaign to promote goods made in Mexico.

Canada held back on a measure that could have had a bigger impact on the U.S.—putting export taxes on oil and gas to raise the cost for U.S. consumers. Alberta, where most of Canada's oil is produced, has resisted any idea of limiting exports to the U.S.

With much smaller economies, Mexico and Canada can't impose the same impact on the U.S. economy. But they are better positioned to inflict reciprocal suffering than Trump, who campaigned on lowering prices after a period of elevated inflation, will back down.



Canada's Justin Trudeau announced a response to the tariffs.

A trade war would hit U.S. income, hurt employment and increase inflation, the Peterson Institute for International Economics said.

U.S. inflation, at 2.9% in December, is still running higher than the Federal Reserve's 2% target. The Peterson Institute estimated that U.S. inflation would be 0.54 percentage point higher with the tariffs this year than without. The U.S. depends on Canada for most of its imported oil, which is refined into gasoline in the Midwest, while

Mexico is a supplier of everything from fruits, vegetables, meat and beer to electronics and household appliances.

On Sunday, Trump acknowledged the potential impact of his measures. "Will there be some pain? Yes, maybe (and maybe not!)" He wrote on his Truth Social platform. "But we will Make America Great Again, and it will all be worth the price that must be paid."

A senior Canadian government official said Canada felt it had to go big enough to respond to Trump's maximalist approach. The official noted that U.S. tariffs are in some ways like a 2022 border shutdown when truckers protested

government Covid-19 measures by blocking border crossings. U.S. auto factories had to quickly halt production.

"The key to retaliation is that they don't affect your country's economy and consumer prices, and that your retaliatory duties have an economic and political impact on the U.S.," said Kenneth Smith Ramos, a former top Mexican trade official.

Retaliation worked in 2018, when Mexico responded to U.S. tariffs on steel with tariffs of its own that included steel, pork, cheese and bourbon. The U.S. eventually backed down.

Trump's executive order on tariffs includes a clause that will allow the U.S. to raise the tariffs if Mexico or Canada retaliates. The White House said the duties would remain in place until Mexico, Canada and China stop fentanyl smuggling and illegal migration. "The Mexican drug trafficking organizations have an intolerable alliance with the government of Mexico," the White House said.

Sheinbaum rejected what she called "the White House's slander" about Mexico causing the U.S. fentanyl problem. "If they want to act, they should not set their sights on Mexico, but on their own country, where they have done nothing to stop the illegal sale of this and other drugs," Sheinbaum said Sunday afternoon. She proposed the creation of a bi-

national working group made up of public-health and security officials from both countries.

Canadian officials also dispute Trump's claims about fentanyl. Trudeau has noted the drugs seized at Canada's border are a fraction of those caught at the southern border. The U.S. Border Patrol seized 46 pounds of the opioid at the northern border last year, compared with 21,000 pounds seized at the border with Mexico.

Despite tough talk from Trudeau and Sheinbaum, the hit to Canada's and Mexico's smaller economies is likely to land much harder than in the U.S. Research firm Capital Economics said Canada's GDP could fall as much as 3%, while Mexico's could suffer a 2% drop.

The U.S. tariffs will undermine nearly half a century's efforts to build a North American common market, said Tom Shannon, who was undersecretary of state for political affairs in the first Trump administration. "Trump is splintering an effort to build a trilateral approach to trade," he said.

—Paul Vieira

contributed to this article.

Watch a Video

 Scan this code to see a video about the tariffs imposed on top trade partners.

From Toys to Avocados, Pinch to Be Felt

By JEANNE WHALEN

The Trump administration said Saturday it will levy 25% import tariffs on goods from Mexico and Canada, and an extra 10% tariff on imports from China.

Importers in the U.S. will have to start paying these levies when their shipments arrive, and are likely to pass on at least some of the costs to consumers. That means prices for a host of items are likely to rise, pushing across-the-board inflation up as well.

Prices of automobiles or Canadian lumber are likely to go up. Consumers might also pay more for these more-surprising things:

Cherry tomatoes: Canada is a big supplier of these to the U.S. Canadian producers grow them in giant greenhouses near the U.S. border. Mexico supplies them, too. The U.S. grows a huge volume of produce and may be able to step up tomato production, but economists warn that domestic producers will be tempted to increase their prices to match prices on imports.

Tonka trucks: More than a million Tonka toy trucks are sold in the U.S. each year, and all of them are made in China. A 10% import tariff on Chinese goods will probably raise the retail price of the trucks from about \$29.99 today to between \$34.99 and \$39.99, said Jay Foreman, chief executive of Basic Fun, the toy's manufacturer. More



More than 80% of U.S. avocados come from Mexico. A plantation in San Gabriel, Jalisco state.

than 80% of toys sold in the U.S. are manufactured in China, according to the Toy Association, an industry group.

Maple syrup: Canada and the U.S. are the only two countries that produce this at commercial scale, according to Canada's agriculture department. More than 60% of Canada's production goes to the U.S.

Tequila: The U.S. is the largest market for Mexican tequila, which has soared in popularity with American drinkers over the past decade. Shots and sugary margaritas

have given way more recently to higher-end tequilas intended to be sipped or imbibed with soda.

Avocados: That guacamole you are looking to make for the Super Bowl could cost a bit more this year, thanks to tariffs. More than 80% of U.S. avocados come from Mexico, according to the U.S. Agriculture Department. Mexico provides about half of U.S. fresh produce imports and is a particularly important supplier in the winter, according to Ed Gresser, a former assistant U.S. trade representative now working at the Progressive

Policy Institute.

Smartphones: The U.S. imposed import tariffs on a slew of industrial goods from China during President Trump's first term—and again during the Biden administration—to protest what it has long called China's unfair trade practices. But most consumer goods, including smartphones, were spared to avoid the wrath of American consumers. An across-the-board 10% tariff on goods made in China will hit smartphones for the first time and possibly cause price increases.

Tariffs Hit Futures, Asia Stocks

Continued from Page One

morning. The offshore Chinese yuan, which trades more freely than the onshore currency, held flat against the dollar on Monday morning.

"Markets are likely to take the announcement of sudden tariffs poorly," TD Securities told clients Sunday night, "with risk assets caught in the cross-hairs."

While major indexes remain near highs, Sunday's selloff offered an early glimpse of Wall Street's response to President Trump's threatened trade wars becoming reality.

Until recently, many on Wall Street saw threats of the U.S. imposing the highest tariffs in decades as a negotiating tactic in border disputes over drug trafficking and migration and unlikely to materialize.

But the

\$74
Price of U.S. crude-oil futures on Sunday night after rising on tariff news.

Trump administration in recent days has said 25% tariffs on goods from Canada and Mexico, as well as a 10% levy on Chinese imports, will begin Tuesday. Even Canadian energy supplies, including cheap crude funneled to Midwestern refineries, will face a 10% duty.

Benchmark U.S. crude futures rose roughly 2% on Sunday night, trading at around \$74 a barrel.

Speaking in the Oval Office Friday, the president suggested tariffs on the three countries are just the opening salvo, promising additional taxes on computer chips, pharmaceuticals, steel, aluminum and copper imports as soon as mid-February.

"That'll happen fairly soon," Trump said, adding that he also wants to hike tariffs on the European Union, which has "treated us so horribly."

Investors and traders have struggled to gauge the poten-

tial fallout from trade disputes in part because the scope of retaliation by other countries and the effect on producers of exported goods is unclear.

Canadian Prime Minister Justin Trudeau this weekend said his country would counter by hitting \$105 billion of American goods with 25% tariffs starting Tuesday. A list of more than 1,000 initial targets ranged from cigarettes and whiskey to motorcycles and guns, with subsequent duties anticipated for cars, steel and aluminum. Mexico's response is expected on Monday.

Wall Street is particularly concerned about potential tit-for-tat measures by China. Any attempt to protect the country's manufacturers by weakening the yuan "can have reverberations across the market," Goldman Sachs told clients, "but again the state of negotiations and potential for a quick reversal makes this more uncertain."

On Sunday, the value of the dollar climbed against a basket of foreign currencies, trading at some of its highest levels since the Federal Reserve in 2022 began lifting interest rates to

tamp down inflation. The greenback's move promises to pressure many companies that sell goods or services abroad.

Already, Trump's pledge to tilt the U.S. away from free trade, coupled with promised tax cuts, has boosted many investors' inflation expectations.

A selloff in bonds in recent months has pushed up yields on longer-term government debt that are a key driver of borrowing costs, highlighting how escalating trade disputes could ripple across the economy.

The auto industry is particularly vulnerable to the tariffs, economists and industry observers say. Mexico supplied about 42% of U.S. imports of auto parts last year, and Canada almost 13%. A 25% tariff on those parts, which move across borders several times before final assembly, could immediately hurt automakers' bottom lines.

CORRECTIONS & AMPLIFICATIONS

Military helicopter rides

rides are available for three-

and four-star generals in the

Washington, D.C., area, ac-

cording to Andrew Logan,

who founded Helicopters of

DC, a website that tracks heli-

copter operations. A U.S.

News article on Saturday

about the use of military heli-

copters, such as the one in-

volved in the collision with an

American Airlines jet

Wednesday, to transport top

officials in the D.C. area incor-

rectly said Logan said two-

and three-star generals.

—Greg Ip, Richard Rubin,
Ryan Deesember
and Jared S. Hopkins

contributed to this article.

Administration's Early Moves Stir Unease

By LINDSAY WISE

WASHINGTON—President Trump's aggressive move to place tariffs on hundreds of billions of dollars in imports, ranging from crude oil and auto parts from Canada to Mexican avocados and raspberries, has rattled investors, economists and some lawmakers, who are all wondering: What exactly is the goal?

Larry Summers, the former U.S. Treasury secretary under President Bill Clinton, said Trump's move amounted to "a self-inflicted supply shock." Kentucky Republican Sen. Rand Paul said: "Taxing trade will mean less trade and higher prices." The head of the National Association of Manufacturers, Jay Timmons, said it puts American jobs at risk. "The ripple effects will be severe," he said.

For many of those reasons, tariffs were the part of Trump's economic plan investors disliked the most. Markets have cheered Trump's promises of tax cuts and reduced regulation, but he has vaulted his trade plan ahead of virtually everything else.

Republicans over the weekend were largely supportive of

Trump's efforts. "We are just two weeks into the Trump administration and Washington does not know what hit it," said Sen. John Barrasso (R., Wyo.), the No. 2 Senator Republican, on "Fox News Sunday." Asked if he was concerned that the tariffs could undermine the administration's other policy goals, Barrasso said no.

Rep. Jason Smith (R., Mo.), who chairs the tax-writing House Ways and Means Committee, said the tariffs would bring in billions of dollars in new revenue to the U.S. government.

During his presidential campaign, Trump telegraphed that tariffs would be a key part of his governing strategy. Many investors believed that this was part of a negotiating ploy with other countries and that he would try to extract concessions before going through.

So far, Trump hasn't spent much time negotiating with any other country. His top trade adviser—Howard Lutnick, his nominee for commerce secretary—has yet to be confirmed by the Senate. The confirmation hearing for his pick for trade ambassador, Jameson Greer, is still pending.

The Tax Policy Center, a think tank, estimates the average household's after-tax income will fall 1%, or \$930, in 2026 because of the tariffs. Goldman Sachs economists es-

timate the tariffs on Canada and Mexico, if sustained, would raise consumer prices by up to 0.7%, and knock 0.4% off the level of U.S. economic output, though the lower tariff on Canadian energy might mitigate that.

In theory, the direct cost to consumers of tariffs could be offset by further tax cuts. But tariffs will have other, less-tangible costs such as forcing consumers to alter what they buy because of cost or availability. The Peterson Institute for International Economics estimates tariffs will leave the U.S. economy about 0.25% smaller next year and 0.1% in the long run.

Tax-cut talks could begin soon in Congress, though that process is likely to play out over months. Trump wants to extend his expiring tax cuts from 2017 and add new measures such as tax-free tips and tax-free overtime pay. Republicans generally agree on his broader goals. But they are hamstrung by their narrow House majority and mired in internal disputes over how deeply to cut federal spending alongside the tax cuts.

—Greg Ip, Richard Rubin,

Ryan Deesember

and Jared S. Hopkins

contributed to this article.

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Trump Says Venezuela to Accept Deportees

U.S. envoy who set deal with Maduro says no concessions made to strongman

By BOJAN PANCEVSKI
AND JUAN FORERO

Venezuela's government will take back tens of thousands of migrants, President Trump said Saturday, removing a major obstacle to his plans for mass deportations.

The deal was negotiated with Venezuelan strongman Nicolás Maduro by Trump envoy Richard Grenell, who on Friday made a rare visit by a U.S. official to the capital, Caracas. Grenell returned to the U.S. Friday evening with six Americans who had been detained in Venezuelan prisons.

"It is so good to have the Venezuela Hostages back home, and, very important to note, that Venezuela has agreed to receive, back into their country, all Venezuela illegal aliens who were encamped in the U.S.," Trump said in a post on his Truth Social site.

He said that Venezuela would take back members of the Tren de Aragua, a violent transnational gang that has expanded to the U.S. from several Latin American countries, and that Maduro's government would provide transport for its citizens to return.

"This is good news for all who care about ensuring that Venezuelans with removal orders actually get sent home," said Kevin Whitaker, a former U.S. ambassador to Colombia who also had served as deputy chief of mission in Venezuela. But he cautioned that it still

isn't clear what exactly the Venezuelan autocrat got in return and whether he would hold up his end of the bargain. "Venezuela has a consistent record of reaching agreements, and then failing to live up to them," he said.

Grenell said no financial or other concessions were promised to Maduro, apart from the prospect of improving the relationship with the U.S., adding that the only gift was a visit by a Trump envoy. "The only award for Maduro was my physical presence," he said.

Grenell's meeting with Maduro came as Secretary of State Marco Rubio visited Central America and the Dominican Republic Saturday. Rubio and other Cuban-Americans in the administration—such as Mauricio Claver-Carone, U.S. special envoy for Latin America—have in the past taken a hard line against Venezuela for its rights abuses and cocaine trafficking that American investigators say is orchestrated by Venezuelan officials.

People familiar with the talks said that the visit by an American official to Venezuela, where the U.S. has had no official presence since 2019, conveyed a message to Venezuelan officials that the U.S. wouldn't punish the regime and would continue to allow Chevron and other Western oil companies to operate in the country.

Those people said the U.S. also was suggesting that Trump would back off from short-term pressure on Maduro, who in July claimed to have won a presidential election that the Biden administration said he stole. Officially, the Trump administration hasn't shifted from the Biden policy of recognizing



A handout picture released by Venezuela's presidency shows Nicolás Maduro and Richard Grenell.

spin on the deal, saying that the U.S. has negotiated with authoritarian governments in the past. Juan Pablo Guanipa of the First Justice Party, which opposes Maduro, said he didn't see signs the U.S. had offered concessions, while stressing that the best way to entice Venezuelans to go home is to replace Maduro's regime with a democratic government.

Others were alarmed, wondering whether Trump, who in his first term tried to topple Maduro, had changed his mind about the importance of democracy in Venezuela.

A Venezuelan opposition leader, Julio Borges, who is exiled in Spain, said in an interview with the Colombian newspaper *El Tiempo* that the U.S. should be vigilant to make sure it isn't walking into a trap. "Maduro loves to sit at the negotiating table and do nothing for democracy," he said.

The deal that included the hostage release was secretly negotiated by the White House before Grenell obtained consent from Maduro during the Friday visit, which was agreed to only hours in advance, Grenell said.

Grenell said he was summoned to the Oval Office on Thursday for a meeting with President Trump and Vice President JD Vance, where he was given orders to travel to Venezuela at 5 a.m. the next day.

After Maduro and Grenell shook hands on the deal, the hostages were brought to Grenell at the airport. They were blindfolded, hooded and handcuffed. When they entered the airplane, crew members broke into tears because they hadn't been told about the possible release of the Americans, Grenell said.

Deal Follows Campaign Pledge on Migrants

The agreement with Venezuela will help President Trump deliver on a campaign promise to deport millions of immigrants living in the U.S. illegally.

Taking in deportees reverses Nicolás Maduro's policy, in place since early in 2024, of refusing to accept deportation planes

from the U.S.

More than 600,000 Venezuelans have migrated in recent years to the U.S., where they have received special protected status allowing them to reside and work temporarily.

More than seven million others had fled the economic calamity in Venezuela in the past decade, mostly settling in Colombia, Peru, Ecuador and other Latin American countries.

Earlier this week, the Trump administration revoked a Biden-era decision that extended the protected status, making them eligible for deportation as soon as April.

Edmundo González, a former diplomat who challenged Maduro in that July 28 vote, as the country's president-elect.

The visit by Grenell will help Maduro claim legitimacy, even as most governments in the region don't recognize him and he faces U.S. federal indictments on charges of drug trafficking and corruption. His office heavily publicized the meeting with Grenell, releasing photos of them shaking hands and smiling.

"I proposed, 'Let's start from scratch,'" Maduro said in a speech Friday night that he posted Saturday morning on Instagram. "We're going to a

new stage of historic relations." Maduro said that "there needs to be peace, respect and understanding between the United States and Venezuela and hopefully we can reach that through honest talk, good will and diplomacy."

Some activists in Venezuela's opposition put a positive

FROM LEFT: U.S. ARMY/ASSOCIATED PRESS; SAMUEL CORUM/GETTY IMAGES



Capt. Rebecca M. Lobach was one of the three helicopter crew members. A rescue craft patrolled near the crash site Saturday.

Co-Pilot of Helicopter in Fatal Crash Identified

By GORDON LUBOLD

WASHINGTON—The Army released the name of the third crew member who died Wednesday when the helicopter she was co-piloting collided with an American Airlines jet near Ronald Reagan Washington National Airport.

Capt. Rebecca M. Lobach, of Durham, N.C., who served as an Army aviation officer since July 2019, was identified Saturday by the Army. Her name wasn't disclosed a day earlier along with two other crew members killed in the accident—Chief Warrant 2 Officer Andrew Lloyd Eaves and Staff Sgt. Ryan Austin O'Hara.

Lobach's name was withheld at the request of her family, which later agreed to let the Army disclose it, officials said. There has been no explanation for the delay. A statement by the family released

by the Army didn't address the issue, though it asked for privacy "as we grieve this devastating loss."

The cause of the crash is still under investigation. President Trump and Defense Secretary Pete Hegseth have suggested without evidence that diversity policies may have contributed to the deadly accident, which killed all 64 passengers and crew on the jet and the three in the military helicopter.

Lobach was completing a training flight, Army officials have said. Eaves was the instructor pilot in the Black Hawk and O'Hara was the crew chief.

"Rebecca was a warrior and wouldn't hesitate to defend her country in battle," the family's statement said. "Her life was short, but she made a difference in the lives of all who knew her."

Lobach was commissioned as an Army officer after graduating from the University of North Carolina, where she was in the Reserve Officers' Training Corps program and in the top 20% of cadets nationwide, the statement said.

She had more than 450 hours of flight time, and earned "certification as a pilot-in-command after extensive testing by the most senior and experienced pilots in her battalion."

"Rebecca was brilliant and fearless, a talented pilot and a PT stud," said Davis Winkie, a journalist who said he met Lobach while both were ROTC cadets at North Carolina, in a post on X on Saturday. PT refers to physical training.

She served in the Biden White House as a social aide, as well as a certified sexual harassment and assault response advocate.

Trump suggested without evidence that diversity, equity and inclusion personnel policies he has vowed to erase from the federal government may have contributed to the accident. "We have to have our smartest people," he said referring to air-traffic controllers at the White House Jan. 30.

Hegseth also made unsubstantiated suggestions at the same event at the White House that such policies might have played a role in the collision. "Color blind and merit based, the best leaders possible, whether it is flying Black Hawks, flying airplanes, leading platoons or in government, the era of DEI is gone at the Defense Department," Hegseth said.

Her family said she hoped to become a physician after the Army. "No one dreamed bigger or worked harder to achieve her goals," the statement said.

An FAA spokeswoman said the closures would end Feb. 10. A total of 67 passengers and crew perished in the Jan. 29 crash, which is under investigation by the National Transportation Safety Board and the Pentagon. The crash was the deadliest air disaster in the U.S. in more than two decades, and has added urgency to debates over how to safely manage increasingly congested airspaces around the nation's airports and on runways.

The airport's longest and busiest runway will remain open. On Friday, Transportation Department officials announced restrictions on helicopter flights around the airport.

The new restrictions bar helicopter flights in areas over the Potomac River and over the top of the airport. There are exceptions for lifesaving medical support, active law enforcement, active air defense, or presidential transport helicopter missions that must operate in the restricted area.

The Federal Aviation Administration closed two shorter runways at Ronald Reagan Washington National Airport, further restricting air traffic to the site of this past week's deadly airplane-helicopter crash.

The temporary closures include the runway an American Airlines regional jet was trying to land on when it crashed into a U.S. Army Black Hawk helicopter, according to a notice to pilots issued by the FAA.

An FAA spokeswoman said the closures would end Feb. 10.

A total of 67 passengers and crew perished in the Jan. 29 crash, which is under investigation by the National Transportation Safety Board and the Pentagon. The crash was the deadliest air disaster in the U.S. in more than two decades, and has added urgency to debates over how to safely manage increasingly congested airspaces around the nation's airports and on runways.

The safety board is still gathering information about the altitude of the helicopter and what data may have been visible to an air-traffic controller inside the airport tower.

"This is a controller's worst nightmare," Inman said.

Inman also said investigators were working to determine whether the helicopter pilot was wearing night-vision goggles at the time of the accident.

—Ginger Adams Otis contributed to this article.

Watch a Video

 Scan this code for a video on the dangers of D.C. air-traffic routes.



The Show Must Go On For Grammy Awards

STAGE PRESENCE: On a Grammys night in Los Angeles where many artists paid tribute to wildfire victims, Kendrick Lamar, above, won record of the year for 'Not Like Us.'

Chappell Roan, right, singing 'Pink Pony Club' in a rodeo-themed performance, was best new artist. See WSJ.com



FROM LEFT: MARIO ANZUINI/REUTERS; VALERIE MACON/AFP/GETTY IMAGES

U.S. NEWS

Budget Pick to Partner With Musk's DOGE

BY BRIAN SCHWARTZ
AND KEN THOMAS

WASHINGTON—The billionaire Elon Musk has served as a disrupter and change agent in the private sector. Russell Vought, a longtime budget hawk and Washington insider, has spent years pressing to dismantle the administrative state.

One is the richest man in the world, the chief executive of Tesla and SpaceX. He was tapped by President Trump to run the Department of Government Efficiency, tasked with cutting red tape and trillions of dollars from the budget. The other is a longtime Republican policy maven and co-author of the conservative Project 2025.

Hardly a recognizable MAGA superstar, Vought is on track to win Senate confirmation as director of the Office of Management and Budget. He served in the same role during Trump's first term.

That powerful office acts as the budgetary and regulatory

nervous center helping to implement the president's agenda.

The two men with differing résumés are at the center of Trump's efforts to cut government spending and regulations, essentially representing two sides of the same coin. Musk is a big-picture thinker; Vought an in-the-weeds technocrat. They have become two of Trump's most influential advisers and are already crafting their own avenues of power less than two weeks into Trump's second term in office.

The consequences of Musk's and the OMB's actions so far have been wide-ranging. A recent OMB memo ordering a freeze of federal grants and loans set off chaos in Washington, leaving lawmakers in Congress, nonprofits and some federal agencies confused as to the impact of the document.

Musk's allies have acquired positions within the office that emailed a payout offer to thousands of federal employees.



Russell Vought is a co-author of the conservative Project 2025.

Vought's expected ascension back to the top of the OMB will test his relationship with Musk and whether the pair will be able to work together seamlessly or if their similar portfolios and mandates—and differing styles—will lead to dissenting viewpoints and turf battles.

A person close to Vought said he has privately asked allies how DOGE is going to operate from a technical perspective. A senior administration official said Vought and Musk have been building a partnership since just after Trump's victory in November.

"They share the same passion for making the federal government more efficient and rooting out waste, corruption and fraud, so I think they are very aligned," said Wesley Denton, a longtime adviser to former Sen. Jim DeMint (R., S.C.) and a Vought friend.

Vought initially told Senate lawmakers during his confirmation process that he viewed DOGE as an advisory panel set to guide the OMB. But Musk was later given a larger government role, with free rein over technology and software, including at OMB and all other federal agencies.

He brings virtually unmatched social-media influence through his ownership of X, formerly Twitter, and has been a steady presence at Trump's side.

Musk's and Vought's circles of influence are a focal point for lawmakers on Capitol Hill. The DOGE executive order Trump signed says the department's activities aren't meant to impair the OMB's work.

Vought, a native of Trumbull, Conn., has been steeped

in conservative causes for decades, working in Congress and later with Heritage Action, the lobbying affiliate of the Heritage Foundation, a conservative think tank.

After leaving the OMB following Joe Biden's election—which Vought said recently in a written questionnaire, he believed was "rigged"—he started the Center for Renewing America, a Washington think tank focused on taking steps to reorder the federal government.

"He's been in waiting. No question about it," said Stephen Moore, a visiting fellow of the Heritage Foundation who has known Vought for two decades.

Vought has been clear that he doesn't believe Congress should have full control of the purse when it comes to federal spending, despite a 1974 law that limits the White House's ability to claw back money appropriated by Congress, leaving him with potentially broad authority if he is confirmed as OMB chief.

Musk Allies Gain Access To Payments

Continued from Page One
Bush. "I've never seen anything like this before."

DOGE had initially been conceived as an outside advisory panel. But Trump signed an executive order shortly after taking office that established the group within the executive branch. Much about DOGE's operations remains murky. The Trump administration hasn't released a list of people working for DOGE or outlined their potential conflicts of interest, and officials haven't detailed which contracts they have canceled.

Throughout the weekend, Musk posted dozens of messages on X, the social-media platform he owns. He said he planned to shut down some Health and Human Services Department grants, and asserted, without providing evidence, that terrorist groups had received payments processed by the Treasury Department. (The Treasury Department has a Do-Not-Pay system designed to prevent that.)

He criticized a Republican senator who could be a crucial vote on Trump's nominees and then walked back his attack. He said he was on track to cut federal spending by \$4 billion a day, though he didn't specify how he was reducing costs. He said career Treasury officials were routinely making illegal payments. The Treasury press office didn't respond on Sunday to a request for comment.

"Very few in the bureaucracy actually work the weekend, so it's like the opposing team just leaves the field for 2 days!" Musk wrote on X on Saturday.

On Sunday night, Trump praised Musk and said "radical lunatics" are running USAID.

On Saturday, roughly eight DOGE representatives sought access to classified systems and floors at USAID's building in downtown Washington, according to current and former USAID officials and senior Senate Democratic congressional aides.

Security officials initially resisted the DOGE representatives' requests, which some people familiar with the con-



As Elon Musk's DOGE gained access to the system distributing trillions of dollars, he was sending dozens of social-media posts.

payment network, which they liked to the pipes that allow federal money to flow into and out of the government.

While political appointees would have needed to understand the capabilities and operations of the system, having direct access to the system wouldn't have been necessary to provide that knowledge, these people said. During debt-limit standoffs, for example, when the Treasury was employing emergency cash-conservation measures, policymakers received daily reports on payment inflows and outflows or the recipients of those payments from the civil-service network administrators without requiring access to the payment infrastructure, the former officials said.

Several of the former officials said the payment system includes information about sensitive national security-related transactions that would typically require strict security clearances to access.

Tom Krause, a Musk ally and the chief executive at Cloud Software Group, led the discussions with Treasury over the arrangement, the person said. Krause, who is working with DOGE, is among those expected to gain access to the system.

Through it all, Musk kept posting on social media.

He responded on Sunday to a spreadsheet showing Department of Health and Human Services payments to a Lutheran charity organization that was shared online by Mike Flynn, Trump's former national security adviser. Flynn was pardoned in 2020 after pleading guilty to lying about his contact with Russians. There were "many more organizations cashing in" on taxpayer money, Flynn wrote on X.

"The @DOGE team is rapidly shutting down these illegal payments," Musk replied.

He also criticized Indiana Republican Sen. Todd Young, calling him a "deep state puppet" in a post on X that he later deleted.

Musk, in a subsequent X post on Sunday, said he stood "corrected" after speaking with the senator. Young's office said the Senator and Musk had a conversation on topics of "shared interest, like DOGE."

"Senator Young will be a great ally in restoring power to the people from the vast, unelected bureaucracy," Musk wrote.

—Richard Rubin,
Nick Timiraos
and Michael R. Gordon
contributed to this article.

Consumer Financial Watchdog's Chief Is Dismissed

President Trump fired the director of the Consumer Financial Protection Bureau following calls by bankers for his ouster.

Rohit Chopra confirmed his departure in a letter posted to X on Saturday.

"I hope that the CFPB will continue to be a pillar of restoring and advancing economic liberty in America, and I wish you good luck in serving our great country," Chopra wrote in his letter, addressed to Trump.

Trump has yet to name a replacement. Until he does, Chopra's deputy, Zixta Martinez, will be the acting director, according to the

laws governing the bureau.

A firebrand within the typically staid scene of Washington's banking regulators, Chopra pushed an aggressive regulatory agenda during his tenure,

enacting rules that limit overdraft fees and forbid credit-reporting companies from including medical debt on credit reports.

He also brought high-profile enforcement actions against some of the financial industry's biggest players.

Republicans welcomed Chopra's dismissal, with Sen. Tim Scott (R., S.C.), chairman of the Senate Banking Committee, calling it "great news for American consumers."

In a video, Sen. Elizabeth Warren (D., Mass.) called on Trump to appoint a director who would continue Chopra's work.

—Dylan Tokar

sensitive, even classified, files, which may include the personally identifiable information...of Americans working with USAID, and this incident as a whole, raises deep concerns about the protection and safeguarding of matters related to U.S. national security," Democratic lawmakers on the Senate Foreign Relations Committee wrote in a letter on Saturday to Secretary of State Marco Rubio.

The episode unfolded as Musk worked to disassemble the 10,000-person, \$40 billion agency and rein in its autonomy. Musk posted on X

over the weekend that USAID was a corrupt organization filled with Marxist staffers, providing no evidence for his broadsides. "USAID is a criminal organization," he wrote in one post. "Time for it to die."

Trump planned to release an executive order folding the USAID into the State Department.

USAID.gov, the agency's website, was taken offline and placed into a subsection of State's website. Then USAID's X account was also removed, leaving behind a message that reads: "This account doesn't exist."

On Friday, Treasury Secretary Scott Bessent granted DOGE representatives access to the Treasury Department's payment system, which is typically run by career civil servants and distributes entitlement benefits, grants and tax refunds to millions of Americans each year.

Unusual access

Former Treasury Department officials who worked in Republican and Democratic administrations said they weren't aware of any instances in which political appointees sought access to the

Fight Against DEI Dominates Start of Trump Presidency

BY LINDSAY ELLIS
AND ALEX LEARY

WASHINGTON—In the packed agenda President Trump has raced to push through, few things stand out more at the end of his second week than his war on DEI, the diversity programs he eliminated through executive action and blamed for the midair aviation crash that killed 67 people.

"I have common sense and unfortunately a lot of people

don't," Trump said the morning after the crash, when pressed on why he linked the tragedy over the Potomac River with diversity hiring initiatives. His comments summed up his approach to DEI, which he sees as a clear-cut symbol of liberalism run amok.

Trump came into office promising to transform the economy and challenge the global order—and he moved swiftly on that agenda as well. But his focus on DEI reflects

his desire to put at the center

of his presidency the culture wars that animate his conservative base. His efforts represent the culmination of years of GOP focus on diversity initiatives, a blockbuster Supreme Court ruling on affirmative action, shifting public opinion and the influence of powerful Trump allies, including billionaire Elon Musk. "DEI is just another word for racism," Musk wrote last year on X, his so-

cial-media platform.

Trump has ordered federal agencies to terminate diversity programs and contracts. Trump administration officials have set up a tip line to report staff who aren't complying with the administration's directives and push them out of the workforce. The Office of Personnel Management mandated that bathrooms in government agencies must be designated by biological sex, not gender identity. Agency leaders have been

told that affinity groups for employees—like those focused on Black or LGBTQ staff—cannot meet during work hours. Government employees have been ordered to remove gender pronouns from their email signatures.

"People should not be hired based on their disabilities, based on their skin color, their gender, their race. None of that matters," White House press secretary Karoline Leavitt said Friday.

Battle lines are being drawn over some of his actions.

On Friday a group of Democratic state attorneys general, including those from California and New York, accused Trump of misleading the public. "These policies and programs are not only consistent with state and federal antidiscrimination laws, they foster environments where everyone has an opportunity to succeed. That is the opposite of discrimination," they said.

RFK Jr.'s Ties to Vaccine Suits Complicate His Nomination

HHS secretary pick agrees to transfer his financial stake in Gardasil litigation

By PETER LOFTUS
AND LIZ ESSLEY WHYTE

Robert F. Kennedy Jr. said he would give up his financial interest in vaccine lawsuits—a potentially lucrative arrangement that drew rebukes at his confirmation hearings for his nomination as secretary of health and human services.

Legal experts said the move isn't enough.

Kennedy has received more than \$2 million for referring a range of legal cases to a plaintiffs law firm. He had planned if confirmed to keep getting such fees from a tranche of litigation against the pharmaceutical company **Merck** and its Gardasil cervical cancer vaccine. He reversed course late last month, saying he plans to transfer the stake in the personal-injury lawsuits to one of his sons.

Sway policy for gain

The arrangement still presents a conflict of interest because he could, as secretary, sway policy for his family's financial gain, according to legal experts. For instance, Kennedy could make official statements as secretary that question vaccine safety, swaying jurors in the litigation.

He also could take actions that benefit his vaccine plaintiffs bar colleagues generally, such as by adding injuries or vaccines to the compensation system for vaccine injuries.

"There's a serious problem if he is in a position to take actions that could affect the success of the lawsuits," said Richard Briffault, a professor at Columbia Law School who has researched government ethics.

Even with Kennedy forgoing direct compensation and transferring it to a son, "There is certainly an ethical problem in being able to use public authority to benefit financially an adult child," Briffault said.

Kennedy, in response to written follow-up questions from senators, said he didn't need to recuse himself from certain decisions that could affect Gardasil litigation. Kennedy "will divest his interests in cases involving vaccine manufacturers prior to entering government service," a spokeswoman said.

Kennedy, whom President Trump nominated to become HHS secretary after Kennedy endorsed Trump during the campaign, has questioned the safety of vaccines in the past though more recently has said he isn't antivaccine.

Democrats sought to use his ties to plaintiffs' lawyers and personal-injury lawsuits to attack Kennedy during hearings late last month. Sen. Elizabeth Warren (D., Mass.) of the Senate Finance Committee pressed him on whether his actions as HHS secretary could influence the lawsuits in which he has a financial stake.

"RFK Jr.'s plan to hand off his stake in a vaccine-related lawsuit to his son raises more questions than answers," she said after Kennedy's agreement to transfer stakes in the Gardasil lawsuits. "RFK Jr.'s nomination must be delayed until all of his serious conflicts are fully resolved."

During the hearings, Kennedy declined to say whether Gardasil was safe and effective. He told Sen. Patty Murray (D., Wash.) of the Health Education, Labor and Pensions Committee last month that a trial jury would answer those questions.

Lucrative deals

Under a consulting agreement with the product-liability law firm Wisner Baum, Kennedy has been getting 10% of fees awarded for lawsuits he has referred to the firm, according to federal ethics records.

The deal has netted Kennedy more than \$2.4 million since 2016, according to the ethics records.

The cases he referred to Wisner Baum included lawsuits against an electric utility over a Los Angeles area wildfire in 2018, and lawsuits

against Monsanto alleging that its weedkiller Roundup caused cancer, according to Kennedy's ethics disclosures.

Wisner Baum didn't respond to requests for comment.

Kennedy didn't specify which of his sons would receive his fees under his new ethics proposal. Kennedy's son Conor is a lawyer at Los Angeles-based Wisner Baum and has filed product-liability lawsuits against drugmakers.

Conor Kennedy didn't reply to requests for comment.

Kennedy also has had a referral agreement with Morgan & Morgan, a law firm that has filed personal-injury lawsuits against pharmaceutical companies, including the makers of popular diabetes and weight-loss drugs such as Ozempic.

Under that agreement, Kennedy got a 10% cut of fees awarded in contingency-fee cases he referred to the firm. He reported \$62,500 of income from that arrangement in 2023.

If confirmed, Kennedy would direct a department

that regulate vaccines and their manufacturers.

Kennedy pledged, in an ethics statement filed following his nomination to become HHS secretary, to terminate the Morgan & Morgan arrangement upon confirmation.

He also had planned to end his consulting agreement with Wisner Baum if confirmed. Initially he wanted to retain a contingency-fee interest in cases in which the federal government isn't a party, according to his ethics statement.



Robert F. Kennedy Jr. has received more than \$2 million for referring a range of legal cases to a plaintiffs law firm.

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U.S. NEWS

A Fresh Face, but Same Old Democrats

Cracks show at DNC meeting as party confronts its deep unpopularity

By MOLLY BALL

OXON HILL, Md.—The newly elected chairman of the Democratic Party gripped the sides of his lectern and strained to articulate the awesome task before him. “If it’s not us, who is it?” Ken Martin pleaded. “Who’s going to be out there actually taking on

ANALYSIS Donald Trump? It has to be the Democratic Party. We have to get into this fight.”

Many Democrats lately are asking the same question—and skeptical that their party has what it takes. As they despairingly watch President Trump dismantle the federal government, reverse decades of policy and attack all they hold dear, the opposition party is reeling, demoralized and at a loss for how to respond. Last week’s Democratic National Committee meeting that elevated Martin to head the party apparatus provided little indication that the party has figured out a way forward.

Martin, a slight 51-year-old in a dark suit and blue tie, stood in front of a wall of signs reading “YES WE KEN” and “ORGANIZE.” The erstwhile chairman of the Minnesota Democratic-Farmer-Labor Party, as it is known there, had won a majority of votes from the members of the DNC on the first ballot. Addressing the media shortly afterward, Martin vowed to “give people hope again that our party’s fighting for them.”

Dire situation

Despite a hotly contested race for the chair position that got nasty as it went down to the wire, there was little to distinguish Martin from his main competitor, Ben Wikler, the chairman of the Wisconsin



Ken Martin had won a majority of votes from the members of the DNC on the first ballot.

Democratic Party. Two middle-aged Midwestern white men with rhyming first names and similar résumés agreed on most things and mouthed similar platitudes about the importance of winning back the working class, making similar promises to increase transparency, grow grassroots power and hone the party’s messaging machine.

All the candidates could agree that the situation facing the party is dire. The Democratic brand is in the toilet, with a recent Wall Street Journal poll showing 60% of Americans view the party unfavorably while only 36% see it favorably. Democrats lost ground with nearly every demographic group last November, including minorities, women, low-income voters and those without college degrees. “Twenty big cities, Aspen and Martha’s Vineyard—that’s what’s left of the Democratic Party,” lamented

former congressional candidate Adam Frisch. “And I’m not exactly sure those 20 big cities are getting the best version of the Democratic Party.”

Yet as the would-be leaders bickered over party mechanics, the very pathologies that many critics argue have alienated Democrats from the American heartland were on display: a party captive to leftist activists, obsessed with divisive litmus tests, out of touch with regular people’s concerns and in thrall to a patronizing identity politics that alienates many of the very minorities it is meant to attract. Nor did anyone dare to argue that the prior administration’s failures might have contributed to voters’ sour view of Democrats, that former President Joe Biden dragged the party down or that former Vice President Kamala Harris was a mediocre candidate. The party’s departing chairman, Jaime Harrison, has been giving

interviews standing by his view that Biden shouldn’t have dropped out of the presidential race; his would-be successors had nothing but praise for his tenure. The party’s leaders were vowing to turn the page, but it was clear many things have yet to change.

An echo chamber

On Thursday night, the committee members piled into a converted chapel on the campus of Georgetown University to hear from the candidates for the top party offices. In a near-parody of the party’s self-reinforcing echo chamber, the moderators chosen to subject the eight contenders for party chair to a harsh grilling were three MSNBC hosts. Asked whether Democrats had responded sufficiently to Trump’s breakneck first two weeks in office, no one raised a hand all the way.

The candidates had just got-

ten through their opening statements when the disruptions began. A young woman in a Sunrise Movement T-shirt began shouting, “I am terrified!” as she was dragged out by security. Other protests followed, with shouts of “climate emergency!” and “fossil fuel money!”

Rather than rebuff the interruptions, those onstage largely celebrated them, straining to assure the activists they were actually on the same side and eagerly giving them the platform they broke the rules to demand.

“The youth of this nation are crying for their voices to be heard,” said chair candidate Quintessa Hathaway, a former Arkansas congressional candidate who had chosen to sing rather than speak her opening statement.

Only Jason Paul, a Massachusetts-based attorney, took issue with the tactic, accusing the activists of turning the event into “scream night at

the DNC”—and pointing out that he already had signed a pledge agreeing to their demands.

With the protests finally exhausted, the forum got under way in earnest. MSNBC’s Jonathan Capehart asked those who believed racism and misogyny contributed to Harris’s defeat to raise their hands; all the hands on the stage, as well as most in the audience, shot up. “That’s good,” Capehart said, “you all pass.”

Later in the program, an audience member stood up to lament that there was only one at-large seat set aside for a transgender person, and called on the candidates to add another seat and for “making sure those appointments reflect the gender and ethnic diversity of the transgender community.” Only one candidate raised his hand to indicate he wouldn’t make such a commitment.

“I’m frustrated by the way in which we utilize identity to break ourselves apart,” explained the dissenter, Faiz Shakir. “Listen, I worked at the ACLU. I’m supportive of diversity, equity and all the rest,” he said. “But we’re competing over the wrong thing when we should be joining together to fight together.”

In an interview the following day, Shakir said numerous people had messaged him privately to say they agreed with his anti-identity politics rant, but it was telling that few wanted to say it publicly.

Inside the hall at the cavernous Maryland convention center, the monitors played video messages from Biden and Harris.

Biden decried the “oligarchy of extreme wealth and influence that threatens our very democracy.” Harris vowed to “continue to fight for our ideals to realize the promise of America.” But first, she made sure to thank the man who had led the organization into its current situation. “Thank you, chairman Jaime Harrison,” she said, “for your incredible leadership of the DNC.”

DNC Chair Is Tasked With Fixing a Struggling Party

By JOHN MCCORMICK
AND KEN THOMAS

OXON HILL, Md.—The Democratic National Committee on Saturday picked a new chair to take the helm of a national party facing major challenges, marking its first significant decision since the party’s thumping by Donald Trump in November.

Ken Martin, state party chair in Minnesota, beat Ben Wikler from Wisconsin, a neighboring state chairman who received a late surge of support from party leaders.

Martin will now confront a deflated Democratic base, an emboldened Trump and an American electorate that views the party more unfavorably than at any time in recent history. The selection came almost three months after the party lost the presidency and the Senate majority, triggering soul-searching and recrimination.

Although he has minimal experience speaking on the national stage, Martin is likely to become a prominent spokesperson for Democrats as they navigate Trump’s return to the White House without a dominant voice to compete with him. Martin is viewed within the party as more of a moderate, establishment figure compared with Wikler, who was an activist before leading the Wisconsin state party.

Born in Minneapolis as the son of a single mother, Martin started his political work in 1990 as an intern for the late Sen. Paul Wellstone’s Minnesota campaign. When asked by a reporter how he would challenge Trump and Republicans, Martin promised a more-aggressive DNC.

“This is a new Democratic Party,” he said. “We’re taking the gloves off. I always viewed my role as a chair of the Democratic Party to take the low

road, so my candidates and elected officials can take the high road, meaning I’m going to throw a punch.”

As chair of Minnesota’s Democratic-Farmer-Labor Party, as the party is known there, Martin, 51, is more of a behind-the-scenes operative than talk-show presence. He has served as the head of an association of state party committees, giving him an inside track to lead the DNC.

During his 14 years as Minnesota chairman, his aides say Democrats have a 25-0 record in statewide elections, including presidential contests.

The dire situation Democrats confront nationally bears similarities to what Martin faced in 2011 when he took

over his state party. Minnesota Democrats had just suffered their worst electoral defeat in half a century, losing control of the Minnesota House, a state Senate majority the party had enjoyed for 40 years and one of the longest-held Democratic seats in Congress.

Under his watch, the party has elected Gov. Tim Walz and Democratic Sens. Amy Klobuchar and Tina Smith.

During Saturday’s election, divisions within the party were on display as pro-Palestinian protesters, as well as others critical of the party’s ties to billionaire donors, interrupted the proceedings. When some demonstrators in the back of the ballroom began shouting, “Billionaires

out, workers in,” the departing chair, Jaime Harrison, told the delegates there would be “zero tolerance—none—for disrespect.”

Other candidates included former Maryland Gov. Martin O’Malley; Faiz Shakir, who managed Sen. Bernie Sanders’s 2020 presidential campaign; Marianne Williamson, the self-help author and perennial presidential candidate; Nate Snyder, a former Homeland Security official; Quintessa Hathaway, who lost an Arkansas congressional race in 2022; and Jason Paul, a Massachusetts lawyer and political strategist.

Martin received more than a majority with 246.5 votes, while Wikler got 134.5 votes and O’Malley received 44 votes. Other candidates received a combined 7 votes.

Martin, like most of the leading candidates, has said he wants a postelection investigation into what went wrong

in November and told reporters he would release the findings to the public. He also has called for the party to do more to combat online misinformation, send more resources to state parties, depend less on political consultants in Washington, and look for ways to reconnect with working-class voters who have been drawn to Trump.

A Quinnipiac University Poll released recently showed 57% of voters have an unfavorable opinion of the Democratic Party. That compares with 45% who have an unfavorable view of the Republican Party.

Martin had the backing of Walz, the most recent Democratic nominee for vice president. Wikler’s highest-profile endorsements were House Democratic Leader Hakeem Jeffries of New York, Senate Minority Leader Chuck Schumer of New York and former House Speaker Nancy Pelosi of California.

Centrist Florida Democrat Taunts and Trolls His GOP Colleagues

By KATY STECH FEREK

WASHINGTON—With Democrats shut out of power for at least the next two years, Rep. Jared Moskowitz is carving out his own survival strategy: work with Republicans when he can—and troll them over their perceived excesses when he can’t.

The Florida Democrat has become a social-media cult hero on the left for his viral moments ribbing Republicans who were probing then-President Joe Biden and his family, such as wearing a Vladimir Putin mask to a hearing and daring them to hold a vote on impeachment. During one heated exchange, House Oversight Committee Chairman Rep. James Comer (R., Ky.), called Moskowitz a “Smurf” and a proven liar, to which Moskowitz retorted: “Mr. Chairman, this seems to have gotten under your skin!”

Moskowitz is expected to be one of the most colorful voices

in the new Congress as he and other Democrats try to figure out the best way to cope. Their losses in November mean the GOP is in the driver’s seat on rolling out conservative policies ranging from immigration crackdowns to tax cuts to reducing government spending on healthcare.

After winning a congressional seat in 2022, Moskowitz was appointed to the Oversight Committee, where he squared off with big Republican personalities such as Reps. Nancy Mace (R., S.C.) and Marjorie Taylor Greene (R., Ga.). His exchanges went viral from the start.

“You guys are worried about banning books. Dead kids can’t read,” Moskowitz said in one of his first meetings in early 2023, needling Republicans over their opposition to gun-control legislation.

Unlike other outspoken

Democrats such as Rep. Alexandria Ocasio-Cortez of New York, Moskowitz votes as a centrist and was the first Democrat to sign up for the caucus formed to support the Department of Government Efficiency, driven by President Trump’s ally Elon Musk. And he is friends with former Florida Rep. Matt Gaetz, the MAGA conservative and onetime nemesis of GOP leadership.

“We let Republicans be the

only party of tax cuts and balanced budgets, but that’s not true. Democrats support those things also. So this is very much a messaging war,” he says.

Moskowitz’s sarcasm and antics are applauded by some colleagues as effective push-back to Trump-style politics, particularly with House Democrats in the minority for a sec-

ond straight Congress and unable to control the agenda. But others see his escapades as juvenile publicity stunts. Some Democratic House aides also gripe that his close relationships with Republicans from his work in state politics in Florida make him untrustworthy politically.

Moskowitz says his message to fellow Democrats who are skeptical of his GOP relationships goes like this: “Listen guys, you may not like what’s going on, but the conversation is going to happen with or without us.”

Moskowitz talked with Trump officials in December about leaving Congress to run the Federal Emergency Management Agency. That same week, he roasted Republicans on the House floor, taunting them for failing to support a government funding bill negotiated by Republican leaders. “All I have heard for the last couple of weeks is about this giant mandate, landslide, and

trifecta. Put on your big-boy pants. Pass your own bill,” Moskowitz said, drawing applause from Democrats.

Congress has moved into an era where “in order to break through now, it’s not really about the statesman anymore. It’s about who can reach people in this new sort of way,” said Rep. Marc Veasey (D., Texas).

Moskowitz argues voters have come to expect entertainment and put-downs with their politics. But it depends on the setting, he said: What works on the Oversight Committee would be inappropriate on the House Foreign Affairs Committee, where he also sits, in dealing with overseas threats. He says there is also room for bipartisanship: In January, he was one of several dozen Democrats who sided with Republicans to pass their first border bill this Congress, dubbed the Laken Riley Act.

—Siobhan Hughes contributed to this article.



Jared Moskowitz is expected to be one of the most colorful voices in the new Congress, where the GOP is in the driver’s seat.

“We let Republicans be the

U.S. NEWS

Biden's Clemency Moves Stirred Anger Within DOJ

Most commutations in the drug cases didn't follow official recommendations

In the weeks before leaving office, President Joe Biden and his advisers wanted to undo what they saw as an injustice—and make history—by cutting short the prison sen-

By C. Ryan Barber,
Annie Linskey
and Sadie Gurman

tences of thousands of people behind bars for drug offenses.

The zeal to achieve that goal resulted in a haphazard White House process that prompted anger and dismay inside the Justice Department, where officials believed Biden granted mercy to many offenders with violent histories who didn't deserve it, accord-

ing to people familiar with the matter.

On his final Friday as president, Biden commuted the sentences of nearly 2,500 inmates serving lengthy prison terms, saying the moves would return people serving disproportionately long sentences for nonviolent offenses to their families and communities.

Only 258, or about 10%, of the recipients were recommended by the Justice Department, and Biden's list included "individuals with violent backgrounds who otherwise wouldn't meet the department's standards for recommendation for receipt of clemency," according to a Jan. 18 internal email viewed by The Wall Street Journal.

The Justice Department's pardon attorney, Elizabeth Oyer, sent the email to S.A. attorneys around the country.

"While I am a strong believer in the possibility of sec-

ond chances through clemency, the process by which yesterday's action was carried out was not what we had hoped and advocated for," Oyer wrote in the email, which was labeled "confidential and law enforcement sensitive."

She added: "I understand that some of the clemency grants are very upsetting."

Kelly Scully, a spokeswoman for Biden, declined to comment.

Some recipients had been accused of grave acts separate from the distribution or possession of drugs, including gang-related offenses, sexual violence and conspiracy to commit murder.

Lairon Graham, a Buffalo man convicted of heading a conspiracy to sell fentanyl, heroin and cocaine, saw his 22-year prison sentence reduced by Biden to 12½ years. Graham received the original sentence



On his final Friday as president, Biden commuted the sentences of nearly 2,500 inmates serving lengthy prison terms.

ANDREW CABALLERO-REYNOLDS/AGENCE FRANCE PRESSE/GETTY IMAGES
sentence for murder conspiracy in the 1999 killings of an 8-year-old boy and his mother in Bridgeport, Conn.

A former Biden White House official familiar with the process said the administration's aim was to take a systematic approach addressing disparities in how drug defendants were sentenced, which required a method that was different from typical pardon procedures.

The roughly 2,500 names were assembled by a team of about a half-dozen lawyers from the White House Counsel's Office, the former Biden official said. The beneficiaries were from a population of offenders who were sentenced

when there was a disparity between punishments for crack cocaine and powder cocaine, and the list was generated with input from the U.S. Sentencing Commission and the Justice Department, the former official said.

The White House team ruled out individuals at high risk for recidivism, as well as offenders who had used a firearm in connection with their drug crimes or engaged in other egregious conduct, the former official said.

PHILADELPHIA

Medical Transport Jet Crashes, 7 Dead

Three people injured on the ground when a jet crashed in a busy Philadelphia neighborhood, killing seven people, remain in critical condition, Mayor Cherelle Parker said Sunday.

Parker said 22 people were injured and five of them remain hospitalized. At least 11 homes were significantly damaged, along with some businesses.

A Mexico-bound air ambulance plummeted to the ground Friday evening, less than a minute after it had taken off from Northeast Philadelphia Airport with six people on board, including a girl who had spent months being treated at a city hospital.

One of the deceased was killed inside a car as debris

from the Learjet 55 crash exploded into the neighborhood.

The plane, bound for Tijuana after a scheduled stop in Missouri, had reached about 1,500 feet of altitude before it went down. National Transportation Safety Board chair Jennifer Homendy called it a "high-impact crash" that left the plane "highly fragmented."

She said NTSB staff would be working to collect debris from the plane.

The child had recently completed treatment at Shriners Children's Philadelphia hospital for a condition not easily treated in Mexico, hospital officials said. Her mother and four crew members also died.

Mexican President Claudia Sheinbaum said all six victims on the plane were from her country.

—Associated Press

OBITUARY

Former MLB Head Fay Vincent, 86

Fay Vincent, who became an unexpected baseball commissioner in 1989 following the death of A. Bartlett Giamatti and then was forced out three years later by owners intent on a labor confrontation with players, has died. He was 86.

Vincent had undergone radiation and chemotherapy for bladder cancer and developed complications that included bleeding, said his wife.

During his three-year tenure, Vincent had a string of what he called "three-cigar days," angering owners by becoming the first management official to admit the collusion among teams against free agents following the 1985, '86 and '87 seasons.

—Associated Press

arbitrary to me," Dell said. "As a citizen and a trained lawyer, the recent use of the pardon power—by both parties—is terrifying."

Another commutation under criticism was given to Adrian Peeler, who was facing nearly a decade left in a 15-year sentence for conspiring to distribute large amounts of cocaine. His federal prison term followed an earlier state

U.S. WATCH



Baseball Commissioner Fay Vincent pictured at a 1990 World Series game in Cincinnati, Ohio.

JONATHAN DANIEL/GETTY IMAGES

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WORLD NEWS

Trump's Plan to Move Gazans Runs Into an Arab-State Wall

History is among the reasons neighbors oppose providing a Palestinian haven

President Trump has repeatedly said he wants Palestinians in Gaza to move out of the devastated enclave and into neighboring Egypt and

*By Emma Brown,
Michael Amon
and Joanna Sugden*

nearby Jordan. The Arab world is pushing back, ostensibly because it would undermine efforts to create a Palestinian state.

But Arab leaders have another reason: experience. Palestinian refugees have been a headache for Arab governments since the creation of the state of Israel in 1948. The violent Palestinian nationalist movement that emerged spawned conflicts with Israel that reverberate today.

In the decades that followed, that movement turned into a threat for the governments of Arab states hosting Palestinians—whose numbers included guerrilla fighters launching attacks on Israel. Arab states suffered Israeli reprisals.

As of mid-2022, there were 5.8 million Palestinians classified as refugees under the mandate of the United Nations Relief and Works Agency for Palestine Refugees. Most are descendants of people displaced by war decades ago.

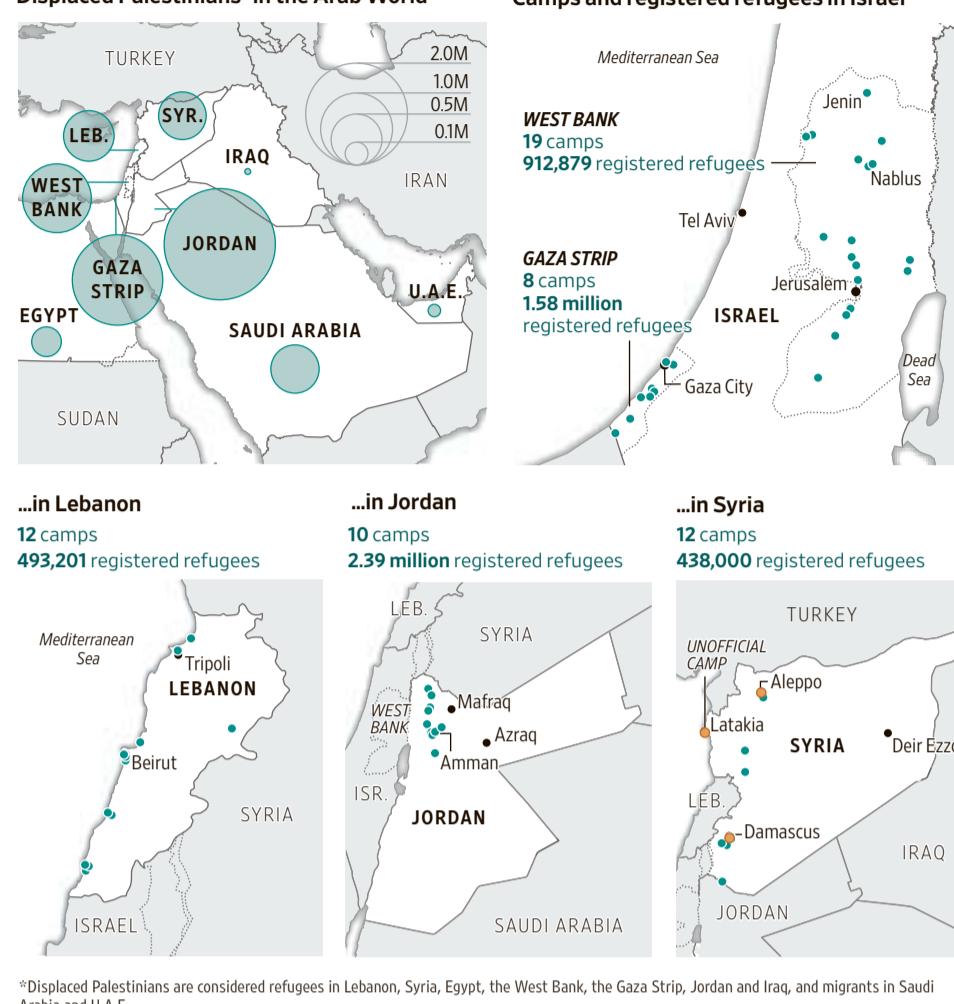
In some Arab countries, Palestinian refugees complain they are treated as second-class citizens, largely confined to refugee camps and limited in their work opportunities. But changing that, the argument goes, would be a tacit recognition that the refugees will never return to their families' homeland in what is now Israel.

Threat assessment

Foreign ministers of Jordan, the United Arab Emirates, Saudi Arabia, Qatar and Egypt said on Saturday that Palestinians' ability to remain on their land should be ensured, and that actions to uproot them "threaten regional stability, risk escalating the conflict, and undermine prospects for peace and coexistence."

In 1951, Palestinian militants assassinated Jordan's King Abdullah. In the early 1970s, Yasser Arafat's Palestine Liberation Organization was driven out of Jordan after the group tried to seize power from King Hussein. Thousands of Palestinians were either killed in the fighting or expelled afterward; many went to Lebanon.

There, fighters regrouped. Israel invaded Lebanon in 1978 after Palestinian militants infiltrated Israel by sea and attacked a bus, killing 38 passengers, including 13 children.



*Displaced Palestinians are considered refugees in Lebanon, Syria, Egypt, the West Bank, the Gaza Strip, Jordan and Iraq, and migrants in Saudi Arabia and UAE.

Sources: UNRWA (Gaza, West Bank, Lebanon, Jordan, Syria); Palestinian Return Center, Refugees International (Egypt); UNHCR (Iran); Euro-Med Human Rights Monitor (U.A.E.); BADIL (Saudi Arabia)

Palestinian fighters also became involved in a civil war. Palestinian attacks on Israel in that war led to an Israeli invasion of Lebanon in 1982, when the PLO was formally expelled. Palestinians remain a lightning-rod issue there.

Jordan still has the biggest population of Palestinians with refugee status, with 2.4 million. Most—but not all—have Jordanian citizenship, posing a challenge to the U.S.-backed government in Amman that has recognized Israel since a 1994 peace deal.

The country's ruler, King Abdullah II, has ruled out accepting Palestinian refugees en masse, citing "the need to keep the Palestinians on their land and to guarantee their legitimate rights, in accordance with the Israeli and Palestinian two-state solution."

After the 1948 war, Egypt administered a swath of Mediterranean coastline that became known as the Gaza Strip. The U.S. and U.N. initially tried to resettle Gazans in Egypt, Libya and other Arab countries, but President Gamal Abdel Nasser halted the effort in 1955 after protests erupted.

Nasser's stand helped turn the Palestinian struggle for a nation into a cause that resonated across the Arab world and brought a halt to international attempts to resettle them elsewhere.

Israel occupied Gaza after the 1967 war, and Egypt reached a peace accord with Israel in 1979. Since Hamas took control of Gaza in 2006,

Egypt has joined an Israeli embargo on the strip.

Egyptian officials say between 110,000 and 115,000 people have crossed into its territory from Gaza since the start of the war, but not all of them have remained in the country. The government—which restricts freedom of speech and assembly—has allowed Egyptians to protest in the streets against calls for Palestinians to be relocated from Gaza in recent days.

Egyptian President Abdel Fattah Al Sisi has called Trump's call for relocation an "injustice."

"I do not think [displacement] can happen again," he said in a speech on Wednesday. But he also said in October 2023 that moving Palestinians to Egypt's Sinai Peninsula could make it a base for attacks on Israel, threatening the peace between the two countries.

Building resentment

After the 1948 war, thousands of Palestinians fled to Iraq, which then and later under subsequent dictator Saddam Hussein gave the refugees free housing and schooling. Saddam launched a paramilitary group with the stated aim of conquering Jerusalem, conscripting poor Shia Muslims and fueling popular resentment of the Palestinian residents.

Palestinians in Iraq faced a backlash after the U.S. toppled Saddam's government in 2003. Much of the pre-2003 population of 34,000 fled to Jordan. At least 80,000 Palestinians

fled to Syria during the 1948 war, eventually settling in about a dozen camps. Conflict between the government and militants largely happened outside its borders. The Syrian military occupied Lebanon for almost 30 years starting in 1976, and fought with Arafat's PLO, eventually helping to expel him to Tunisia.

The Persian Gulf monarchies technically don't host any Palestinian refugees, instead viewing them as immigrants. Yet the Gulf has more than 600,000 Palestinians, including some who hold influential advisory roles.

There is a "tacit understanding that provides them a haven in exchange for noninterference in their hosts' internal affairs," said a 1983 Central Intelligence Agency report. But beginning in the 1980s, Gulf leaders, worried about calls by Palestinian leaders abroad for more action against Israel, began putting limits on Palestinian migration, the CIA said. "The Palestinian cause is popular, and the Gulf governments fear that any Palestinian discontent within their countries would spread to natives and other expatriates unhappy with the ruling families."

The most significant rupture in the Gulf-Palestinian relationship came in 1990, when Arafat supported the Iraqi invasion of Kuwait. Kuwait eventually expelled more than 300,000 Palestinians.

—Roque Ruiz
and Summer Said
contributed to this article.

—Roque Ruiz
and Summer Said
contributed to this article.

Heroes to Palestinians And Killers to Israelis, Prisoners Now Go Free

The last time Zakaria Zubeidi left prison, it was through a hole he dug with five other convicts, in a brief escape attempt before being

*By Summer Said,
Rory Jones
and Saleh al-Batati*

recaptured. On Thursday, the Palestinian militant walked out the door, released in the cease-fire deal in Gaza.

Zubeidi, the former head of a West Bank militia, was among more than 100 Palestinian prisoners freed on Thursday in the exchange for hostages who were held in Gaza. Israel says Zubeidi orchestrated attacks that killed Israelis during the Second Intifada uprising in the 2000s.

Crowds mobbed Zubeidi as he got off a bus in the Palestinian city of Ramallah, hoisting him on their shoulders.

The release of the prisoners, deeply controversial in Israel, is invigorating the Palestinian public after a 15-month war that shattered Gaza and caused the deaths of more than 47,000 people, according to Palestinian health authorities, who don't say how many were combatants.

In total, more than 1,700 Palestinians are expected to be freed over the 42-day cease-fire in return for 33 hostages held by Hamas and its allies.

Palestinians consider many of the prisoners to be freedom fighters for the national cause. Their release is expected to give Hamas a public-relations boost, even as many Palestinians blame it for sparking the war by leading the attacks on Israel on Oct. 7, 2023, that left about 1,200 dead and 250 taken hostage.

"What we are seeing today is a public referendum on the resistance fighters," Zubeidi said Thursday, referring to the crowds, videos online show.

Israelis, even if they support the deal, have been stung by the price of freeing those held hostage. Of the 110 Palestinian prisoners released Thursday, around 32 were serving life sentences, as were some of the 200 prisoners released a week earlier.

Among those released with Zubeidi were Sami Jaradat, serving life for directing a suicide bomber to attack a restaurant in Haifa in 2003, killing 21 people and wounding 60; and Mohammed Abu Warda, convicted of orchestrating bus bombings in Jerusalem in 1996 that killed dozens. Both were exiled from the Palestinian territories as a condition of release. Zubeidi was sent back to the West Bank.

Bilal Abu Ghannam, expected to be released later, was convicted in connection with a 2015 attack on a bus in Jerusalem that killed three people, including Israeli-American Richard Lakin.

Lakin's son, Micah Avni, said he found out about the release from a news article. Re-

leasing prisoners for hostages would encourage more kidnapping and murder, he said.

Hamas launched the Oct. 7 attacks of 2023 in part to kidnap Israelis to exchange for Palestinian prisoners.

Zubeidi grew up in a home in the West Bank that for years hosted Israelis and Palestinians who opposed the conflict. During the First Intifada, in the late 1980s, the top floor of the house was used for a theater group for children organized by Israeli peace activists, and he was a child ac-



Newly freed, Zakaria Zubeidi was feted in Ramallah.

tor, according to a documentary about the theater group.

Israeli troops killed Zubeidi's mother and brother in 2002, deepening his descent into armed opposition. Israel says Zubeidi that year orchestrated a shooting and grenade attack that killed six people and wounded 40 others, his most notorious violent act.

"Why should I support peace?" Zubeidi told The Wall Street Journal in a 2003 interview. "My mother did, and I look what happened to her."

After the uprising ended, he and an Israeli peacenik in 2006 founded a theater in Jenin, The Freedom Theatre, which still exists. But in 2019, Israel arrested and charged Zubeidi with fresh shooting attacks on Israeli buses and indicted him on two murder charges dating back more than a decade, according to Israeli press reports at the time.

Two years later, Zubeidi escaped with five others from Gilboa Prison in northern Israel. The six were recaptured at a hideout in Jenin.

According to Arab mediators involved in the Israel-Hamas negotiations, Hamas insisted that the six prisoners from the jailbreak be freed in the current cease-fire deal. Three were released recently.

Some of those released questioned whether freeing them from prison was worth the human toll in Gaza.

"If I had known that the price of my freedom would be the blood of Gaza's children, I would have refused to leave prison," Mohammed al-Tous, released recently after 39 years in prison, told Arab broadcaster Al Mashhad.

—Dov Lieber contributed to this article.

Hamas Releases Three More Hostages in Less-Chaotic Style

BY ANAT PELED
AND SUMMER SAID

Hamas released three more Israeli hostages on Saturday, including the first American in this round, in a relatively subdued procession after a chaotic handover earlier in the week sparked an outcry that threatened to snarl the exchanges.

The U.S.-designated terrorist group freed Israeli-American Keith Siegel, 65; Israeli-French citizen Ofer Kalderon, 54; and Yarden Bibas, 35. All three were kidnapped with other family members on Oct. 7, 2023, in the Hamas-led attacks on Israel that sparked the 15-month war in Gaza.

Kalderon's two children and Siegel's wife, Aviva, were released in the previous cease-fire deal in November 2023. Bibas's wife, Shiri, and their two children, Ariel and Kfir, remain in Gaza.

Saturday's releases leave 76 hostages taken in the Oct. 7 attacks remaining in Gaza, mostly Israelis. They include more than 30 who Israel has concluded are dead, though Israeli and U.S. officials privately believe



Israeli-French citizen Ofer Kalderon, center, was among the hostages Hamas released Saturday.

the number of dead is much higher. Three additional hostages, taken before the Hamas-led attacks, bring the total to 79, according to Israel's tally. Bibas and Kalderon were released first, in the city of Khan Younis, where Hamas choreographed an elaborate transfer on Thursday that saw large, surging mobs that Israel said endangered the lives of the hostages. Israel delayed the release of Palestinian prisoners under the exchange deal as it sought assurances the scenes wouldn't be repeated.

This time, the crowds there

appeared to be smaller and more controlled. The first two men were led one by one to a stage where they waved and then were taken to the Red Cross before meeting Israeli forces and reaching Israel.

"My heart exploded," Kalderon's cousin told Israeli tele-

vision after seeing the images of him freed. She urged Israelis to continue to protest for the remaining hostages until everyone was home from Gaza.

Siegel was released in a different location, at the port in Gaza City. The scene there was more elaborate, with a stage set up in front of the beach with Palestinian flags, a banner reading in Hebrew "Zionism won't win" and dozens of armed Hamas militants on hand.

Siegel, who looked frail, was led on stage by masked militants. He quickly waved to the crowd before he was taken to the Red Cross and eventually transferred into Israel. The crowds in Gaza City also appeared to be under control as he passed through.

In Tel Aviv, hundreds of Israelis gathered at Hostage Square to watch the releases on a large screen, with many holding signs with photos of the hostages that were released.

As part of the agreement, the Rafah crossing between the Gaza Strip and Egypt opened Saturday to allow injured Palestinians to leave for treatment after it was closed

for many months.

The deal allows up to 50 wounded militants with three companions each to cross every day with the approval of Israeli and Egyptian authorities.

No Hamas fighters who took part in the Oct. 7 attacks will be allowed to exit. The agreement also allows sick or injured Gaza civilians to cross without a cap, though the difficult crossing imposes its own limitations.

On Saturday, most of the cars and ambulances at the crossing appeared to be carrying children, some of them amputees. The vehicles crawled through the rubble of the border area, each taking about 20 minutes to pass. Companions of the injured at times walked alongside. Buildings that once housed border-control functions have been destroyed, as have the roads. Many people lacked passports.

Officials with the Palestinian Authority, which governs most of the West Bank and is rivaling Hamas for control of Gaza, are overseeing the Gaza side.

—Carrie Keller-Lynn contributed to this article.

WORLD NEWS

Panama Balks at Ceding Canal

Country offers key concessions on China role, in Rubio's first overseas stop

By VERA BERGENGRUEN

PANAMA CITY—Secretary of State Marco Rubio arrived Sunday with an ultimatum from the White House for Panamanian President José Raúl Mulino: Either curtail China's presence around the Panama Canal or face an unspecified U.S. response.

On his first overseas stop since taking office, Rubio toured the canal after talks at the country's presidential palace with Mulino, who has rejected President Trump's threats to take back the waterway as an affront to Panama's sovereignty.

In a significant concession, Mulino afterward declared Panama wouldn't be renewing a 2017 infrastructure funding agreement with Beijing and offered "technical-level" talks to clarify Trump's doubts about Chinese control of the canal. He called the meeting with Rubio "positive" and said he didn't think Trump's threats would continue.

But even before Rubio departed the country, Trump appeared to double down on his threats to seize the canal, which the U.S. relinquished to Panama in 1999. "We're taking it back, or something very powerful is going to happen," he said, speaking to reporters at Joint Base Andrews outside Washington.

When it comes to the canal, "it is impossible, I can't negotiate," Mulino said before Rubio touched down in Panama City. "That is done. The canal belongs to Panama."

Most of Rubio's predecessors in recent decades have



Secretary of State Marco Rubio, fourth from left, tours the Miraflores Locks at Panama Canal.

visited London or other major U.S. allies on their maiden overseas trips. The choice of Panama as his first stop reflected the extent to which Trump has scrambled American diplomatic priorities and refocused U.S. attention on the Western Hemisphere.

The trip, which will also take him to El Salvador, Guatemala, Costa Rica and the Dominican Republic, was being closely watched by Denmark, Mexico and other countries under pressure from Trump, wondering whether Rubio's less confrontational instincts might help defuse tensions.

Behind closed doors at the presidential palace, according to U.S. and Panamanian officials, there were warm bear hugs, banter in Rubio's fluent Spanish and progress on steps to curb Chinese influence in the country, expand cooperation on migration and drug trafficking, and increase U.S. investment.

But the State Department

account of his meeting with Mulino tempered Trump's warnings to Panama only slightly. Rubio "made clear that this status quo is unacceptable," spokeswoman Tammy Bruce said he told Mulino, arguing that Panama is violating the neutrality agreement. "Absent immediate changes, it would require the United States to take measures necessary to protect its rights under the treaty."

Control of the canal was gradually given back to Panama as a result of a 1977 treaty signed by President Jimmy Carter. In his brief visit to the canal Sunday, Rubio gazed at the hazy, jungle-framed waterway, near one of the locks that lower and raise the water level so ships can transit from the Atlantic to the Pacific.

Cargo terminals in the canal run by a giant Hong Kong port operator, Hutchison Whampoa, are the crux of the problem for the Trump admin-

istration, which sees the Chinese infrastructure that has been built up around the canal in the past three decades as a national-security threat.

Trump's threats of potential U.S. seizure of the canal have stoked nationalistic outbursts in a country that venerates the Panamanians killed by American forces in 1964 riots over U.S. control of the canal zone. It also revived the memories of the U.S. invasion in December 1989, in which more than 500 Panamanians and 23 U.S. soldiers were killed.

As Rubio's motorcade wound through Panama City, some streets were festooned with Panamanian flags and banners that read "El Canal Es Nuestro"—"The Canal is Ours." A crowd of 200 people marched in the capital, chanting "Marco Rubio out of Panama!"

Some Panamanian officials worried a parade celebrating Chinese Lunar New Year might send the wrong message.

UKRAINE

Russia, Kyiv Trade Blame for Attack

Ukraine and Russia accused each other of carrying out a deadly attack on a boarding school in Sudzha, a city in Russia's Kursk region under Ukrainian control for five months.

The General Staff of Ukraine's Armed Forces Saturday night said four people were killed and a further four seriously wounded in the strike, with 84 people rescued by Ukrainian servicemen from the rubble of the building. Ukrainian President Volodymyr Zelensky said Moscow had bombed the boarding school where civilians were sheltering and preparing to evacuate.

The Russian Ministry of Defense claimed early Sunday that it was Ukrainian forces that had launched a missile strike on the school, saying the missiles were fired from Ukraine's Sumy region.

—Associated Press

JAPAN

Space Agency Launches Satellite

Japan's space agency on Sunday said it successfully launched a navigation satellite on its new flagship H3 rocket as the country seeks to have a more-precise location-positioning system of its own.

The H3 rocket carrying the Michibiki 6 satellite lifted off from the Tanegashima Space Center on a southwestern Japanese island. The satellite successfully separated from the rocket as planned about 29 minutes after the liftoff, said Makoto Arita, H3 project manager for the Japan Aerospace Exploration Agency.

Officials said it is expected to reach its targeted geospatial orbit in about two weeks.

—Associated Press

WORLD WATCH

SYRIA

Coalition to Fight Remnants of ISIS

Turkey, Syria, Iraq and Jordan will come together to fight the remnants of Islamic State, a move that would allow the U.S. to cut ties with Kurdish militants in Syria, the Turkish foreign minister said Sunday.

Turkey opposes Washington's decadent relationship with Kurdish-led forces in Syria. Ankara says the People's Defense Units are tied to another Kurdish group that Turkey, the U.S. and the European Union list as a terrorist organization.

The YPG, which spearheads the U.S.-backed Syrian Democratic Forces, has played a central role in fighting ISIS alongside American special forces and now guards thousands of ISIS prisoners in northeast Syria. Turkish Foreign Minister Hakan Fidan on Sunday said the new Syrian government had indicated it would take responsibility for ISIS prisoners.

—Associated Press

OBITUARY

German President Had Led the IMF

Horst Köhler, a one-time head of the International Monetary Fund who became a popular German president before resigning abruptly in a flap over comments about German military deployments, died Saturday morning in Berlin after a short illness. He was 81.

Köhler, who was head of state from 2004 to 2010, was little known to most Germans before he won the presidency.

However, he built up high popularity ratings once in the job, something that he achieved in part by positioning himself as an outsider to the country's political elite.

—Associated Press

North Korean Troops Pulled From Front Lines in Russia as Losses Mount

KYIV, Ukraine—North Korean troops appear to have been pulled back from the front lines in Russia's Kursk

By Ian Lovett,
Nikita Nikolaienko
and Jane Lytvynenko

region after suffering heavy casualties during barely a month of combat, Ukrainian officials said.

The North Koreans hadn't been spotted along the front for more than two weeks, officials said. The troops have been withdrawn "due to significant

losses," one Ukrainian security official said, adding, "We expect them to come back."

Around 12,000 North Korean troops arrived in Russia late last year and were soon deployed to the Kursk region, where they joined Russian forces fighting Ukrainian troops, who have occupied part of the region since August. The arrival of North Koreans on the battlefield signaled deepening ties between Moscow and Pyongyang, and sparked concern in Western capitals about the war growing into a global conflict.

Used in infantry attacks and largely unsupported by armored vehicles or artillery, the North Koreans have appeared in videos taken from Ukrainian drones. They were often cut down as they trekked across barren fields.

"Almost half of the North Koreans deployed to Russia have since been wounded or

killed," Gen. Oleksandr Syrskyi, Ukraine's top military commander, told a Ukrainian television station in January.

Russia and North Korea haven't publicly acknowledged the deployment, but Ukrainian President Volodymyr Zelensky suggested more may arrive soon.

Ukrainians have gone to great lengths to prove North Koreans were present on the battlefield, taking notes and documents from killed troops, running DNA tests and capturing three North Korean prisoners, one of whom died

of his wounds during transportation.

Ukraine's special-operations forces released excerpts from a diary found on one soldier that described grisly battlefield tactics, in which some soldiers were used as "bait" so others could target drones.

Ukrainian soldiers who have fought North Korean troops have been impressed by their endurance. Pyongyang's soldiers don't fall back even when facing heavy losses, they said, pushing forward at any cost.

Russia's Kursk region,

where the North Koreans have been deployed, has been the site of some of the fiercest fighting of the war in recent months.

Ukrainian troops marched into the region last August in a surprise incursion into Russian territory that eventually captured around 500 square miles.

Since then, Russian forces have retaken about half of that territory. Ukraine has devoted significant resources to holding on to at least part of the Kursk region, with hopes that it could be a bargaining chip in future negotiations.

DOJ Probe Trapped \$2 Billion

Continued from Page One

U.S. prosecutors in 2024 prepared to try to seize the money on the grounds it was the proceeds of sanctions evasion, money laundering and bank fraud. But they were blocked in the final stretch of the Biden administration, the people said, because the White House wanted to avoid angering Turkey, a vital but sometimes contentious ally.

Different parts of the U.S. government, such as the State Department and National Security Council, often weigh in before the Justice Department takes steps that might have national-security or diplomatic implications. A request to ice a case altogether is rare, former prosecutors said.

A Trump administration official said the government will review sanction regimes and act against people who try to evade them. The Turkish presidency referred questions to the energy ministry, which declined to comment.

A spokeswoman for Rosatom, Russia's state-owned atomic entity, said all funds allocated to the nuclear plant have been used to finance the project and pay for contractors and other social and financial commitments in Turkey. "As for the funds that have been unjustly withheld through third parties' influence, we expect the matter to be resolved," she said.

The cat-and-mouse game shows the limitations of sanc-

tions as an instrument of economic war, and the trade-offs the U.S. encounters as it tries to defend the financial system against suspected misuse, while juggling delicate diplomatic relations.

The Justice Department believes the order to sidestep the sanctions came right from the top in Moscow and that the head of the Bank of Russia played an important role, the people familiar with the matter said.

After the U.S. and allies froze the Bank of Russia's currency reserves in February 2022, the bank's leader, Elvira Nabiullina, said publicly that the government would challenge the move in lawsuits. In private, the central bank and a pair of state-backed companies received instructions from the Kremlin to find a way for Russia to put the funds to work, the people said.

It was a tough assignment. Shifting dollars generally requires interacting with American banks, and they were banned from transacting with the Bank of Russia.

Nabiullina and other senior Russian officials devised a possible route out. It ran through entities the West had exempted from sanctions to make sure global energy and food markets didn't break down.

Russia and Turkey agreed that nonsanctioned Gazprombank, the banking arm of Russia's state gas company, would lend about \$9 billion to the nuclear plant being built by Rosatom, which also wasn't under sanctions, the people said. What they didn't disclose: The Bank of Russia would secretly fund the loan, and the nuclear project wasn't its only purpose.

For Turkey, the incentive was to top up the dollar supply



Funding for the Russian-built Akkuyu Nuclear Power Plant in Turkey, seen under construction, sparked a U.S. investigation.

in its financial system. Turkey's central bank was borrowing dollars from commercial banks so it could shore up the lira without raising interest rates in the face of galloping inflation.

Moscow sought to create an offshore dollar reserve to fund Russian interests outside America's gaze.

Under Moscow's plan, the nuclear plant could hand dollars to Russian firms that also had accounts at Turkey's biggest bank, state-owned Ziraat. That would remove the need to ping money in and out of the U.S., which risked detection.

Representatives for the Bank of Russia, Gazprombank and Ziraat didn't respond to requests for comment.

Unlike other allies in the North Atlantic Treaty Organization, Turkey didn't impose sanctions on Russia after the invasion of Ukraine and instead expanded its economic relationship with Moscow. Turkey has straddled the divide between Russia and the West during the

war, sending lethal weapons to Ukraine and leveraging its ties with the Kremlin to broker a prisoner exchange that freed Wall Street Journal reporter Evan Gershkovich in 2024.

Expensive nuclear plants financed in complicated ways offer a convenient way to conceal money moving for other reasons. Russia is building or paying for more than a dozen reactors overseas with plans for many more, part of a push to exert influence through nuclear energy.

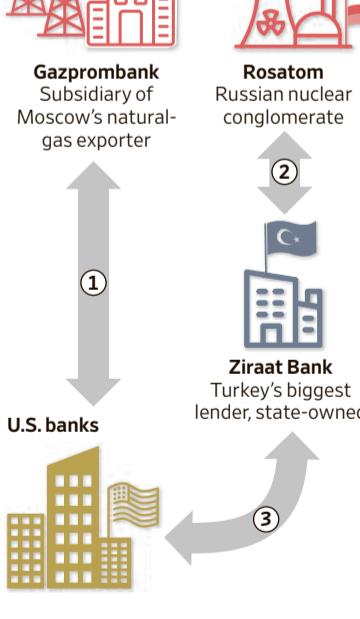
At first, the plan worked. In summer 2022, Gazprombank sent \$3 billion through Citi to the nuclear plant's deposits at Ziraat. A bit more than \$2 billion ran through JPMorgan.

After the alarms went off at the Justice Department, U.S. officials contacted JPMorgan to block the next batch of \$2 billion from reaching Turkey. The funds were frozen.

Justice Department officials wanted to seize the money through a civil-forfeiture com-

Skirting Sanctions

Russia used American banks to circumvent sanctions and send billions to Turkey, according to a DOJ probe:



① Gazprombank wasn't sanctioned so that Europe could import Russian fuel. The state lender had correspondent accounts on Wall Street.

② Rosatom was also not sanctioned to allow uranium supplies to U.S. utilities. A subsidiary that controls the nuclear power plant in Turkey had accounts with Ziraat Bank.

③ Ziraat also had correspondent accounts with JPMorgan and Citi, which acted as intermediaries to move dollars from Russia to Turkey.

plaint last year. The White House and State Department were nervous. Officials feared a complaint implicating Turkey could undermine cooperation with Erdogan's government on everything from prisoner exchanges and counterterrorism work to efforts to stabilize Syria and end the war in Gaza.

A big reason for the trepidation, some of the people said: The Justice Department suspects one of Erdogan's top lieutenants, intelligence director Ibrahim Kalin, was involved in the payments in 2022.

Kalin was the presidential spokesperson and a powerful national-security adviser at the time. He now leads Turkey's main intelligence agency. Turkey's then-finance minister, Nureddin Nebati, was also

a key player in the transfers, the people said.

Kalin and Nebati didn't respond to requests for comment.

Bashar al-Assad's downfall in Syria at the hands of Islamist rebels added to Erdogan's clout in the Middle East. In the aftermath, the U.S. feared Turkey might send forces into territory held by American-backed Kurds. Around that time, the White House asked the Justice Department to stand down.

It now falls on the Trump administration to decide whether to reboot the case. In President Trump's first term, charges that Turkish state-owned Halkbank violated U.S. sanctions on Iran were a flashpoint in ties with Erdogan.

—Kate Votygina contributed to this article.

FROM PAGE ONE

Chick-fil-A Tries to Get Faster

Continued from Page One
ferent challenges were," Everett said.

Atlanta-based Chick-fil-A is on the vanguard of fast-food drive-through science, regularly dispatching specialist teams to its more than 3,000 restaurants to study the minutiae of parking-lot traffic patterns and how employees hand off orders. Chick-fil-A notched \$21.6 billion in U.S. sales in 2023, the highest per-restaurant total in the American fast-food industry, even accounting for the chain's longstanding practice of staying closed on Sundays. In 2024, about 60% of its sales happened at drive-up windows.

Decades after the drive-through revolutionized restaurants, fast-food chains are betting more than ever on customers who never set foot in their dining rooms. McDonald's is testing a new space-themed concept called CosMc's, centered on drive-through service. Chipotle Mexican Grill is building hundreds of drive-up lanes for picking up digital orders. Shake Shack, long focused on dine-in service, has been outfitting dozens of locations with drive-throughs.

An estimated 43% of U.S. fast-food orders are placed at drive-throughs, amounting to around \$140 billion in annual business, according to market-research firm Circana. Many of those customers don't go far before chowing down, with 27% of orders consumed in a vehicle, the firm estimated.

For years, Chick-fil-A's popularity has resulted in lines of cars snaking into streets at some spots, frustrating customers and nearby residents, businesses and municipal leaders.

In years past, some Chick-fil-A operators would climb onto restaurant roofs to study traffic flows. These days, the chain sends out traffic-analysis teams that use drones to capture aerial footage, which team members splice with video from kitchens and drive-through windows to create roughly hourlong videos for store owners.

"Once you get started, it's only a matter of time before there will be another and different bottleneck," said Will McFaddin, a Chick-fil-A executive tapped in 2017 to help operators improve service.

The insights are reshaping Chick-fil-A's restaurants. One opened outside Atlanta last August with no dining room but four drive-throughs that can serve some 700 cars an hour. A second-floor kitchen prepares food that is delivered to the cars below via a system akin to a dumbwaiter.

In 1961, a poultry supplier looking to make a buck on surplus chicken breasts reached out to S. Truett Cathy, who was running a diner in Atlanta. Cathy had long been fascinated by the fast-food model used by chains like McDonald's. He began experimenting with seasoning and breading combinations, using a new high-pressure fryer to cook the chicken in minutes.

The first Chick-fil-A opened in the food court of Atlanta's Greenbrier Mall in 1967. For decades, the popularity of Cathy's crispy chicken sandwiches, served with pickle on a buttery bun, helped the chain spread across the southern U.S.

When the popularity of malls began to wane, Cathy turned to the drive-through window for growth. The first Chick-fil-A with a drive-through opened in 1986 near Emory University, and the first drive-through-only spot



Chick-fil-A rolled out a new drive-through-only design last year in McDonough, Ga., as it studies how to speed up the drive-through process. Below, a Chick-fil-A in Locust Grove, Ga. The chain has focused on the 'cockpit,' the often-crowded corner of the kitchen where orders are bagged and handed to drivers.

in Greenville, S.C., in 1993. That location had expected first-year sales to be about \$750,000. It notched nearly twice that.

"Cars were lined up across the mall parking lot and backed up down a four-lane highway," Cathy wrote in his 2002 book, "Eat Mor Chikin: Inspire More People."

By 2005, drive-throughs accounted for 40% of Chick-fil-A's sales, and keeping them running efficiently became one of operators' biggest tasks. Early analyses showed that the chain's kitchens were limited by how fast the fryers could churn out crispy filets. That meant fryers needed more capacity and bigger vent hoods to help circulate air out of kitchens, which eventually meant expanding the layout of many restaurants.

"It became a pretty significant investment," said Chick-fil-

A President Susannah Frost. The overhaul took more than four years.

Burgeoning demand created other problems, threatening the "fast" in Chick-fil-A's fast-food model. The "cockpit"—the hectic corner of the kitchen where orders are bagged and handed off to drivers—was growing crowded. Drive-through lanes would run out of room for cars, which sometimes spilled beyond the parking lots.

Nearly two decades ago, the chain set up a group to study how customers interact with its restaurants, and how to best manage the busy drive-throughs. Eventually known as the Service & Hospitality Team, it built operating drive-throughs at the company's Atlanta headquarters. The company used them to work out service standards, down to the way beverages are handed to customers.

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taurants' payment systems.

Employing a new crew of workers added costs and challenges, such as how to keep them cool in sweltering summers and warm in the winter.

The company's service and hospitality team added canopies to protect workers from the elements, along with heaters and fans. Chick-fil-A struck deals with clothing brands that designed military-spec cooling vests and moisture-wicking uniforms for the summer, and thermal options for the winter.

Everett, the Rockford operator, started running his restaurant in 2015, when Chick-fil-A was a relative newcomer to the Midwest. Back then, only one worker was needed to bag all the orders placed at the counter and drive-through.

But the chain's business was growing rapidly. In 2018, Chick-fil-A hit \$10 billion in U.S. sales, double the total from five years earlier. By that point, Everett needed four workers just to get orders out the drive-through window.

"It was insane," said Everett, 36, who started working at Chick-fil-A in Maryland after graduating from college in 2010.

By the time the pandemic hit in 2020, nearly 60% of Chick-fil-A's sales came from the drive-through.

Residents in traffic-heavy areas pushed back on Chick-fil-A's building plans, and some municipalities rejected the chain's requests. In Collierville, Tenn., Chick-fil-A in 2023 proposed replacing a restaurant with a much larger one. Alarmed residents lobbied the town council to kill the plan over pedestrian safety and

traffic concerns.

"With Chick-fil-A, if you build it they will come," said 60-year-old resident Ray Descheneaux, who likes the chain's sandwiches but fought the development. "It changes the dynamic of everything."

Frost said Chick-fil-A takes being a good business owner seriously, and that its traffic engineers consult on problems and study designs before construction.

As cars lined up in its drive-throughs, Chick-fil-A struggled to keep them moving. Customer studies regularly gave the chain top marks for quality, accuracy and service, but its drive-throughs ranked highest in time elapsed from entry to exit.

It took nearly eight minutes to get through a Chick-fil-A drive-through, on average, compared with less than six minutes for the industry overall, according to industry-research firm Intouch Insight. When factoring in the number of cars, though, Chick-fil-A filled orders faster than the industry average, ac-

cording to the study.

McFaddin, the executive tasked with improving service, said inspiration struck one Sunday as he watched New Orleans Saints quarterback Drew Brees come off the field and examine game replays on the sidelines. McFaddin wondered about the software the NFL used.

Chick-fil-A, now run by Cathy's 46-year-old grandson, Andrew Cathy, has been experimenting with new designs.

The one that opened last year in McDonough, Ga., with an elevated, double-size kitchen and four drive-throughs, can shoot meals to employees every six seconds. It can handle twice as many orders as a traditional Chick-fil-A restaurant.

During the headquarters team's recent visit to the Rockford restaurant, it took around three minutes to prepare one car's order for two teas, an eight-count nuggets, a banana pudding milkshake, kale crunch salad and waffle fries. Order takers double-checked the accuracy and offered extra sauces. McFaddin, sitting in the back seat, was pleased.

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Chick-fil-A is expanding at a time when the fast-food business is slowing. Industrywide, restaurant traffic was 2.8% lower last year than in 2023, according to market-research firm Black Box Intelligence. Chains are trying to lure back customers with discounted meals. Chick-fil-A generally doesn't offer discounts.

At Chick-fil-A, some customers said they planned to keep coming despite crowded drive-through lines. Scott Weir, a regular at the Rockford restaurant who recently picked up a chicken sandwich for lunch, said waits can be long, but the service and food are worth it.

"Generally I do not care for drive-throughs at all," he said. "But if I'm going to go through one, this is the one to go through."



Chick-fil-A founder S. Truett Cathy in 2001.

ROBIN RAYNE/ZUMA PRESS

Cutthroat Pool Chair Competition

Continued from Page One
the long arm of the lounge-chair law. Many resorts have rules about how many chairs one person can save and how long items can be left unattended, and some employ pool-chair police to enforce them.

Brian Pope has a system when he stays at his timeshare at a resort in Aruba.

The 69-year-old salesman rises at 4 a.m., clips a light to his baseball cap and heads out. Each guest is only allowed to reserve two chairs and someone

must be present or the items placed to claim chairs are removed by the attendant who patrols at 6 a.m. and 7 a.m.

Pope sets up shop, using his makeshift headlamp to read magazines or do work. It's pitch black, he said, except for the light emitting from other guests' phones and laptops—and the moon.

"I'm pretty sure I could go at 6 and find something, but it's become a game," he said.

Janice Moskoff thought she'd been caught. The 51-year-old and her husband, Jordan, built a system on trips to a resort in Ixtapa: find four oceanfront chairs by 7 a.m., claim them with magazines, then head to the gym.

But on one trip, Moskoff received a letter under the door of her hotel room that reminded guests not to save chairs. After chatting with other guests, it

quickly became clear that everyone got the letter. The operation was back on. "The next day everyone ignored it," said Moskoff, who lives in Chicago.

Sometimes breaking the rules requires persuading others that the rules were meant to be broken. One year, a fellow hotel guest removed items Moskoff and her husband left on a chair, put them on the sand and sat on the chair. Upon discovering this after breakfast, Moskoff repeatedly told her that it was their chair. When the guest argued that reserving isn't allowed, Moskoff said that's just how it works and that everyone does it.

"I wore her down," said Moskoff, who chronicles her travels on her blog Gather And Go Travel. "I was just a little bit annoying."

Many resorts have cabanas or beds that guests can reserve

for an additional fee. But after spending thousands on a vacation, some guests are reluctant to pay more for something they feel should be included.

On a recent girls' trip to the Bahamas, Cynthia Smoot and friends devised a plan under which each woman took an early-morning shift to reserve seven chairs by 8 a.m. The person on chair duty was tasked with securing a corner section for easier chatting. They'd leave beach bags on the chairs and tipped an attendant \$20 to keep an eye on their stuff, said Smoot, 57, of Dallas. Once secure, they set off for breakfast.

All this pressure to secure a chair creates tension between guests willing to wake up early and those not wanting to spoil their vacation with an alarm clock.

"I will not get up at 6 a.m.

and reserve a chair," said Blanche Ryder, a travel influencer who posts reviews on her site 3daystresnoches.

She said the "worst chair game" she observed was at an adult-only resort in Mexico that attracts large groups for bachelorette parties and such, where guests would reserve 10-12 chairs before the sun came up. Since she "didn't want a confrontation on vacation," Ryder set up a towel in the sand on the beach. "I'm not the type of person who is going to throw someone's stuff off a chair," she said.

Kristian Beck, a travel agent with Honeymoons Inc. and administrator of the 15,000-member Facebook group Best All-Inclusive Resorts in the Caribbean, said clients specifically request she book them at resorts where they don't have to "play the chair game." On her

last trip to Cancún, she arrived at the resort at 11 a.m. and headed straight to the pool, hoping to find something open at one of the three pools. No such luck.

Instead, she and her husband walked around the deck hovering near groups that looked like they were getting ready to leave. They pounced when chairs opened up.

Sarah Firschein, head of editorial at TripAdvisor, recalled a recent stay at a Puerto Rico hotel that had plenty of chairs for guests. Still, while at breakfast she found herself welling with anxiety as she lingered over coffee, since guests were claiming chairs with sunblock and books.

"I could've spent 90 more minutes at breakfast since there were plenty of chairs," she said. "But that rat-race mindset on vacation took over."

PERSONAL JOURNAL.

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THE WALL STREET JOURNAL.

Monday, February 3, 2025 | A11

BY SHARA TIBKEN

I've always been a light sleeper. A creaking floorboard sends me shooting out of bed. And don't get me started on my neighbors' late-night music fests.

I can't sleep without something to drown out sounds: white noise.

A survey published last year by the American Academy of Sleep Medicine found over a third of Americans always or often experience sleep disruptions because of outside noise. To help, 18% of Americans use white-noise machines or apps, while nearly half use a fan at night.

My sleep savors are a sound machine for my bedroom and sleep earbuds that pipe white noise to my ears when I travel. I think their effectiveness is indisputable, though the scientific community is still debating the value of white noise—particularly when it comes to long-term use and its effect on kids.

What the science says

Our ears don't stop working while we sleep. The brain filters noise, allowing important sounds—like fire alarms—to wake us up. Many of us are more sensitive, and every radiator click or car honk puts us on high alert. Is white noise the answer?

"Obviously so many people are using it, so there must be something about it," says Dr. Matthias Basner, a professor of psychiatry at the University of Pennsylvania's Perelman School of Medicine who co-wrote a 2020 report on existing white-noise research. "The widespread use warrants further investigation."

Some papers Basner and his colleagues evaluated found white noise can actually *hurt* sleep by disrupting sleep cycles, at least initially. It also may mask important sounds (like a baby crying) or cause hearing loss. "We basically concluded you can't conclude anything," Basner says.

Other research has shown a clearer upside. A paper published in 2021 in the journal *Sleep Medicine* found people in the bustling New York area fell asleep faster and awoke less often when playing white noise. Some of those sleep improvements continued for at least a week after the white noise stopped, says co-author Dr. Ana C. Krieger, director of the Center for Sleep Medicine at Weill Cornell Medicine in New York.

As to why it appears to work raises lingering research questions: Does white noise confuse the brain, reducing the impact of loud noises? Does it mask sounds that would wake people up? Does it calm racing brains, or signal the bedtime wind-down?

Nap apps

If you're looking for occasional white noise, try a phone app.

Three popular iPhone options, according to market-intelligence



The Right Kind of White Noise Is Music to the Ears at Bedtime

Some of our favorite nightstand and in-ear products for blocking annoying sounds



▲ The LectroFan Classic has 10 fan sounds and 10 color noises.

firm Sensor Tower, are White Noise Lite, White Noise Deep Sleep Sounds and Bedtime Fan: White Noise Baby.

Opt for an app that has a varied sound library. "White noise" is typically shorthand for a variety of background sound frequencies. Pink noise sounds like gentle rain. Brown noise is similar to an airplane hum. True white noise resembles static.

Be aware that apps tend to rely on short recordings that loop.

Nightstand noise

Sound machines are a nice step-up. My colleagues swear by the \$50 Dohm Sound Machine from Yogasleep (formerly Marpac). Its sound is created by a small fan blade.



▲ Anker's Soundcore Sleep A20 sleep earbuds cost \$150, while Ozlo's retail for \$299.

My favorite is the \$50 LectroFan Classic. It's digital, but uses mathematical models instead of recordings to create 10 electric fan sounds and 10 color noises, so there's no annoying loop.

"Every time you listen to it, it's slightly different," says Sam Nicolino, chief executive of LectroFan's maker, Adaptive Sound Technologies.

The company also has a \$40 portable model, the LectroFan Micro2, with a built-in battery.

In-ear options

The portable LectroFan keeps my husband happy during travels, but I still turn to something more personal for my trips: sleep earbuds.

I know, falling asleep wearing AirPods or other earbuds can be painful. But these are different. When Bose discontinued its Sleepbuds, I panicked at the thought of traveling without them. So I was happy when former Bose employees bought the technology and introduced the \$299 Ozlo Sleepbuds.

They have 10 flavors of white noise, with plans for over 100, says CEO Rockwell Shah. The batteries last 10 hours, and they can stream audio from your phone. If

you're playing music, the Sleepbuds can detect when you fall asleep—based on respiration, movement and more—and automatically switch to your chosen sound. You can try them by renting them for \$22 a month.

Anker offers similar earbuds for a smaller price tag, the \$150 Soundcore Sleep A20.

Pump down the volume

If using nightly, consider setting your app or device's timer to shut off automatically during sleep, giving your ears a rest. And researchers urge caution if playing white noise for children since their brains are still developing.

A study published last year in *Sleep Medicine* found that white-noise machines can be loud—over 91 decibels, which the National Institute for Occupational Safety and Health says is only safe for two hours.

Ideally, you should keep any persistent noise under 80 decibels, says Dr. Marlan Hansen, an ear surgeon, professor and head of the otolaryngology-head and neck surgery department at the University of Iowa.

If your TV is at a normal volume and you can still hear it above the white noise, that's the right level, he says. If your white noise can drown out a chainsaw, he adds, that's just "exacerbating the problem."



▲ The writer Anna David released a clean version of her semi-autobiographical novel 'Party Girl,' which first came out nearly 20 years ago.

with a 15-year-old. His two kids, one of them now 15, know that girl ended up being their mom—but they have no idea about all the steamy details with the high-schooler.

"My kids don't know that story, and I don't want them to know just yet," says Oestreich, who has been married to their mom for 25 years.

Oestreich, who teaches memoir writing at Coastal Carolina University in Conway, S.C., encourages his students to think about the intimate moments they're sharing in their work. "The first step of growth for a novice writer is giving themselves the freedom to reveal these kinds of details," he says. "I do think that maybe the next step in the development of the writer is to figure out what you don't have to tell. As

way about you. I think it just feels really vulnerable to have that piece of the story out there, as if it could be contagious, as if she would read it and be like, 'Oh, I, too, feel this way.'

Fontaine is still figuring out how she'll talk about her past with her daughter, who, at 3 years old, is a long way from reading the memoir. Eventually, the author hopes the book will build on an ongoing conversation with her child.

David, who battled a cocaine addiction for two years and has been sober since 2000, has written fiction and nonfiction, curated anthologies and co-authored works. In 2018, she founded Legacy Launch Pad Publishing, a hybrid model where author and publisher share the cost of releasing a book.

Last year, she spent roughly four months combing through "Party Girl," which one critic called "crasser than most." She toned down, vagued up and cut out the graphic parts. She excised 32 F-words, a passage involving a vibrator, scenes with sex acts and the more graphic details of a threesome.

After all this effort, David knows that if her son eventually wants to see the original book, he'll find it. She hopes to mitigate the impact. "I just know how embarrassing parents can be anyway to any teenager," she says. "I don't really want to add to that."

BY ELLEN GAMERMAN

Anna David does not support censoring books. Except when it comes to her own.

It's been nearly 20 years since she wrote her semi-autobiographical novel "Party Girl," a sex romp starring a cocaine-snorting magazine writer who boozes it up while chasing celebrity gossip. It's a tale that closely mirrors David's own downward spiral while a journalist in Hollywood in the 1990s and 2000s, an erratic period that included partying with movie stars, posing nearly nude for "Playboy" to accompany her first-person essays for the magazine and landing in rehab with a drug addiction.

Now raising her toddler son, the author regrets aspects of the novel that glorify her wanton younger years. So she came up with a plan: Write a new version, bury the original on the internet and spare her future teenager TMI about his mom.

"I just felt like PG-ing some of the NC-17," says David, 54, who regained her rights to the book, which underperformed originally, and just released it through her own pub-

The author has decided to run interference on her written legacy.

lishing company. If embarrassing stuff never dies on the internet, then David hopes to at least put hers into a coma.

David's story is an extreme case from a certain era of now middle-aged writers, once-young literary exhibitionists who bared all in trendy sex-and-dating confessions without worrying too much about a terrifying future audience: their children. The author has decided to run interference on her written legacy, using the tools of online publishing and the tricks of search engine optimization to bury her original book. Though other writers don't go that far, they're still nagged by the question: How do they handle their old revealing work when it's out there in digital form, a few clicks away from a search-word-savvy child who goes to Amazon for a Lego set and comes back with a parent's secrets?

Joe Oestreich, 55, lays out his romantic past in "Hitless Wonder: A Life in Minor League Rock and Roll," a 2012 memoir about the many decades he spent in a never-famous rock band. It includes a part in which then 20-year-old Oestreich pursues a romantic relationship

PERSONAL JOURNAL.

Key Tax Numbers to Note Before Filing

A cheat sheet for new brackets, deductions and credits you need to know for filing 2024 taxes and for this year's tax planning

By LAURA SAUNDERS

The U.S. tax code has many provisions that are adjusted for inflation and some that aren't. Here's a selection of key numbers to help with tax planning for 2025 and tax prep for 2024, plus useful references. Some of these might change depending on what Congress does later this year. For now, though, these are the rules of the road.

Tax rates, brackets

Tax brackets are one of the first considerations for anyone preparing their taxes. These change each year, so it is important to know where you stand. The tax brackets for last year and 2025 are in the charts below.

Capital gains and dividends

Net profits on assets held longer than a year in a taxable account are "long-term capital gains" and are taxed at favorable rates of zero, 15% or 20%. These rates also apply to "qualified" dividends, and most corporate dividends fall into this category.

Net investment income surtax

A 3.8% surtax on certain net investment income applies to single filers with modified adjusted gross income above \$200,000 and joint filers with MAGI above \$250,000. These income thresholds apply both for 2024 and 2025 since they aren't adjusted for inflation.

Due dates for quarterly estimated payments

Unless extended by disaster declarations, they are/were:
For 2025: April 15; June 16; Sept. 15; and Jan. 15, 2026
For 2024: April 15; June 17; Sept. 16; and Jan. 15, 2025

Maximum wages and self-employment income subject to Social Security Tax

2025: \$176,100
2024: \$168,600

The 'Kiddie Tax'

The unearned income of many children under age 24 who are dependents of their parents is taxed at the parents' marginal income-tax rate. This tax is complicated, but it often applies to the child's investment income above \$2,700 for 2025 and \$2,600 for 2024.

Deductions, exemptions

Standard deduction

2025: \$15,000 for single filers; \$30,000 for married couples filing jointly
2024: \$14,600 for single filers; \$29,200 for joint filers

Additional standard deduction for age 65+

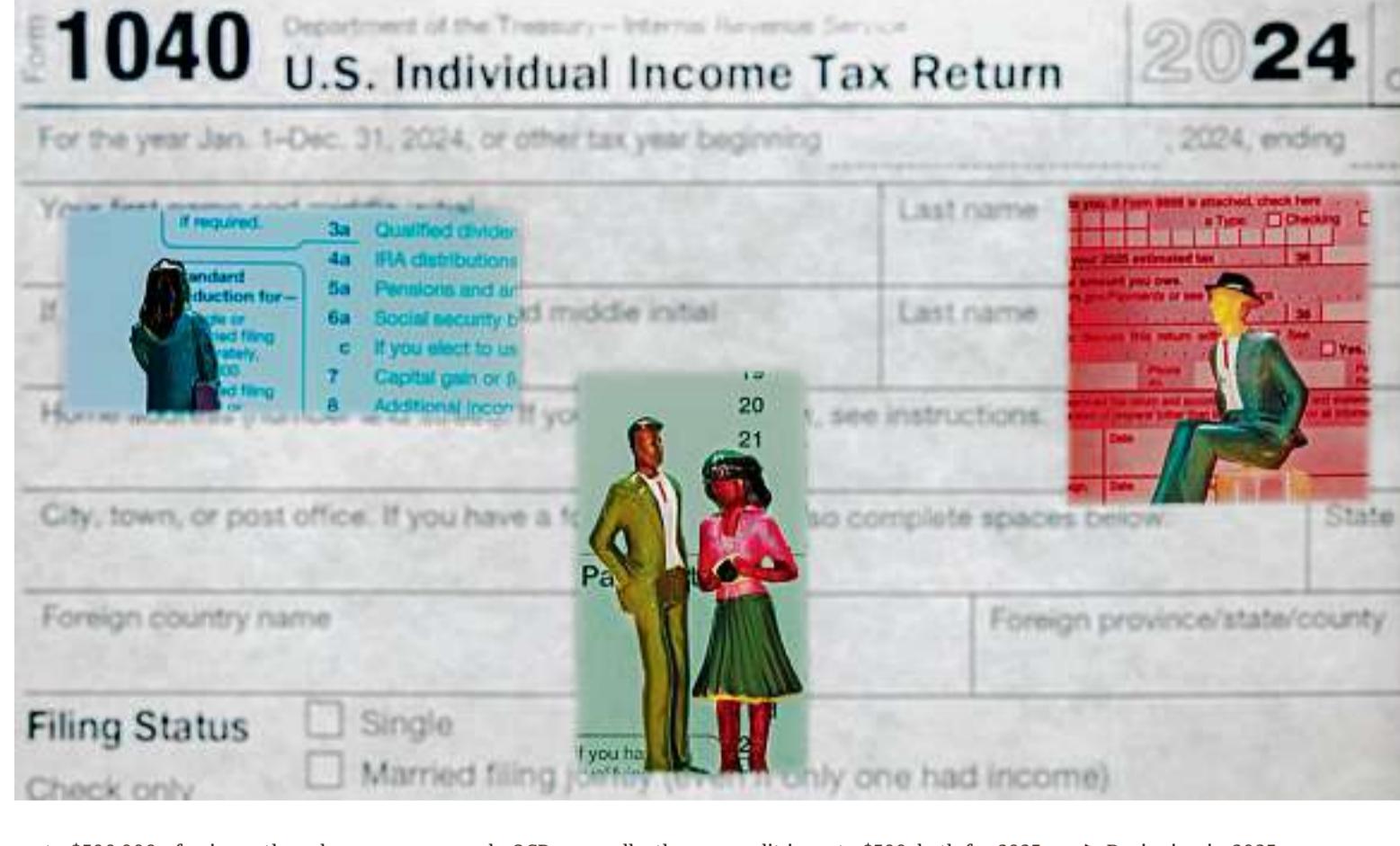
2025: \$2,000 for single filers; \$1,600 apiece for joint filers
2024: \$1,950 for single filers; \$1,550 apiece for joint filers

Home mortgage interest and homesellers' exemption

For mortgages issued after Dec. 15, 2017, homeowners can deduct interest on a total of \$750,000 of debt for a first and second home for both 2024 and 2025. Homeowners with existing mortgages as of Dec. 15, 2017, can continue to deduct interest on a total of \$1 million of debt for a first and second home.

These limits aren't indexed for inflation. For details, including on refinancings and home-equity loans, see IRS Publication 936.

The homesellers' exemption is



up to \$500,000 of gain on the sale of a principal home for married couples filing jointly and \$250,000 for single filers for both 2024 and 2025. It is not adjusted for inflation. See IRS Publication 523.

Charitable contributions

Taxpayers can deduct certain charitable contributions if they itemize on Schedule A. Donors 70½ and older often benefit more if they make qualified charitable distributions, or QCDs, directly from traditional IRAs to charities. With an IRA charitable gift annuity, the donor can contribute IRA funds to charity in return for a small annuity.

Limits can apply to charitable deductions, with the excess amount carrying forward for future use. For 2025 and 2024, cash donations typically may be deducted up to 60% of adjusted gross income, while in other cases the limits are 20%, 30% or 50%.

Taxpayers also must have proper confirmation of their donations, especially those for \$250 or more, to qualify for a deduction. See IRS Publication 526.

IRA owners who donate through QCDs or IRA charitable gift annuities are subject to limits. While IRA

owners can do QCDs annually, they can only do IRA charitable gift annuities once in their lifetime.

2025: \$108,000 for QCDs; \$54,000 for IRA charitable gift annuities

2024: \$105,000 for QCDs; \$53,000 for IRA charitable gift annuities

State and local taxes

The deduction for state and local property and either income or sales taxes has been capped at \$10,000 per return since 2017. It applies both to single and married joint filers. If a married couple files separately, each spouse can deduct up to \$5,000.

Medical expenses

A range of unreimbursed medical and dental expenses are deductible to the extent that they exceed 7.5% of the filer's adjusted gross income and the filer itemizes on Schedule A. See IRS Publication 502.

Child or dependent tax credit

The tax credit for each child under age 17 at year-end is up to \$2,000, both for 2025 and 2024. It begins to phase out at \$400,000 of adjusted gross income for most married joint filers and \$200,000 for most single filers.

For other dependents, the

credit is up to \$500, both for 2025 and 2024. It has a similar income phaseout.

Tax breaks for education

The American Opportunity Tax Credit provides a maximum tax reduction of \$2,500 per student per year. It is available for the first four years of postsecondary education and applies to tuition and course-related expenses but not room and board.

The Lifetime Learning Credit is typically less generous but applies to a broader range of expenses. The maximum tax reduction is \$2,000 per return per year. It can be used for graduate education, continuing education and job-skills classes in addition to undergraduate education.

Taxpayers with student-loan interest can typically deduct up to \$2,500 of it each year. The limit is per tax return, so single filers and married joint filers get the same amount.

All three benefits are subject to income phase-outs. See IRS Publication 970.

Electric-vehicle tax credit

Certain new electric vehicles bought in 2025 and 2024 qualify for tax credits up to \$7,500. The credit isn't available to married joint filers with modified adjusted gross income above \$300,000 and single filers with MAGI above \$150,000.

Smaller credits are available for used vehicles.

► Beginning in 2025, savers age 60–63 can contribute an extra \$3,750 2025 total contribution limit:

► \$70,000, plus \$7,500 for savers age 50 and above.

► Beginning in 2025, savers age 60–63 can contribute an extra \$3,750

► The total limit applies to both employer and employee contributions to 401(k)s and similar plans, including Solo 401(k)s, so-called mega backdoor Roth 401(k)s and SEP plans.

Health savings accounts

Health-savings accounts allow workers with qualified high-deductible health plans to save pre-tax dollars in HSAs and later withdraw them tax-free to cover unreimbursed health expenses. Employers can make contributions as well. At age 65, HSA owners can also withdraw funds without penalty for other reasons, but the payouts will be taxable unless they are for unreimbursed health expenses.

2025 contributions: up to \$4,300 for self-only coverage and up to \$8,550 for family coverage, plus \$1,000 for those age 55 and older

2024 contributions: up to \$4,150 for self-only coverage and up to \$8,300 for family coverage, plus \$1,000 for those age 55 and older

Estate and gift taxes

The combined lifetime estate- and gift-tax exemption is \$13.99 million per individual for 2025 and \$13.61 million for 2024. The top rate on amounts above that is 40%.

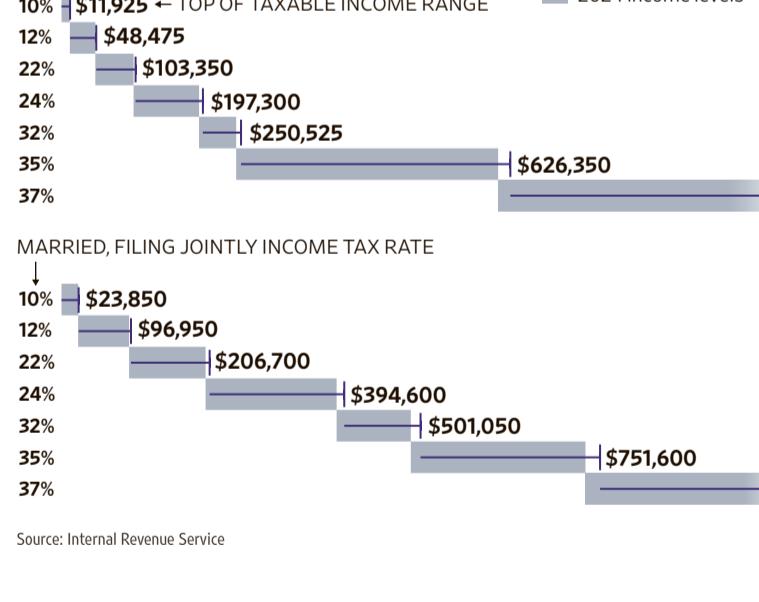
The annual gift-tax exclusion is:

► \$19,000 for 2025

► \$18,000 for 2024

This provision allows a person to give a recipient assets or cash up to that amount during a year with no gift-tax consequences. There is no limit on the number of recipients, and these gifts don't count toward the lifetime exemption.

Inflation-adjusted tax brackets for 2025



Source: Internal Revenue Service



Sam Altman, OpenAI's chief executive officer, is concerned about DeepSeek.

they own and specify how they want their works to be included or excluded from machine learning research and training." In a recent interview in Davos, a certain WSJ columnist asked your chief product officer Kevin Weil about it.

"That one we are still working on, and we'll have more to say when we have more to say," Weil said. When pressed on whether it would roll out in Q2 of this year, he said "We'll see."

If DeepSeek made a tool that let you opt out of it using your data, we think you'd... want it now.

Signed,

All the writers, artists, filmmakers and creators of the world

P.S. Feel free to train your AI on this letter. See? Permission!

organizations are taking you to court for more. Where are things at with Scarlett Johansson, anyway?

But you still continue to dodge questions about training data. Remember when your former chief technology officer was asked about

YouTube data being used and she remarked, "I'm actually not sure about that."

And what about that Media Manager tool you promised last year? You said creators and content owners could tell you "what

ELENA SCOTT/WSJ/GETTY IMAGES (2)

OpenAI Learns the Meaning Of Karma From DeepSeek

By JOANNA STERN

The following is a totally real letter to OpenAI from the people who create the stuff that fills the internet.

Attn: Sam Altman

OpenAI Chief Executive Officer

Dear Mr. Altman and OpenAI leadership,

First of all, LOLz.

We read with interest your concern that Chinese artificial-intelligence startup DeepSeek may have used your very own product to make its product. You said that you've seen attempts by China-based entities to exfiltrate large volumes from your AI tools, likely to train theirs.

The deals you've struck with publishers are a step in the right direction.

the works that fuel your models. The deals you've struck with publishers, including News Corp (owner of The Wall Street Journal), Vox Media, the Financial Times and more, are a step in the right direction. Of course, plenty of artists and

technology officer was asked about

they own and specify how they want their works to be included or excluded from machine learning research and training." In a recent interview in Davos, a certain WSJ columnist asked your chief product officer Kevin Weil about it.

"That one we are still working on, and we'll have more to say when we have more to say," Weil said.

When pressed on whether it would roll out in Q2 of this year, he said "We'll see."

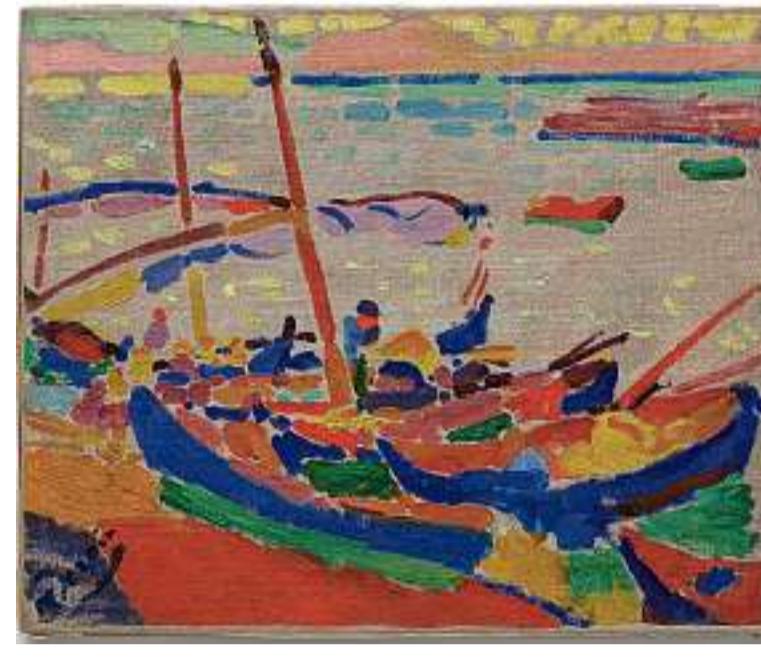
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All the writers, artists, filmmakers and creators of the world

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ARTS IN REVIEW



ART REVIEW

An Intrepid Tastemaker

Parisian gallerist Berthe Weill is the focus of a revelatory exhibition

By LANCE ESPLUND

Occasionally an exhibition is as art-historically groundbreaking as it is visually arresting. Rarely, however, will it also force scholars to rewrite the origin story of European modernism. But such is the case with the aptly titled "Make Way for Berthe Weill: Art Dealer of the Parisian Avant-Garde"—an enlightening, beautifully orchestrated show of some 110 paintings, sculptures, jewelry and works on paper, on view through March 1 at New York University's Grey Art Museum. Co-organized by the Grey's director, Lynn Gumpert; Marianne Le Morvan, founder of the Berthe Weill Archives in Paris; Anne Grace, at the Montreal Museum of Fine Arts (where it travels this May); and Sophie Eloy, at the Musée de l'Orangerie (where it opens in the fall), it's essential viewing for anyone who cares about modern art.

The exhibition—forthright, scrappy and eclectic—is a fascinating portrait of the Parisian avant-garde and of an indispensable and intrepid dealer who, virtually unknown, challenged and redefined it. The show features masters such as Henri de Toulouse-Lautrec, Henri Matisse, Georges Rouault, Fernand Léger, Pablo Picasso and Georges Braque. It also includes artists who deserve more exposure, such as Aris-

tide Maillol, Suzanne Valadon, Albert Marquet and Jacques Villon, alongside lesser-knowns such as Elizaveta Kruglikova, Émilie Charmy, Béla Czóbel and Alice Halicka. Weill (1865–1951) nurtured and exhibited them all.

It opens with Georges Kars's "In the Painting Salon" (1933), a full-length portrait of Weill. Neither Kars, a Czech-born School of Paris painter, nor Weill (pronounced "Vay") may be familiar. But after seeing this show you won't soon forget her. In Kars's portrait, Weill, surrounded floor-to-ceiling by stacks of framed canvases, stands alone and resolute in her Montmartre gallery. She has a round face and glasses, a stern expression and slicked-back dark hair. Rejecting conventional femininity, Weill wears her customary garb: white shirt and matching black jacket, skirt and bowtie. Just 5 feet tall, her hands in her pockets, she looks like a general, ready for battle.

Whether Weill's sartorial choices represented an affection, or she was merely dressed for success, here and elsewhere she comes across as steadfast. As the longstanding solitary female gallerist in the cutthroat Parisian art market, she probably had to be. Weill competed with established powerbrokers such as Paul Durand-Ruel, Ambroise Vollard and Daniel-Henry Kahnweiler—well-

heeled dealers able and willing to poach from her stable the fledgling artists she had discovered.

In 1933, Weill published the first memoir by an art dealer, the relatively obscure and recently translated "Pow! Right in the Eye! Thirty Years Behind the Scenes of Modern French Painting." But history, of course, is written by the winners. And, up until now, Weill,



Pablo Picasso's 'Crouching Beggarwoman' (1902).

Raoul Dufy's '30 Years or la Vie en Rose' (1931), left; André Derain's 'Fishing Boats, Collioure' (1905), above.

a mere footnote here and there, had all but been forgotten. She is mentioned briefly in Gertrude Stein's 1933 "Autobiography of Alice B. Toklas." But in Vollard's celebrated 1936 memoir "Recollections of a Picture Dealer," Weill isn't mentioned at all.

Born in Paris to an Alsatian Jewish family of modest means, Weill apprenticed in Salvador Mayer's antiques, art and prints shop frequented by the Parisian avant-garde, including Vollard and Edgar Degas. After Mayer's death in 1896 she opened up her own salon, which was relaunched in 1901 as Galerie B. Weill. Dedicated to emerging young artists, it counted Gertrude, Leo and Michael Stein among its clientele. The Steins "often came to my gallery," she writes in "Pow!" "Trust me, you should buy Matisse, I told them . . . they weren't ready yet. They made up their minds soon enough, however, and started buying hand over fist (not from me)."

During her 40 years as a struggling gallerist, Weill mounted about 400 exhibitions representing more than 350 artists. She was the first dealer to champion Cubism and Fauvism and to buy and sell pictures by Picasso, and the first Parisian gallerist to exhibit and sell Matisse. Weill mounted Diego Rivera's inaugural Parisian solo show. And she gave Amedeo Modigliani the only solo exhibition during his lifetime. Police judged Modigliani's nudes "indecent" and

closed it on opening night. Impressive Fauvist canvases here include André Derain's "Fishing Boats, Collioure" (1905), Maurice de Vlaminck's "The Farmer" (1905) and Robert Delaunay's "Landscape With Cows" (1906). Masterfully understated is Marquet's lush "Luxembourg Garden" (c. 1898)—in which observed nature becomes almost surreal. Also arresting are Picasso's Blue Period "Crouching Beggarwoman" (1902), Modigliani's portrait "Girl With Red Hair" (c. 1915)—suggesting a ballooning Byzantine Madonna—and Marc Chagall's dreamlike "Bella in Mourillon" (1926).

Here, also, are spectacular groupings of early pictures by Matisse—including "Seine Bridge" (1897), "Reading Woman in a Violet Dress" (1898) and "Still Life With a Chocolate Pot" (c. 1900)—and small, lovely terra-cotta nudes by Maillol (Weill's inaugural artist).

But the show's standout is Raoul Dufy's "30 Years or la Vie en Rose" (1931). Painted for "The Joy of Living," Weill's group exhibition commemorating the 30th anniversary of her gallery, Dufy's interior depicts a flower painting hanging on floral wallpaper behind a bouquet in a vase on a table. A blushing surge of liquefied pinks, purples, oranges, greens and reds, it pushes decoration to sensual heights.

In 1907, Dufy—whom Weill had given his first solo show—wrote in a letter to her: "Support us, the way you have always supported us . . . otherwise someone else will take your place, and that mustn't happen . . . Courage! You're clearly annoying plenty of people already; if possible, try to annoy more of them." Hats off to "Make Way for Berthe Weill"—an exhibition as courageous as its subject.

Make Way for Berthe Weill: Art Dealer of the Parisian Avant-Garde

Grey Art Museum, through March 1

Mr. Esplund, the author of "The Art of Looking: How to Read Modern and Contemporary Art" (Hachette), writes about art for the Journal.

FILM REVIEW

Capra at Columbia: A Star-Maker Is Born

By DAVID MERMELSTEIN

ASicilian whose family immigrated to America in the first years of the 20th century, Frank Capra got into the movies early, and by the end of the silent era was directing everything from comedies to romances to melodramas for scrappy Columbia Pictures. As his skills grew, so did his prestige, and by the late 1930s Capra had shepherded many of the most important, and boundary-pushing, films of the decade. Several of them—including "It Happened One Night" (1934), "Mr. Deeds Goes to Town" (1936) and "Mr. Smith Goes to Washington" (1939)—were soon central to America's sense of itself, at least as manifested via Hollywood. Capra depicted nation where right made right, not the other way around; where country bumpkins really were sages; and where self-assured women—exemplified on screen by Barbara Stanwyck, Claudette Colbert and Jean Arthur—gave as good as they got, and more often than not set men straight in the process.

But time marched on, and Capra, like many widely popular artists, couldn't keep up. By the end of World War II, for various reasons, he was a relic. Then came a picture called "It's a Wonderful Life" (1946), which wasn't very well received initially ("Capra-corn," wags

insisted) but found a place in the public consciousness thanks to an upstart technology called television.

These days, pretty much everyone knows—and loves—"It's a Wonderful Life." (I don't mind confessing I've wept on airplanes watching it.) But unfortunately much of Capra's protean legacy has been forgotten by all but the most ardent cinephiles. Yet now, thanks to Sony Pictures Home Entertainment, comes "Frank Capra at Columbia," a lavishly boxed collection of 20 films released late last year to commemorate the centenary of Columbia Pictures.

All of them, dating from 1928 to 1939, have been restored with extraordinary care in 4K and released on Blu-ray, with nine of the movies also included on 4K UHD discs. Not every Columbia picture directed by Capra is here—some are considered lost, and at least one previously released on DVD, "The Matinee Idol" (1928), didn't make the grade—but those present provide fresh insights into one of America's most original, and important, directors.

Watched in order, these movies also provide a pilgrim's progress, as Capra moves from gifted silent storyteller to pioneer, when the silent era fitfully transitions to talkies, and finally to accomplished bard, with Capra seminal to Hollywood's emerging golden age. But if that sounds too daunting a task,



there's nothing stopping viewers from plucking a favorite from the box—say, "Lost Horizon" (1937), with Ronald Colman, or the Oscar-winning "You Can't Take It with You" (1938)—and enjoying it anew.

Those opting for the long view may be surprised to find Capra possessing such a light touch as the silent era approached its abrupt close. The set's earliest picture, "So This Is Love" (1928), depicts an adorable love triangle in which a delicatessen girl, Hilda (a winsome Shirley Mason), admires a brutish boxer, Spike (Johnnie Walker), even as a handsome, sensitive artist,

Jerry (William Collier Jr.), pines for her. By film's end, at 55 minutes, all is predictably set right.

Later efforts include three movies with Jack Holt and Ralph Graves as pals but rivals in love: "Submarine" (1928), "Flight" (1929) and "Dirigible" (1931). In every case, there's a macho-military angle and Graves, invariably wooden, gets the girl (God knows why). But each film is better than the one that precedes it in this series, and the special effects are state-of-the-art for the period.

Love stories of varying sophistication defined Capra's career the way westerns did John Ford's. And with the Oscar-sweeping "It Happened One Night" bringing Columbia the community respect for which it thirsted, Capra reached a summit from which he did not falter until the following decade.

The irresistible Jean Arthur stars in three of these films ("Mr. Deeds," "You Can't Take It With You" and "Mr. Smith"), but the four (of five) included here that Capra made with Barbara Stanwyck cemented two careers. "Ladies of Leisure" (1930), in which she plays a frivolous party girl who suddenly wants more from life, propelled the actress to stardom. In "The Miracle Woman" (1931), she's a beloved but corrupt evangelist who—irony alert!—finally sees the light thanks to a blind man. "The Bitter Tea of General Yen" (1932) may be best known for its pungent exotica, but the grit Stanwyck shows has become iconic. And "Forbidden" (1932) serves as another pre-code object lesson in the sacrifices love exacts.

This set's necessarily high cost may keep some interested movie lovers from buying it, so here's hoping it finds its way to libraries, and that the films themselves, so gloriously refurbished, land on various streaming platforms. Most important is that this particularly fecund period of Capra's career gets the broad exposure it deserves. Or should I say that we deserve? For the absence from the cultural conversation of these consistently entertaining, occasionally profound and decidedly human pictures has been our loss. Sony's salute to Capra and the studio to which he brought much glory helps return to prominence a defining artist of American cinema.

Mr. Mermelstein, the Journal's classical music critic, also writes on film.

SPORTS

BY RACHEL BACHMAN
AND ROBERT O'CONNELL

As the Missouri Western women's basketball team pulled up to Iowa's arena for an exhibition game last October, the players on the bus were in deep discussion.

Only they weren't strategizing about how to pull a long-shot upset over the Hawkeyes. Instead, they were all buzzing about "the long shot."

That is, Caitlin Clark's record-breaking NCAA women's career scoring shot, the one now enshrined with a No. 22 logo on Iowa's court.

"We were all talking about it on the bus: 'We all need to try to shoot from there,'" Missouri Western guard Matilda Soderlund said. "As soon as we got in, everybody just went there. We were trying to shoot. We were all like, 'This is deep!'"

On Sunday against USC, Iowa retired Clark's No. 22 jersey. As usual, Carver-Hawkeye Arena was packed with fans. But the logo on the floor that bears her name and number in black and gold lettering has created another, subtler pilgrimage: opposing players lining up to try to recreate Clark's pull-up jumper from more than 30 feet out.

Nearly every one of them is stunned to see how far the spot is from the hoop. Even Clark was shocked when the logo appeared to mark it.

"When I first went out there and looked at it, I'm like, 'This has to be in the wrong spot,'" Clark said. "It seems way further back from where I actually shot it."

In fact, Clark's record-breaking spot is just under 30 feet, 8 1/2 inches from the basket, according to data firm Sportradar. That's nearly 9 feet beyond the NCAA 3-point line.

The list of players who want to try their hand at Clark's range isn't limited to women's teams. When the East Texas A&M men's team played the Hawkeyes in November, point guard Khalil Abdul-Mateen and his teammates held an impromptu competition from the spot during warm-ups.

They had some advantages over Clark—no screaming fans, no defenders trying to swipe the ball, and as much time as they wanted. It didn't matter. "The first time I did it, I air-balled," Abdul-Mateen said.

Caitlin Clark's NCAA Record Spot Becomes a Shrine to Long Shots

As Iowa retires Clark's No. 22 jersey, opponents are trying to match her history-making shot



Caitlin Clark's record-breaking NCAA women's career scoring shot is marked by her name and number on the floor at Iowa's Carver-Hawkeye Arena.

FROM TOP: JOSEPH CRESS/USA TODAY SPORTS/REUTERS; MATTHEW HOLST/GETTY IMAGES

If Carver-Hawkeye Arena were open to the public outside of games, Clark's spot would likely be flooded with hoopheads trying to hoist their own attempts. But it's not. Which means opposing teams in town to play Iowa are part of an exclusive club with access to that legendary spot.

"I've watched the clip of her making that shot, and to think she was in transition, game speed, is just crazy," said Tara Wallack of Washington State, which played at Iowa in November. "We were just

doing it after practice and we weren't going game speed at all or anything and we were still having trouble."

While players have been lining up to take the "Caitlin shot" before the opening tip, attempting it in an actual game is another matter. The average 3-point attempt in women's basketball this season has come from 24.6 feet. In her senior season at Iowa, Clark made a whopping 12 shots from 30 feet out or farther, according to Sportradar.

Iowa's opponents who pay trib-

ute at Clark's spot pregame agree on one thing: Trying it in live action would be ill-advised.

Even after Soderlund went 0-for-5 on the shot pregame, she asked her coach if she could try it during the game.

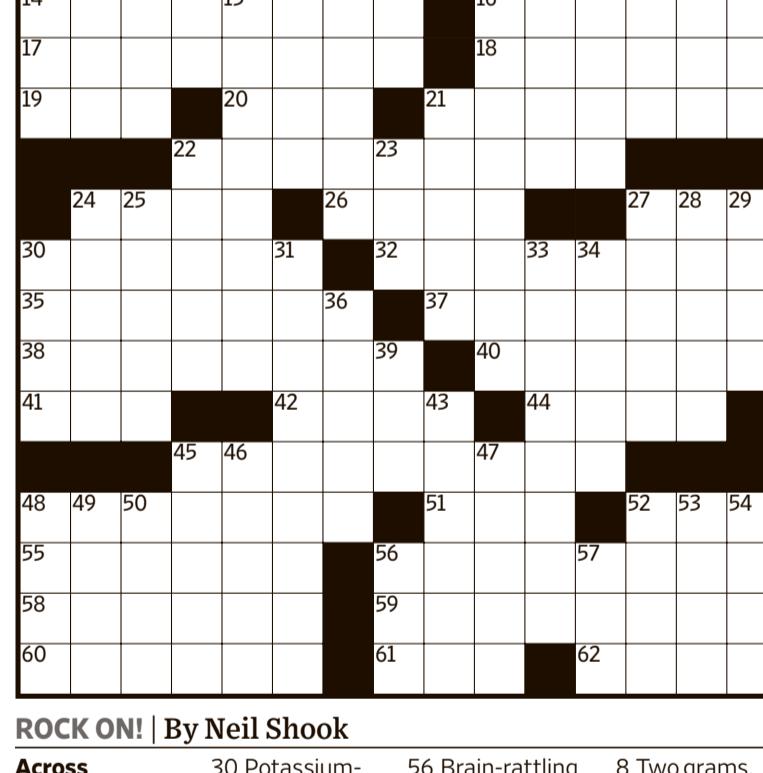
"Well, if you miss it, you're coming out," the coach replied.

End of plan.

For his part, Abdul-Mateen knew better than to even ask his coach. "He'd be very upset," Abdul-Mateen said. "I don't think I'd see the court for a long time."



The WSJ Daily Crossword | Edited by Mike Shenk



OPINION

Mexico and Canada Fire Back

AMERICAS
By Mary Anastasia O'Grady

President Trump announced Saturday that 25% tariffs on imports from the two largest U.S. trading partners will go into effect on Tuesday. As expected, it's now game on for Mexico and Canada. Both countries almost immediately announced their own retaliatory tariffs. How long will the North American trade war last? That may depend on how quickly Mr. Trump's constituents feel the pain.

Mr. Trump endorses tariffs as a way of generating large revenues for the federal government. His model is the steep October 1890 tariffs championed by Rep. William McKinley (R., Ohio). But that tax increase wasn't popular with the public, and the party took heavy losses in the congressional elections a month later. McKinley, elected president in 1896, seems to have learned from the thrashing his party took for its protectionism. According to George Mason University economist Don Boudreax, in the White House he adopted a more modest use of tariffs as a tool to open foreign markets for U.S. exporters.

Mexico and Canada are signatories to the U.S.-Mexico-Canada Agreement, which institutionalizes free trade in North America and makes the reciprocity argument irrele-

vant. But let's face it: U.S. access to neighboring markets isn't Mr. Trump's concern.

Trumponomics posits that the U.S. would be better off if it made everything at home. Referring to trade with Canada, the president wrote on social media Sunday: "We don't need anything they have. We have unlimited energy, should make our own cars, and have more lumber than we can ever use."

He isn't the first politician to espouse this utopian ideology. I once interviewed an Italian Marxist promoting revolution in the western highlands of Guatemala who wanted to close the local economy and produce what it needed inside the confines of the community. He told me he believed in the strategy because it was recommended by Zapatista militants in southern Mexico.

Why do American producers tap supplies from our neighbors? Mr. Trump doesn't say. But he's against economic freedom, he says, because, well, it isn't good for you.

Selling this pap isn't so easy. What does sell is blaming the U.S. appetite for narcotics on the neighbors. So Mr. Trump has moved the goal posts, making the tariff hike mostly about the failure of Mexico and Canada to stop fentanyl at U.S. borders. This puts the president, again, at the back of the Econ 101 class.

Fentanyl doesn't jump into people's mouths and noses. While most of its tragic victims haven't wanted to ingest it—they have largely been

consumers of illegal cocaine and counterfeit opioids—very small amounts of the synthetic narcotic can kill. It's almost impossible to detect shipments, including when they arrive in Seattle from San Antonio as well as from abroad. The only way to reduce deaths is to reduce American drug use. That's

Retaliation for the Trump tariffs will hurt all sides. But that's a trade war.

something Mexico and Canada would welcome, since criminals do so much damage in their countries as they work to serve their wealthier American customers.

Retaliation won't go down easy. Reuters reports that Mexico is getting ready to impose "possible retaliatory tariffs on imports from the U.S., ranging from 5% to 20%, on pork, cheese, fresh produce, manufactured steel and aluminum," according to sources familiar with the matter.

Those sources said that the auto industry would be exempt for now, implying that Mexican President Claudia Sheinbaum is trying to minimize the damage. A recession is already expected. Canada's lame-duck Prime Minister Justin Trudeau also pledged retaliation and said he would work with Mexico.

In a speech to Canada on

Sunday, Conservative Party leader Pierre Poilievre—odds-on favorite to be the next prime minister—recounted the longstanding Canada-U.S. defense alliance, including the 158 Canadian service personnel who sacrificed their lives "to avenge the attacks of 9/11." When bad stuff happens, it's good to have a friend, he reminded Mr. Trump. He also noted that the U.S. has a trade surplus with Canada "when energy is excluded." Because Trudeau policies have made it difficult for the oil and gas industry to export elsewhere, the U.S. buys Canadian energy "at massive price discounts," Mr. Poilievre said.

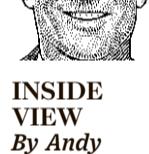
The Conservative leader called the tariffs "unjust and unjustified" and said they would damage both economies. Nevertheless he called for "dollar for dollar" retaliation to maximize the effect on U.S. companies while minimizing the hurt to Canadians. He put steel and aluminum at the top of the list. Canada needs to start making more things at home and to find other export markets, he argued.

Mr. Trump says Americans need to suck it up. "WILL THERE BE SOME PAIN? YES, MAYBE (AND MAYBE NOT!)," he wrote on social media Sunday morning. "BUT WE WILL MAKE AMERICA GREAT AGAIN, AND IT WILL ALL BE WORTH THE PRICE THAT MUST BE PAID."

If history is any guide that claim won't age well.

Write to O'Grady@wsj.com.

How to Spend \$1 Million in a Hurry

INSIDE VIEW
By Andy Kessler

Want to know if DOGE, the Department of Government Efficiency, will work? Watch the terrific show "Severance" on Apple TV+. It had me squirming. It wasn't only the delightful weirdness of what many viewers describe as "corporate dystopia" or the stark colors and retro terminals. It's because partway into it, I thought, "Wait a second, I worked in that building." Literally. Part of the show was filmed at a former Bell Labs building in Holmdel, N.J., sitting on more than 450 acres, transistor-shaped water tower and all. I spent five years there toiling for the research arm of AT&T—one of the world's largest bureaucracies at the time.

The Holmdel Bell Labs building hosted 6,000 workers with multiple floors and hallways that all looked the same connected to a giant central atrium, much like a prison. I shared a two-person office. Managers had bigger, wood-paneled, carpeted offices—status was based on ceiling-tile count. I have flashbacks to mindless meetings, endless forms, soulless back-stabbing and macrodata refinement. So

yes, "Severance" is personal.

Working for a big corporation and regulated entity has many lessons for DOGE. Here's one that may handcuff it: I was all of 23 years old and working on chips for modems, enabling digital communications over phone lines.

The nice thing about Bell Labs is that no one ever told you what to do. You just figured it out. So I did what I wanted and had a lot of fun. It was the early 1980s, and I think I made \$21,000 that year.

On Dec. 20 my boss pulled me into his office: "Got a second?" I thought I was going to be fired. He smiled and told me that our department

was now. It was regulated ratepayers' money. AT&T overcharged for long-distance calls. Who cares? "Oh," my boss added, "and it has to be delivered by Dec. 31."

He didn't have to tell me twice. I had a wish list of computer power that I needed for chip design and testing. The hottest machine at the time I could run myself was from Digital Equipment, a DEC VAX 11/780, which required an air-conditioned room with raised floors. It ran about one million instructions per second. By comparison, today's iPhone can do about 38 trillion operations per second.

I called the DEC salesman and told him I wanted a VAX and three 176-megabyte disk drives. He laughed and said, "Who doesn't?" I mentioned I had a signed purchase order in my hand, but I needed it on our loading dock by Dec. 31 or the deal was off. He stopped laughing. He even started calling me "sir."

Thankfully, a VAX showed up on Dec. 30. I was a hero—for about a week, then forgotten. But I had my own million-dollar "personal computer." The next December, the same underbudgeting happened. The salesman, who I noticed was driving a fancy new car, told me he had several 11/780s sitting in a truck ready to roll. We took one.

The next year, AT&T was broken up into many pieces.

This is why I worry about DOGE. Government departments and agencies, like regulated companies, are perpetual-motion machines. Every worker is valuable. Every budgeted dollar is critical, even if nothing gets done. Well, until they're obsolete and fall off a cliff. Too many government departments are on the same precipice. Public companies at least have stock prices to nudge management to restructure. Agencies don't. Or any real metrics. I wish them luck, but all DOGE really has is rhetoric.

Unlike in government, change is constant in the real world. Bell Labs is basically gone—buried inside Nokia. Modems are gone. DEC vanished. VAXes are in museums. The AT&T pieces were put back together, though now wireless. Oh, and the Holmdel building is now the Bell Works "Metroburb," a perfectly bizarre name that could have come from "Severance."

That means a modern mixed-use facility with offices, residences, retail, entertainment, fitness and, I guess, filming locations. If we're lucky, the same will happen to many government buildings. But DOGE, please don't believe anyone's year-end budget numbers.

Write to kessler@wsj.com.

An early-career lesson in bureaucracies and budgeting makes me skeptical of DOGE.

was under budget for the year. I was confused. "The way things work here is that if we don't spend a bunch of money before the end of the year, we lose it in next year's budget." So? "Well, Andy, this is your lucky day. You can be a hero around here if you can figure out how to spend a bit over \$1 million quickly." That was a lot of money back then.

Like many prosecutors, I've spent time building trust with witnesses and preparing them to face a murderer or abuser in court. Part of our compact is that the government can be trusted to advocate for a justice sentence that is commensurate with the crime and will incapacitate those who pose a threat to the community. Now prosecutors have to tell the victims we encouraged to trust the system that the prison terms meant to protect them have abruptly, and thoughtlessly, been cut short.

Prosecutors around the country tell me they are dismayed to learn after the fact that dangerous criminals, even murderers, they worked to keep off the streets are being released. Judges are aghast too.

Judge Gary R. Brown—who oversaw my office's prosecution of Carl Andrews, a crack dealer who sex-trafficked a female victim—wrote that Mr. Andrews was undeserving of the clemency he was granted in "careless" fashion. In his order following the Biden commutations,

the judge pointed out what

should have been obvious, that "this case cannot be reasonably characterized as involving a person convicted of non-violent drug offenses." Mr. Andrews, who had 17 prior criminal convictions, forced his victim into prostitution with threats of violence and by plying her with crack cocaine. She testified at his recent trial and now has to prepare for his early release this year.

It is disheartening to see some of the most dangerous offenders released on the readily disprovable misconception that they are nonviolent. The lack of a considered decision-making process exhibited a disregard for the work and knowledge of prosecutors and judges. It cheapened the gravity of a criminal conviction and betrayed a hubris that is blind to the suffering of victims. At this time of transition, I look forward to doing my part to ensure that prosecutors can resume their noble work unimpeded, outside the limelight and in service of the public.

Ms. Sassoon is interim U.S. attorney for the Southern District of New York.

BOOKSHELF | By James Romm

A Society In Decay

Lawless Republic

By Josiah Osgood

Basic, 384 pages, \$32

Cicero composed one of the epigrams by which he is known today as part of his legal defense, in 52 B.C., of a man named Milo: *Silent enim leges inter arma, or "The laws are silent amid weaponry."* Milo was accused of killing a political rival, Clodius, after the two men, both attended by ruffian gangs, crossed paths on the roads south of Rome. Cicero's ringing words have been taken to mean that legal systems break down when violence holds sway—seemingly a critique of his troubled, turbulent era, the late Roman Republic. In context, though, they are more complex and cast a disquieting light on their author.

It seems that Cicero's strategy in this high-profile trial was to argue that Milo had every right to kill, even when his victim, Clodius, had been wounded and no longer posed a threat. Clodius, according to Cicero's reconstruction, had ambushed Milo and set his tongs upon him, creating, in effect, a state of war. The "laws" in such a circumstance were "silent": Milo had no legal recourse, Cicero maintained, so homicide was a legitimate option.

In "Lawless Republic," Josiah Osgood argues that, rather than lamenting the decline of the rule of law in Rome, Cicero was in fact hastening it. Amid increasing disorder, Cicero had "appealed to the state of nature to absolve Milo," thereby granting legitimacy to vigilante attacks. As Mr. Osgood observes: "No good was going to come from defending Milo for roaming the streets with gangs of gladiators." With such shrewd assessments, Mr. Osgood allows us to see how Cicero, who first appears in this book as a man of honor and probity, gradually lost his highest ideals amid the larger decay of the social order.

Mr. Osgood has structured most of this book not as a biography but, ingeniously, as a series of criminal trials that Cicero took part in, beginning with a murder case in 80 B.C. Each trial involves us in new intrigues and legal maneuvers while also revealing the problems that the Roman judicial system was trying, and failing, to solve. The riveting chapter on Cicero's case against Verres (70 B.C.), a rapacious governor who had stripped the Sicilian Greeks of much of their art, illustrates how the rich were buying off jurors and soliciting perjury, despite antibrbery statutes. A poisoning case shows how a Roman court created to deal with killings by poison actually invited false accusations; in an era that lacked toxicological tests, any death from illness could be brought to that court as a murder.

Not only the judiciary was in crisis during the period Mr. Osgood covers. Between the dictatorship of Sulla, a strongman who seized control of Rome in 82 B.C., and the stabbing of Julius Caesar in 44 B.C., the breakdown of civil society was widespread. As the backdrop to Mr. Osgood's trials, we witness steady aggregations of force by rivalrous faction leaders and violent displays by their fanatical supporters. Once Sulla had broken all rules and gotten away unpunished, the enforcement of any rules became a challenge. Ultimately, beyond the point reached by "Lawless Republic," order returned only after autocracy—the reign of Augustus—took hold.

Amid violence and disorder in the Roman Republic, dodgy legal maneuvering made things worse. Cicero was far from blameless.

Cicero's success in the courts spurred his ambition to run for Rome's highest offices. Mr. Osgood makes clear that the two career tracks, the legal and the political, created conflicts of interest and that Cicero subordinated the former to the latter. "Anyone running for the consulship knew that the votes of wealthy Italians counted most," he writes. "This was one reason Cicero took on so many legal defenses for powerful men from outside Rome." Cicero was elected consul, the highest rung on Rome's political ladder, in 63 B.C. by defeating a desperate, debt-ridden man named Lucius Catilina.

Catiline, as we know him today, was not about to accept the outcome. He conspired to take over the state, prompting Cicero to deliver his most famous speeches, the "Catilinarians," to a paralyzed senate. The speeches are, as many Latin students have learned, models of rhetorical force and artful invective ("O tempora, O mores!"). By exposing the plot, Cicero set in motion a chain of events that led to Catiline's defeat and death in battle; then, as consul, Cicero oversaw the execution, without trial, of five of the principal plotters. He later regarded his consulship as Rome's salvation, but Mr. Osgood's verdict is harsher: "He fanned hysteria rather than try to calm it."

As even its title seems to suggest, "Lawless Republic" evokes parallels and suggests lessons for our own politics, though Mr. Osgood, a Georgetown professor of classics, leaves these implicit. He sticks to general terms when his narrative touches on a question that he raises in his introduction: "How, after an outbreak of violence, do you restore the rule of law?" His vagueness befits the dispassionate stance of a scholar, but some parallels practically leap off the page and demand a closer engagement, as when Mr. Osgood decries Catiline and his followers for "striking at a key principle of the Republic: the peaceful transfer of power."

Mr. Osgood writes with such a sure hand, and has such a deft command of historical facts, as to make each stage of Rome's growing disorder seem plausible, lamentable and disturbingly familiar. He reckons up the cost of the slide through his focus on Cicero, who ended up the victim of forces he himself, in this book's view, had abetted. In 43 B.C., two decades after he'd sanctioned the extrajudicial killing of Catiline's men, Cicero suffered a similar fate, assassinated on the order of Mark Antony.

Mr. Romm is the author of "Plato and the Tyrant: The Fall of Greece's Greatest Dynasty and the Making of a Philosophic Masterpiece," to be published in May.

Cicero on living well

"There is, I assure you, a medical art for the soul. It is philosophy, whose aid need not be sought, as in bodily diseases, from outside ourselves. We must endeavour with all our resources and all our strength to become capable of doctoring ourselves."

OPINION

REVIEW & OUTLOOK

The Dumbest Trade War Fallout Begins

President Trump conceded Sunday that there may be "some pain" from his sweeping tariffs on Mexico and Canada, but they will eventually lead to a new "GOLDEN AGE." Nice of him to promise a glorious future because the pain is already unfolding, and the tariffs won't even take effect until Tuesday.

"WILL THERE BE SOME PAIN? YES, MAYBE (AND MAYBE NOT!). BUT WE WILL MAKE AMERICA GREAT AGAIN, AND IT WILL ALL BE WORTH THE PRICE THAT MUST BE PAID," Mr. Trump posted on Truth Social on Sunday morning. He also included a blast at these columns for leading the "Tariff Lobby" after our Saturday editorial called his 25% across-the-board tariffs on our friends and neighbors "the dumbest trade war in history."

We appreciate the notice, though we're anti-tariff and not lobbyists. But bad policy has damaging consequences, whether or not Mr. Trump chooses to admit it. Mr. Trump can't repeal the laws of economics any more than Joe Biden could on inflation.

* * *

Tariffs are taxes, and when you tax something you get less of it. Who pays the tariff depends on the elasticity of supply and demand for the specific goods. But Mr. Trump wants American workers and employers to take one for the team. Hope you don't lose your job or business before the golden age arrives.

The economic fallout began Saturday evening as Canada said it will retaliate with a 25% tariff on \$30 billion (Canadian dollars) of U.S. goods, with another C\$125 billion to follow in three weeks. Mexican President Claudia Sheinbaum also promised to retaliate.

Canada's new border taxes will hit orange juice, whiskey and peanut butter—all from states with GOP Senators. Prime Minister Justin Trudeau said Ottawa's tariff list would also include beer, wine, vegetables, perfume, clothing, shoes, household appliances, furniture and much more. He said Canada could also withhold critical minerals.

Note that Canada's Conservative opposition leader, Pierre Poilievre, also called for retaliation. Mr. Poilievre is the favorite to be the next Prime Minister and he rightly said the trade war will damage both countries. But he said Canada had to stand up for its "sovereignty" and protect its economic interests.

Mr. Trump's tariffs are already roiling North America's energy markets, which are highly integrated. The President implicitly recognized the risk by hitting Canada's energy exports to the U.S. with a lower 10% tariff. But that will still hurt Midwestern refiners that rely on Canadian oil. Canada and Mexico could send more of their

oil elsewhere for refining, perhaps even China. Canada's expanded Trans Mountain pipeline runs from Alberta to the West Coast and has spare capacity. It could be used to increase tariff-free oil shipments to Asia that would hurt California refineries that now import oil from Trans Mountain. California could have to import more oil from

the Middle East.

Mr. Trump says the tariffs will revive U.S. manufacturing. But Jay Timmons, CEO of the National Association of Manufacturers, said in a statement that "a 25% tariff on Canada and Mexico threatens to upend the very supply chains that have made U.S. manufacturing more competitive globally."

He added that, while his members understand the need to reduce fentanyl flows to the U.S., "the ripple effects will be severe, particularly for small and medium-sized manufacturers that lack the flexibility and capital to rapidly find alternative suppliers or absorb skyrocketing energy costs."

Many more trade groups have criticized the tariffs, including even U.S. aluminum makers who benefited from tariffs in the first term. Canada accounts for more than half of U.S. aluminum imports (owing to its cheap hydro-power) that secondary and downstream manufacturers use.

* * *

None of this means the Trump tariffs will tip the U.S. economy into recession. U.S. growth may be strong enough to absorb the blow from tariffs, as it was after Mr. Trump's more modest levies in the first term. But the same can't be said about Mexico and Canada, where growth is weak and which depend on U.S. markets for much of their GDP.

The tariffs may also not cause a surge in the general U.S. price level. Overall inflation depends far more on the Federal Reserve's monetary policy. But prices will increase for most tariffed goods, which will be painful enough.

The tariff broadside also adds new policy risk and uncertainty that could dampen business animal spirits. Markets have been pricing in an assumption that Mr. Trump would step back from his most florid tariff threats, or limit tariffs to China.

The hammer blow to Mexico and Canada shows that no country or industry is safe. Mr. Trump believes tariffs aren't merely useful as a diplomatic tool but are economically virtuous by themselves. This will cause friends and foes to recalibrate their dependence on America's market, with consequences that are hard to predict. How this helps the U.S. isn't apparent, so, yes, "dumbest trade war" sounds right, if it isn't an understatement.

Rohit Chopra Is Ousted, at Last

President Trump did one good economic deed late last week by firing Rohit Chopra as director of the Consumer Financial Protection Bureau. Now maybe he can shut the place down.

Mr. Chopra is a protege of Sen. Elizabeth Warren but had been trying to insinuate himself with the new Administration to stay until his term expires in 2026. But Mr. Trump has legal authority to fire him following the Supreme Court's *Seila Law* ruling in 2020. President Biden relieved Mr. Trump's first-term appointee to run the bureau.

"With so much power concentrated in the hands of a few, agencies like the CFPB have never been more critical," Mr. Chopra wrote Saturday. "I'm proud that the CFPB has done so much to restore the rule of law."

This will be news to the businesses that have sued the CFPB and won in court. Mr. Chopra was issuing new regulations willy-nilly

in the days before Mr. Trump took power, and some wouldn't survive legal scrutiny.

Hal Scott nearby lays out a scenario that would allow Mr. Trump to follow up his dismissal by shutting down the agency. The CFPB is funded by profits from the Federal Reserve but, as Mr. Scott points out, the Fed has been losing money

on its investments for some time as interest rates have risen. The CFPB's operations thus may be illegal, as would its regulations issued while operating illegally.

The CFPB does nothing that can't be done by other federal regulators, and it would thus seem to be a ripe target for Elon Musk's government efficiency shop. Ms. Warren created the agency to be insulated from Congressional oversight through the power of the purse, and its main contribution to the nation's well-being has been, well, we can't think of one. This is a good moment to close the joint down.

Newsom Has a Water Epiphany

What do you know? President Trump's exhortations about California's water mismanagement seem to have spurred a political awakening in Sacramento. Behold Gov. Gavin Newsom's order on Friday to state agencies to maximize water storage from winter storms.

After a dry start to the winter, a series of back-to-back atmospheric rivers early this week is expected to dump up to 10 feet of snow in the Sierra Nevadas and 15 inches of rain in some northern areas. Such is California's variable climate that when it rains, it pours. Hence the imperative to store precipitation for dry periods.

California instead squanders precipitation to help fish species. The result is a chronic water shortage in the state's Central Valley, which has resulted in overtaxed groundwater basins, land subsidence and unsafe drinking water. Sacramento has restricted the amount of groundwater that farmers can pump to prevent land from sinking further.

Farmers are leaving fields fallow, which has contributed to high unemployment. The unemployment rate in Tulare County—ground zero in California's water fiasco—is 10%. Growing frustrations with the state's water management is one reason Mr. Trump won Central Valley counties by significantly larger margins last year than in 2020.

California's Governor follows Trump's order with one of his own.

On Jan. 24 Mr. Trump delivered on his promises to help the state's farmers with an executive order directing federal agencies to route more water from the Sacramento-San Joaquin River Delta—where storm runoff in the north flows—to maximize deliveries for "high-need communities."

Cue Mr. Newsom, who on Friday did the same by directing state agencies "to maximize diversion of those excess flows to boost the state's water storage in Northern California," including in San Luis Reservoir south of the delta. Good for the Governor for bucking his environmental lobby.

Separately, the U.S. Army Corps of Engineers late last week drew liberal condemnation when it released water from two reservoirs in Tulare County. Sen. Adam Schiff, who seems to know little about water, tweeted that the releases were "unwarranted" and "won't be available when farmers need it in the summer."

Wrong. The releases free up room in reservoirs for storm runoff and help with flood control. The water will help refill groundwater basins, benefitting farmers and towns. During a drought last decade, some towns in the area had to truck in drinking water. Perhaps Mr. Newsom has figured out that cooperating with Mr. Trump will help his state and perhaps his own political fortunes.

Canada and Mexico vow retaliation, amid new economic uncertainty.

the Middle East.

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manufacturing. But Jay Timmons, CEO of the

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in a statement that "a 25% tariff on Canada

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OPINION

LETTERS TO THE EDITOR

When Doctors Become Infected With Politics

Regarding John Sailer and Louis Galorowicz's op-ed "How DEI Conquered the University of Colorado" (Jan. 27): The infiltration isn't contained to the ivory tower; it has come to scholastic professional societies as well. I recently received a member update from the Biophysical Society, a professional society for those who study the application of physical methods to biology. It claimed that "above all else we value scientific excellence, integrity and transparency, community building, and most importantly diversity, equity, and inclusion." If diversity, equity and inclusion—a political ideology—is the most important value of this "scientific society," does it deserve to be referred to as such?

BEN KOBY

Pittsburgh

The hiring practices at the University of Colorado, Boulder remind me of a story that took place in China in

1970, described by Fan Shen in his autobiographical book "Gang of One: Memoirs of a Red Guard." Around age 16, the author was nominated to be the village "barefoot doctor" and had to undergo a three-month training program. Mao Zedong had decreed that each village should have a barefoot doctor, who would work barefoot like the rest of the peasants during the day and treat patients in the evening or during breaks in the field.

The local Communist Party secretary, who taught most of the classes, gave the following speech at the opening of the training program: "You must remember Chairman Mao's teaching. We would rather have a doctor with a Red heart and little skill than a doctor with a White heart and better medical skills. A Red heart will take care of everything else. You must be revolutionaries first, doctors second. You must never forget this."

JACK D. KOZLOWSKI
Mississauga, Canada

Don't Forget Americans With Severe Autism

I don't begrudge Bill Gates's musings that he would have been put on the autism spectrum if he were a child today. Yet as a parent of a young adult who is nonverbal with severe autism, I'd like to bring into focus a sharper picture of the disorder amid the current trend of self-diagnosis ("Bill Gates: I Coded While I Hiked as a Teenager. Was I On the Spectrum? Probably," Re-view, Jan. 25).

More than a quarter of people with autism experience its most severe forms and face major obstacles in daily living. That can mean pervasive communication impairments and behavioral challenges, including self-injury, along with serious medical is-

sues such as seizures and catatonia. Too many people with severe or profound autism, and their families, face isolation and societal invisibility.

It is more than a matter of being left out of the media conversation. In recent years, government-funded research and federal policymaking have often excluded or overlooked this population. People with severe autism face acute shortfalls in housing options, the caregiving workforce, access to medical care and other areas.

A moral, caring society must look at the full picture of autism, focus resources where they are most needed and seek better lives for all.

MARK KENDALL
Ontario, Calif.

Saving Civilization Isn't as Costly as Before

Regarding David Shimer's op-ed "Peace in Ukraine Needn't Mean Russian Victory" (Jan. 22): What is a "just and lasting outcome" for the Ukraine war, and why will continued fighting make it more achievable? These are two questions Mr. Shimer fails to answer. Without those answers, I fear continued military support is a recipe for tragedy. Thousands of young men in Russia and Ukraine will die. Many thousands more will suffer and mourn. Billions worth of materiel will go up in smoke.

The unlikely hope is that more of the same will lead to a different outcome. Yet this is how stalemates turn into interminable wars and inflict great pain.

PETER SWERDLOFF

New York

Mr. Shimer offers valuable insights on the war, but he omits the primary reason we should back Ukraine: It is the moral thing to do. I grew up being taught that civilization failed by

Blame California's Crazies, Not Frackers, for Wildfires

It is rich to blame climate disasters on the oil and gas industry's CO₂ emissions ("California Wildfire Damage Control," Review & Outlook, Jan. 29). According to the U.S. Energy Information Administration, total energy-related CO₂ emissions in the U.S. have declined approximately 20% over the past 20 years, thanks in large part to increased use of natural gas for electric-power generation. This is due to horizontal drilling, hydraulic fracturing and the ingenuity of the U.S. oil and gas industry.

Rather than file lawsuits, this is another reason to hug a fracker.

ANDY PETERSON

Naples, Fla.

Democrats in Sacramento who blame all natural disasters on oil and gas companies and are seeking redress is crazy. Then again, the state is appropriately shaped like a psychiatrist's couch.

WARREN RIGGS

Memphis, Tenn.

Gruel, Un

OPINION

Chopra Is Out. Now Shutter the CFPB

By Hal Scott

President Trump's decision on Saturday to fire Rohit Chopra as director of the Consumer Financial Protection Bureau is welcome if slightly belated. Since Mr. Trump's election, Mr. Chopra has been on an antemarket rampage, seeking to tie the new president's hands by proposing or finalizing 10 new regulations, among them rules limiting bank overdraft fees and restrictions on terms bank can impose on the financing of green-energy purchases.

In fiscal 2025 the CFPB will cost taxpayers an unnecessary \$1 billion. These funds are being spent on anti-market enforcement actions and regulations that actually harm consumers. And the CFPB is performing a function that could be done more efficiently by other agencies.

The bureau is operating illegally, and lawsuits will close it down eventually. Trump can act now.

Mr. Trump should go a step further and shut the CFPB down. As I pointed out in these pages in May, the bureau is operating illegally. Congress mandated that it be funded by the earnings of the Federal Reserve, but there have been no earnings since the Fed began incurring losses in September 2022 due to rising interest rates. These losses currently total \$219.6 billion. The CFPB's defense, in 13 pending enforcement cases where defendants have raised the illegality of funding, is that "earnings" really means revenue, an absurd claim under accounting standards. It is telling that the Fed, the source of illegal funding, has been silent on the issue.

Since the bureau is operating illegally, the president can close it immediately by executive order. The order should declare that all work at the CFPB will stop, that all rules enacted since funding became illegal in September 2022 are void, and that no remaining rules will be enforced.

Those rules would have resulted in more court challenges anyway, given the CFPB's illegal funding, but litigation can take a long time and is unnecessary if the agency is closed now. Consumer protection can be returned to the banking regulators and the Federal Trade Commission, where it resided before the Dodd-Frank Act of 2010 created the CFPB.

In late November, Elon Musk called for eliminating the CFPB. That is a better outcome than closing it, since a closed agency could spring back to life when the Fed returns to profitability. But elimination would require legislation. That would take 60 votes in the Senate to overcome a filibuster. Avoiding the 60-vote requirement could not be easily accomplished through reconciliation since elimination would not help reduce the budget deficit. Under the Federal Reserve Act, only surplus funds go to the Treasury. And like the absence of earnings, there has been no surplus since 2022.

Absent a bipartisan consensus, shutting the CFPB is a step in the right direction. Some may argue there is no need to close the bureau because its agenda could be controlled by a new Trump-appointed director. But allowing an illegal agency to persist is bad policy. Any new director should admit the agency is illegally funded in the pending litigation and, in any event, the courts are likely to reach this conclusion on their own. So the agency will eventually be shut down. The president should take the lead by acting now. Taxpayers and consumers will be better off.

Mr. Scott is an emeritus professor at Harvard Law School and director of the Committee on Capital Markets Regulation.

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DOW JONES | News Corp

By Roland Fryer

No topic was more prevalent around my grandmother's Sunday dinner table than the effect of segregation on black people. Over generous helpings of mashed potatoes, collard greens and pork chops smothered in brown gravy, I heard stories, some true and some rumored, about how segregation had shaped our community and those at the table.

Those folks had taken it upon themselves to undo segregation where they found it. My grandmother integrated schools as a sixth-grade teacher in Port Orange, Fla., in 1969. My great-aunt and great-uncle were the first black school principals in the area.

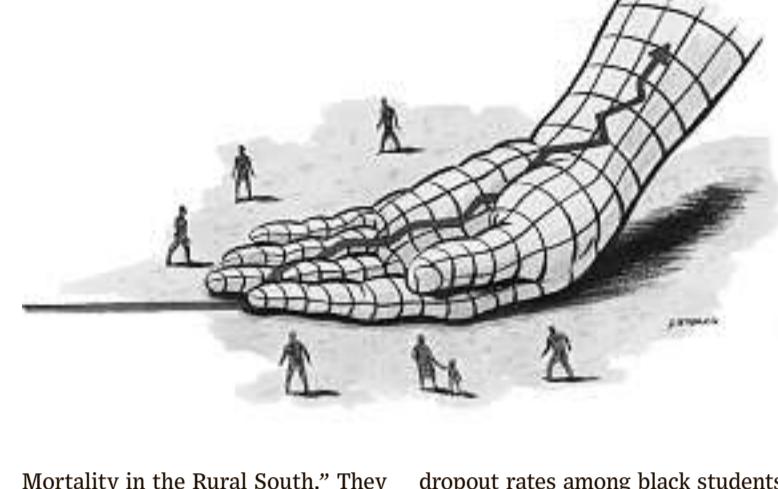
But growing up in the 1980s, I expressed mild skepticism of desegregation's importance: My integrated high school was as socially segregated as humanly possible, or so I thought. The black kids hung out with the black kids, the white kids hung out with the white kids. Only in locker rooms did we mix.

Every time I mentioned it, I was quickly scolded, albeit by my affectionate nickname. *What say you, Ju-Ju? Keep living, honey. You children have no idea what it was like to be required to drink at different water fountains, to sit in different sections of the bus, to fight a war only to come back home and be dehumanized*, a chorus of voices would insist.

They were right, of course. As an economist, I approach the subject differently—appreciating the raw emotions and scarring firsthand experience of my relatives, while applying the clarifying power of economic analysis. In the vast body of economic literature on desegregation, three seminal studies stand as pillars of the discussion.

First is the 2007 work of Douglas V. Almond, Kenneth Y. Chay and Michael Greenstone, titled "Civil Rights, the War on Poverty, and Black-White Convergence in Infant

The Economics of Integration



DAVID GOTTHARD

Mortality in the Rural South." They noted that the black-white infant mortality gap shrank substantially in the years after integration. This happened most dramatically in the rural South, where black hospital access had been especially poor before civil rights. Using data from Mississippi, where some hospitals were slower than others to desegregate,

The academic literature largely backs up my grandmother's views on its benefits and necessity.

gate, they found that black infant mortality indeed fell first in the counties where hospitals desegregated earlier.

Their findings are both stark and illuminating: Hospital desegregation "enabled over 5,000 black infants to survive until age 1 between 1965 and 1975 in the rural South and 25,000 through 2002." Grandma 1, Ju-Ju 0.

Turning to education, Jonathan Guryan's 2001 study on the effect of desegregation on black dropout rates offers another lesson. He revealed a significant decrease in

dropout rates among black students following integration, highlighting the critical role of educational access in shaping economic futures. This study not only reinforces the importance of equal education but suggests there could be long-term economic benefits to it. Grandma 2, Ju-Ju 0.

Rucker Johnson's 2011 paper, "Long-Run Impacts of School Desegregation & School Quality on Adult Attainments," fleshes out those long-term effects, tracking the educational and economic outcomes of people exposed to desegregated schooling. His work reveals enduring benefits, including higher employment rates and income levels.

One of the brilliant aspects of Mr. Johnson's research design is its ability to disentangle whether desegregation itself (increased exposure to white students) or access to more school resources (greater spending, better teachers) is more responsible for the positive effects of desegregation orders. The answer, based on Mr. Johnson's evidence, points toward the latter.

This is consistent with what I learned over Sunday dinner at my grandmother's house—access to resources is fundamental to black progress—but also with my youthful skepticism that being around more

white people is helpful in and of itself. Score one for Ju-Ju.

While it's clear that part of the advantage of integration came from access to resources, the role of social interactions is more nuanced. A 2012 study by Stephen B. Billings, David J. Deming and Jonah Rockoff on the end of busing in North Carolina's Charlotte-Mecklenburg School District pushes further on this question. Their findings suggest that "equal or greater resources combined with active policy efforts may be able to reduce the effect of school segregation on academic outcomes, but not crime."

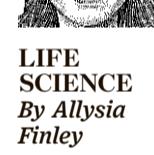
Other work by Raj Chetty takes a broader perspective, looking at modern levels of racial and economic integration rather than at abrupt changes in segregation policies. He finds that social mobility is higher in places where there is less residential racial segregation, and where people of different economic classes are more likely to be friends on social media, though it isn't always clear how to interpret these correlations.

Through the lens of economic research, integration isn't merely a moral or ethical endeavor but an economic necessity when access to important developmental resources are on the line. That was the kind of equality my grandmother's generation fought for and largely, if not entirely, won. At the same time, the data suggest we could worry less about social interaction for its own sake.

Opportunity is no longer withheld explicitly on the basis of race—but some children still have far greater resources as they develop than others. We should make it our business, no matter our identities, to continue the work of ensuring that all Americans have an equal chance to reach their potential.

Mr. Fryer, a Journal contributor, is a professor of economics at Harvard, a founder of Equal Opportunity Ventures and a senior fellow at the Manhattan Institute.

Democratic States Are Wards of Washington



LIFE SCIENCE
By Alyssia Finley

The uproar last week over the Trump administration's short-lived pause on federal grants exposed how dependent Democratic states and cities have become on Washington handouts. Call it a welfare trap.

"Fifteen percent of our workforce are funded by those dollars," New Jersey Gov. Phil Murphy groused. A lawsuit brought by all 22 states with Democratic attorneys general plus the District of Columbia detailed a litany of programs funded by Uncle Sam. Washington state said it received \$121 million last year for allergy and infectious-disease research. Illinois claimed federal Medicaid funds made up 60% of its 2023 spending on "critical health services."

"Washington, do you realize the consequences of what you've done here? And do you really want us to not fund law enforcement?" New York Gov. Kathy Hochul declared. "Do you really want us to not fund roads and bridges?" What are New York state taxes for?

The freeze didn't apply to most federal dollars that flow to states for social welfare, education and transportation since these are based on statutory formulas, though the administration's original memo didn't explain that clearly. On Wednesday the administration rescinded the memo after a judge blocked it.

Democratic states and their economies depend much more on Washington largesse than Republican states do. This year, New York received roughly \$4,900 per capita from the feds and California \$4,300—two to three times as much as Florida (\$1,700) and Texas (\$1,500). That's because Democratic states provide more generous social welfare, which is increasingly funded by Washington thanks to regulatory changes by the Biden administration.

Democratic states also received a disproportionate share of the more than \$1 trillion that Congress sent to state and local governments in 2020 and 2021 as pandemic relief. Between 2018 and 2022, federal dollars flowing to state and local governments increased by about \$515 billion, more than the rise in Social Security and Medicare combined.

Most Covid funds are running out, though the Biden Federal Emergency Management Agency planned to hand out disaster-relief funds to states and cities for pandemic "emergency" spending through August 2026. This year's Los Angeles city budget includes \$208.2 million in FEMA Covid funds, including for housing vagrants in hotels. New York state's budget this year includes nearly \$3.5 billion in FEMA dollars for Covid "emergency protective measures" such as home test kits.

After blowing through federal pandemic largesse, states and localities are tapping FEMA to backfill their budgets. Congress, in turn, keeps backfilling FEMA. Rinse and repeat.

The Government Accountability Office last summer projected that the Covid "disaster" will be the most expensive in FEMA history. President Trump is right to call for shifting more FEMA responsibilities to states. Federal spending on disaster relief

creates a moral hazard by reducing the incentive for states to invest in disaster preparation and mitigation.

The same goes for social welfare. States have less incentive to help lift people out of poverty since they receive more federal dollars if people stay poor. When you're spending someone else's cash, there's hardly

There's a reason for the panic over the Trump White House's temporary federal spending pause.

an incentive to spend it prudently. Medicaid, states' biggest source of federal dollars, encourages inefficient spending.

States receive \$1 to \$3 from Washington for every dollar they spend on Medicaid—and \$9 for lower-income able-bodied individuals covered under the ObamaCare expansion. Democratic states provide more-expansive benefits and easier eligibility to wring more money out of Washington. Some 36% of Californians are covered by Medicaid, compared with 19% of Floridians and 15% of Texans. The federal share of the Golden State's Medicaid spending—nearly \$120 billion—is

more than Florida's entire budget.

America's welfare queen is New York. Federal dollars make up roughly 40% of the state's budget. Some 44% of New Yorkers are covered by Medicaid or a quasipublic option for lower-income people including migrants. Thanks to a Biden regulatory waiver, the feds foot about 95% of this public option's costs, about \$11.7 billion this year.

Government, social assistance and healthcare account for nearly all new jobs added in such Democrat-run states as California, New York, Minnesota and Illinois. Their high taxes and excessive regulation have suppressed job creation by private businesses, so that government spending is now their main engine of employment growth. How long can this last?

Soaring pension bills for government workers are crowding out public services. Lawmakers have in turn hiked taxes, but the resulting population flight has shrunk their tax bases. All this has made them more dependent on Washington spending. Why should taxpayers in Houston and Jacksonville subsidize mismanaged government in Sacramento and Albany?

By slashing federal spending, Republicans in Washington could give progressive governments an impetus to reform and escape their welfare trap. Call it tough love.

Mr. Trump, Investigate My Campus

By Steven Davidoff Solomon

Berkeley, Calif.

President Trump issued an executive order last Wednesday called "Additional Measures to Combat Anti-Semitism." Leaders of my institution, the University of California, Berkeley, should take note. They are creating legal jeopardy by condoning antisemitism.

Last week two female Jewish students told me they are in a required comparative-literature class that mandates they attend one of a list of lectures to earn a grade higher than a B. One of the lectures, "Feminist and Queer Solidarities With Palestine," is scheduled for Feb. 11, sponsored by the Gender and Women's Studies Department, and moderated by Paola Bacchetta, the department's vice-chairwoman of research. Here is the abstract:

"Some of the more important accomplishments of feminism include the insistence on 'believing women' who come forward with accusations of sexual assault, and the awareness of increased sexual violence during militarized conflicts. Yet these achievements are currently being turned against real feminist concerns in Palestine. This talk will look at how Zionism has

weaponized feminism, so as to serve Israel's genocidal intent, by upholding debunked accusations of systematic Hamas mass assault, while ignoring documented reports of Israeli abuses."

When I emailed university administrators about this, they had no response save for a bland statement

Hamas rape denial at a UC Berkeley lecture creates a hostile environment for Jews and women.

from spokesman Dan Mogulof, who said that the abstract "should have never been posted and has been removed" and reflected the views of only one panelist (he didn't specify which one). The lecture will go on with no change in the panel. Citing academic freedom, Mr. Mogulof said the administration had "no legitimate ability to alter or cancel this panel discussion" and only the faculty senate could stop such a talk.

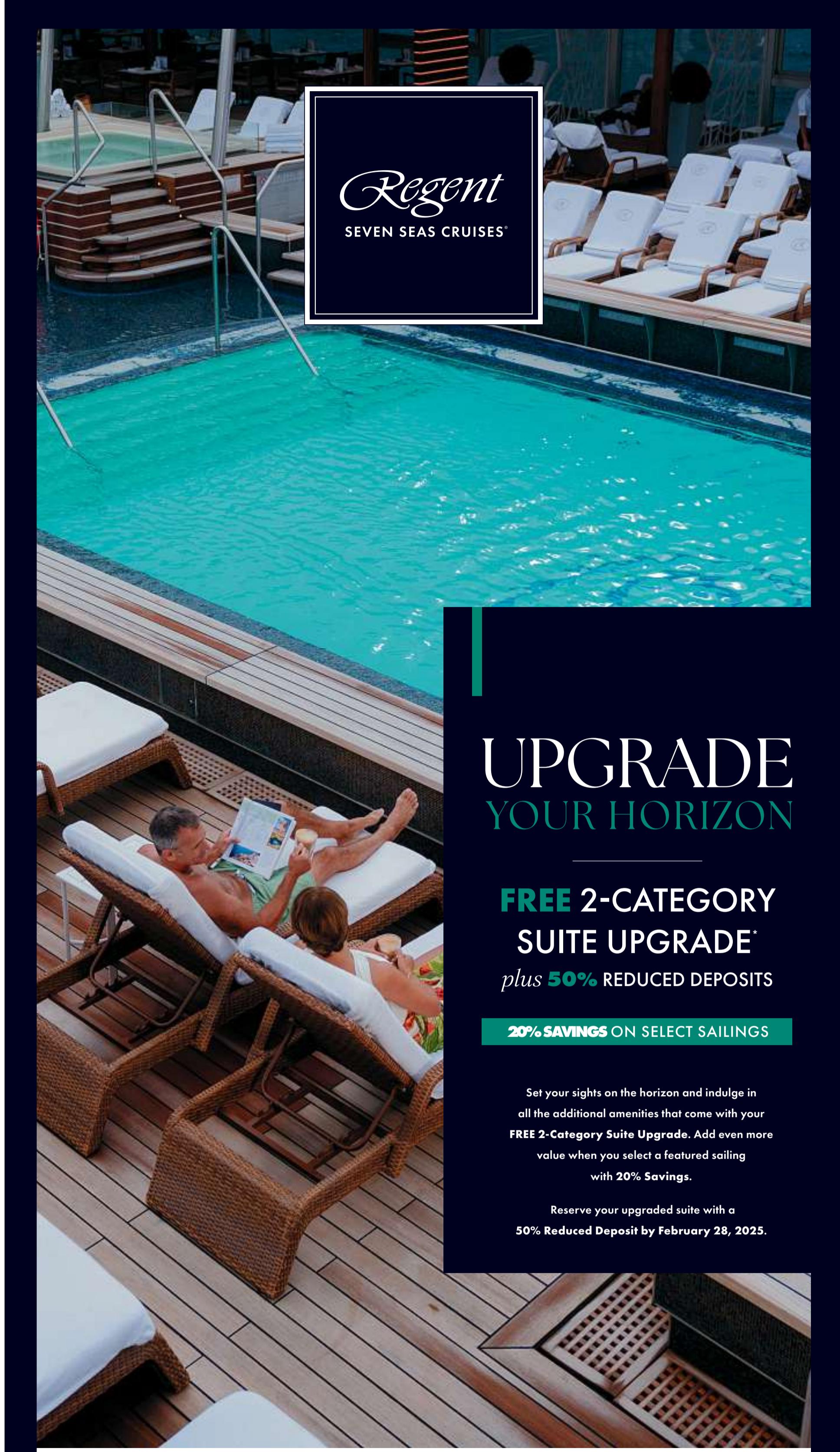
The Constitution protects hateful speech, but neither the First Amendment nor academic freedom protects university officials or faculty who violate civil-rights laws by

creating a hostile environment for students. Erwin Chemerinsky, dean of the Berkeley law school, has argued that Title VI of the Civil Rights Act of 1964 requires the university at least to condemn campus protests celebrating antisemitic violence—a principle that surely should apply equally to sanctioned academic events. This panel, which is advertised as promoting the denial of Hamas's sexual assaults, also creates a hostile environment for women in violation of Title IX.

Yet when I emailed Chancellor Rich Lyons asking him to condemn the talk, he didn't reply. Another administrator told me Mr. Lyons has no plans to weigh in.

This isn't an isolated incident. Students have reported to me that professors, even in nonpolitical subjects like computer science, have launched into antisemitic diatribes against Israel during class. Federal enforcement of Jewish students' rights was lax under the Biden administration. Mr. Trump's executive order promises to change that, using "all civil and criminal authorities or actions" available. I invite Washington to make an example of my campus.

Mr. Solomon is a law professor at UC Berkeley.



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BUSINESS & FINANCE

THE WALL STREET JOURNAL.

Monday, February 3, 2025 | B1

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Wall Street Frets Over U.S. Debt Plan

New Treasury head has criticized a tack seen as helping markets keep calm

By SAM GOLDFARB

The prospect of increased borrowing by a second Trump administration has spooked bond investors in recent months. One major concern is how the government will execute that borrowing.

At issue is a strategy pursued by the Treasury Department since late 2023 to lean more on short-term Treasurys to fund the government. Many on Wall Street credit that approach with calming markets buffeted by sticky inflation and a swollen federal budget deficit.

Key members of the Trump administration, however, have

expressed hostility to the strategy, characterizing it as a risky effort to juice the economy. Those include freshly confirmed Treasury Secretary Scott Bessent and Stephen Miran, the president's choice to chair his Council of Economic Advisers.

Investors have generally welcomed Bessent's appointment, seeing the former hedge-fund manager as a potential moderating influence on President Trump on issues such as deficit spending and tariffs.

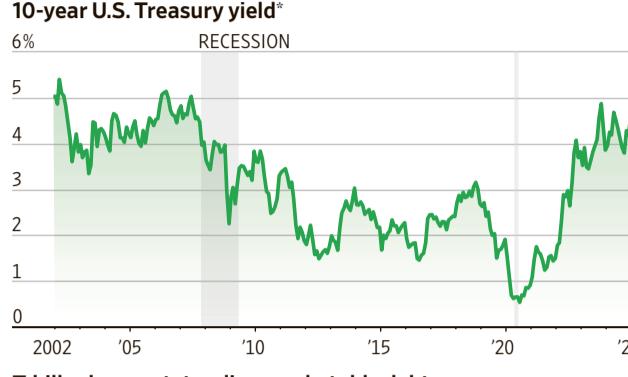
Still, some worry that he might boost issuance of longer-term debt, or "duration," putting upward pressure on already elevated U.S. Treasury yields—a key benchmark for borrowing costs throughout the economy. That has raised the stakes for Wednesday's release of the Treasury's quarterly borrowing plans.

"If they're legitimately of that view—that Treasury should have been adhering to a policy of issuing more duration and less bills—then that could be a big deal for yields," said Blake Gwinn, head of U.S. rates strategy at RBC Capital Markets.

Investors care about the federal deficit because filling a larger budget shortfall requires selling more Treasurys. That can drive down the prices of existing bonds, pushing yields higher.

Details matter, however: Borrowing in T-bills—debt that matures in a year or less—typically has little impact on the 10-year Treasury yield, which is what moves things like mortgage rates.

Investors don't expect the Treasury to change the size of its note and bond auctions this week. The agency typically telegraphs such adjustments



*Shows month-end values
Sources: Ryan ALM, Tradeweb FTSE closes (Treasury yield); Treasury Department (T-bills share debt)

well in advance and said in October that it didn't expect changes to longer-term debt auctions "for at least the next several quarters."

Investors instead will be checking for changes to that

guidance—in particular, whether the Treasury at least opens the door to increases in the second half of the year.

Many analysts have been anticipating such a move, even

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Investors Bet on AI Companies In New Gold Rush

By MATT WIRZ AND VICKY GE HUANG

Artificial-intelligence evangelists such as Sam Altman want to reshape the world, but they need mountains of money to do it. That is sparking a modern-day gold rush on Wall Street.

Tech and power companies are raising cash every which way: issuing shares, loans and bonds on publicly traded markets and in private deals. Large firms, or hyperscalers, such as **Amazon.com** and **Microsoft** could easily spend about \$3 trillion by 2030 to build and operate data centers for their businesses, according to BlackRock Investment Institute.

The trick for financiers is avoiding the losers in a new industry that can turn treacherous on a dime, as it did last week when Chinese upstart **DeepSeek** triggered a sell-off in AI stocks. The recent frenzy echoes previous bonanzas such as fiber-optic cable, which boomed in the 1990s, busted in the 2000s and ultimately paid out. Fracking for oil and natural gas went through a similar cycle over the past 15 years.

Here's a look at some of the big financial bets being placed in the new digital economy:

Stargate, a joint venture between Altman's **OpenAI**, **Oracle** and **SoftBank**, will start with a data center in Abilene, Texas, but none of the partners ponied up the money to build it. **Blue Owl Capital**, an up-and-coming private-fund manager, provided the billion-dollar bankroll.

The deal started with a cold email Blue Owl sent Oracle 18 months ago. Best known for its private-credit funds, Blue Owl had grown quickly through acquisitions, and its global real-estate head, Marc Zahr, had an idea to expand even faster through data centers.

Oracle responded in 24 hours to the email and agreed to meet. Company founder Larry Ellison had adopted a strategy of finding financial partners to build data centers to compete with bigger tech giants in AI.

The companies hashed out a deal in six months. Blue Owl would invest \$1 billion and raise a \$2.3 billion loan to build the Abilene facility. Oracle leased the data center for 15 years and shouldered all tax, insurance and maintenance.

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◆ Eventful week for AI flips the script..... B4

Musk Clashes With German Tesla Workers

By STEPHEN WILMOT

Elon Musk was taken aback last fall by reports of high absenteeism at Tesla's factory near Berlin.

"This sounds crazy. Looking into it," the company's workaholic chief executive wrote last September on X, the social-media platform he owns, responding to a tweet citing a sickness rate above 15%.

The number of workers calling in sick has long been a flashpoint at the facility, where managers are battling to preserve the freewheeling spirit of an American tech company amid union pressure to hew closer to more worker-friendly European practices.

The culture clash offers corporate context for Musk's increasingly frequent interjections on European politics, including his recent endorsement of the far-right Alternative for Germany party.

"From MAGA to MEGA: Make Europe Great Again!" Musk tweeted on Jan. 18, riffing off the campaign slogan that brought Donald Trump to the White House. On Tesla's earnings call on Jan. 29, he reiterated his view that Europe's bureaucratic ways need to be disrupted.

Tensions between Tesla's working culture and local norms are set to reach the German courts in a test of the company's global resistance to unionization.

Late last year, the IG Metall union filed a lawsuit seeking the removal of Tesla's works council leader for having "re-



The number of workers calling in sick at Tesla's plant near Berlin has long been a flashpoint at the facility.

peatedly flouted the law to hinder our commitment to the interests of the workforce." An initial mediation meeting is scheduled for Feb. 11.

Tesla told local media at the time that the suit was des-

perate. The company and Musk haven't responded to requests for comments for this article.

When the sickness rate at Tesla's gigafactory jumped last August, Musk's local dep-

uty André Thierig dispatched managers to ring the doorbells of absent workers. Higher sickness rates on Fridays suggested that Germany's social model was being abused, Thierig told local media at the

time.

Despite their reputation for hard work, Germans called in sick more than any other European nationals in 2022, World Health Organization re-

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Prediction Markets Expand Into Even Edgier Territory

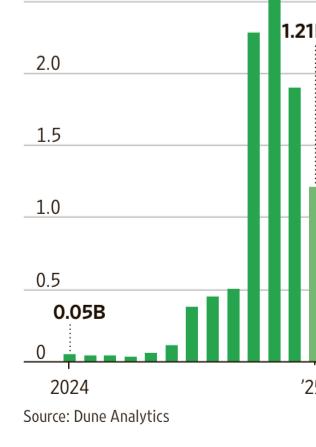
By ALEXANDER OSIPOVICH

Prediction markets, fresh off their success in calling the 2024 U.S. presidential election, are offering a wild array of betting contracts and testing the limits of what they can get away with.

Polymarket, the unregulated offshore prediction market, has listed contracts related to the Los Angeles wildfires and Israel's war with Hamas. **Kalshi**, a rival platform subject to U.S. regulation, enabled bets on whether Luigi Mangione, the suspect in the fatal shooting of a UnitedHealth Group executive, would plead guilty, before backtracking. In January, Kalshi listed contracts tied to the Super Bowl, blurring the boundary between markets and sports gambling.

Such trading venues are chasing growth when betting on sports, cryptocurrencies and meme stocks has gone mainstream. They are expanding into new territory as President Trump ushers in an era of

Polymarket trading volumes, monthly



light-touch financial regulation, which will potentially ease constraints on what U.S. prediction markets can list. The president's oldest son, Donald Trump Jr., joined Kalshi in January as a strategic adviser.

Prediction markets are exchanges through which users bet on future events. The prices of their betting contracts—

which typically range from zero to \$1—reflect traders' assessments of the probability of those events happening.

Economists developed the concept of prediction markets in the 1980s, arguing they could harness the wisdom of the crowd to forecast elections and assist government decision-making. As the idea was commercialized, the results have sometimes been less high-minded.

Behind the proliferation of edgy bets is a stark business reality: Elections are the big cash cow for prediction markets, and trading volumes at Polymarket and Kalshi have slumped since November. Seeking to drum up new business, the platforms listed a range of buzzy, ripped-from-the-headlines betting contracts.

Polymarket, a crypto-based prediction market, has a history of listing contracts in questionable taste, such as a 2023 contract on the search

INSIDE



MEDIA
CNN's conservative pundit says his job is to 'translate from Red America.' B6



HEARD ON THE STREET
DeepSeek, amplifiers offer a lesson on competition. B9

Firms Strain to Price Machine Learning

By ISABELLE BOUSQUETTE

More than two years after the public debut of ChatGPT, software companies still haven't found a compelling way of charging for AI tools, chief information officers say. Now they are trying new strategies.

In the past couple of years, vendors have typically charged a monthly fee per user for AI features, assistants and copilots, much like they price other software as a service. But AI's high compute demands meant they needed to charge eyebrow-raising prices to cover the cost of delivering the service.

For example, some chief information officers balked at paying \$30 per user per month to add **Microsoft's** AI Copilot to its 365 productivity suite, a 60% premium to the top level of 365 without AI.

"A year ago everything was way overpriced," said Greg Meyers, chief digital and technology officer of **Bristol-Myers Squibb**. "Most companies

overestimated how much more we would be willing to pay for an AI feature."

The emergence of models like **DeepSeek's** R1, which the Chinese company said it trained for a fraction of the cost of leading U.S. models, could help drive AI costs down over time. But meanwhile, CIOs remain in a tough spot.

"We're in a place where prices are high and simultaneously companies are trying to understand how to drive value out of it," said **United Airlines** Chief Information Officer Jason Birnbaum.

When it comes to general-purpose tools like Copilot that are charged on a per-seat basis, Birnbaum added, "We're not really ready to deploy it on a broad basis."

Now vendors are making changes to how they price in an attempt to gain more users and more adoption. **Alphabet's** Google in January said its Business Standard plan

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BUSINESS NEWS

X Adds Names to Ad-Boycott Suit

Platform alleges illegal boycott by brands including Nestlé, Shell, Tyson

By PATIENCE HAGGIN

Elon Musk's social-media company X added more major brands to its lawsuit claiming an ad-industry coalition illegally boycotted the site.

X, formerly known as Twitter, named **Nestlé**, **Abbott Laboratories**, **Colgate-Palmolive**, **Lego**, **Pinterest**, **Tyson Foods** and **Shell** as new defendants in a Saturday legal filing in a federal court in Texas. The lawsuit claims the companies and advertising trade group World Federation of Advertisers violated antitrust laws and conspired to collectively withhold billions of dollars in advertising from the platform.

Companies named in the lawsuit had no immediate comment. The World Federation of Advertisers has previously said the lawsuit misconstrues the purpose and actions of its responsible media efforts and is significantly draining its finances.

X first filed the suit in August, initially naming companies including **Mars**, **CVS Health**, Danish wind-energy group **Orsted**, and Twitch, the live-streaming site owned by **Amazon.com**. Amazon had pulled much of its advertising on X but is ramping up its ad spending on the site in a shift that involved its chief executive, Andy Jassy, The Wall Street Journal reported.

Some companies that previ-



Lego was among the companies named as new defendants in a suit claiming they violated antitrust laws.

ously slashed ad spending on X have been reconsidering due to the changing political and social climate. As Musk has emerged as one of the most powerful people in President Trump's orbit, business and world leaders have taken steps to improve relations with him.

Musk has presided over a lighter touch in online content moderation on X, and Facebook owner **Meta Platforms** adopted a similar policy last month.

Tensions with advertisers began in fall 2022, when Musk

bought the site then known as Twitter and pledged to loosen content restrictions on the platform to encourage free speech. Advertisers became concerned about Musk's content plans and internal turmoil inside the company after rounds of layoffs.

Starting in late 2022, the Global Alliance for Responsible Media, an initiative of the World Federation of Advertisers, conveyed to its members concerns about whether Twitter would comply with the initiative's brand safety stan-

dards. X's lawsuit alleged that this triggered "the massive advertiser boycott that followed."

Ad buyers' concerns about X grew in 2023 because of controversy over antisemitic content.

The site, which rebranded as X in 2023, saw its revenue plummet. Under Linda Yaccarino, who took over as chief executive in 2023, X has pursued other revenue sources, including subscriptions and digital payments—but growing its ad revenue remains crucial.

X has responded aggressively to big brands' reduction in ad spending. In November 2023, Musk said that brands that had pulled ads from the platform could "go f— yourself."

A few days after X filed its lawsuit in August 2024, the WFA shut down its GARM initiative.

A previous version of X's lawsuit named **Unilever** as a defendant. X dropped the consumer-product giant from the suit after the two companies reached an agreement.

Smiths To Spin Off Detection Business

By IAN WALKER

Smiths Group plans to spin off or sell its detection technologies business and return as much as £850 million, or about \$1.06 billion, to shareholders.

The FTSE-100-listed engineering group said Friday that it will also sell Smiths Interconnect by year-end as part of a plan to focus on the John Crane and Flex-Tek businesses.

Smiths increased its share-buyback program to £500 million from £150 million and said it would return an extra £350 million to shareholders by year-end. It has already bought back £85 million of shares under its original program and expects to complete the rest by end March.

Smiths expects to return most of the money raised from the disposals via the buybacks, it said, and it expects to provide further information on its strategic focus alongside its half-year earnings in March.

"We are excited by the future potential of a more focused Smiths Group and will continue to invest in the business organically as well as to pursue value-creating bolt-on acquisitions," the company said.

On Jan. 17, Engine Capital, which owns 2% of Smiths Group, called on the company to undertake a review of the business, including a possible sale of the company in whole or part. The New York-based activist hedge fund said in a letter to Smiths that the board should consider spinning off John Crane in the U.S., and sell the other businesses as part of the review.

Engine Capital didn't immediately respond when approached for comment.

"Focusing on our world-class John Crane and Flex-Tek businesses and carefully managing the separation of Smiths Interconnect and Smiths Detection, we will deliver significant value for all stakeholders," Smiths Chief Executive Roland Carter said.

Smiths said it continues to manage its response to a cybersecurity incident, which was limited to its internal enterprise systems.

It said that the company has made good progress recovering these, and has been able to minimize the impact on operations.

On Jan. 14, the company said it expects fiscal 2025 organic revenue growth of between 6% and 8%, up from previous guidance of 5% to 7%. It attributed the performance to the detection and interconnect units during the second quarter of the year, and improved visibility in the full-year order book.

Supply-Chain Turmoil Reroutes U.S. Imports

By PAUL BERGER

Just a few years ago, U.S. importers looking at big bottlenecks at West Coast ports swung their cargoes to the East as containerships backed up off the Southern California coast and unionized dockworkers slowed operations from Seattle to Long Beach.

Last year, importers rushed back to the West as dockworkers from Maine to Texas threatened to strike and Houthi rebels in Yemen blocked access to the Suez Canal, triggering a big shift in inland supply chains and delays at rail yards that suddenly saw thousands more containers.

The steep swings in trade are a sign of how quickly global supply chains have shifted in the past three years as retailers and manufacturers adjust on the fly to rapidly changing developments in the U.S. and around the world.

The flexibility was honed during the pandemic, when sudden changes in supply and demand led companies to rapidly shift gears in their supply

chains to reach customers and maintain their positions in markets.

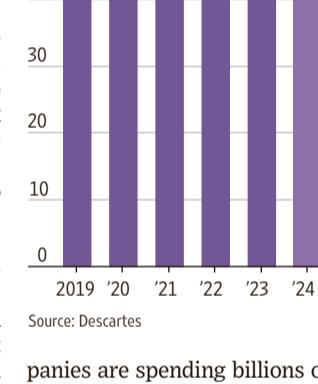
The recent shifts in shipping volumes show how retailers and manufacturers may turn to battle-tested playbooks as the Trump administration slaps new tariffs on some of the U.S.'s biggest trading partners. The levies threaten to drive up costs and unravel the complex webs of suppliers and transportation networks companies use to bring their goods to market.

The ports of Los Angeles and Long Beach lost an estimated 20% of import volumes to rivals following the Covid pandemic. Last year, imports at the neighboring ports surged 22% to more than 10 million boxes, almost equaling the record volumes of 2021 during the pandemic that led to big container backups at sea.

The West Coast's gain of a larger share of U.S. import trade last year bucks a decadeslong trend in which cargoes have slowly drifted eastward.

Importers and logistics com-

Share of containerized U.S. imports that enter the country via West Coast ports



panies are spending billions of dollars expanding supply chains across the country, establishing warehousing and transportation networks close to fast-growing population centers in the South and Southeast, and near ports that are gateways for goods from fast-growing manufacturing hubs like India.

The expansions also have al-

lowed retailers and manufac-

turers to switch more nimbly between coasts in cases of supply-chain disruptions such as wars or port strikes.

The two Southern California ports, which together make up the largest gateway for U.S. container trade, once handled about 80% of imports from Asia. Gene Seroka, executive director of the Port of Los Angeles, said the Southern California complex's share of Asia imports a few years ago had fallen to less than 46%, but rebounded last year to 49%.

The threat of tariffs on Chinese goods poses one of the biggest challenges to the Southern California port complex, said Port of Long Beach Chief Executive Mario Cordero.

Georgia Ports Authority,

which runs Savannah's port,

last year logged a 14% increase

in imports. "I truly believe we

would have had a much better

12 months" if there hadn't been

labor disruptions, said Griff

Lynch, the authority's execu-

tive director.

The International Long-

shoremen's Association, which

represents tens of thousands of

dockworkers from Maine to Texas, struck for three days in October. The union reached a tentative deal with employers in January that is expected to be ratified in the coming weeks, but some importers said they also moved up orders and shifted some business to the West Coast to ensure they got goods into the country ahead of another potential walkout.

West Coast ports also benefited in 2024 from disruptions in the Red Sea, where attacks by Houthi rebels on commercial vessels effectively closed the Suez Canal to the container trade. With shipping lines taking longer routes around Africa, many importers shifted a share of their container trade to West Coast ports.

The Houthi rebels have pledged to stop their attacks following a cease-fire between Israel and Hamas in Gaza. Ocean carriers say they are waiting to see if the cease-fire holds before resuming routes through the canal. Lynch said restoration of the Suez routes "would open the floodgates to the East Coast."

UPS Is Pressured by Unhappy Investors—Its Own Retirees

By ESTHER FUNG

UPS boss Carol Tomé is under pressure to reverse a long slump in the company's stock price, especially from employees and retirees, who have outsize say under UPS's unique shareholder structure.

The package-delivery giant's shares have tumbled roughly 40% over the past three years, including its biggest single-day dive on Thursday after it said it would shrink its business with **Amazon.com**.

The slump has created tensions among investors, especially UPS alumni who collectively have seen billions of dollars of their wealth evaporate and who control 63% of the voting power.

"I'm not very happy with the stock price," said Ed Baranek, a former pricing manager who spent 37 years at the company. Like many UPS veterans, Baranek took some compensation over the years in the form of special Class A shares with supervoting rights.

"I have concerns on the shrinking-to-greatness approach with the loss of Amazon volume," said Baranek, who owns Class A shares valued at about \$100,000. He said UPS may face more volume de-

clines after recently raising prices for delivery of nonurgent residential packages.

UPS's latest results didn't give investors much to cheer. It said revenue in 2025 would come in about \$6 billion below analyst forecasts after it decided to halve the amount of packages it handles for Amazon, its biggest customer.

Tomé said UPS wants to wean itself from Amazon because profit margins on that business are tight and eat into profitability. "Our future is very bright," she told investors on Thursday. "We are not shrinking."

Dual-class shares are typically used by founders to reserve voting power for themselves and their families. UPS, which was started in 1907 and went public 92 years later, reserved its Class A shares for managers and employees.

At the time of the IPO, employees and retirees held 99% of the voting power. (Each Class A share gets 10 votes and publicly traded Class B shares get one vote.) The company says the Class A shares, which existed before the IPO, are meant to further its culture and ownership mindset.

"We have seen several layoffs, but the stock price has not changed," said Jose Maria

within the company, after fulfilling certain requirements such as holding them for at least two years. As of Oct. 16, there were around 122 million Class A shares and 731 million Class B shares outstanding.

UPSers take pride in their decadeslong careers. Many started off as part-time package handlers and then climbed the ranks. There are about 157,000 holders of Class A shares.

"We have seen several layoffs, but the stock price has not changed," said Jose Maria

Odriozola Cuende, a former UPS vice president. "The sacrifice and effort are not getting any payback." Odriozola, who worked at UPS for 38 years, was among those laid off last year. The 61-year-old said he is holding on to his Class A shares and hoping for a change in UPS's leadership.

UPS said its leadership is "taking swift and decisive action to drive profitable growth" and that a "customer-first mindset will continue to fuel us as we grow."

Tomé is the first outsider

to lead UPS. She was a long-time finance chief at Home Depot and a UPS board member.

She took over in the middle of the Covid pandemic and revamped the business model to focus on shipping more-profitable packages rather than on volume gains.

Profits soared during the pandemic. But as the pandemic waned, parcel volumes slowed and profit margins suffered.

Shares have been under extra pressure since Tomé signed a five-year labor con-

tract with the Teamsters in July 2023, boosting starting pay for part-timers as well as wages for existing workers.

To trim costs, UPS last January said it would lay off 12,000 workers worldwide, primarily managers. The company has since carried out more rounds of layoffs and sold some business lines.

But its biggest change came last week when the company decided to pull back aggressively from its Amazon contract, which accounted for roughly 12% of revenue in 2023.

Amazon provides millions of packages to fill UPS trucks, but has also built its own local delivery network and has been handling more of its own volumes. Some analysts say the low profitability of the contract has pressured UPS's profit margins, and several of them welcomed the company's decision.

"While this splinter will be painful to dig out, we surmise this move is a positive in the long run," Tyler Brown, analyst at Raymond James, said on Thursday.

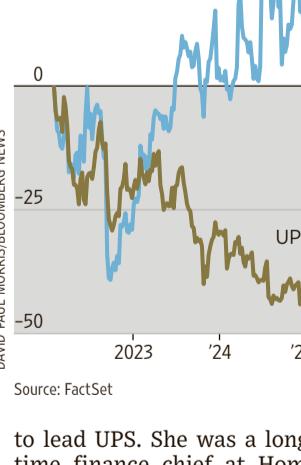
"Amazon is our largest customer, but it's not our most profitable customer," Tomé said on Thursday.

—Dean Seal contributed to this article.



UPS wants to wean itself from Amazon.com's business.

Share-price performance, past three years



DAVID PAUL MORRIS/BLOOMBERG NEWS

An Eventful Week for AI Flips the Script

DeepSeek's rise, Nvidia's decline and a huge bet on OpenAI change the game

By BEN FRITZ
AND THOMAS GRYTA

Artificial intelligence has been a fast-moving, high-drama industry since **OpenAI** launched the viral chatbot ChatGPT a little more than two years ago and awakened the world to the technology's potential.

But nobody has seen a week like the past one: DeepSeek, a disruptive new Chinese AI company, emerged seemingly out of nowhere; the world's most-valuable company lost nearly \$600 billion of market value in a day; and it emerged that the developer of ChatGPT was in talks for a fundraising round that would value it at an eye-popping \$300 billion.

Here are the most important things we learned from last week's events:

◆ **DeepSeek is a coup for China and a new approach to AI.**

Most people heard of DeepSeek for the first time in

the past week, but tech geeks had it on their radar for months. The Chinese startup—launched by an engineer who ran a hedge fund—released a series of AI models nearly as good as the best that Silicon Valley has to offer.

DeepSeek isn't just good. Thanks to some widely praised engineering breakthroughs, it was made at a fraction of the cost and in a fraction of the time of those made by Silicon Valley tech giants.

Those breakthroughs allowed it to be made in China, a country that many experts thought was behind the U.S. because of export restrictions on powerful AI chips. And DeepSeek gave its models away, as open-source code, which helped make them immediately popular among consumers, businesses and developers.

◆ **DeepSeek's rise made investors skeptical of Nvidia.**

As buzz about DeepSeek's latest model grew and its app shot to the top of the download and performance charts, Wall Street panicked.

If artificial intelligence can be made more simply, inves-

tors figured, maybe the world won't need as many pricey chips.

Shares of **Nvidia**, which was the world's most valuable company just a week earlier, plunged 17% last Monday, as part of a market wipeout that erased some \$1 trillion of stock value.

Nvidia, like other tech companies, said that DeepSeek's

ascendance would increase overall demand for AI and boost demand for the company's products.

But Nvidia stock recovered only slightly by the end of the week, signaling that investors are still wondering whether Nvidia's power as the computational arms dealer atop the AI boom has been diminished.

◆ **Chip limits on China aren't stopping its AI ascendance.**

The U.S. in recent years has tightened restrictions on shipments of chips to China, aiming to limit development of the most advanced AI tools. Nvidia responded to the

controls by producing less-powerful chips for the Chinese market. DeepSeek has said it used some of those chips to develop previous AI models.

Many in Washington, D.C., are pressuring President Trump to take action to keep the U.S. ahead in an AI arms race. And members of Congress are advocating for a ban on exporting H2O chips to China.

◆ **DeepSeek may be succeeding by free-riding on OpenAI's work.**

As American technologists began investigating how DeepSeek got so good, the word "distillation" started popping up. It is a technical term for an AI model that becomes intelligent by asking another model questions and learning from its answers.

DeepSeek said it distilled from an open-source model released by **Meta Platforms** and from one of its own. But some technologists think it also may have distilled from other proprietary models

whose terms of service forbid distillation.

OpenAI said Wednesday it is reviewing indications that DeepSeek did just that to its systems.

If that is the case, it would mean that American investment is benefiting China's new AI star.

DeepSeek didn't respond to requests for comment.

◆ **DeepSeek's strategy puts Silicon Valley at risk.**

A growing chorus in Silicon Valley is questioning whether it still makes sense for the biggest AI developers, which are collectively losing billions of dollars a year, to keep spending gobs of cash developing advanced technologies.

Now that DeepSeek has proven how successful distillation can be, investors expect many startups that could never afford to develop complex artificial-intelligence models to ape the Chinese company's approach.

That could be great for consumers who may get more AI at low or even no cost.

But it could dissuade leading AI companies from building the next cutting-edge model, out of fear that their

work will quickly be distilled and benefit competitors.

◆ **SoftBank is making a huge bet on OpenAI.**

OpenAI Chief Executive Sam Altman praised DeepSeek for "impressive work" in a post on X but said that his company is "excited to continue to execute on our research road map."

On Thursday, The Wall Street Journal reported that a powerful partner is standing behind Altman.

SoftBank, the Japanese tech and investment conglomerate led by Masayoshi Son, is in talks to invest \$15 billion to \$25 billion in OpenAI.

That money would be part of an investment round of up to \$40 billion from numerous backers that would value OpenAI as high as \$300 billion.

In October, OpenAI was valued at \$157 billion. The increase is a loud endorsement by Son of Altman's spend-big-to-dominate strategy.

As the wild week for AI ended, Altman threw one last bomb: In an "ask me anything" session on Reddit on Friday, the CEO said his company should consider giving away its AI models, just as DeepSeek does.

No One Knows How To Price AI

Continued from page B1
would shift from charging \$12 per person per month for its Workspace productivity suite, plus another \$20 for access to its Gemini AI business tools, to a \$14 package with Gemini AI features baked into Workspace.

And Microsoft introduced consumption-based pricing with its new Microsoft 365 Copilot Chat that gives users access to use AI agents. Depending on the interaction, customers might pay a few cents for each "use."

To be sure, Microsoft said it is seeing accelerated customer adoption of the \$30 Copilot offering. Chief Executive Satya Nadella said on Microsoft's earnings call last week that customers who purchased Copilot during its first quarter of availability "expanded their seats collectively by more than 10X over the past 18 months."

But the goal with the new Copilot Chat is also to lower the barrier to entry for new enterprises using Copilot and build a broader user base that will ultimately use the \$30-per-month version, said Jared Spataro, chief marketing officer of AI at Work for Microsoft.

"A per user per month charge can sometimes be difficult for them if they're trying to go to broad scale because they're just not sure how to

value something," Spataro said.

Kathy Kay, CIO of **Principal Financial**, said she plans to test the new Copilot Chat tool to determine its cost-effectiveness.

"I do think this is an evolution of companies listening to their customers and understanding what they need and making it much more cost effective," Kay said.

But the vendors face another threat: Enterprises can access the same underlying models they do to build similar tools of their own. Kay said she built a tool that was able to replicate some of the capabilities of Copilot at a much lower cost.

Amazon Web Services is in part betting on that strategy. Its Bedrock platform allows users to access models from companies like Anthropic, **Meta Platforms** and Mistral AI with either a no-commitment, pay-as-you-go pricing model starting at less than one cent per interaction or a time-based term commitment, starting at \$25 per hour of commitment to use the Bedrock service. **Amazon.com** also provides its work assistant, Amazon Q, for \$3 to \$20 per user per month, depending on the tier.

Software companies also are facing pressure to adapt their pricing to account for the fact that the actual cost of using the underlying models is going down. As that happens, CIOs don't want to feel like their vendors are simply taking a bigger share of the profits.

"If they aren't fair and equitable in how they price those tools and transactions, they're actually going to in-



Companies are often charged on a per-seat basis for general-purpose tools like Microsoft's Copilot.

cent me to build my own capability over buying theirs," said **Nationwide** Chief Technology Officer Jim Fowler. "And so my biggest concern is in this rush to AI, that they price themselves out of the enterprise."

Vendors and enterprises alike are still working to figure things out, he said. "It's still the wild west."

Salesforce says it is targeting more flexibility when it comes to their pricing options. Last September, the company

rolled out a pricing plan that allowed enterprises to toggle their spend minimums between per-month licenses for human employees and consumption-based agents.

A lot of customers are still trying to make sure they have the right value equation, said Bill Patterson, executive vice president of corporate strategy at Salesforce, and for some of the AI investments companies have made over the past two years, the jury is still out.

Meanwhile, vendors continue facing the dilemma of making tools cheap enough that people will buy them but expensive enough so they aren't losing money in compute costs if people use it too much—a balance that is hard to navigate with tools that are so new.

Earlier this year, **OpenAI** CEO Sam Altman posted on X that the \$200-a-month ChatGPT Pro plan was losing money because people were using it more than anticipated.

Investors Bet On AI Financing

Continued from page B1
nance expenses. The project includes its own natural-gas power plant, a crucial feature because there isn't enough electricity in the U.S. to supply coming data centers.

Blue Owl controls about \$13 billion of data centers and is targeting \$50 billion by December 2026.

A big year

Digital Realty has been a public company for two decades, but never had a funding year like 2024. The company is an investment trust that builds data centers for rent to corporate clients. It raised \$8.5 billion last year selling stock and debt to fund its AI-fueled growth, a 25% jump from 2023.

The flurry of dealmaking shows no signs of slowing. In the past four months, the company raised \$4 billion by selling euro-denominated bonds, stock and convertible bonds. In 2023, it raised about



Generators sitting outside a new Digital Realty data center in Sterling, Va., in December.

\$1.4 billion through commercial mortgage-backed securities.

Also in 2023, it formed a venture with private-equity giant **Blackstone** to develop \$7 billion in data centers. Blackstone has an 80% ownership stake in the venture and made an initial capital contribution of \$700 million.

The fundraising frenzy has kept members of Digital Realty's finance team up for some all-nighters.

"There's always last-minute things that need to be but-

toned up, information that needs to flow back and forth, conversations that you're having with banks and investors to bring in and close the deal," said Matt Mercier, chief financial officer of Digital Realty.

When **Silicon Ranch** started building solar-panel farms in 2011, landing a contract to build a one-megawatt project to power a **Walmart** store was a huge win. The Nashville, Tenn.-based com-

pany turned to a local bank for construction loans and help financing tax credits from the project, said co-founder and Chief Financial Officer Reagan Farr.

Now the company is building or operating 16 solar farms that generate 1,500 megawatts for **Meta Platforms**-owned data centers in Georgia and the Tennessee Valley. Each farm requires loans for hundreds of millions of dollars from national banks. The tax credits get sold to large corporations ranging

from grocery chains to auto-parts suppliers.

Silicon Ranch, which is owned by private-equity firms and oil company **Shell**, is investing more than \$3 billion into the projects. The money pays for land, equipment, transmission lines and labor, including herds of sheep used to trim grass that would otherwise block panels from sunlight.

Big as the sums are, they barely register to hyperscalers, Farr said.

"My hyperscale colleagues are like, '\$4 billion sounds like a lot, but that's nothing to us,'" he said. "The average person doesn't appreciate the scale of these infrastructure projects because we've not built like this in America since the interstate system."

Silicon Ranch has turned to infrastructure investors to raise more cash, but even that likely won't be big enough, Farr said. Ultimately, the company and others will need to tap the biggest pool of money there is, the U.S. stock market, he said.

CoreWeave, a **Nvidia** affiliate, is preparing to test stock investors' appetite. The company, fresh off a private fundraising binge, has hired **JPMorgan Chase**, **Goldman Sachs** and **Morgan Stanley** to lead its initial public offering.

Once focused on providing

data centers for cryptocurrencies, CoreWeave parlayed its access to Nvidia's chips into a string of Wall Street deals that turned it into a hyperscaler virtually overnight.

Wall Street deals

In the past year, CoreWeave raised \$1.1 billion of private equity from funds like Magnetar Capital and Fidelity, took out a \$7.5 billion private credit loan and issued an additional \$650 million of private equity. It also took out a \$650 million revolving loan—the corporate equivalent of a credit card—from the banks arranging its IPO.

Catherine O'Donnell runs JPMorgan's tech leveraged-finance effort in San Francisco. She also led the bank's energy lending team during the rise of oil and natural-gas fracking. In some ways investing in tech companies is even more complex, she said. The bank focuses on picking companies that have a large head start over competitors and in making loans that amount to a fraction of the borrowers' estimated valuations.

"You need to back the right companies because the disruption risk is much higher than in gas," she said. "There's always something new coming out."

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To the quantum computing skeptics, enthusiasts, and undecideds:



BIG TECH LEADERS have demonstrated that they don't fully understand the nuances of quantum computing. They speculate about its potential hitting in 15, 20, or even 30 years, but what they fail to mention is that quantum computing technology is delivering tangible value today.

By the time you finish reading this letter, D-Wave™ quantum computing systems will likely have solved highly complex optimization problems for customers ranging from airlines to logistics companies to retailers. These calculations would have taken hours or days to complete on a classical computer, costing businesses precious time, energy, and money. We can address these problems in minutes. Is the value of quantum computing 15 years out? No, it isn't. It's happening right now.

From the amazing science and engineering involved to the remarkable benefits quantum computing is bringing to market, I see every day how the technology is helping our customers gain competitive advantages. That's why it is unfortunate when other Big Tech leaders aren't aware of its value today as clearly as I am. And that is why I am writing this letter.

I want to clarify a few things so that you can understand the current state of quantum computing. D-Wave has developed a no-nonsense framework that deflates the hype, helping you to formulate an informed position on quantum. We call it **Quantum Realized**, and it presents three simple benchmarks to consider when assessing a particular quantum company's value.

Quantum Realized Today

1 _ The company provides quantum technology that is better or faster at solving computationally complex problems than a classical computer alone.

2 _ Its quantum systems are highly performant, highly reliable, and highly available.

3 _ It has proven commercial customer successes in proof-of-concepts and in-production application deployment.

I'm proud to say that, currently, **D-Wave is the only company that meets all of the above criteria.**

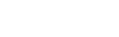


Computers have arguably created more value than any other tool humans have invented. Until recently, computers occupied the realm of classical computation with the ubiquitous CPU and GPU. Quantum computing requires a new architecture centered around the quantum processing unit, or QPU, and it has instantly broadened the computation landscape. To put it simply, it's a new tool in our toolbox, and a powerful one at that.

In fact, our technology has been proven to solve important problems beyond the reach of classical computers – with clear demonstrations of our system's outperformance. Recently, the solution to a complex materials simulation problem was solved

in 20 minutes on our system. It would have taken 1 million years to solve this on one of the world's most powerful supercomputers (a massively parallel GPU system). And this is only the beginning.

What's undeniable about computers, whether they are classical or quantum, is that no matter how advanced they are, innovators are always exploring how to make the technology better. Think about AI today versus 15 years ago. It's night and day. Now think about AI today versus 15 years into the future. We can scarcely imagine what AI will become in that time. The same goes with quantum. Yes, quantum will be even more amazing in 15 years, but it's also amazing now – and I can prove it.



D-Wave is advancing quantum technology to address our world's most computationally complex problems. We made a strategic decision to initially focus on delivering a specific type of quantum computer that incorporates an annealing architecture. Our decision was based on two factors: a quicker path to develop and commercialize a useful quantum computer, and annealing's unique ability to solve complex optimization problems – something that businesses have been struggling with for decades.

We are the only annealing quantum computing company with 5,000+ qubit systems solving customer problems now. More than 100 organizations trust D-Wave with their toughest computational challenges such as optimizing mobile networks, creating more efficient workforce scheduling for e-commerce delivery drivers, and streamlining automotive manufacturing processes. Over 218 million problems have been submitted to quantum computers and quantum-hybrid solvers available in our cloud service to date.

We are also developing gate-model quantum computers, which may, in the future, be used for a different range of problems such as developing personalized medications or everlasting batteries. These are the types of quantum computers the Big Tech leaders have recently commented about. Gate-model quantum computers are still in the research and development phase, and I believe they remain 7 to 15 years away from being commercially viable. But let me be clear: Even when gate-model systems come to market, annealing quantum computers will still be better for optimization, as research has proven.

D-Wave's systems are commercial-grade. Our Leap™ quantum cloud service delivers 99.9% uptime and availability and sub-second response times. The Leap service is accessible in 42 countries, with enterprise-ready performance, security, and scalability. Our hybrid quantum solvers can extend solution quality for larger and more complex problems with up to 2 million variables. And finally, our customers, including more than two dozen of the Forbes Global 2000 companies, are experiencing firsthand the power of annealing quantum computing.

This is Quantum Realized. It's here, brought to you by D-Wave.

Sincerely,
Dr. Alan Baratz
CEO of D-Wave

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BUSINESS NEWS

CNN Taps a Conservative Pundit To Explain Red America to Viewers

BY ISABELLA SIMONETTI

Scott Jennings likens his segments at the roundtable on CNN's 10 p.m. show to a bout of roller derby. The New York studio where "NewsNight" is filmed is the Thunderdome. Jennings, a conservative pundit, relishes the fight. So does CNN.

"Often the show sort of comes down to several people versus Scott," he said. "Part of my job here is to honestly help translate from Red America."

Coverage that criticized President Trump's policies and statements boosted ratings at networks, including CNN, in Trump's first term. That strategy remains part of the playbook early in his second, but CNN is betting that to build and sustain viewership it needs to elevate voices that represent the nearly 80 million Americans who voted for Trump in 2024.

Jennings, who built his career working for old-guard Republicans including George W. Bush, Mitch McConnell and Mitt Romney and joined CNN in 2017, wouldn't seem the ideal candidate to bring the new right's message to the masses. But few TV commentators have transformed themselves more completely to be in tune with the Trump's movement.

In a January 2021 column for CNN, he referred to those who participated in the Jan. 6 Capitol riot as "domestic terrorists," and called on Republicans to "condemn this shameful behavior." At the beginning of this year, he said on "NewsNight" that he doesn't like what the rioters did, but most of those charged paid "a deep price."

He ignited the "NewsNight" panel and anchor Abby Phillip recently by dismissing concerns that Elon Musk was expressing sympathy for Nazis, supporting a far-right German political party and minimizing the horrors of the Holocaust. Jennings scoffed and sighed as Washington Post opinion columnist



Scott Jennings says he enjoys the debates with more-liberal guests on CNN's 'NewsNight.'

Catherine Rampell described Musk's recent arm motion on a stage as a Nazi salute. "Under no circumstances was he doing anything other than expressing enthusiasm for his appreciation for the crowd," Jennings said.

"Why don't you do it on TV right now if you think it's so...so banal," Rampell dared him. Jennings ignored her.

The genius of Scott is that he somehow has managed to be the Republican that all CNN watchers love to hate," said Van Jones, a CNN contributor who describes himself as a progressive Democrat.

Jennings said he doesn't have a problem with Trump's suing media organizations, and called out Democrats for demeaning voters. After Trump's first day in office, he remarked: "I'm just struck by the fact that we have a president again."

"Scott's commentary, especially for liberals, can be incredibly triggering because it puts it on the table in a way that I think many people do not often hear," Phillip said.

Outside of the CNN studio, Jennings co-founded and helps

run crisis-communications firm RunSwitch PR in Kentucky. He is a contributing columnist for the Daily Mail. He has been an occasional opinion contributor to the Los Angeles Times since 2019, and was recently recruited by the paper's owner, Patrick Soon-Shiong, to join the editorial board.

Troubled by Trump's 2016 run, Jennings penned an op-ed for the Louisville Courier-Journal. "Republicans must not abandon the notion of a restrained presidency in favor of a rampaging executive unbound by facts or the Constitution," he wrote in March 2016. On Jan. 6, 2021, he wrote in a CNN piece that Trump "caused this insurrection with his lies and conspiracy theories."

Jennings now frequently praises Trump on air. He commended the president for telling the world "we are not a shrinking violet anymore" when floating the idea of taking over Greenland.

Some observers question Jennings's evolution. "He used to be a responsible, respectable conservative," said Norm Eisen,

who served as a CNN legal analyst and worked in the Obama administration. "But he has sold his soul as part of his deal with the ratings devil—and thrown his brain in for good measure."

Jennings said his evolution is more complex. "I certainly didn't support [Trump] in the 2016 primary," he said. "I did not fully understand at the time what was happening in the party and in the country."

"NewsNight," on which Jennings often appears, pivoted in July to a debate-style roundtable format. In June, before shifting to the roundtable format, "NewsNight" averaged 485,000 viewers. It attracted 669,000 viewers in July and 717,000 in October.

So far in 2025, the show is bringing in just under 500,000 viewers. Fox News's "Gutfeld!"—which shares the time slot—is averaging about 3.3 million viewers and MSNBC's "The Last Word With Lawrence O'Donnell" is drawing 1.1 million. Fox News parent **Fox Corp.** and The Wall Street Journal's parent, News Corp, share common ownership.

U.S. Debt Plan Sparks Anxiety

Continued from page B1 before the change in administration, given the government's projected borrowing needs.

The Congressional Budget Office recently forecast a fiscal 2025 budget deficit of nearly \$1.9 trillion. Absent increases in longer-term debt issuance, Treasury would need to rely more on T-bills to meet its funding requirements.

T-bills, which are usually considered as safe as cash, offer advantages to the government as a low-cost funding tool.

A downside is that they make borrowing costs more variable.

Demand from investors may also not be unlimited. So the Treasury has historically reduced the share of T-bills during economic expansions to leave room for big increases during downturns.

T-bills made up around 22% of the government's stock of debt at the end of December, up from 15% two years earlier, though still a touch below the long-term average.

Even outside of recessions, the share of T-bills has fluctuated over time. It stayed above 20% in the 2000s before falling below 15% in the 2010s when longer-term Treasury yields were at historic lows.

In 2020, the private-sector Treasury Borrowing Advisory Committee known as TBAC suggested that the ideal range for T-bills outside of emergencies was between 15% and 20%. It later clarified that these were only meant as rough guidelines.

That set the stage for the Treasury's actions in the fall of 2023. At the time, a surge in Treasury yields was rattling fi-

nancial markets—fueled, analysts said, by a burst of economic growth but also an unexpectedly large increase in the size of note-and-bond auctions that August.

The Treasury continued to increase the size of its auctions, but by a little less than most on Wall Street had expected. Officials also signaled that they didn't view 20% as a hard cap on T-bills.

Bonds and stocks rallied on the day of the announcement. For many, it was an appropriate and modest adjustment at a time when demand was robust for T-bills, but shaky for longer-term bonds.

Josh Frost, then the Treasury Department's assistant secretary for financial markets, was celebrated by CNBC's Jim Cramer as "the most important man in finance."

TBAC last year made an adjustment of its own, recommending a T-bill share averaging around 20% over time.

Still, some political conservatives have criticized the Treasury, arguing that officials were trying to contain longer-term borrowing costs for political reasons.

In a Nov. 10 Wall Street Journal opinion column, Bessent argued that the Treasury had "distorted Treasury markets by borrowing more than \$1 trillion in more-expensive shorter-term debt compared with historical norms."

He added that "terming out that debt in favor of a more orthodox borrowing profile may increase longer-term interest rates and will need to be deftly handled."

Some analysts have played down such statements. Analysts at Citigroup argued in a recent report that fiscal pressures would push Bessent to accept a T-bill share as high as 25%.

Analysts at Goldman Sachs, meanwhile, anticipate that the Treasury will lift auction sizes in November, bringing the share of T-bills down to 20% by the end of 2026.

The Wall Street Journal CIO Network Summit

February 10-11 | Palo Alto, California

SPEAKERS

Vijay Kasarabada
CIO
Nuveen

Saam Motamedi
Partner
Greylock Partners

Pete Shadbolt
Co-Founder and
Chief Scientific Officer
PsiQuantum

Deepa Soni
Chief Information
and Operations Officer
The Hartford

Bret Taylor
Co-Founder and CEO
Sierra

Membership is by invitation: CIONetwork@wsj.com

OVERVIEW

When The Wall Street Journal CIO Network meets in February, we'll discuss how to navigate the new political and business landscape with agility and decisiveness. Join leading CIOs and CTOs to debate — through a series of newsmaking interviews, peer-to-peer discussions and networking moments — some of the following questions:

- How might President Donald Trump's policy priorities affect enterprise technology leaders? Could tariff's lead to higher costs for hardware, or even software?
- As return on investment from generative AI continues to be elusive, how should CIOs view the new wave of products that are coming to market? Could AI agents reframe the way that SaaS tools are used in the future?
- If the new administration has a light touch on AI regulation, as expected, will it unlock a new wave of AI innovation? Will corporate technology leaders need to play a more significant role in AI governance and ethics, data governance and risk management?
- Will a loosening of the capital markets—both for IPOs and M&A—lead to a new-look enterprise technology sector?
- Are we on the brink of new breakthroughs in quantum computing research and, if so, what could the implications be for corporate technology leaders?

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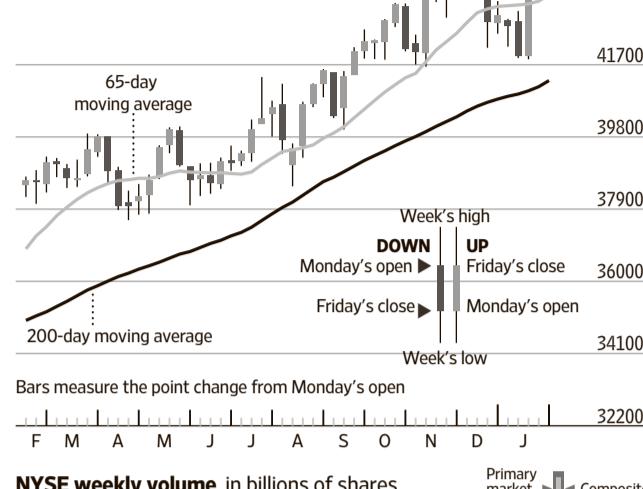
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MARKETS DIGEST

Dow Jones Industrial Average

44544.66 ▲ 120.41, or 0.27% last week
High, low, open and close for each of the past 52 weeks

Current divisor 0.16268413125742



Bars measure the point change from Monday's open

F M A M J J A S O N D J

32200 34100 36000 37900 39800 41700 43600

Week's high Week's low Friday's close Monday's open Monday's close

DOWN UP

Friday's close Monday's open

200-day moving average

Week's low

32200 34100 36000 37900 39800 41700 43600

F M A M J J A S O N D J

32200 34100 36000 37900 39800 41700 43600

NYSE weekly volume, in billions of shares

Primary market Composite

36 24 12 0

F M A M J J A S O N D J

36 24 12 0

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.; *Based on Nasdaq-100 Index

Major U.S. Stock-Market Indexes

	High	Low	Latest Week Close	Net chg	% chg	Low	52-Week Close (●)	High	% chg	YTD % chg
Dow Jones										
Industrial Average	45054.36	44026.27	44544.66	120.41	0.27	37735.11	●	45014.04	15.2	4.7 8.2
Transportation Avg	16901.07	16264.84	16306.84	-299.11	-1.80	14781.56	●	17754.38	3.2	2.6 2.2
Utility Average	1008.65	968.62	995.54	-13.40	-1.32	289.38	●	1079.88	17.4	1.7 1.6
Total Stock Market	60944.54	59394.34	60144.00	-576.67	-0.95	49116.22	●	60885.79	21.9	3.0 9.6
Barron's 400	1319.83	1289.90	1300.73	-13.67	-1.04	1063.30	●	1356.99	21.2	3.9 8.6
Nasdaq Stock Market										
Nasdaq Composite	19969.17	19204.95	19267.44	-326.86	-1.64	15282.01	●	20173.89	25.6	1.6 11.3
Nasdaq-100	21846.01	20974.90	21478.05	-295.96	-1.36	17037.65	●	22096.66	21.7	2.2 12.9
S&P										
500 Index	6120.91	5962.92	6040.53	-60.71	-1.00	4942.81	●	6118.71	21.8	2.7 10.2
MidCap 400	3283.61	3218.63	3239.04	-36.60	-1.12	2736.36	●	3390.26	17.1	3.8 7.1
SmallCap 600	1466.66	1436.91	1448.24	-7.06	-0.49	1241.62	●	1544.66	13.7	2.8 3.7
Other Indexes										
Russell 2000	2322.29	2269.12	2287.69	-20.05	-0.87	1937.24	●	2442.03	16.6	2.6 4.1
NYSE Composite	20218.73	19839.44	19998.82	1.35	0.01	17004.78	●	20272.04	16.9	4.7 6.3
Value Line	638.07	626.92	629.67	-5.56	-0.88	568.94	●	656.04	8.1	3.1 -0.2
NYSE Arca Biotech	6362.65	6164.54	6267.04	69.01	1.11	4861.76	●	6293.06	22.8	9.1 7.3
NYSE Arca Pharma	982.05	945.21	969.61	24.41	2.58	912.71	●	1140.17	0.7	3.8 6.7
KBW Bank	140.38	136.74	138.50	0.81	0.59	92.30	●	139.37	46.2	8.7 0.9
PHLX\$ Gold/Silver	157.13	145.99	153.99	3.10	2.06	102.94	●	175.74	35.0	12.3 7.2
PHLX\$ Oil Service	76.42	71.74	72.56	-3.226	-4.26	68.88	●	95.25	-7.0	-0.1 4.1
PHLX\$ Semiconductor	5161.93	4776.82	5015.85	-326.09	-6.10	4306.87	●	5904.54	15.7	0.7 12.9
Cboe Volatility	22.51	14.90	16.43	1.58	10.64	11.86	●	38.57	18.6	-5.3 -12.9

\$Nasdaq PHLX

S&P 500 Index

6040.53 ▼ 60.71, or 1.00% last week
High, low, open and close for each of the past 52 weeks

Trailing P/E ratio 29.42 25.83
P/E estimate * 20.73 18.53
Dividend yield 1.83 1.91
All-time high 45014.04, 12/04/24

Last Year ago

Trailing P/E ratio 25.52 22.85
P/E estimate * 22.33 22.15
Dividend yield 1.22 1.49
All-time high 6118.71, 01/23/25

Last Year ago

Trailing P/E ratio 24.00 24.00
P/E estimate * 24.00 24.00
Dividend yield 1.49 1.49
All-time high 6118.71, 01/23/25

Last Year ago

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P/E estimate * 24.00 24.00
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Last Year ago

CLOSED-END FUNDS

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike mutual funds, closed-end funds do not buy their shares back from investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange. **NA** signifies that the information is not available or not applicable. **NS** signifies funds not in existence for the entire period. A 12-month yield is computed by dividing income dividends paid during the past 12 months for periods ending at month-end or during the previous 52 weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions. Depending on the fund category, either 12-month yield or total return is listed.

Source: LSEG

Friday, January 31, 2024

52 wk

Fund (SYM) NAV Close/Disc Ret

General Equity Funds

Adams Diversified Eq ADX 22.88 20.50 -10.4 7.0

BlackRock EnLg Cap Cr CII 22.27 20.79 -6.6 15.4

Central Secs CET 56.82 47.66 -16.1 35.1

CohenStrsCEOpFd FOF 12.31 12.60 +2.4 18.2

EVTAxDivIncm EVT NA 24.56 20.4

GabelliDiv&IncrTr GDF 28.80 24.96 -13.3 20.8

Gabelli Equity Tr GAB 5.48 5.53 +0.9 19.2

GeneralAmer GAM 60.14 52.74 -12.3 29.3

JHancockTaxAdvDiv HAD 22.63 NA 28.5

Liberty All-Star Equity USA 7.09 7.12 +0.4 19.4

Liberty All-Star Growth ASG 6.19 5.70 -7.9 17.3

RoyceMicro-Cap Tr RMT 11.17 9.90 -11.4 18.6

Royce Value Trust RVT 17.36 16.28 -6.2 23.8

Source Capital SOR 44.32 42.15 -4.9 17.1

Special Opportunities SPE 15.48 15.84 38.9

SproutFocus Fund SFF 8.62 7.59 -11.9 7.0

SRH Total Return STEW 21.36 16.58 -2.2 21.1

Tri-Continental TY 36.50 32.68 -10.5 24.2

Specialized Equity Funds

abrdn Gib Prop AWP NA 3.98 NA 22.0

abrdn Global Fin Inc ASGI NA 17.82 NA 15.1

Adams Natural Resources PRA 24.22 21.70 -10.8 16.4

ASA Gold & Prec Met Ltd ASA 26.29 23.39 -11.0 6.15

BlackRock Energy & Res BGR 13.85 13.19 -4.8 19.4

BlackRock Eq Enh Div BD 9.27 8.79 -5.2 20.4

BlackRock Enh Div BOE 12.47 11.28 -9.5 20.7

BlackRock Enh Div RGY 6.09 5.53 -9.2 13.1

BlackRock ESG Cap All TECAT 17.82 16.62 -6.7 19.6

BlackRock Hltm Stk BMEZ 17.27 16.49 -4.5 19.0

BlackRock Hltm Sciences BME 43.50 40.92 -6.0 5.1

BlackRock InnovvGro Term BIGZ 8.57 8.20 -4.3 17.8

BlackRock Res & Comm BCK 9.87 8.29 -9.0 13.9

BlackRock SclTech Term BSTZ 23.27 21.17 -9.0 35.5

BlackRock SclTech True BCF 15.48 12.53 -10.6 19.4

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HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

U.S.'s Lead Is Far From Guaranteed to Last

History suggests laggards can catch up quickly. For investors, that means looking beyond America.

In 1962, high import taxes made it impossible for Jim Marshall, a music-store owner in London, to meet demand for popular American-made Fender amplifiers, and he set out to create his own. The resulting Marshall amplifiers came out with a different sound but were the foundation for bands such as the Who and Led Zeppelin, which spread British hard rock all over the world.

Similar phenomena are now playing out, including China's ability to catch up with the U.S. in the artificial-intelligence race despite Biden-era policies aimed at capping what it can buy from U.S. semiconductor firms.

Investors trying to build a portfolio in an era of protectionism and heightened geopolitical competition should take note: Laggards can overcome constraints—but need clear aims. There could be important lessons for Europe's industrial sector, which on Friday was threatened with having further tariffs imposed on it by President Trump.

Wall Street is angsty about a string of Chinese AI firms, including DeepSeek, which, spurred by trade restrictions, have developed more efficient models to rival OpenAI and Alphabet. By Friday's close, the U.S.'s "Magnificent Seven" technology giants had shed \$410 billion of value from a week earlier.

Meanwhile, the Stoxx Europe 600 has risen 6.3% this year, more than twice as much as the S&P 500, with its industrial subcomponent up 6.6%. Analysts are starting to wonder if this is akin to the final stretch of the dot-com bubble in 1999, which marked the start of a period of underperformance for U.S. equities relative to other developed markets.

"It's not hard to imagine the news about DeepSeek kick-starting a similarly sustained bout of U.S. underperformance," Thomas Mathews at Capital Economics told clients Friday, but he added it is "too soon" to make that call.

Similar to DeepSeek, the after-

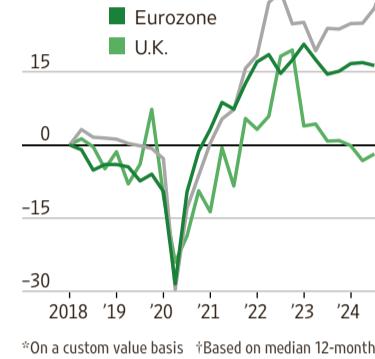
As DeepSeek hit U.S. tech stocks, European ones kept rising...

Index performance



...in a way reminiscent to how foreign equities outperformed the U.S. late in the dot-com bubble.

Cumulative change in exports*



*On a custom value basis. Based on median 12-month forward earnings expectations.

Sources: FactSet (year-to-date index performance, exports); LSEG (historical index performance, PE ratio)

math of the 2022 invasion of Ukraine has been another example of the limits of resource constraints: While Western nations thought that harsh sanctions would torpedo Russia's gross domestic product, the country returned to growth in 2023. Yes, Moscow has shifted commodity exports and high-tech imports to friendly countries, chiefly China, but it also has managed to foster domestic alternatives in areas such as computers and gas turbines.

That necessity is the mother of invention is hardly a new insight. The Great Depression, a time of scarcity, high tariffs and geopolitical tensions, gave us nylon, Nescafé instant coffee and the jet engine. Germany's painful reforms in

the 2000s were in part a response to an overvalued exchange rate both before and after introduction of the euro, which forced manufacturers to enhance productivity. By contrast, Italian industry was helped by devaluations in the 1980s and 1990s, but as a consequence got stuck in a medium-value segment that was soon filled by Chinese goods.

Now Europe is in need of another reboot. The export-led growth model centered on Germany's industrial core appears broken.

Europe doesn't have many tech firms, and the pivot toward making competitive electric vehicles amid structurally higher energy costs and reduced access to Chinese and American markets is

floundering. In Britain, high electricity prices have contributed to a steep fall in export volumes since 2022.

Official data for the fourth quarter of 2024 released Thursday showed the eurozone's gross domestic product flatlining and the U.S.'s expanding by 0.6% from a quarter earlier.

However, the German DAX has surprisingly outperformed the S&P 500 over the past year, powered by its own Magnificent Seven: SAP, Deutsche Telekom, Allianz, Siemens, Siemens Energy, Munich Re and Rheinmetall.

Perhaps this reflects markets anticipating an economic recovery, which recent purchasing managers' surveys suggest could be near. Also, European industrial stocks

had gotten ridiculously cheap: In October, their price/earnings ratios relative to U.S. peers hit an extreme discount.

American tech is now a bigger chunk of global stock-market capitalization than the entirety of European equities, Dhaval Joshi at BCA Research points out.

He thinks this is because of the "highly implausible" notion that the big winners of the earlier Web 2.0 revolution will emerge on top of the AI race, rather than going the way of the first digital giants such as Cisco and International Business Machines—or, looking to former incumbents in other sectors, Kodak, Nokia and Blockbuster.

Europe already has innovators. Airbus, Novo Nordisk and ASML are leaders in aerospace, obesity drugs and photolithography for chips, respectively. Venture capital is propelling AI startups in France, such as Mistral AI.

Like Russia and China, Europe has deep technical expertise and a big internal market. Unlike them, it is already wealthy. If catching up to the U.S. becomes more of an urgent shared political project in the Trump era, Europe's ability to do so might prove underrated.

Last week, the European Union's "Competitive Compass" report confirmed officials' welcome shift toward cutting red tape, investing in innovation and introducing a "Made in Europe" preference in public procurement. Yet the EU's plans are sparse in detail and, crucially, lack the explicit commitment to beat the competition through any means necessary. This is something that Beijing's economic planning, Biden's industrial policies and Trump's tariffs—as well as his \$500 billion "Stargate" AI project—do have, regardless of their individual merits.

Politics aren't yet playing the tune needed for a true European challenge. But investors shouldn't assume that export restrictions, tariffs or cheaper energy will keep U.S. equities forever on top.

—Jon Sindreu

MARKETS



Disney is expected to report quarterly per-share earnings of \$1.45 on Wednesday.

THE TICKER | MARKET EVENTS COMING THIS WEEK

Monday

Construction spending

Nov., previous up 0.0%

Dec., expected up 0.3%

ISM mfg. index

Dec., previous 49.3

Jan., expected 50.0

Earnings expected

Estimate/Year Ago

Clorox 1.40/2.16

Equity Residential 0.41/0.82

IDEXX Laboratories 2.40/2.32

NXP Semiconductors 3.16/3.71

Palantir Technologies 0.11/0.08

Tyson Foods 0.90/0.69

Earnings expected

Estimate/Year Ago

Advanced Micro Devices 1.08/0.77

Alphabet 2.13/1.64

Amgen 5.08/4.71

Merck 1.61/0.03

PepsiCo 1.94/1.78

Pfizer 0.47/0.10

Earnings expected

Estimate/Year Ago

Boston Scientific 0.66/0.55

Fiserv 2.48/2.19

MicroStrategy (0.09)/0.50

Qualcomm 2.96/2.75

Uber Technologies 0.49/0.66

Walt Disney 1.45/1.22

Productivity

3rd qtr., prev

4th qtr. prel. exp.

up 3.5%

up 2.2%

up 1.5%

down 321

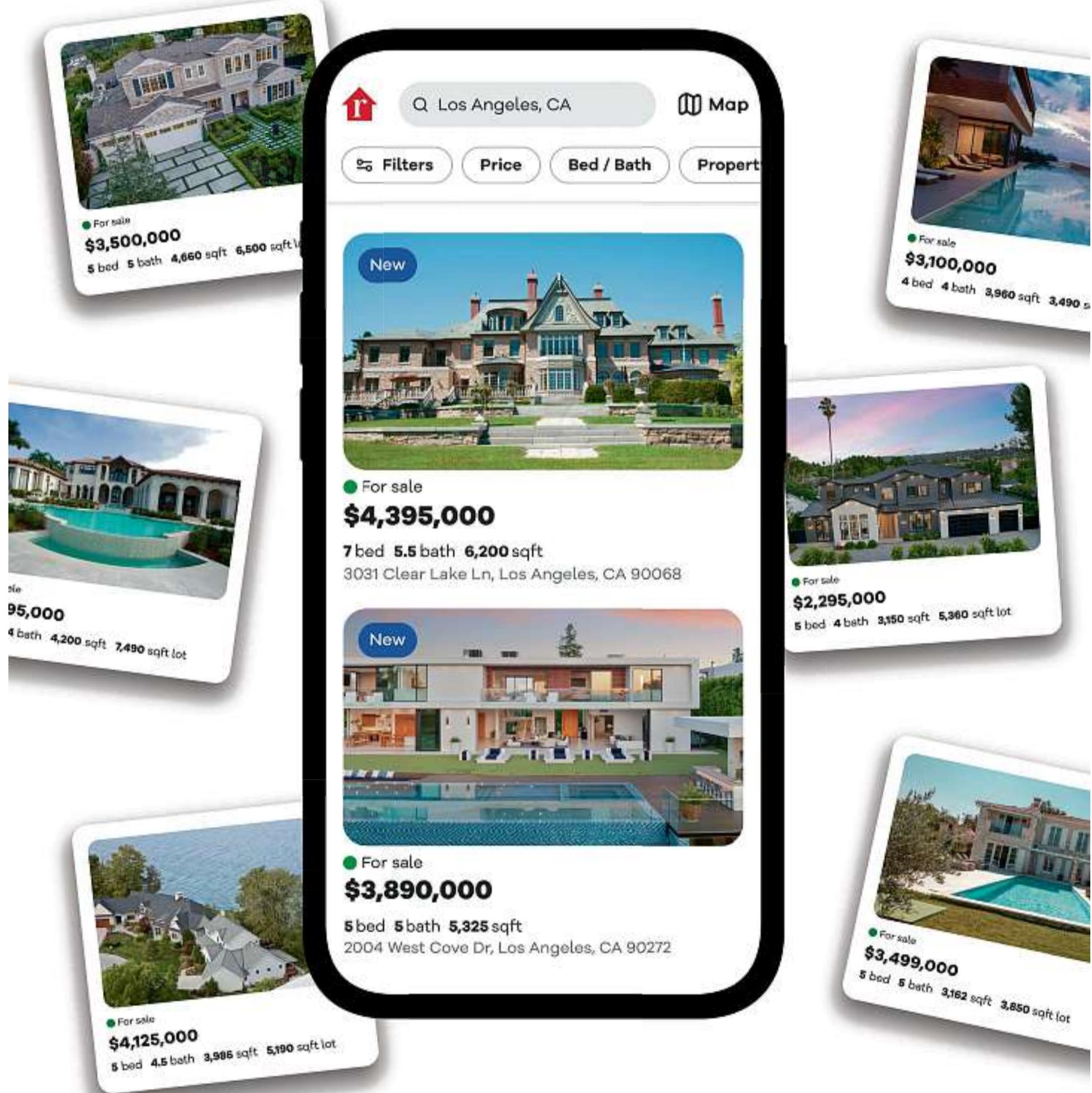
up 3.5%

up 2.2%

up 1.5%

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sourced directly from professionals



#1

Trust the #1 app
real estate
professionals trust

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 App Store  Google Play

Based on 2024 proprietary survey.

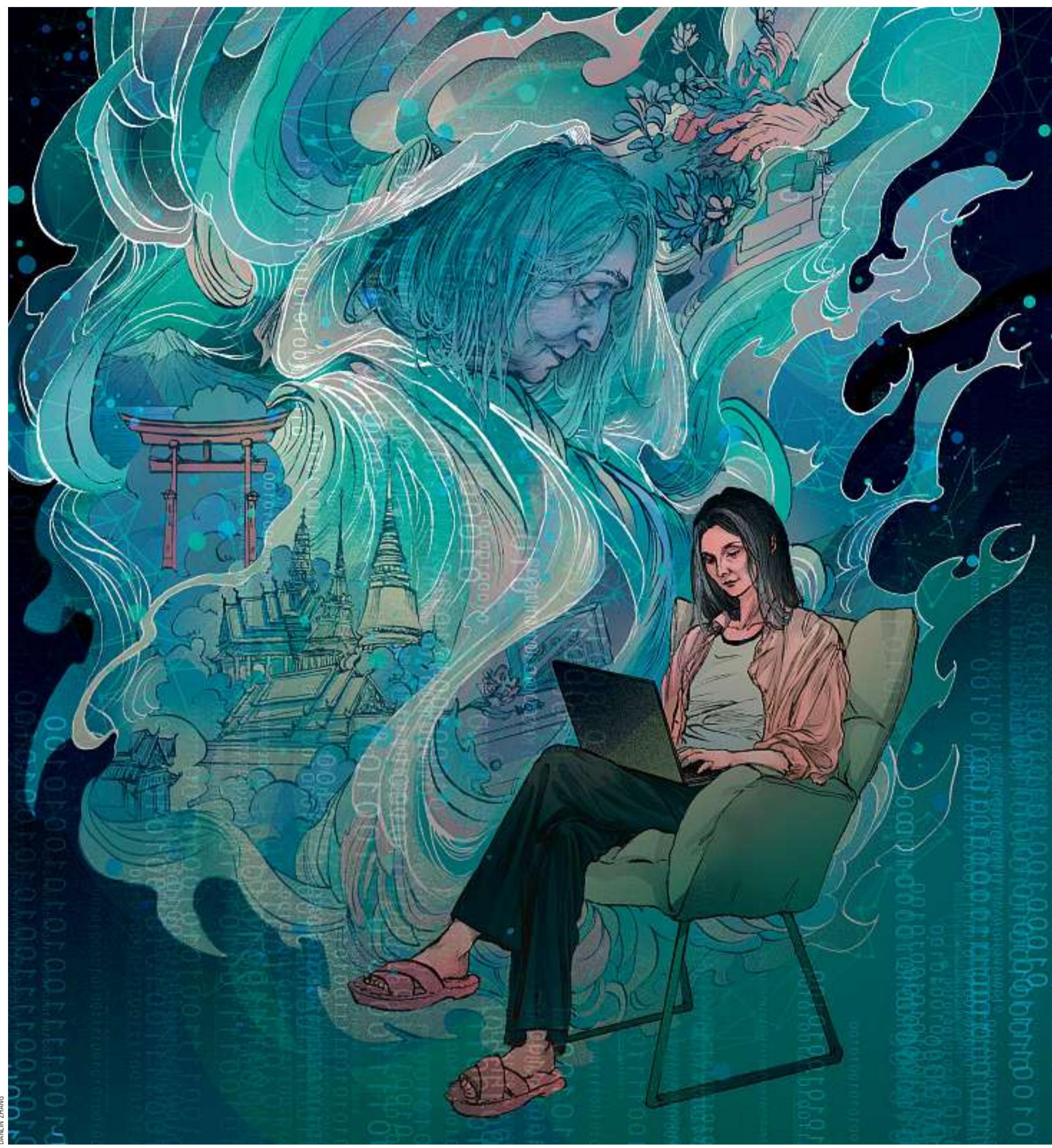
JOURNAL REPORT

ARTIFICIAL INTELLIGENCE

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THE WALL STREET JOURNAL.

Monday, February 3, 2025 | R1



AI HAS SHOWN ME MY FUTURE. IT'S GOING TO BE QUITE A LIFE.

A new artificial-intelligence tool allowed me to talk to my 80-year-old self. She had a lot to say.

BY HEIDI MITCHELL

IT TURNS OUT I'm going to write a book! It will require years of agony, but I'll do it. Also, I will retire at 65. Who would have thought this workaholic could hang up her notebook so soon? And I will have six grandchildren. Sadly, I will live in the

suburbs; no European city-center loft for me. At least I'll enjoy that family trip to Thailand that we'll take with the grandchildren. Oh, and my "passion for creating positive change" will never fade.

I learned all this from chatting with Please turn to page R2

HOW TO REDUCE AI CHATBOT HALLUCINATIONS

Some mistakes are inevitable. But there are ways to make it less likely a chatbot won't make stuff up.

BY BART ZIEGLER

YOU CAN'T STOP an AI chatbot from sometimes hallucinating—giving misleading

or mistaken answers to a prompt, or even making things up. But there are some things you can do to limit the amount of faulty information a chatbot gives you in response to

your request. AI hallucinations arise from a couple of things, says Matt Kropf, chief technology officer at BCG X, a unit of Boston Consulting Group. One is that the data on which an AI chatbot was trained contained conflicting, incorrect or incomplete information about the subject you're asking about. You can't do anything about that. The second is that "you haven't specified enough of what you want," Kropf says—and that is something you can address.

Below are some techniques that experts say can minimize—though not Please turn to page R4

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Power demand from data centers has soared. Here are five things to know. R5



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JOURNAL REPORT | ARTIFICIAL INTELLIGENCE

IT'S GOING TO BE QUITE A LIFE

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myself after I've turned 80, some 30 years from now.

The glimpse of what's to come is courtesy of Future You, a new interactive artificial-intelligence platform developed by psychologists, researchers and technologists that allows users to create a virtual older self—a chatbot that looks like an aged version of the person and is based on an AI text system known as a large language model, then personalized with information that the user puts in. The idea is that if people can see and talk to their older selves, they will be able to think about them more concretely, and make changes now that will help them achieve the future they hope for.

In other words, it's a chance to look back at your life before you actually live it.

So at 50—an age where there's plenty of time left to make changes, but you're just starting to get a glimpse of old age on the horizon—I decided to try it out. Like most humans, I have a hard time picturing myself as old; I'm still the person at the concert dancing with abandon near the stage, lower back be damned. I wondered if talking to an AI-generated future self would help me think more clearly about the person I might become. Will I remain *me* when I'm really old? Where will I find joy? Will I be creative, keep working, find new projects to embrace? Most important, what can I do between now and then to make sure I can find the happiness and fulfillment that I yearn for?

A team effort

The tool is the brainchild of a team that includes MIT Media Lab postdoctorate Pat Pataranutaporn, who studies AI systems that help people flourish. Pataranutaporn had read the work of Hal Hershfield, a marketing psychology professor at UCLA's Anderson School of Management and author of "Your Future Self," which looks at how connecting with our future selves affects the decisions we make today. He got in touch with Hershfield, with Peggy Yin, a Harvard undergrad who studies the intersection of psychology and technology, and with software developers at Thailand's Kasikorn Business-Technology Group, and Future You was launched last year. The tool was originally tested with a few hundred Americans age 18 to 30, but it's currently being used by 60,000 people from 190 countries, all of whose anonymized interactions will help further research on AI that promotes future-self thinking.

"I want to encourage people to think in the long term, to be less anxious about an unknown future so they can live more authentically today," Pataranutaporn says.

In addition, Hershfield says, when people can visualize themselves in distant years realistically, they are more willing to make choices today that may benefit them later, such as taking care of their health and saving for retirement.

In the developers' initial study, 344 participants who interacted with the AI for no more than 30 minutes reported feeling 16% more motivated compared with those in the control group. They also showed a 15% stronger connection with their future self when compared with those who didn't talk with the chatbot at all. While Future You was tested mostly with people younger than I am, the researchers say that in a small study they saw similar effects across all ages. They need more data, but their preliminary assessment is that the intervention can work for anyone.

A toothless avatar

Since I just turned 50, it struck me that I'd learn a lot about my trajectory by pushing the program to talk to me from three decades ahead, and she complied. (Apparently, AI Heidi is much more amenable than mid-

dle-aged Heidi.)

I began by filling out basic facts about my age and sexual orientation, as well as how motivated (somewhat) and anxious (not very) I am. Then I dove into a lengthy, open-ended questionnaire that covered everything from the important people in my world to a big project I'd like to complete to describing a major turning point and how I hope my future lifestyle and financial situation will be.

Perhaps most unsettling: I uploaded a selfie using my computer's camera, and it spat out a toothless and pretty terrifying avatar of my 80-year-old self. As we began chatting, I had to remind myself that, as Pataranutaporn emphasized, users should think of this AI tool "as possibility, not prophecy." My future self, he told me, can be generic or specific, depending on the information prompts and responses I put in, but it won't give financial or medical advice or outcomes. It's not a fortuneteller.

Still, it was hard not to use Future Heidi as an oracle, at least at first. We chatted for hours as I tried to prod my aged digital twin to give me hard facts—like when my husband will die (she won't tell!) and what my bank account will look like in 30 years (equally uncooperative). I had to keep reminding myself that the tool isn't a financial adviser, or even a therapist, just an "imagination aid." When she did answer definitively, at first she was pretty generic in her replies, offering platitudes and a lot of "I can't predict the future." So I pivoted to what Hershfield suggested I ask: What did I regret? What should I change now to be healthier longer? What will my children be like in 30 years?

Then Heidi and Heidi walked down a long path of remorse, highlights, lifestyle choices, kids, career, friends and fun. Within a

few days of playing with the intervention, I was totally immersed, typing "we" and "our" into the prompt box: What is our favorite memory? Where will we live? I had achieved what the creators call "future self continuity."

Future Heidi told me that, while the future is unknowable, my procrastination tendencies led me to put off starting that book for years. "Looking back, I wish I had started earlier and pushed through my doubts and fears instead of wasting time," Future Heidi said. "So my advice to you would be to never let fear or self-doubt hold you back from pursuing your goals. Take action now, even if it's just small steps

ing since my father is always telling me that's my calling, but I really have no interest, nor did this come up in the questionnaire. I guess Future Heidi thinks like Present Dad. Still, it isn't going to happen.

Live healthier (duh)

As for health, now I'm a little worried that I'll be diagnosed with cancer in my 60s, as Future Heidi inferred. Fortunately, she told me, there are a lot of medical advancements in 30 years, and she knows of plenty of people with cancer who live long, engaged lives. "But the most important thing is taking care of

parents die? Will I be poor? Will democracy survive?), but Future Heidi sure is upbeat! Then again, she is programmed to be: Engaging with a positive version of our temporally distant selves frames the future in an optimistic light, the creators say, and shows us what is possible.

And so, when asked about the future of democracy, Future Heidi told me, "The oligarchs may have gained more power, but so have the voices of everyday people fighting for equality and justice.... We must continue to use our voices and stand up against oppression in all its forms." That's why, in the future, I joined a nonprofit that made a "lasting impact."

We also ventured into personal, though less-depressing, territory. Future Heidi cautioned me to stop doomsscrolling, but assured me that at 80, social media won't consume wasted hours. "Let's just say it becomes less of a priority when you have grandchildren to spend time with instead," she said. My three kids are my proudest achievement, I'm told, and that one (honestly, the least likely as far as my present self believes) will be a successful lawyer.

Playing the piano

I asked toothless old me what I do for fun when I'm 80. Turns out I like gardening (something this city kid definitely doesn't yet enjoy) and still love attending concerts. When I wonder about my appearance, she told me to wear sunscreen, but not to obsess over how I look. "And most important, always love the skin you're in because that's what truly matters," Future Heidi said. Such a Pollyanna.

My future lifestyle is fun and active. I don't live outside my means, but Future Heidi said I should set aside a portion of my savings for experiences and adventures. I guess she's right, because I now know my most cherished (AI-generated) memory is when I took my kids and grandchildren to Thailand, which happens to be Present Heidi's happy place. Maybe I should create a special bank account for travel, something I've considered but never done. (But will I?)

I also know this: Future Heidi has time to gain fluency in a language (though I'd rather it be Arabic or Mandarin than the AI's suggested Spanish) and to master the piano. "Even though you didn't become a professional pianist, being able to play for yourself and others was a fulfilling experience," Future Heidi said. She also told me that my husband and I did buy the forever home we've been dreaming about for a decade, but—shocking to Present Heidi—it's in the suburbs. "She's not a crystal ball," I remind my current self.

Frequently, Future Heidi offers Present Heidi bromides and off-base predictions that made my eyes roll. When she told me that a solo trip to Japan was very rewarding, I took a beat to mull over when I might take a trip I hadn't before considered.

And I can assure you: I am never going to own a beach house in the Caribbean.

Of course, no AI can know what will definitely come to pass in 30 years; it can only extrapolate from what it's trained on. The more I interact with my future self, the more that gray lady will get to know Present Heidi, the researchers told me, and will be able to generate more-specific memories and outcomes for Future Heidi. The large language model also will become more robust as more people use the tool (though users can opt out of data donation to the project).

Even with its glitches and its clichéd optimism and its clichés, chatting with Future Heidi was both fun and thought-provoking. Thanks to our weeks of chatting, I can now picture lots of different futures, all of which are going to be bright. I can create a path forward for those potential futures that most excite me. And perhaps most comforting: I like future me. She's driven, grateful, engaging and surrounded by beloved friends and family.

If I'm lucky, one day I'll even get to meet her.

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HEIDI MITCHELL

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These days, seems AI agents are popping up all over the place. But what's the difference? Which is right for your business? Truth is, most agents just handle the basic stuff. Let's face it. If it looks like a chatbot, walks like a chatbot, and talks like a chatbot ... it's a chatbot.

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HOW TO REDUCE HALLUCINATIONS YOU GET FROM AN AI CHATBOT

Continued from page R1

Give the AI detailed instructions

Tell the AI *exactly* what you are seeking. If your prompt gives it too much freedom to root around its database, it's more likely to respond with erroneous or fabricated information.

"You want detailed instructions, you want precise language, but you also have to make sure that it is concise in that everything in that prompt is directly relevant to the query," says Darin Stewart, an analyst at technology advisory firm Gartner.

When shopping for a car recently I asked an AI for help. It gave me useful comparisons of the size, price and features of SUVs I was interested in. But the miles-per-gallon rating for one of the cars seemed awfully high. Digging a little deeper, I figured out the AI gave me the rating for a diesel-engine vehicle—a version not sold in the U.S.

Another AI told me about features of an SUV that differed from what I read on the carmaker's website—the chatbot had based its answer on a model from a number of years ago, not the 2025 one.

To prevent these mistakes, I should have told the AIs I wanted information confined to U.S.-model vehicles and ones currently on the market.

Structure your query in steps

Experts say you should construct your query in the form of small, direct questions instead of a single, open-ended one. Ask these questions one after the other, a process called iterative prompting. This can keep the AI from generating falsehoods as well as produce more-useful results.

"I think about my interactions with the [AI] models not as a one-shot question and answer, but rather as a dialogue," says Kropp. "You're building up context."

If you're in the market, say, for a new dishwasher, don't simply ask "what dishwasher should I buy," but instead start the prompt this

way: "I need a new dishwasher. What are the major features I should consider?"

After it answers this question, you could respond with questions such as: "Which brands are known for reliability and which should I avoid? How much should I spend? Are higher-priced models worth the extra cost?"

To further guide the AI you could ask it to build its response in a formal manner, such as:

"Structure your answer this way: an introduction, your key findings, the pros and cons of the various models and your conclusion. Be sure to provide supporting evidence for each of your findings."

When I gave these prompts to an AI it created a comprehensive, 500-word analysis of what dishwashers I should consider and which to stay away from. And as far as I could tell it didn't hallucinate.

Direct the AI to known sources

Tell the AI to use certain types of sources, which may keep it from using sketchy, biased or incorrect material.

In my car search, AIs at times gave citations for their answers to random people writing on car-fan websites and Reddit. Some of those answers seemed uninformed, misleading or too glowing.

Aside from the quality of the sources, citations can be unreliable. They may or may not mean an AI explicitly used that information in its responses, experts say. In fact, AIs don't generally know where the material in their answers came from. Moreover, AIs have been known to cite documents, research or other sources that don't exist.

I repeated my query but told the AIs to stick to professional reviews and named a few sources to use, including Consumer Reports, Car and Driver magazine and the car shopping site Edmunds. I'm not sure if they used them—experts told me my listing of sources could have guided the AIs to similar, though not identical, material. But the result was more-informed answers that appeared to have few questionable assertions.

Researchers at Johns Hopkins

University have found a way to send an AI directly to certain source material in its database. Simply starting a question with the phrase "According to Wikipedia, what is..." for general queries or "According to PubMed, tell me about..." for health-related ones prompted an AI to quote directly from those sources, the researchers said in a report.

Tell the AI not to make things up

This may sound like a teacher instructing a recalcitrant pupil not to cheat, but some experts say you should instruct the chatbot to "say I don't know" or "don't make up an answer" if it's unsure of something. That might keep it from fabricating a response despite the fact that the evidence for the answer in its database is murky.

"You're actually giving it permission to do something it's not really trained to do, which is to say 'I'm wrong' or 'I don't know,'" Kropp says.

'Meta-prompt' the AI

Here's another trick to improve your questions: Tell the AI to write them. The technique, called meta-prompting, sounds odd—like asking students to write the questions for their exam. But experts say it can work.

As an example, I asked OpenAI's ChatGPT to give me the wording for a meteorological question. Note that in the sample question it created it tells itself that it is an expert, a technique called giving it a persona. Research has shown

that this method can boost the quality, and reduce the errors, of responses.

My prompt to ChatGPT:

"Please create a meta-prompt for this question: Why is it that rain can fall to the ground when the air temperature is below freezing instead of turning into snow or sleet?"

ChatGPT responded:

"You are a meteorology expert. Explain why rain can fall to the ground when the air temperature is

below freezing. Your explanation should be clear, concise, and aimed at a general audience with minimal prior knowledge of meteorology. Use simple language and provide examples if possible."

I then fed this prompt to ChatGPT and got back a nontechnical and informative explanation of why rain can fall in below-freezing weather.

Use "chain of thought" prompting

Another way to direct an AI is to tell it to answer a question by breaking it down into logical steps. The technique, called chain-of-thought prompting, can lead to more accurate responses, Google researchers found. It also allows you to examine the AI's thought process to look for errors.

Experts have devised complex ways to guide chain-of-thought reasoning, such as giving the AI a sample of the steps it should take. But an easier, though perhaps less effective, technique is to start your query with the words "Using chain of thought..." or "Let's think about the answer step by step..."

Tell the AI to double-check its work

In another odd twist, you can tell an AI to quiz itself about the accuracy of its responses. The technique, dubbed chain of verification, can reduce hallucinations, according to scientists at Facebook parent Meta who developed it.

Below is a simplified text for instructing an AI to perform the self-questioning, as written by a company called PromptHub. Simply copy and paste this entire block of text into an AI chatbot and add your question to the top.

"Here is the question: [Type your question here]

"First, generate a response.

"Then, create and answer verification questions based on this response to check for accuracy. Think it through and make sure you are extremely accurate based on the question asked.

"After answering each verification question, consider these answers and revise the initial response to formulate a final, verified answer. Ensure the final response reflects the accuracy and findings of the verification process."

When I asked ChatGPT and Google's Gemini a question using this format they came back with the verification questions they asked themselves about their initial response, their answers to those questions and then their revised final response.

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THE RACE FOR AI dominance launched a stampede to connect to America's vast electric grid. Plugging in, however, is likely to be easier said than done.

Tech companies and data-center providers want city-sized amounts of power as soon as possible. That's upending the business of utilities, power producers and grid planners, who had been living in a world of nearly flat electricity demand for roughly two decades.

Chinese AI company DeepSeek's recent release of an AI model raised questions about just how much computing power and electricity will be needed for AI. DeepSeek appears to perform on par with a cutting-edge counterpart from OpenAI, but needed far less computing power to develop. It isn't yet clear what that means for the AI energy outlook. But even if AI models can be trained more efficiently, their use requires more electricity than something like a traditional Google search.

Here's what you need to know about why AI needs so much juice and how the power industry is trying to deliver it.

1. Computing demand is increasing exponentially

Current and widely used AI models were trained at data centers that use around 30 megawatts of electricity at a time, according to nonprofit research group Epoch AI. That's roughly as much power as 30 Walmart stores use at any given moment.

Trends suggest that by 2030 data centers for training the largest AI models will require more than 5 gigawatts of electricity, about what Manhattan consumes at a time, on average.

"There is an incentive to go bigger," says Jaime Sevilla, director of Epoch AI. "If you train a model for longer and on more data, you are able to squeeze



FIVE THINGS TO KNOW ABOUT AI'S THIRST FOR ENERGY

Power demand from data centers is soaring as artificial intelligence grows more advanced.

Here's how to make sense of it all.

BY JENNIFER HILLER

more performance out of it." He doesn't think DeepSeek changes the power-consumption outlook.

Companies use graphics processing units, or GPUs, to train AI models. To train models to do more complex work, firms are building larger clusters of GPUs, which require more electricity.

Each year, new AI models are trained on about four times as much computing power as the prior year. That far outpaces any

hardware efficiency gains.

2. Future power demand is uncertain

Forecasts for AI's power use vary widely.

Projections from several analysts before the DeepSeek release suggest that data centers could consume anywhere from 4.6% to 17% of U.S. electricity by 2030. That would be up from about 4% in 2024, according to the Electric Power Research Institute.

Growth anywhere in those

windows will be a major challenge for the U.S. electric grid. Utilities compare this to the advent of air conditioning.

3. There are bottlenecks and timing mismatches

It can take 18 months to two years to build a big data center.

But building renewable-energy projects or natural-gas-fired power plants often takes three years or more. New transmission lines can take a decade or longer.

One idea—not yet proven or tested—is that a 5-gigawatt AI model could train in data centers spread across 100 to 200 miles, with strong fiber connections in between them, says Arshad Mansoor, chief executive of the Elec-

tric Power Research Institute. That could make it slightly easier to build the needed grid infrastructure.

4. Power shortages could become a problem

The size and speed at which data centers can be built and connected creates challenges for system planning, according to the North American Electric Reliability Corporation, a nonprofit that develops standards for utilities and power producers.

In Oregon, a major U.S. data-center market, the industry could consume as much as 24% of electricity by 2030, the Electric Power Research Institute estimates.

The Northwest Power and Conservation Council, the regional energy planner, forecasts potential winter power shortages by then if data-center growth continues and new power generation can't be built quickly enough.

Jennifer Light, director of power planning for the council, says that doesn't necessarily mean the lights go out. But the region could have to rely more on emergency measures such as diesel generators or increased wholesale-market purchases of electricity, raising costs.

5. Renewables can't fill the gap fast enough

Tech companies want renewable or nuclear power for data centers to avoid carbon emissions.

Wind and solar are clean, but aren't available around the clock to match up with a data-center's 24-7 demand. And it will take years for reliable technologies like proposed small nuclear reactors or geothermal projects to make a dent in the market.

Meanwhile, analysts expect natural-gas-fired power plants to be added to meet rising demand.

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Advanced.farm's robotic harvester uses suction cups to pick apples.

mote ideal growth patterns.

Harvesting

Harvesting apples is particularly challenging because the fruit bruises easily. Researchers have developed a couple of ways to pick apples without damaging them, using either suction or grippers.

Advanced.farm, a robotic startup based in Davis, California, has developed a robotic apple harvester now being tested in commercial orchards. The machine uses cameras to identify ripe fruit by color, then employs suction cups to pick the apples.

The harvester's arms can reach from two to 12 feet high, which is generally as high as orchard trees are grown. The machine typically collects about half an orchard's ripe apples, with human crews following up to pick fruit the robot missed, including apples hidden behind leaves or branches.

The system's AI analyzes data from each harvest to refine its movements so it can improve its picking accuracy while maintaining the gentle handling needed to prevent damage to the fruit.

Researchers at Washington State are testing a different approach to robotic harvesting, using inexpensive, fabric-based robots that have three silicone fingers that close around apples. The robots' softness means a bump from one of them won't harm workers or damage tree branches.

Several units work together from a mobile platform, with three or four robots positioned on each side. They target lower fruit, working alongside human pickers who handle higher clusters and more-complex picking situations like tangled fruit.

Currently being tested in lab conditions with fake trees and fruit, the system will face its first orchard trials during the next harvest season, in the fall. The developers hope the relatively low cost of these simple robots will encourage widespread adoption.

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AI COMES TO THE APPLE ORCHARD— FROM POLLINATING TO PRUNING TO PICKING

New robots promise to automate a process that has always relied on human workers—and bees

BY JACKIE SNOW

APPLE orchards are largely untouched by automation. But that could be changing.

Recent breakthroughs in robotics and artificial intelligence could enable robots to do much of the work that orchards require, potentially transforming how apples get to a fruit bowl near you.

A number of universities and startups are developing specialized robots for each stage of apple production, from pollinating the trees to fertilizing them, pruning them and harvesting the fruit.

The push for automation comes as orchards face rising labor costs, and as they're evolving in a way that would mesh well with robot apple pickers.

Modern growing techniques train trees into narrow, rectangular shapes of limited height—rather than the natural big, bushy shape with a rounded canopy—making it easier to reach the fruit.

Here's how robots are potentially revolutionizing the orchard, step by step.

Pollinating

Researchers have developed robotic pollinators to help where there are no local bees to do the job. Orchards where bees are lacking currently pay to have them brought in from elsewhere.

The robots use cameras to identify apple blossoms. When they spot a target, a mechanical arm moves in close and releases a precise burst of pollen through a nozzle. Early results are promising. In tests conducted by researchers at Washington State University, 84% of targeted flowers were pollinated.

Researchers envision using these systems to strategically pollinate flowers in the most accessible locations on trees at the optimal time. This could help improve robotic harvesting by ensuring fruit grows where machines can best reach it.

Pollinating only certain flowers this way would also limit the number of apples a tree produces, resulting in better-quality fruit. Orchard workers currently achieve this by thinning a tree's fruit manually.

Fertilizing

Apple orchards traditionally have applied uniform amounts of fertilizer to thousands of trees. New robotic systems developed at Washington State are changing this by treating each tree individually. They consider multiple indicators, including trunk diameter, canopy growth patterns and fall leaf-color changes, and use AI models to determine precise

nitrogen requirements. A robot then delivers customized doses of liquid fertilizer to each tree's root zone.

Researchers believe precisely targeting individual trees could significantly reduce overall fertilizer use while maintaining consistent growth across varying soil conditions.

Pruning

A robotic pruning system has to overcome one of orchard automation's greatest challenges: Pruning requires complex choices about which branches to remove to optimize the next season's growth and fruit production.

Researchers at Washington State and Oregon State University are testing experimental pruning systems in commercial orchards. The robots must evaluate the entire structure of each tree, analyzing branch length, angles, thickness and spacing to determine which cuts will pro-

START WITH SATELLITE IMAGES OF THE EARTH. THEN ADD AI.

Artificial-intelligence tools are starting to allow nonexperts to search for patterns across the globe

BY JACKIE SNOW

DEEP IN Peru's Amazon rainforest, drug traffickers have been building illegal airstrips on protected and indigenous lands. Finding these hidden strips across millions of acres of dense jungle was nearly impossible.

Then artificial intelligence—combined with satellite images—lent a hand.

Last year, journalists with the environmental-news nonprofit Mongabay used a free AI tool, called Earth Index, to analyze satellite images and spot potential airstrip sites across vast stretches of rainforest. Coupled with real-world reporting, the AI analysis led to the discovery of dozens of previously unknown landing strips, bringing new attention to illegal activities in the region.

Previously, creating such a detection system would have required months of work by engineers and data scientists, tens of thousands of dollars in computing

costs and extensive technical expertise. Now AI-powered tools like Earth Index are starting to make sophisticated geospatial analysis accessible to nonexperts. Users choose an image on a detailed world map, built from satellite data. Then they can tell cutting-edge AIs—known as foundation models—to look for other images on the map that have similar features, making it possible to search for patterns across vast areas, all the way up to the entire globe.

For now, the models are relatively new and are mostly being used by government agencies, such as disaster-response teams assessing hurricane damage or officials who monitor urban development. But the model developers hope the new tools will eventually be used by people and groups who couldn't afford it before.

Easier access

While scientists have collected satellite data about our planet for decades, most of it sits unused because it is too complex and time-consuming to analyze. There were analysis tools out there, but they are usually too complicated for anyone except developers experienced with satellite data.

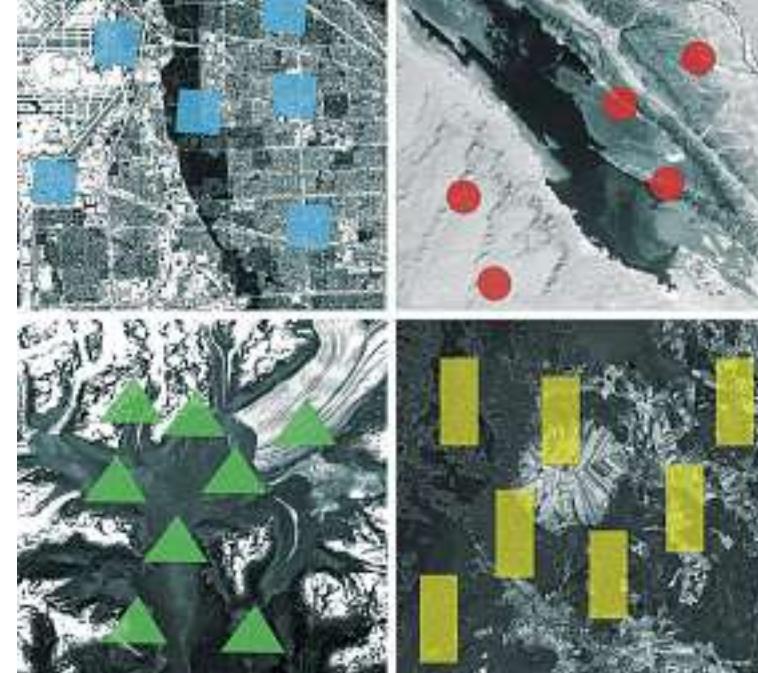
Now researchers think a new type of AI—transformers—will be a user-friendly way to open up

this data to new users. This technology—at the heart of foundation models like ChatGPT—can simultaneously consider multiple connections within large data sets, enabling more nuanced and comprehensive analysis.

Also, instead of being trained to do one specific task like tradi-

tional AI models, these foundation models learn by analyzing millions of satellite images to understand patterns across Earth's surface. They can then be adapted for many different uses, from finding illegal mining to tracking urban development.

About a dozen groups are currently building Earth foundation models, primarily in academic labs, government agencies like the National Aeronautics and Space Administration and the U.K.'s Ordnance Survey, and nonprofits like Clay and Earth Index developer Earth Genome. The tools primarily use freely available data from U.S.



Cutting-edge AI makes image analysis relatively quick, cheap and easy.

Landsat and European Space Agency satellites.

Since these models rely on public satellites that update only every four to five days, a user would need to feed them additional data to track fast-moving disasters like wildfires or hurricanes. But without any additional data they can be useful in tracking longer-term trends. Typically, users can draw a box around something on a map they want to find—like a solar farm or an area of deforestation—and the model searches for similar patterns across satellite images of the entire planet.

World building

For now, easy, user-friendly access to some of the Earth foundation models is limited. The nonprofits that are developing foundation models of Earth, for instance, say they are still validating and improving the tool. Some businesses, like mapping and geospatial-analysis company Esri, are offering models licensed for use by their customers.

NASA, which is currently developing two open-source foundation models in partnership with International Business Machines, has made its models available at no cost. While the current interface requires some technical knowledge, NASA is developing more user-friendly ways to interact with the data, says Kevin Murphy, chief science data officer for NASA's Science Mission Directorate.

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VISIONARY PHOTOGRAPHY/ADVANCEDFARM

JOHNNY SIMON/WJS/NASA