

# THE WALL STREET JOURNAL.

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## What's News

### Business & Finance

◆ **Rivals are beginning** to eat into Google's lead in the nearly \$300 billion search advertising business, with new offerings fueled by the rise of artificial intelligence and social video threatening to reconfigure the market. **A1**

◆ **Insiders reluctant** to snap up their companies' shares are sitting out the 2024 stock-market rally, potentially providing a signal about the future returns of the market as a whole. **A1**

◆ **Activist investor** Starboard bought a stake of about \$1 billion in Pfizer and wants the drug giant to make changes. **B1**

◆ **The musical sequel** to the 2019 hit "Joker" from Warner Bros.'s movie studio delivered a disappointing \$40 million at the domestic box office in its opening weekend. **B2**

◆ **Western consulting** and audit firms that have long done extensive work in China are increasingly caught in rising geopolitical tensions between Beijing and Washington. **B1**

◆ **Northvolt, Europe's great** hope for battery independence, is fighting for survival after the company said it would cut 1,600 jobs and curtail expansion plans. **B4**

◆ **Online marketplace Temu** is coming after the merchants that sell on Amazon, changing the way that both companies do business. **B3**

◆ **A family feud among** the Boar's Head heirs long predated the crisis at the deli-meat seller precipitated by a deadly listeria outbreak. **B1**

### World-Wide

◆ **Trump's recent tax-cut** promises pushed his fiscal plan deep into the red, and he would increase budget deficits by more than twice as much as Harris would, according to a new study that is the most comprehensive accounting to date of the presidential candidates' proposals. **A4**

◆ **Oil companies keen** to retain provisions of the Inflation Reduction Act that earmark billions of dollars for low-carbon energy projects have pre-emptively urged Trump and the Republican Party to spare Biden's signature climate law. **A5**

◆ **Israel's military** said it reopened an offensive in northern Gaza to combat militants who have resurfaced in the area, issuing sweeping evacuation orders after residents reported heavy shelling overnight. **A6**

◆ **Rapidly-intensifying** Hurricane Milton was on track to hit Florida midweek, bringing more storm surge and flood warnings to recovering Hellen-battered residents. **A3**

◆ **A Royal New Zealand** Navy support ship ran aground and sank off the Pacific island nation of Samoa, New Zealand defense officials said. **A18**

◆ **British Prime Minister** Keir Starmer's chief of staff quit, citing concerns that news reports about her role risked becoming a distraction to the government. **A18**

◆ **Countries in southern** Africa are slaughtering elephants and other wild animals to feed their starving citizens amid the worst drought in more than a century. **A18**

### JOURNAL REPORT

Investing Monthly:  
What bonds to buy  
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A memorial to people killed last year at a music festival in Israel near the Gaza Strip. A year after that Hamas attack, Israel is now firmly on the counterattack and opening new theaters of fighting, marking an aggressive shift in its security posture.

## One Year After Oct. 7 Attack, Israel Prepares for a Future at War

BY SHAYNDI RAICE

TEL AVIV—One year after the brutal Hamas attack that ended Israel's two-decade golden age of relative peace, expanding wealth and growing diplomatic ties, the country is now firmly on the counterattack and preparing to be at war for years.

Weathering a ferocious Iranian missile assault in recent days and shaking off calls from allies for a cease-fire in Gaza, Israel is instead opening new theaters of fighting.

It launched a stunning series of attacks against the

Lebanese-militia Hezbollah in Lebanon in recent weeks, while simultaneously targeting Houthi rebels in Yemen, rooting out militancy in the occupied West Bank and mapping out its next steps against Iran, the architect of a so-called axis of resistance that includes U.S.-designated terrorist groups bent on destroying Israel.

The campaign marks an aggressive shift in Israel's security posture. For years, the military aimed to provide long stretches of peace that were only momentarily punctured by short conflicts with Pales-

tinian militants. There were occasional military maneuvers aimed at degrading the axis, but they were never severe enough to welcome retaliation. A country founded on austerity, Israel saw its gross domestic product soar. Its bustling commercial capital, Tel Aviv, became indistinguishable from any other affluent Mediterranean city.

Much of Israel's security establishment now believes these decades lay the groundwork for the deadly Oct. 7 attack from Hamas's Gaza stronghold that killed 1,200 people and took another 250

hostage. Israel can no longer allow its enemies the time and space to build up arsenals that can pose an existential threat, many have come to believe.

"Pre-emptive wars will be in the future part of the Israeli tool kit," said Yaakov Amidror, a former Israeli national security adviser.

The impact of this new strategy is expected to touch nearly every part of Israeli society, reshape Middle East geopolitics and shake up relations.

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◆ **Israel reopens northern** Gaza offensive..... A6

## Rivals Challenge Google's Grip on Search

TikTok, others debut new products for advertisers as AI reshapes sector

BY SUZANNE VRANICA  
AND MILES KRUPPA

Google's grip on the nearly \$300 billion search advertising business is loosening.

For years, the tech giant has seemed invincible in this corner of the ad market, which is the foundation of its business. Now, rivals are beginning to eat into its lead, and new offerings—fueled by the rise of artificial intelligence and social video—threaten to reshape the landscape.

TikTok, the wildly popular short-form video platform, has recently started allowing brands to target ads based on users' search queries—a direct challenge to Google's core business.

Perplexity, an AI search startup backed by Jeff Bezos, plans to introduce ads later this month under its AI-generated answers. Until now, it has made revenue mostly from a \$20-a-month subscription offering that grants access to more-powerful AI technology.

The new initiatives add to the pressure on Google from the rise of Amazon.com, which has taken a chunk of search ad spending. Many consumers begin product searches on the e-commerce platform.

Google's share of the U.S. search ad market is expected to drop below 50% next year for the first time in more than a decade, according to the research firm eMarketer.

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## Networks Tell Stars: Don't Hope For a Raise

BY JOE FLINT  
AND ISABELLA SIMONETTI

The rampant cost-cutting across a media industry struggling to transition to the streaming era is finally coming for the sacred cows: star talent.

At Disney's ABC, "Good Morning America" anchors George Stephanopoulos, Robin Roberts and Michael Strahan, who each have deals valued at \$25 million annually, will face an uphill battle in the coming negotiations to maintain that compensation, people familiar with the situation said.

At NBC, "Today" anchor Hoda Kotb said late last month she is ending her run on the show. Had she opted to sign a new deal, she would likely have faced a significant cut to her roughly \$20 million-a-year contract, people familiar with her exit said.

Co-host Savannah Guthrie, whose current deal has more than a year to run, might face the same situation with her similarly valued contract, but has some leverage given Kotb's exit, people close to the network said. Puck earlier reported on Kotb's exit.

ESPN, meanwhile, recently laid off senior NBA writer Zach Lowe, one of its star analysts, after it had already said goodbye to other big names like Robert Griffin III.

Agents for big stars have gotten a message loud and clear from network suits: Don't expect a raise and be prepared for a pay cut.

"The day of the media icon, the standout, stand-alone center-stage TV personality, is coming to end," said Frank Sesno, a professor of media and public affairs at George Washington University and a former Washington bureau

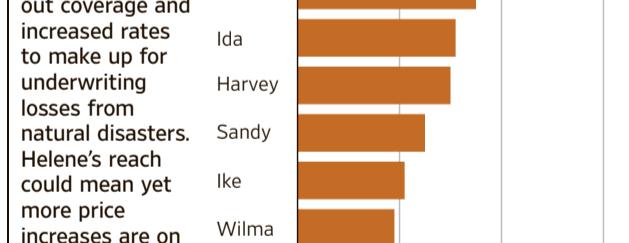
## Insured Face Tougher Terms

Homeowners in the six states pounded by Hurricane Helene will likely face insurance shock when they try to collect on their policies. Insurers in recent years have hollowed out coverage and increased rates to make up for underwriting losses from natural disasters.

Helene's reach could mean yet more price increases are on the way for property owners in hard-hit inland areas. **A3**

Note: Losses are adjusted for inflation and exclude the National Flood Insurance Program.

Source: Guy Carpenter



Note: Losses are adjusted for inflation and exclude the National Flood Insurance Program.

Source: Guy Carpenter

## Corporate Insiders Sit Out Stock Rally

BY KAREN LANGLEY

Stock investors could hardly be more enthusiastic: The S&P 500 has raced higher, notching its best first nine months of a year since 1997.

Yet some of the best-informed investors don't seem to share the optimism.

Corporate insiders have been reluctant to snap up shares of their companies. Of all U.S. companies with a transaction by an officer or director in July, only 15.7% reported net buying of company shares,

according to InsiderSentiment.com. That was the lowest level in the past 10 years. The figure ticked up to 25.7% in August before falling to 21.9% in

September, well below the 10-year average of 26.3%.

Followers of insider sentiment believe the trades of company executives and board members, who ought to be well-informed about the prospects for their own businesses, can collectively provide a signal about the future performance of the market as a whole.

In recent months, that signal hasn't been promising.

It isn't the only potential sign of caution. Berkshire Hathaway, helmed by Warren Buffett, has been building its cash position. Leaders of big tech companies including Jeff Bezos at Amazon.com and

Please turn to page A2

## Neighbors Battle Over Halloween Craze That Just Won't Die

\* \* \*  
Owners of 12-foot skeletons keep them up year-round, skirting association rules

BY JENNIFER WILLIAMS

Caleb Frost had a grave problem.

It was early January and "Hubert," a 12-foot-tall skeleton decoration that had towered over his front yard since September, was jangling the nerves of neighbors. His homeowners' association told him it needed to come down.

"Please remove skeleton from view," stated the misspelled instructions, arriving on official letterhead, accompanied by a photo of Frost's lawn. The 31-year-old teacher says he had planned to take down Hubert, but as

"the letter from the HOA told me that I would incur a fine if Hubert the skeleton was not removed from my yard within the next few days," Frost said.

"So in what I can only describe as a fit of pettiness, I changed his outfit for the upcoming Mardi Gras season and I kept it going."

Home Depot's 12-foot skeleton

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Bone frenzy

Illustration by Mattia Gatti

## Trump's Eldest Emerges As MAGA Crown Prince

BY MOLLY BALL

Sitting next to the man he installed as the Republican vice presidential nominee, Donald Trump Jr. couldn't help but gloat.

"I expended about 1,000% of my political capital" convincing his father to select JD Vance, he said with a grin as Vance smiled bashfully beside him. "Making the argument, getting others who believe the same thing to do that—you know, just a constant barrage. I can be pretty persistent when I need to be."

It was early on the morning of the vice presidential debate, and Trump Jr. and Vance were sipping coffee and reflecting on their unlikely partnership in a suite at a Trump hotel overlooking New York City's Central Park. Apart from their matching chinstrap beards, the two men cut dramatically different figures. Trump, 46 years

old, looked ready to headline a fundraiser in a crisp tieless suit; Vance, 40, looked like an undergrad who had been up all night cramming for finals, with disheveled hair and a ratty blue T-shirt reading OHIO'S LAKE ERIE.

That Trump Jr. succeeded in muscling his buddy onto the ticket was testament to the dominant position he has assumed in his father's orbit. The crown prince of MAGA world wears many hats—campaigner, propagandist, author, podcaster, businessman, memelord—and not all Republicans believe his influence is positive. But after a lifetime of scraping for his dad's approval, he has become the former president's most essential political adviser, a conduit and gatekeeper who keeps the GOP presidential nominee in step with his base.

Though he keeps up a packed schedule campaigning

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# U.S. NEWS

## Corporate Insiders Shun Rally

*Continued from Page One*

Mark Zuckerberg at Meta Platforms have sold billions of dollars of their companies' shares this year.

"Insider trading is a very strong predictor of aggregate future stock returns," said Nejat Seyhun, a professor at the Ross School of Business at the University of Michigan. "The fact that they are below average suggests that the stock returns in the future will be below average as well."

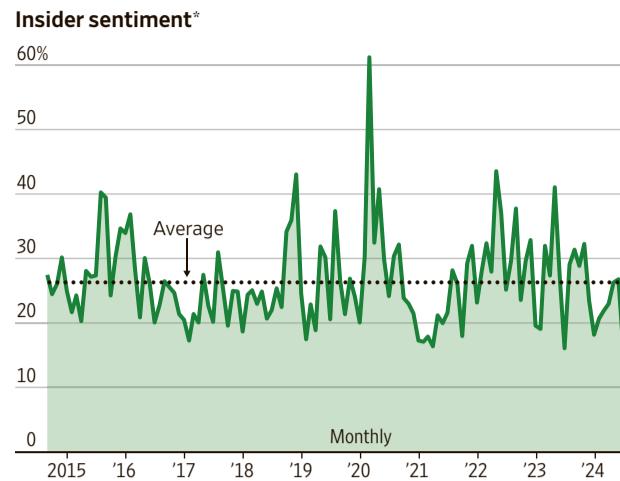
Seyhun, who is an adviser to InsiderSentiment.com, said he believes corporate insiders are worried about a recession, which typically causes a major decline in stock prices.

Economic data have generally looked decent, with inflation cooling and consumer sentiment improving.

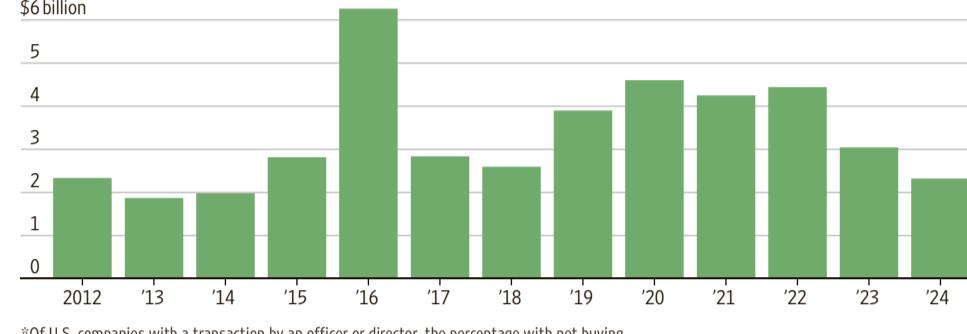
But the unemployment rate ticked up this year, and there are signs of strain among lower-income consumers.

Stocks have sailed higher in 2024, quickly recovering from any pullbacks. A rush into tech stocks that could profit from the boom in artificial intelligence morphed into a broader rally as many investors grew convinced that the Federal Reserve had tamed inflation without causing too much economic damage. The S&P 500 has advanced 21%, setting 43 record closes along the way.

JPMorgan Chase Chairman



### Stock purchases by company officers and directors, first three quarters of each year



\*Of U.S. companies with a transaction by an officer or director, the percentage with net buying

Sources: FactSet (S&P 500); InsiderSentiment.com (insider sentiment); The Washington Service (stock purchases)

and Chief Executive Jamie Dimon is one prominent executive who has warned that the path ahead for the economy might be more difficult than many investors believe. In May, Dimon said he was cautiously pessimistic about risks to the global economy and thought the bank's stock was priced high.

Investors will watch for banking executives' insights into the economy when earnings season kicks off in earnest this week. JPMorgan, Wells Fargo and Bank of New

York Mellon are scheduled to report on Friday, followed by Bank of America and Goldman Sachs on Oct. 15.

Some investors believe that insider selling isn't an effective indicator, saying stockholders might unload shares to diversify their portfolios or free up cash, rather than because of a negative view about the stock.

A review of insider purchases, leaving aside sales, also appears to show little enthusiasm lately. Officers and directors of U.S. companies

bought \$2.3 billion of their companies' stock this year through September, the lowest amount over such a period since 2014, according to data from the Washington Service. Last year, they bought \$3 billion in the first nine months.

During the pandemic-induced selloff of early 2020, insiders raced to scoop up shares, buying nearly \$1.3 billion in March alone. Some investors took it as a reassuring sign.

"The insider buying gave our firm confidence to put

money to work in the stock market during an extremely challenging time," said Eric Diton, president and managing director at the Wealth Alliance.

This year, the largest insider trades have been sales by leaders of big tech companies.

Bezos, the founder and executive chair of Amazon, has sold stock valued at about \$10.3 billion, while Michael Dell, chairman and chief executive officer of Dell Technologies, has sold \$5.6 billion, and Zuckerberg, chairman and CEO of Meta, has sold \$2.1 billion, according to Washington Service data. Shares of all three companies are up by double-digit percentages this year.

Palantir Technologies Chairman Peter Thiel and Nvidia CEO Jensen Huang are also among the top sellers. Both stocks have more than doubled in 2024.

Another development that has made some observers wonder at the market's prospects: a famed investor's buildup of cash.

Buffett's Berkshire Hathaway sold stocks in the most recent disclosed period, slashing its mammoth stake in Apple. The Omaha, Neb., company's cash pile grew to a towering \$276.94 billion at the end of June.

"Investors should take notice," said David Harden, chief executive and chief investment officer of Summit Global Investments. "I don't think you'd say he's trying to time the market and look for pullbacks, but I am thinking he's saying, 'This is overvalued, and I value cash more than I value this investment.'"

## U.S. WATCH

### NEW YORK

#### Two Charged in Ex-Governor Attack

Two boys, ages 12 and 13, were arrested on Saturday in connection with an assault on former New York Gov. David Paterson and his stepson, police said.

Paterson, 70, and his stepson, Anthony Sliwa, 20, were attacked around 8:30 p.m. Friday while they were out for a walk on Manhattan's Upper East Side. They were treated at a hospital for minor injuries to the face.

Paterson, who is legally blind, also sustained injuries to his body.

The two boys were both charged with gang assault. Police didn't identify them by name because they are minors. Authorities have said at least five people were involved in the attack. They sought help from the public to learn more about the assault.

Paterson, a Democrat, served as governor from 2008 to 2010, assuming the post after Gov. Eliot Spitzer resigned in prostitution scandal. He was the state's first Black governor.

Paterson said on Saturday that his stepson was walking the family dog when he first encountered some of the assailants, telling them he would summon the police if they didn't stop climbing up the fire escape of a building on Second Avenue.

Later, Paterson said, he and Sliwa, the son of Guardian Angels anti-crime group founder Curtis Sliwa, went for a walk, encountered the group and argued with them before two of them attacked Paterson and his stepson.

—Associated Press

### MINNESOTA

#### Man Threatened to 'Shoot Up' Temple

A Minnesota man was arrested after allegedly threatening to "shoot up" a Minneapolis synagogue, officials said on Saturday.

Staff at Temple Israel reported to the Minneapolis Police Department on Sept. 11 that they had received several phone calls from a person threatening to "shoot up" the synagogue.

On Thursday, a special police detail assigned provide extra patrols around Temple Israel ahead of the Jewish new year and the one-year anniversary of the Oct. 7 Hamas attack on Israel were notified of a man outside with a firearm.

He fled the area, but officers arrested a 21-year-old man the next day.

"Everyone in Minneapolis has the right to feel safe in their communities, and we will ensure our Jewish neighbors are protected as they celebrate the holy days," Minneapolis Police Chief Brian O'Hara said.

—Associated Press

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From top: Caleb Frost (3); Shelby Pearcy (2); Shelby Pearcy (1)

## Skeletons Just Won't Go Away

*Continued from Page One*

"Skelly" has sold out every year since it clanked onto the Halloween-decor scene in 2020. The retailer sells the \$299 Skelly earlier and earlier, with limited online sales this year starting in April. It limits how many shoppers can buy, allowing only one at a time to deter reselling.

Skelly fan groups nationwide share everything from where it is in stock to how to get the giant box home and then stabilize the spooky decoration through wind, rain and snow storms. Groups offer advice on how to store them (Christmas tree bags are preferred for those who aren't keeping the original packaging) and on assembling, weatherizing, dressing and accessorizing.

Home Depot has scaled up orders to feed the bone frenzy, this year adding Inferno Deadwood Skeleton, 12.5 feet tall, and Skelly's dog, a relatively modest 5 feet. For enthusiasts who keep the grinning ghouls up year-round, changes were needed, said Lance Allen, the Home Depot official who designed the boney giant.

"All of the sudden Skelly is up in the middle of L.A., in the middle of Arizona, in the mid-

dle of summer, so we had to go back and retest," said Allen. Skelly's bones were updated to make them suitable for year-round elements, including heat. He initially designed Skelly with a battery box for his illuminated eyes, though now Skelly uses a power cord. Allen said he puts his Skelly up only for Halloween.

Frost said he planned to do that too—until the HOA letter came. The lawyer, 42, moved to Littleton, Colo., last year with her skeleton, which she named "The Big Leboneski." She waited until Sept. 1 to hoist the 12-foot spookster. He held two laundry baskets, which caged in smaller skeletons, like a little jail, she said. A Thanksgiving outfit followed, then a T-shirt homage to Kansas City Chiefs football player Travis Kelce and Taylor Swift for the Super Bowl, and then ensembles for Mardi Gras and

Hubert wore a top hat for the Fourth of July and had a T-shirt—he wears a size 5X or 6X—announcing the start of school for the fall. Houston Texans regalia followed. Now he is outfitted for Halloween. "My goal has just been to keep him up for the year and see how long I can get away with it."

Shelby Pearcy's battle with her HOA ended differently. The lawyer, 42, moved to Littleton, Colo., last year with her skeleton, which she named "The Big Leboneski." She waited until Sept. 1 to hoist the 12-foot spookster. He held two laundry baskets, which caged in smaller skeletons, like a little jail, she said. A Thanksgiving outfit followed, then a T-shirt homage to Kansas City Chiefs football player Travis Kelce and Taylor Swift for the Super Bowl, and then ensembles for Mardi Gras and

St. Patrick's Day.

All was going well, until a March storm dropped around 16 inches of snow overnight, weighing down the skeleton until he came to rest on Pearcy's car. Both vehicle and decoration were fine, but the skeleton needed reinforcement. As he went back up, she said a neighbor drove by and was "very angry" about the year-round yard feature, expressing astonishment that the creature was returning.

Then came an anonymous HOA complaint that The Big Leboneski was bringing down property values, Pearcy said. She had just been elected the association's president and didn't want the conflict. He now spends most of the year in the backyard, legs detached. "He's still about 5 feet tall," she said of the skeleton's upper body. "So his head pokes over the fence."

Isaac Alexander, a 37-year-old YouTuber in Charlotte, N.C., got his first giant skeleton in 2020 and it stood solo in his front yard for two months around Halloween. Fan mail—as some in the Skelly community refer to complaints from neighbors—came almost immediately; an anonymous letter suggested Alexander think of the children who might be scared by a 12-foot skeleton.

Alexander added a second one the following year. And he keeps both of them up year-round, though they are hauled to his backyard for 10 months. The pair are still tall enough to be seen and Alexander thinks that spurred a second, more intense letter. The skeletons, along with other holiday decor, are "inviting evil into our town," it reads.

"Absolutely not," Alexander says of being swayed by the letters. Both skeletons remain up.

David Bellinger, 35, has fine-tuned a system for securing his 12-foot skeleton over the last three years (200 pounds of sand around the base and duct tape for the arms).

For him, it's an economic indicator. Bellinger, a Mizuho analyst, who covers Home Depot, tracks Skelly's popularity, from purchase trends to in-stock levels and discounting.

Such purchases "show that the homeowner consumer is still well positioned," he said. "They are spending a few hundred dollars on a skeleton that they have no real need for."



Photo: AP

**U.S. NEWS**

## U.S. NEWS

# Florida in Crosshairs Of Another Hurricane

By GINGER ADAMS OTIS

Rapidly-intensifying Hurricane Milton is on track to hit Florida midweek, bringing more storm surge and flood warnings to weather-battered residents recovering from the disastrous impact of Helene.

Milton was a category 1 storm with winds reaching about 85 mph late Sunday, and located about 800 miles southwest of Tampa, Fla. It is expected to become a powerful category 4 hurricane with wind speeds exceeding 130 mph over the southern Gulf of Mexico. It's forecast to make landfall on Florida's west coast Wednesday.

The storm will increase in speed as it approaches Florida, the National Hurricane Center in Miami said. It will keep its power as it travels across the peninsula and into the Atlantic on Thursday.

A "dangerous situation" is shaping up for Florida, said NHC director Michael Brennan.

"We're going to see widespread impact, the potential for life threatening storm surge, inundation, dangerous hurricane force winds along both coasts of Florida," Brennan said. "You want to have all your preparations ready."

Storm surge and hurricane watches will likely be issued on Monday for parts of the state, according to Brennan. It is too early to know Milton's precise path, but the core of it could make landfall anywhere from north of Tampa Bay, through the Tampa-St. Petersburg region and down to Sarasota, Port Charlotte and Fort Myers, forecasters said. Many of those areas damaged by Helene remain vulnerable to additional storm surge impacts.

Flooding is likely as rains move in ahead of and during the storm, which could bring up to 10 to 15 inches in places, Brennan said. The rain will increase on Tuesday and grow heavier throughout the day.

Florida Gov. Ron DeSantis said there is no doubt Florida will suffer a major blow from the storm, even as Milton's pathway remains uncertain.



ANGELA OWENS/WSJ

**Helene is one of the deadliest and most destructive hurricanes to hit the U.S. in recent years. Damage to homes and vehicles seen in Swannanoa, N.C.**

## Helene Homeowners Face Insurance Shock

**Harsher policy terms, no flooding coverage mean a lot of damage won't be reimbursed**

By JEAN EAGLESHAM

Homeowners are rushing to file insurance claims after Hurricane Helene left a trail of destruction across six states. Many of them will likely be left empty-handed.

Property insurers in recent years have hollowed out coverage and sharply increased rates to make up for steep underwriting losses driven by natural disasters.

Owners of homes and businesses slammed by Helene could be in for a nasty shock when they check the small print of their policies.

"Insurers have become significantly tougher on hurricane claims," said Rich Tutwiler, a claims adjuster for property owners based in Tampa, Fla.

"We've moved to an era dominated by exclusions, diminishing coverages, and even harsher policy terms."

Helene is one of the deadliest and most destructive hurricanes to hit the U.S. in recent years, with property damage

pegged at \$15 billion to \$26 billion by ratings firm Moody's. The insured loss, however, will likely be at the lower end of initial forecasts, which ranged from around \$5 billion to \$15 billion, according to John Neal, chief executive of the Lloyd's of London insurance marketplace.

Much of the shortfall is because typical home insurance policies don't cover flooding, and most people don't have separate flood insurance. Another reason is an increase in coverage restrictions.

Policies in hurricane-prone areas are now more likely to have higher deductibles for wind damage, reduced payouts for older roofs, limits on interior water damage and exclusions for damage from wind-driven rain, according to insurance agents.

"I've had tons of phone calls from people with relatively small losses that are going to fall under the deductible and not be covered," said Meg O'Toole Herman, owner of a Goosehead Insurance agency in Hilton Head Island, S.C.

The barrier island escaped the most deadly impact of Helene, but was still hammered by high winds. "We've got tree limbs poked into roofs, cars

with trees on them and boats battered around harbors, sinking or missing," Herman said.

Damage to houses and yards in many cases will be less than each property's deductible for wind losses, Herman said. That deductible for many policies in her area is now 3% to 5%, she said, up from 2% in 2021.

A 5% deductible means the owner of a million-dollar home would have to pay the first \$50,000 of losses.

### Covering floods

Hurricane deductibles help give customers access to "reliable protection in areas prone to catastrophic storms," said Tom Wilson, chief executive of insurance company Allstate.

Helene's reach could mean yet more price increases are on the way for property owners in hard-hit inland areas such as Asheville, N.C., that previously weren't seen as particularly vulnerable to extreme weather.

"The hurricane and storm surge path proved that no one is safe," said Alexandra Glickman, global head of real estate and hospitality at insurance broker Arthur J. Gallagher. "It's going to be much more

difficult for owners of small businesses and multifamily properties as they rebuild to find insurance that isn't three or four times what they were paying before."

Helene is the latest storm to expose the gap between flood risks and flood coverage. Fewer than one in 100 households in the worst-flooded inland counties have flood coverage, said Mark Friedlander, spokesman for the Insurance Information Institute, an industry group.

Even in Florida, where more flood insurance is sold than in any other state, more than 95% of homes in Helene's path across the Big Bend, in the northern part of the state, lack such policies.

Michael Drake is one of the relatively lucky ones. His home on Longboat Key, Fla., is on stilts and largely escaped the 2 to 3 feet of water that flooded the barrier island. Drake has federal flood insurance and plans to file a claim for damage to his ground-floor office and garage. "Some people here lost everything," he said. "I've been on this island since 1986 and this storm was the worst I've ever seen."

Homeowners and businesses affected by Helene might struggle to recoup their losses, even if they think their water damage isn't directly from flooding.

### Legal fights ahead

Insurers might still limit payment, even if they agree the loss isn't due to floods. "Insurers are strategically working to limit what they pay for water damage from all sources," said Amy Bach, executive director of consumer group United Policyholders.

Insurers could say the damage was in fact caused by flooding and isn't covered at all. For a policyholder, the decisions could determine the difference between a big payout and a flat-out rejection.

"There's a lot of potential for litigation on claims, if the insurer takes a hard line and says it was 100% flood damage, even though the wind was blowing up to 140 miles per hour," said Josh Darr, a managing director at reinsurance brokerage Guy Carpenter.

Two years after Hurricane Ian slammed into Florida, nearly 50,000 claims remain unresolved, including more than 18,000 where no payments have been made, according to state data.

## First-Time Home Buyers Figure Out How to Crack a Tough Market

By NICOLE FRIEDMAN

centers or getting creative with financing their home purchases.

About 55% of government-backed and conventional purchase mortgages in August went to first-time buyers, the highest level for any August in data going back to 2014, according to Intercontinental Exchange.

Demographics are a reason. Millions of millennials are in their early to mid-30s, around the typical age for first-time home purchases.

"They've been driving the market," Khater said.

Home-buying affordability has improved in recent months as mortgage rates have declined to about 6.1%. But buyers have less purchasing power than they did a few years ago, when rates were much lower.

A buyer with a \$2,000 monthly budget and a 20% down payment can afford to buy a \$317,000 home at today's average mortgage rate, according to real-estate brokerage Redfin. In 2021, when home buyers could get mortgage rates for around half that, the same budget would afford a home above \$400,000.



**Brian Harmon, 55, and Sara Chen, 48**  
Location: Provo, Utah  
Home price: \$80,000  
No mortgage

Sara Chen and Brian Harmon never planned to own a home. "We've never been interested in the status meanings of a house," Harmon said. "As long as rents were acceptable, we thought, why not?"

When the couple relocated to Utah with their two sons in 2022, they moved in with Harmon's parents and ended up staying there for two years. By not paying rent, they built up their savings.

Harmon and Chen started looking for a place to rent this year and were shocked at the high prices, especially with added fees landlords tacked on. Then Harmon found an online listing for a mobile-home park.

Harmon and Chen used their savings to buy a two-bedroom manufactured home for \$80,000 without a mortgage in April.

While they own the building, the mobile-home park owns the land, so Harmon and Chen pay \$455 a month in rent.

They love the location because Harmon can take the train to his teaching job and their children can bike to school. "We've hit the jackpot," Harmon said.



**Christopher Sanchez, 32, and Christy Nguyen, 30**  
Location: Hockley, Texas  
Home price: \$280,000  
Mortgage rate: 5.25%

Christopher Sanchez and Christy Nguyen loved the neighborhood where they rented a one-bedroom apartment in Houston, but their rent kept going up.

"It was hard to justify, with money versus space," said Sanchez, an area operations leader for a tire company. "I just came to terms with, 'I've got to buy a house,'" he said. Given their budget, he said, "it's got to be outside the Houston limits."

The couple wanted to buy a newly built home, because builders in their area were offering incentives to buyers. They found a four-bedroom house in Hockley that offered the space and open floor plan they wanted. They bought it in July for \$280,000.

Sanchez and Nguyen, who works as a baker, used a mortgage backed by the Department of Veterans Affairs that didn't require a down payment. The builder, PulteGroup, covered their closing costs and paid to reduce their mortgage rate by more than a percentage point, to 5.25%. The mortgage rate buydown "made a huge difference," Sanchez said.



**Ashaki Gumbs, 27 (in photo with his parents)**  
Location: Philadelphia  
Home price: \$850,000  
Mortgage rate: 6.99%

Ashaki Gumbs's mother, Aschelle Skepple, had been telling him for years to buy an investment property, but Gumbs hadn't saved enough money yet. Late last year, she offered to help him pay for it. Owning property "has given me a lot of financial freedom," said Skepple, who lives in New York. "I wanted him to have those same freedoms."

It is common for first-time buyers to get help for the upfront cost of a down payment, which can be tens of thousands of dollars or more. Twenty-three percent of first-time buyers used a gift or loan from family or friends for their down payments, according to a 2023 National Association of Realtors survey.

Gumbs combined a \$43,000 gift from his mother with his own savings for a down payment on the purchase of an \$850,000 multi-family home in Philadelphia. "It feels amazing," said Gumbs, a senior systems engineer. "I have a lot of pride in being a good landlord."

Gumbs doesn't live in the building he owns—he rents a studio apartment instead.

"When I'm ready to settle down, I'll buy a house," he said.



**Hailey Brown, 27, left, and Paige Brown, 32**  
Location: Barre, Vt.  
Home price: \$170,000  
Mortgage rate: 7.375%

Paige and Hailey Brown were living in Castro Valley, Calif., when they decided they would be willing to move somewhere new where they could afford to be homeowners. The couple researched states around the U.S. to find one with homes within their \$230,000 budget that also had legal protections for transgender people.

"Vermont was expensive but affordable, and had what we were looking for as far as the legislation that guaranteed both my partner and myself our rights," said Paige Brown, a trans woman. The Browns both work remotely.

Without ever visiting the state, they put in an offer for a three-bedroom house in Barre, a town of fewer than 10,000 people. They bought the house for \$170,000 and moved in December. The seller paid for their closing costs and to reduce their mortgage rate.

Their mortgage payment is now about \$700 less than their California rent, Paige Brown said.

"I never really thought that that would be something we could do within our lifetime," she said.

NIKI CHAN WYLE FOR WSJ

KELLY BURGESS FOR WSJ

## U.S. NEWS



FROM TOP: CAROLYN KASTER/ASSOCIATED PRESS; J. SCOTT APPLWHITE/ASSOCIATED PRESS

Donald Trump Jr., left, and Eric Trump, right, stood behind their father at the GOP convention, above. Below, Don Jr. with JD Vance at the convention.

## Eldest Son Carves Out Vital Role

*Continued from Page One*  
for November, Trump Jr.'s primary focus is what happens afterward. He is working to make sure a potential second Trump administration and GOP Congress are stocked with more JD Vances—and to keep out those who might hinder an aggressive second-term agenda. Vance refers to their project as "keeping the snakes out of the administration," and said they have "probably discussed or floated thousands of names at this point," from Treasury secretary and secretary of state on down. They are determined to avoid the conflicting agendas and infighting that dogged Trump's first term.

"My role will be to make sure that those bad actors are not getting into the administration to subvert my father and his policies," Trump Jr. said. "Now we know who those people are. In '16, we had no idea."

### The Gatekeeper

Trump's first administration was frequently reined in by appointees desperate to stop him from doing things they believed were unwise, dangerous or illegal. Aides snatched executive orders off his desk to prevent him from signing them, cabinet members slow-walked his plans, military generals pretended to follow his orders while ignoring them and senior officials refused to draw up

### Son Proves Adept at Channeling His Father

With his rapid-fire patter and steady stream of social-media jokes and memes, often bombastic and offensive, Donald Trump Jr. has proved adept at channeling his father's appeal. Trump Sr., the son said, "always jokes—or maybe doesn't joke, I'm not 100% sure sometimes with him—'You know, you're

much better at politics than you were at real estate.'

Trump Jr.'s shtick is beloved by both multimillionaire GOP donors and rank-and-file crowds. "He goes places and they sell out immediately," said a top GOP fundraising consultant.

In New Hudson, Mich., last week, fans packed into a restaurant and gun store

to hear him speak. Dressed in khakis and sneakers, he ran through a series of impressions of Democrats and his father, delighting the crowd.

"He's just as smart as his dad," 54-year-old local resident Jennifer Brigmon said after getting a photo with him in front of the campaign bus. "I feel like he could be president."

family business and marrying a model his father introduced him to at a fashion show. (He divorced Vanessa Trump, the mother of his five children, in 2018, and has been engaged to the right-wing personality Kimberly Guilfoyle since 2020.) He co-hosted "The Apprentice" and developed his father's properties. During the 2016 campaign, he made headlines for soliciting dirt on Hillary Clinton from a lawyer connected to the Russian government. He seemed destined to drift along in the silver-spoon life of a Trump scion.

But then his father won.

### 'Patriot Economy'

Trump Jr.'s podcast is one of the most popular on the Rumble platform, and his first book, "Triggered: How the Left Thrives on Hate and Wants to Silence Us," was a No. 1 New York Times bestseller, though sales were goosed by bulk purchases by GOP committees and conservative organizations. He is an investor in Public Square, an online shopping platform for companies that target conservative audiences, and sits on the board of Trump Media & Technology Group, which operates the Truth Social platform. A 2022 whistleblower complaint by a former executive at the company describes Trump Jr. as demanding a large stake in the company despite having little involvement in its operations.

Trump Jr. is also involved in a new Trump-backed crypto platform, which has been beset by hacks and scams.

Trump Jr. denies accusations he's profiting off politics, pointing to the recent \$454 million civil fraud judgment against his father's business to argue that politics has been detrimental to the family's finances. His investments, he claims, are aimed at giving conservatives an alternative to "woke" corporations.

"I've been building up 'patriot economy' businesses that are helping service a big portion of the population," he said. "If I wanted to profit, I'd get into government." He said he has no interest in ever taking a government job and doesn't plan to run for office.

Trump Jr. has become the most politically prominent of the ex-president's three oldest children. Ivanka said at the start of the current campaign that she didn't plan to be involved.

Eric's wife, Lara Trump, serves as co-chair of the Republican National Committee, but he devotes the bulk of his attention to business matters.

When Vance ran for Senate as a former Trump skeptic, he caught Trump Jr.'s attention as the only candidate in a GOP primary debate to oppose a no-fly zone over Ukraine.

Despite the men's vastly different backgrounds, their ideological kinship binds them together, both men attest.

"I think the Republican Party has just drastically changed and there's no going back," Vance said.

Trump Jr. nodded in agreement. Putting Vance on the GOP ticket "was about finding someone who actually has that fortitude to fight, to stick to their values, and there's just not many of them in the Republican Party," he said.

—Natalie Andrews contributed to this article.

## Deficits Would Rise More Under Trump Than Harris

BY RICHARD RUBIN

WASHINGTON—Donald Trump's flurry of recent tax-cut promises pushed his fiscal plan deep into red ink, and he would increase budget deficits by more than twice as much as Democratic rival Kamala Harris would, according to a new study that is among the most comprehensive estimates to date of the candidates' proposals.

Trump's combination of tax cuts, tariff increases, military expansion and mass deportations would widen budget deficits by an estimated \$7.5 trillion over the next decade, according to the Committee for a Responsible Federal Budget, or CRFB, a bipartisan group that favors lower deficits.

Meanwhile, Vice President Harris's plans—social-policy spending, middle-class tax cuts and tax increases on corporations and high-income households—would widen deficits by \$3.5 trillion.

Those wider deficits would come atop the \$22 trillion in budget deficits the U.S. is on pace to generate over the decade if Congress does nothing. After several rounds of tax cuts and emergency spending, the U.S. publicly held debt now exceeds \$28.3 trillion.

That debt is now about equal to the size of the economy. And even without new policies, the country's debt load as a percentage of gross domestic product is already slated to push past its post-World War II records, thanks to the aging U.S. population and a structural gap between the government's revenue and its spending.

Economists warn that the country's rising debt creates risk, but for now, U.S. growth has remained solid and the country isn't in a fiscal crisis.

Both of the candidates have proposed policies that could boost economic growth—business tax incentives and tax cuts that give consumers more money to spend—while both also have policies that would cut the other way, such as Harris's tax increases and Trump's tariffs.

Under both plans, the national debt would keep growing faster than the economy, according to the study.

"Obviously, neither of them are moving in the direction of stabilizing the debt," said Marc Goldwein, the CRFB's senior vice president.

Trump, in particular, has layered proposed tax cuts on top of tax cuts. In addition to calling for extensions of his 2017 tax cuts, which expire at the end of next year, he has promised to eliminate taxes on tips, Social Security benefits and overtime pay. And he promised to restore the deduction for state and local taxes, which the 2017 tax law capped at \$10,000.

His tariffs and energy policies don't come close to making up the difference, according to the study.

"President Trump started promising a new tax cut at every rally, and those really added up," Goldwein said. "Six weeks ago, they were kind of similar. That's no longer the case."

Campaign plans are often far vaguer than eventual legislation, and estimating even clear policies isn't an exact science.

For example, congressional scorekeepers and the U.S. Treasury Department are \$469 billion apart in their estimates of the impact of raising the corporate tax rate to 28%.

Trump's deficits could be as low as \$1.45 trillion and as high as \$15.15 trillion, while Harris's could be as low as break-even and as high as \$8.1 trillion, according to the analysis.

Harris has promised to prevent tax increases on households making under \$400,000, which would require extending most of Trump's expiring tax cuts. She also has called for expanded tax credits for families with children, first-time home buyers and some companies, in addition to new federal investments in paid leave and child care.

The Trump campaign didn't respond to a request for comment.



proposals he requested. Staffers alarmed by his impulses continually leaked to the press or quit. At the end of his term, his attorney general resigned rather than pursue baseless election-fraud claims, and his vice president oversaw the certification of the election in the face of a rampaging mob.

Trump Jr. and Vance have maneuvered themselves into position to ensure no such obstacles stand in his way a second time around. "In the first administration you had Jared and Ivanka working in the White House, pro-business Democrats pushing him toward the mainstream," said a former administration official, referring to the former president's elder daughter and her husband. "I don't think there's any question that in the family firmament, Jared has been extracted, and Don Jr. has filled the role."

Some traditional Republicans have heartburn about the direction of the party. "Why do I wanna vote for a party that supports a massive expansion of government, mandates on businesses, and an industrial policy set by government experts who regularly get everything wrong?" the talk-radio host Erick Erickson complained on X in the wake of the VP debate.

There are also recriminations in GOP circles about the selection of Vance, who, despite a strong debate performance, is the least well-liked running mate in recent history. "I don't know how Trump hasn't turned on him by now," one campaign insider marveled.

But Trump Jr.'s allies consider him a vital voice.

"I think Trump has learned that Don has a gut-level understanding of his voters, and he's been very persistent in representing their views," said Tucker Carlson, a former Fox News host, who joined Trump Jr. in lobbying for Vance. "To this day a lot of Republican strategists can't understand the actual voters that make up the party. Don understands them instinctively."

Trump Jr. uses those instincts to steer his father's political pitch. He has encouraged Trump to appear with "manosphere" influencers and pushed his father to play down his administration's Operation

Warp Speed Covid vaccine program. He was a driving force in bringing Robert F. Kennedy Jr. into the Trump coalition, courting him for months, according to someone familiar with his efforts.

Vance has made clear he wouldn't try to rein in Trump and wouldn't have stood up to him as then-Vice President Mike Pence did on Jan. 6, 2021. At the debate, Vance would refuse to admit Trump lost the 2020 election.

"Obviously, the president has the restraints of the Constitution," Vance said during the interview. "But I certainly think it's really important that the people in his administration actually agree with him, or at the very least they accept that he's the president of the United States."

Trump Jr., he said, is an instrumental force in the new right. "I don't think I would have won my Senate race without Don's help. And I certainly don't think I'd be sitting here as the VP nominee without Don's help."

### Far from New York

Trump Jr. looked out the hotel window and laughed: "My view growing up was a little bit far away from Appalachia." But his childhood, he pointed out, was split between New York and rural Czechoslovakia, where he spent summers with his maternal grandfather, who taught him to hunt and fish and gave him a different perspective from his parents' gilded bubble.

He was 12 when his parents' divorce consumed the tabloids, and he didn't speak to his father for a year afterward. He left the city for boarding school in Pottstown, Pa., where he said he gained insight into the plight of the Rust Belt. Heavyset and heavy drinking, he spent a year bartending in Aspen, Colo., after college before returning east, joining the

family business and marrying a model his father introduced him to at a fashion show. (He divorced Vanessa Trump, the mother of his five children, in 2018, and has been engaged to the right-wing personality Kimberly Guilfoyle since 2020.)

He co-hosted "The Apprentice" and developed his father's properties. During the 2016 campaign, he made headlines for soliciting dirt on Hillary Clinton from a lawyer connected to the Russian government. He seemed destined to drift along in the silver-spoon life of a Trump scion.

But then his father won.

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Meanwhile, Vice President Harris's plans—social-policy spending, middle-class tax

# Big Oil Appeals to Trump To Retain Climate Law

Biden's Inflation Reduction Act is potentially worth billions to industry

BY COLLIN EATON  
AND BOÉT MORENNE

**Oil companies are conveying an unlikely message to the GOP and its presidential candidate: Spare President Biden's signature climate law. At least the parts that benefit the oil industry.**

In discussions with former President Trump's campaign and his allies in Congress, oil giants including **Exxon Mobil**, **Phillips 66** and **Occidental Petroleum** have extolled the benefits of the Inflation Reduction Act. Many in the fossil-fuel industry opposed the law when it passed in 2022 but have come to love provisions that earmark billions of dollars for low-carbon energy projects they are betting on.

Some executives in the largely pro-Trump oil industry are worried the former president, if re-elected, would side with conservative lawmakers who want to gut the IRA. They fear losing tax credits vital for their investments in renewable fuel, carbon capture and hydrogen, costly technologies requiring U.S. support to survive their early years.

At a Houston fundraiser for Trump in May, Occidental CEO Vicki Hollub took her case directly to the candidate, saying tax credits propping up the company's huge investments in technology to collect carbon directly from the air should be preserved, people familiar with the matter said. The company is building its first \$1.3 billion direct-air capture plant in West Texas.

Exxon has also told the Trump campaign it wants to preserve portions of the IRA. It and **Chevron**, the two largest U.S. oil companies, have promised to pump more than \$30 billion combined into carbon capture, hydrogen, biofuels and other low-carbon technologies, virtually all of which rely on tax credits in the IRA to be viable.

Meanwhile, company officials at Phillips 66 have told members of Congress the IRA's tax credits are important for its business, people familiar with the matter said. Instead of crude oil, the company's renewable fuels are made from used cooking oil, vegetable oil, fats and the like, which qualify it for large tax credits.

"There are elements of the IRA that the general industry says would be bad to unwind," Mark Lashier, CEO of Phillips 66, said last month. "Everybody is working out their contingency plans for either administration."

## Biggest backers

Trump has called Biden's climate efforts the "Green New Scam" and last month promised to cut unspent IRA funds. Republicans in Congress have tried to repeal the law and provisions in it dozens of times and are expected to push for cuts again next year during the legislature's budget reconciliation.

Oil billionaires are some of Trump's biggest backers, and the candidate has privately promised to deliver on many of the policies on their wish lists if elected.

Trump hasn't fleshed out his plans for the climate law.

Energy policy has emerged as a key campaign issue. Trump has attacked Vice President Kamala Harris's support for a fracking ban when she was a presidential candidate in 2019, a policy she has since backtracked on.

During the presidential debate in September, Harris touted her support for the IRA, which she said had kindled clean energy investment but also spurred the record oil production levels reached during the Biden administration. If elected, she promised to back investment in diverse energy sources.

Some oil lobbyists have told Trump's campaign the industry's IRA-backed projects will be a boon to U.S. jobs and manufacturing as major oil companies invest billions.

Karoline Leavitt, a spokeswoman for the Trump campaign, said Trump's policies

turned the U.S. into a net exporter of energy.

"He cut red tape and gave the industry more freedom to do what they do best—utilize the liquid gold under our feet to produce clean energy for America and the world," she said.

## Some opposition

Political strategists said Trump may try to rebrand the law, given the support for it among officials and companies in some Republican-leaning states, such as Oklahoma and

South Carolina, who see it as a draw for new investments and jobs. "If we win, we need to take a scalpel, not an ax, to the IRA," said Sen. Kevin Cramer (R., N.D.).

The industry's support for the IRA only extends so far. Many oppose tax credits for renewable energy and purchasing electric vehicles, saying those incentives undermine competition with gas- and diesel-powered vehicles. Smaller frackers, which aren't investing in low-carbon technologies, mostly dislike the entirety of the law.



A drilling rig in the Bakken Formation in North Dakota.

DANIEL ACKER/BLOOMBERG

## YES! YOUR PIZZA BOX CAN GO IN THE RECYCLED BIN



WE MAKE 100% RECYCLED PIZZA BOXES

## WORLD NEWS

## Israel Relaunches Northern Gaza Offensive

Saying it faces a militant resurgence, military orders mass evacuation

BY CARRIE KELLER-LYNN

TEL AVIV—Israel's military said it reopened an offensive in northern Gaza to combat militants who have resurfaced in the area, issuing sweeping evacuation orders after residents reported heavy artillery shelling overnight.

The military said two of its armored brigades encircled part of Jabalia, a longtime Hamas stronghold, as an infantry division began an operation in the area on Sunday.

Ahead of what is expected to be a broader push, the military called on the 300,000 residents estimated still to be living in northern Gaza to move through evacuation corridors to an expanded humanitarian zone in the south of the Gaza Strip, threatening to exacerbate already dire living conditions in the enclave.

Israel's military is stretched on multiple fronts, and troops have already spent a year fighting in Gaza. Israel continued to press its air campaign against Hezbollah in Lebanon with a night of heavy strikes on southern Beirut. It is also expected to retaliate against Iran for launching about 200 ballistic missiles on Israel last week. And Israel continues to try to fight militancy in the occupied West Bank.

Dr. Hussam Abu Sufiya, head of Kamal Adwan Hospital in northern Gaza, said the facility received the bodies of 30 people, and residents reported intense artillery shelling.

Hiba Baghdadi, 35, said the



A family fleeing the Jabalia area of northern Gaza, under attack by Israeli armor and infantry, arrived in Gaza City on Sunday.

OMAR AL-QAHTANI/GETTY IMAGES

attacks overnight reminded her of the first week of the war, when Israel launched an air campaign after Hamas led a surprise attack on Israel on Oct. 7 last year that Israeli authorities say left 1,200 people dead and 250 taken hostage.

"People had to leave Jabalia under fire," said Baghdadi, who lives in the Al-Tuffah neighborhood of nearby Gaza City. Baghdadi said she wouldn't abide by the evacuation orders. "We aren't going to go south, it is terrible there and people are suffering," she said. "If we are to be killed, let us be killed in our homes."

A day before the anniver-

sary of war between Israel and Hamas-led militants in Gaza, Israel was back to fighting in one of the first areas where it clashed with Hamas in late 2023, underscoring the difficulty of converting Israel's tactical wins on the battlefield into a decisive victory.

Hamas's Oct. 7 attack in southern Israel started a war that has displaced most of Gaza's over two million residents amid widespread concerns about hunger, sanitation and disease. Palestinian health authorities say the fighting has killed more than 40,000 people in the enclave.

Hadeel Kaheel, 29, from the

Daraj neighborhood of Gaza City, fled twice within the city but says this time she won't leave her home. "There's no safe place, no humanitarian zone," she said.

Israel wants to move civilians to south Gaza. It thinks that will isolate militants in the north, as they won't cross military checkpoints for fear of getting caught, said Amir Avivi, a former senior military official who heads a security-oriented think tank in Israel.

Tensions are running high around the war's one-year mark. An assailant killed a woman and wounded at least 10 other people in a bus sta-

tion in the southern Israeli city of Beersheba on Sunday, said emergency services, in what local police characterized as a suspected terrorist attack.

Israel said it has degraded

Hamas's military to the point that it no longer operates with organized command-and-control systems. However, without a plan for alternative leadership of the Gaza Strip, Hamas and other militants continue to reconstitute themselves, requiring Israeli forces to return to fight in areas they have previously cleared and left, including several operations in Jabalia.

Israeli Prime Minister Ben-

jamin Netanyahu has resisted efforts to commit to a plan for Gaza's long-term governance. His defense minister, Yoav Gallant, has for nearly a year pushed the cabinet to consider fresh leadership for Gaza, to prevent the erosion of Israeli military gains and head off the option of a return to Israel's civil occupation of the strip, which it ended in 2005.

Israel remains mired in this cycle as its war has expanded to multiple fronts. Fighting with the Hezbollah militant group in Lebanon is now demanding most of its resources. Lebanon's state-run National News Agency reported that dozens of Israeli airstrikes pummeled Beirut's southern suburbs in one of the most intense bombings of the area, which has been targeted daily since the assassination of Hezbollah leader Hassan Nasrallah there on Sept. 27.

An Israeli army spokesman overnight warned residents of four districts in the southern suburbs to move 500 meters away from particular buildings it alleged were Hezbollah facilities. Many of the area's residents have already fled, adding to a humanitarian crisis in Lebanon, where hundreds of thousands of people have been displaced by Israel's bombing campaign.

The Israeli military said it engaged militants in close-quarter fighting over the past day, while conducting targeted raids that began earlier this week close to the Israel-Lebanon border. Militants in Lebanon fired more than two dozen projectiles into Israel on Sunday, the military said, in addition to three drones.

—Abeer Ayyoub, Stephen Kalin and Dov Lieber contributed to this article.

## One Day Changed the Lives Of These Gazans Forever

BY ABEER AYYOUB  
AND OMAR ABDEL-BAQUI

On Oct. 6, 2023, the eve or her wedding, Meram Abu Shabaan was ecstatic for what she thought would be the best day of her life. She painted her nails, partied with family and spent a late night at the beach, reflecting on how her life was about to change.

And it did, just not in the way the 25-year-old resident of Gaza City had anticipated.

On the day of her wedding, militants led by Hamas—designated a terrorist group by the U.S.—launched the attack on Israel that authorities say killed about 1,200 people, left 250 as hostages and sparked a war that would leave the Gaza Strip a ruin. Abu Shabaan awoke to her mother's bursting into her bedroom screaming.

"I thought we were late for the wedding-day hairdresser appointment," Abu Shabaan said. "Then I heard the sound of rockets."

On Oct. 6, excitement also filled the air of Hanan Bayouk's Gaza home. The 24-year-old had given birth to triplets weeks earlier. The hospitals in

the blockaded Gaza Strip couldn't handle her high-risk pregnancy, so she had to secure an Israeli permit to travel to East Jerusalem to give birth.

Her triplets, born prematurely in August, needed weeks of care—and Bayouk's permit was set to expire before they would be discharged. She had to return to Gaza without her newborns, and then apply to re-enter Israel to retrieve them once they had stabilized.

She was all set to go the week of Oct. 8. But after the attack, Israel canceled entry permits for Palestinians. Bayouk hasn't been able to see her children since their birth.

"They don't know their mother or father," she said.

Dr. Hatem Khammash, head of the neonatal unit at the hospital, said there are two other cases there of children separated from their mothers in Gaza. He said nurses and volunteers play and speak with them. "But the children still need their mothers—their milk, their affection, their care," he said.

Before the war, Rafiq Al Ashi, a 44-year-old entrepreneur from Gaza City, owned several successful clothing shops as well as a co-working

space to accommodate the post-Covid freelance and remote-work economy. By Oct. 8, the high-rise building that housed the co-working space and one of his clothing stores had been destroyed in an airstrike. "To see everything I worked toward turned into dust," Ashi said.

As weeks of war went by, Ashi got an opportunity most Gaza Palestinians caught up in the war never get—to leave. His children went to neighboring Egypt, reuniting with their mother, who was there visiting relatives on Oct. 7. But the father of four, who was

granted an exit to the United Arab Emirates, decided to remain in Gaza, fearing he wouldn't be able to return.

Last October, Yasmine Mohamed, a water engineer from Gaza, was 2,000 miles away in the Netherlands on a business trip. Travel from Gaza was highly restricted even before the war. Mohamed planned to make the most of her last Saturday in the country—Oct. 7—wandering Amsterdam. Instead, she woke up to her phone's incessant buzzing. A year later, Mohamed, 42, still hasn't reunited with her family. "I just want it all to be

over," she said. Abu Shabaan eventually married her fiancé without a ceremony and has since fled with him to Saudi Arabia. She ticks through the names of the people she knows who have been killed in the war—including her grandmother and uncle. Her father and other family members are still trapped in the Gaza Strip.

"I can't have a wedding while my loved ones remain under fire," she said. "I cry from the bottom of my heart when I think about memories from before the war and how everything has changed."

## Google Is Challenged On Search

Continued from Page One

Amazon is expected to have 22.3% of the market this year, with 17.6% growth, compared with Google's 50.5% share and its 7.6% growth.

"This space has been ripe for a shake-up for a long period of time," said Brendon Kraham, a Google vice president overseeing the search ads business. "We've been here before navigating these kinds of changes."

Google remains in an enviable position: far ahead of the pack in the search market, with plenty of resources to counter moves by its rivals. Still, advertisers are eager for more competition.

"For the first time in probably 15 years, we will have viable alternatives to Google," said Nii Ahene, a veteran digital-advertising executive.

### Answers and ads

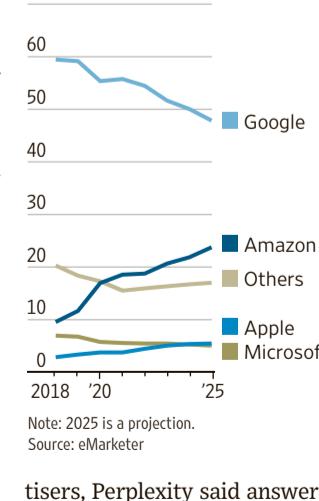
The generative-AI boom is transforming search products, which will increasingly serve up fully formed answers to user queries or summaries of the results. Google this past week rolled out ads in the AI-generated summaries it has begun placing at the top of search results. The ads will only show up on mobile searches in the U.S. at first, Google said.

"We're confident in this approach to monetizing our AI-powered experiences," said Brendon Kraham, a Google vice president overseeing the search ads business. "We've been here before navigating these kinds of changes."

Perplexity is angling for a piece of the same market. Dmitry Shevelenko, the company's chief business officer, said a handful of "household, top-tier names" are its first advertisers. The startup will allow brands to sponsor follow-up questions that trigger a back-and-forth with the user.

In a presentation to adver-

### Estimated share of U.S. search advertising revenue



tisers, Perplexity said answers to the sponsored questions will be "approved ahead of time, and can be locked, giving you comfort in how your brand will be portrayed in an answer," according to a copy viewed by The Wall Street Journal.

Some 46% of Perplexity queries in the U.S. lead to follow-up questions, according to the presentation. The company

said it processed 340 million queries in September. By comparison, Google has said that it handles some two trillion searches a year. Shevelenko said Perplexity won't ever change the search engine's nonsponsored answers based on demands from advertisers.

Other search engines have experimented with inserting ads in AI-generated answers.

Microsoft has introduced sponsored links and comparison-shopping ads in a chatbot attached to its Bing search engine.

Almost 60% of U.S. consumers used a chatbot to help research or decide on a purchase in the past 30 days, according to a survey by New Street Research. Some analysts have questioned whether ads in chatbots will be as valuable as traditional search ads because people might be less likely to click on them.

### TikTok keywords

Targeting search budgets is a logical step for TikTok. Up to now, the company has offered

brands the option of displaying ads near search results, but advertisers couldn't target their ads based on the keywords in user searches.

Advertisers remain drawn to TikTok because of the platform's strong appeal to younger adults. While TikTok's U.S. ad revenue is expected to jump 38.1% this year, it has only a 3.4% share of the U.S. digital ad market, according to eMarketer.

In a pitch to advertisers viewed by the Journal, TikTok said "search behaviors have evolved" and added that the platform had global daily search volume of over three billion, with 23% of users searching for something within 30 seconds of opening the app.

Many advertisers tested TikTok's new ad product earlier this year. Some brands were required to commit a minimum of \$10,000 a month and participate for at least two months, according to ad buyers.

The digital ad firm Tinuiti said almost two dozen of its clients in such categories as consumer electronics, apparel

and beauty are currently buying the new TikTok ads.

"We are seeing performance on return on ad spending that sometimes rivals what we are seeing on Google," said Tinuiti President Jeremy Cornfeldt.

The real test is what happens when more advertisers compete for keywords and ad prices go up, he said.

Some advertisers are hesitant to shift ad dollars from Google to TikTok, said Sara Young, a group account director of social activation at the digital agency Dept, partly because search volume on TikTok is still low.

The increased competition, coupled with legal pressures on Google, makes it a particularly tense time for the Alphabet-owned ad giant. This past summer, Google lost an antitrust case over its dominance in the U.S. search-engine marketplace after a federal judge said it acted illegally to maintain a monopoly in the sector. Google plans to appeal the ruling.

"Is it a vulnerable moment for Google? Absolutely," Cornfeldt said.

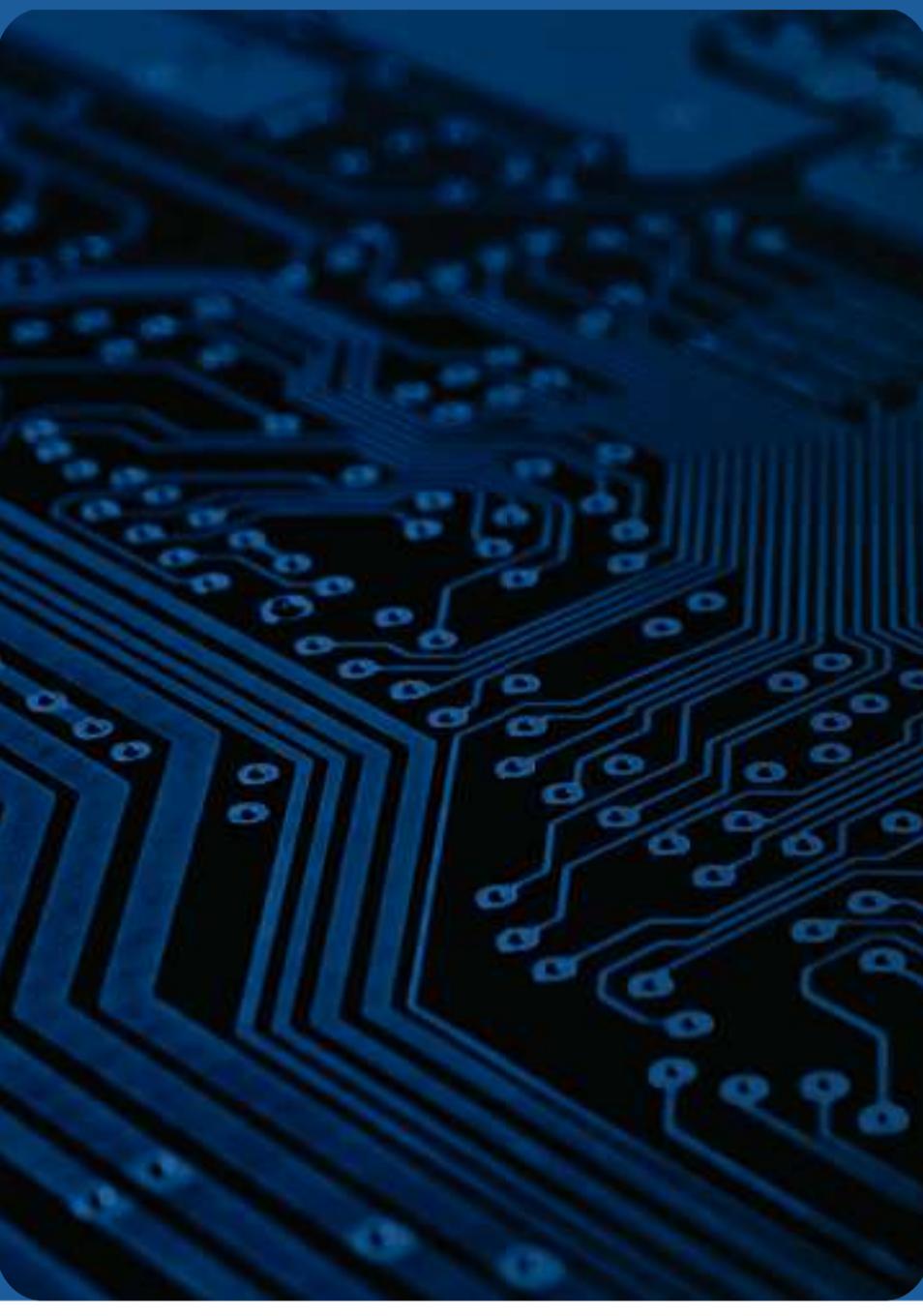


Meram Abu Shabaan, whose wedding was set for last Oct. 7, has fled Gaza for Saudi Arabia.

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## WORLD NEWS

# Russia's Troop Numbers Test Kyiv's Agility

BY JAMES MARSON

**KOSTYANTYNIVKA, Ukraine**—The tactics Russia's army used to seize the eastern town of Niu-York recalled Stalingrad, one of the bloodiest battles of World War II. Soldiers advanced in groups of three, darting forward along a street guided by a drone. When Ukrainian defenders opened fire, the survivors would duck into a house. Then another trio would advance toward the position.

They kept coming in waves, taking heavy losses until a dozen or so Russian infantrymen had gathered in one spot. Then they would start the process again.

"Their commanders show them no pity whatsoever," said a Ukrainian company commander, known as Vodoliy, who was leading troops fighting in the town.

In a war shaped by drones, precision weapons and electronic jammers, it is still boots on the ground that take and hold territory. Russia is counting on overwhelming Ukraine's army with waves of untrained infantry dispatched forward with slim hopes of survival.

It is a costly approach: Russia is losing around 1,200 men dead or wounded every day, according to Western intelligence estimates. Russian forces are grinding forward on the eastern front, although Ukrainian officials and some analysts said the mounting losses could cause them to run out of steam.

Fewer in number, Ukrainian troops have to fight smarter. In one operation in Niu-York in August, Vodoliy's well-equipped men countered the Russian onslaught with fast, decisive actions.

Vodoliy's unit, the 425th Separate Assault Battalion, is named for its leader: Skala, or the Rock. The Wall Street Journal has followed the ups and downs of Lt. Col. Yuriy Harkavyi's men since the early days of the war, which they started as a small group re-



Ukrainian soldiers, members of the Skala battalion, fix and clean weapons and equipment used during a mission in Toretsk.

and helped another Ukrainian unit set up defensive positions in the buildings there.

The next target was the elevator, a hulking structure with thick concrete walls, which the Russians were using as a staging post for further advances. The following night, Vodoliy sent in another team of a dozen soldiers.

Throughout the following day, the Ukrainians hit the elevator with huge artillery shells and explosives dropped from a drone, but to little effect.

By the early morning, there was a stalemate. The Russians had a height advantage, but they were trapped.

Floor by floor, over several hours, the Ukrainians pressed the Russians to surrender, telling them there was no way out. The Russians begged for water and cigarettes.

When injured Russians crawled out and surrendered, the Ukrainians treated them and had them tell their compatriots by radio that they could expect fair treatment.

While evacuating one group of Russians in an armored vehicle, they heard a Russian commander shout over the radio: "Hit them! Hit them!" Mortar bombs landed near the Ukrainian evacuation vehicle, which sped away.

After more than one day, the surviving Russians had all surrendered, a total of 16 in the elevator and surrounding buildings.

But the triumph soon faded. Russia stepped up attacks in Niu-York with glide bombs, artillery and waves of infantry.

The Ukrainian troops who replaced the Russians were forced out of the elevator under withering fire. A further counterattack in the town by another Ukrainian unit temporarily pushed the Russians back, but by the end of September, they had taken control.

Vodoliy's men, meanwhile, had been rushed to another part of the front. "Our morale is much higher," Vodoliy said. "But there are more of them."



Sources: Institute for the Study of War; Google Earth (Satellite Image); staff reports

## 'There Is No Morale'

One Russian soldier, captured in neighboring Toretsk on Aug. 29, described the kind of tactics Moscow used, relying on mass over craft. The 31-year-old private had surrendered, he said in an interview the next day, after the other two in his assault group were killed, one by the Ukrainians and the second by his own hand.

"There is no morale. Everyone is afraid," he said.

The rifleman, who spent most of his adult life in jail for theft, enlisted in 2022 to get out of his latest prison term after recruiters offered him the equivalent of more than \$2,000 a month and told him: "We'll make that dirty story go away." He said he was issued only three magazines for his rifle after returning to the front, with earlier shrapnel wounds still unhealed.

owned for their derring-do. Now they number several hundred, deployed by Ukrainian military command wherever it wants to punch back against the Russians.

By August, the Russians had advanced steadily through the town and were using a grain elevator as a logistical hub.

Several Russians were hunkered down in the basements of the fire station and a farm-chemicals supplier in Niu-York when Vodoliy's men counter-

attacked. The 33-year-old from occupied Mariupol sent in a team of 12 soldiers equipped with night-vision goggles in a U.S.-supplied Bradley infantry fighting vehicle. They dismounted and then the lieutenant, watching a live feed from a drone with thermal vision,

guided two teams of six down parallel streets.

"Night is our big advantage," Vodoliy said.

They tossed smoke and fragmentation grenades into the basements and then burst inside, killing any Russians who hadn't fled. By dawn, they had reached the crossroads just north of the grain elevator



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# A Year After October 7

## The Silent Majority Stands Boldly With Israel

As we approach the one-year anniversary of October 7, I want to express my deepest gratitude to the millions of Christians who stood by Israel and the Jewish people during one of the most challenging years in our history.

Yesterday, in a powerful display of solidarity, across every state in America, Christians took a bold stand against rising anti-Semitism by planting 1,200 Israeli flags on their church grounds—one for every innocent life taken on that fateful day. While others desecrate and burn our symbols, you honor them.

Thank you for dedicating your Sunday services to remembering the unspeakable horrors we faced and for pledging to stand shoulder to shoulder with us against hatred and injustice. Your prayers, your voices, and your actions speak louder than any flame of hate.

Because of your unwavering commitment, the International Fellowship of Christians and Jews has been able to distribute over \$100 million in aid to Israel since October 7. You have given us support and strength when we needed it most.

You have ensured that our cries are heard, and that we are not alone.

The once-silenced majority now speaks louder than ever.

From all the way in Israel, we hear you, honor you, and cherish your support. Together, we are stronger, and we will prevail.

Thank you, and may we continue our shared journey toward justice and peace, *shalom*.



Yael Eckstein

President & CEO, International Fellowship of Christians and Jews



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## FROM PAGE ONE

# Israel Sees A Future At War

*Continued from Page One*  
tions with the U.S., which as Israel's main diplomatic ally and supplier of weapons has watched its influence diminish.

It could come at the expense of Israel's diplomatic goals, including building a regional alliance that can counter Iran. Saudi Arabia has said it won't normalize relations with Israel unless there's a credible pathway to a Palestinian state, an idea that remains unpopular in Israel and is a no-go for Israeli Prime Minister Benjamin Netanyahu's current right-wing government.

Without seeking political and diplomatic solutions, "it's a matter of endless war," said Tamir Hayman, a former head of Israeli military intelligence and executive director of the Tel Aviv-based think tank Institute for National Security Studies. "After Gaza, we will go to Lebanon. After Lebanon, go to the West Bank. After the West Bank, we go to Iran."

For many Israelis, this has opened up a terrifying new reality. Will Israel become a Sparta of the Middle East, with national security and war its most defining characteristic? Israelis had become accustomed to the growing business opportunities that periods of calm made possible, with Tel Aviv becoming a global technology hub with high salaries, an internationally recognized restaurant scene and luxury high-rise apartments.

## Mandatory service

Israel has mandatory military service for most citizens, with an army that relies on both conscripts and hundreds of thousands of reservists who, in peacetime, live normal lives. Israelis are now contemplating a future where they could spend even more time at war.

Rivka Sally Bayna, 28 years old, had spent over 200 days in the reserves since Oct. 7 when she was called back for another 20 days shortly after Israel began its assault on southern Lebanon. A company commander for a search-and-rescue brigade, she would normally spend 30 days a year in reserves before the war. She can't imagine having another year like this one.

"I'm really worn out, like a shoe that was worn too much," she said. "I just miss my life."



Rivka Sally Bayna, above, after being called up for reserve duty. Avishai Ben Harroch, below with his son, shut down his restaurant after the war began.

AMIT ELKAVAM FOR WSJ (3)



ballistic missiles.

The exchanges have opened the door to a confrontation that would risk pulling major world powers into a war.

"This is not a war against Hamas or Hezbollah," said Ofer Shelah, director of national security policy research at the Institute for National Security Studies. "This is a war against the Iranian Axis of Resistance."

In the view of much of the Arab world, Israeli security policies were already aggressive before Oct. 7. Israel, along with Egypt, imposed an embargo on Gaza that had largely isolated the strip. Israel began ramping up raids into the West Bank in 2021, with the Palestinian death toll reaching the highest levels last year since the Second Intifada, an uprising from 2000 to 2005 that saw widespread Palestinian

terrorist attacks on Israel and a fierce Israeli military response.

Critics of Israel's strategic shift say it will bog the region down in endless conflict, and risks radicalizing the populations of stable Arab neighbors and pushing potential allies like Saudi Arabia away. Media across the Arab world continues to focus on the death toll in Gaza, where more than 40,000 Palestinians have been killed, according to local health authorities, who don't distinguish between combatant deaths and civilians.

A newly confrontational Israel must also contend with a cautious ally in the U.S., where the November election could have profound consequences. President Biden has threaded the needle between almost unconditional support for Israel's defense while also consistently calling for an end to hostilities.

Security officials estimate that the military will need to fight for at least another year in Gaza, and forces will need to be stationed there for years to come. Israel has said its ground incursion into Lebanon will be targeted at Hezbollah infrastructure along the border and limited in duration, but with no viable alternative to provide security in that area, there will be pressure on Israel to stay until it's safe for tens of thousands of Israelis to return to homes near the border.

An Israeli government committee is working on recommendations for how Israel's military posture needs to change and how much money it will need to spend on defense. Some analysts estimate

that military spending could go as high as 10% of Israel's GDP and require the country to take on more debt, raise taxes and stop funding projects that it deems noncritical.

The Bank of Israel estimated that the war will cost Israel about \$65 billion from 2023 to 2025, before the recent escalation in Lebanon began. Bank of Israel governor Amir Yaron warned against increasing spending to the point of causing severe damage to the economy.

Israel's economy is strong enough to absorb some shock now, say economists. The 2000s ushered in a wave of fiscal discipline. For 24 years straight, Israel has had a current accounts surplus, meaning Israel exports more than it imports. It has relatively low national debt, and a strong economic core in the technology industry.

"It means we've got plenty of room to maneuver," said Nadine Baudot-Trajtenberg, a former deputy governor of the Bank of Israel.

## Financial burdens

But for average Israelis, the war has already hurt them financially. Avishai Ben Harroch, who owned a trendy Tel Aviv restaurant that served the Moroccan-Parisian cuisine that his mother cooked for him, has now spent 220 days of the last 365 in the reserves. He realized shortly after the war started there was no way for him to keep it open. The burden of war is taking a toll.

He lost six friends in battle, including one who was blown up just meters away from him. He knows another five who have killed themselves this year. Others he knows have turned to drugs.

"I am very, very, very exhausted," said Ben Harroch, who days later was called back to Israel's north to fight in Lebanon as the ground invasion began. Once again, he had to leave his partner and 6-month-old baby, this time just before Rosh Hashana, the Jewish New Year.

A more hawkish Israeli strategy will run into a divided Israeli public. A mass protest movement against Netanyahu's plans for a judicial overhaul before Oct. 7 transformed itself into a movement

seeking the end of the war in exchange for the release of Israeli hostages. They fill the streets of Tel Aviv every Saturday night, just as the Sabbath is ending, carrying Israeli flags and pictures of those still in captivity. That more than 100 people are still held hostage is an open wound in Israel that won't heal quickly.

More wars would also require more troops. It has made the need to draft ultra-Orthodox Jews who have long been exempt from military service a more urgent matter, and increased anger at a segment of society that is viewed as not equally sharing in the burden of defending the country.

Despite a recent Supreme Court ruling that the military must start drafting ultra-Orthodox men, most are refusing to sign up and many are taking to the streets in protest.

Danny Orbach, a military historian at the Hebrew University of Jerusalem, thinks the social upheaval underscores how much pain people are experiencing over the loss of the Israel that was destroyed on Oct. 7.

"When you see the world is changing around you, the first thing you want to do is to go back as quickly as possible to your old world," he said. "When you see you cannot do this, it generates waves of fury and despair and I think we see it in Israel now."

Polls have consistently shown Israelis feel their sense of security was shattered on Oct. 7 and it still hasn't recovered. People are grieving, depressed and "feel like the sky has fallen on their heads," said Tamar Hermann, a pollster and senior fellow at the Israel Democracy Institute think tank in Jerusalem.

Ayala Metzger, 50, has become one of the leaders of the protest movement to free the hostages. Her father-in-law, Yoram Metzger, was 80 years old when he was kidnapped on Oct. 7 from his home in Kibbutz Nir Oz. His body was found by the Israeli military in August. Ayala said Israel is no longer a country she recognizes, and she and her husband talk about leaving.

"This is the only home I know, but it's crazy now," she said. "Where I live, I don't feel like home."



Protesters calling for a cease-fire and the release of hostages gathered in Tel Aviv last month.

# Raises for TV Anchors Are Unlikely

*Continued from Page One*

chief for CNN. The reasons for the newfound vulnerability of elite talent are manifold. Media companies are staring at diminishing returns from their legacy cable and broadcast TV operations, and their streaming businesses aren't generating the returns to make up for the shortfall.

At that same time, many companies are making costly bets on sports rights—seen as vital to have any hope of surviving in a cutthroat business. Disney and Comcast's NBCUniversal are each part-

ners in a massive new NBA deal that kicks in with the 2025-26 season.

The downward pressure on talent costs isn't limited to news and sports.

Entertainment divisions have been scrutinizing budgets as well, trimming episode counts and reducing cast salaries. Wide-ranging production pacts between studios and talent to make shows or movies over several years are out of favor. Many aren't being renewed, and even bankable producers are taking a haircut in fresh deals.

Late night also isn't immune. Last month, NBC's "Tonight Show with Jimmy Fallon" joined ABC's "Jimmy Kimmel Live" and CBS's "Late Show with Stephen Colbert" in not airing new episodes on Fridays. Some at NBC were angling to cut Seth Meyers's late-night show—it survived, but the band was let go and

further cost reductions are in store over the course of his latest deal, a person familiar with the plans said.

"We have had a tremendous shake-up in how TV is delivered and received, and the business is going through a major struggle trying to retain and grow revenues," said Joe Peyronnin, a former television news executive who now teaches journalism at New York University.

At MSNBC, talks are under way for a new deal with Rachel Maddow, whose current \$30 million-per-year deal is up after the election.

Maddow commanded that price tag even though her prime-time show airs only one night a week. While Maddow is still considered a big draw, people familiar with MSNBC's thinking said the network will likely seek to lower her pay package in her next contract.

CBS News has veered away from the star system in recent years. Norah O'Donnell is being replaced as anchor of its "CBS Evening News" program in favor of a trio of anchors. Former "CBS Evening News" anchor Jeff Glor, who most recently was anchoring the Saturday edition of the CBS morning show, was recently let go as part of cost-cutting at the company.

"The days of \$20 million players will be few and far between," said one agent who represents top talent at multiple networks.

Stephanopoulos has already started negotiations with Disney for a new deal at "Good Morning America," people familiar with the matter said.

People close to him expect a tough negotiation and acknowledge it will be a challenge to avoid a pay cut.

In his favor, Stephanopoulos is something of a morning show workhorse, while Strahan and Roberts have lighter

"Good Morning

America" schedules. But

Roberts is seen as the face of

the show and

hosts and produces

prime time

specials,

and Strahan is

seen as its fu-

ture. Stephanop-

oulos has also

cut back on hosting the Sun-

day morning political show

"This Week."

Roberts and Strahan each

have more than a year on

their current contracts,

people with knowledge of their

deals said.

**'The days of \$20 million players will be few and far between.'**

Some industry observers think ABC News could go as far as to eliminate one of the anchors entirely to save money. ABC News insiders said that scenario is unlikely.

For years, "Good Morning America" was the most-watched morning show. But NBC's coverage of the Summer Olympic Games lifted "Today" into first in viewers in the third quarter.

To be sure, there will always be a handful of talent commanding eight-figure salaries. "You have to pay your Patrick Mahomes," Peyronnin said.

ESPN will likely have to offer a huge payday to star analyst Stephen A. Smith, a provocateur who prides himself on serving up hot takes, when his contract is up next year. Smith said in a recent interview with Chris Wallace that he believes he deserves a substantial raise.

# PERSONAL JOURNAL.

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THE WALL STREET JOURNAL.

Monday, October 7, 2024 | A11

## They Make A Lot but Don't Feel Rich

When you're a HENRY—high earner, not rich yet—a hefty salary may not be enough



ON THE CLOCK

CALLUM BORCHERS

**F**ifteen years ago if you'd told April Little that she'd make \$300,000 a year, she would have pictured a life free of financial stress.

"The white picket fence—I have the whole visual in my head," says Little, 38 years old, a human-resources executive turned career coach in Rochester, N.Y. "I don't want to sound ungrateful, but when I got to that proverbial mountaintop I realized there's a lot of expenses. And I still don't own a home."

So go the plush-but-not-too-plush lives of the Americans who qualify as HENRY—high earner, not rich yet.

Little makes multiple six figures running her own business but carries \$90,000 of college and grad-school debt. Child care and education for her three children would be so costly that she and her husband decided the better option was for him to leave his radio job to parent and home-school full time.

New census data show 14.4% of U.S. households bring in \$200,000 or more a year, a near record. Yet the money doesn't have the buying power those earners wish it did, partly due to the rising prices hammering us all and partly due to the supercharged costs of things like houses and cars. HENRYS describe feeling stuck on a hamster wheel—a nice one that other hamsters envy—but running in place nonetheless.

*Oh come on, you're thinking. You're asking me to feel sympathy for Audi-driving, Chase Sapphire-loving, Whole Foods-shopping consultant types with kids in private school?*

Well...not exactly. But what they're feeling is a version of what a lot of Americans at every income level face—making more money but not feeling like there's a surplus. The essence of being a HENRY is feeling a gap between what you have and what you think you need to be comfortable.

What these high earners consider essentials might be termed luxuries (or nonsense) by the rest



▲ April Little says some of her executive-coaching clients spend a quarter of their take-home pay on private school. She and her husband opted to home-school their children, Camden, Cairo and Rayah.

home to a public course. Raising three kids in one of the country's most expensive cities has been a reality check, he says. He's also realized that a lot of people with jobs like his come from wealthy families where trust funds and down-payment assistance give them financial head starts.

The son of an electrician and a dental assistant, Siegel is making his own way in the white-collar world. "It really just feels like treading water," he says.

Monique So, a 40-year-old financial consultant, says she and her husband, a software engineer, have a net worth in the mid-seven figures. But she likely won't breathe easy until, or if, they accumulate an eight-figure net worth. Daycare for their 2-year-old takes a \$30,000 bite out of their family budget.



▲ Brad Gyger and his wife, Nabila Haq, give priority to private school for their three children, Cameron, Yasmeen and Celine, over a new car or new house.

"I have this scarcity mindset that is very common," she says.

### The good life

Caitlin Frederick, director of financial planning at Ullmann Wealth Partners in Jacksonville Beach, Fla., says many of her midcareer clients are less affluent than their salaries suggest. She advises a lot of prototypical millennials who racked up student loans in hopes of vaulting into high-paying jobs. They delayed buying houses and starting families while climbing professional ladders.

The first part of their plans worked, she says. The degrees led to hefty incomes. Now that they're having kids, shopping for real estate and wishing to upgrade their Camrys, they're discovering that many of life's major expenses shot up faster than the overall rate of inflation.

Lifestyle creep is a factor, too, she says, noting clients who overspend on trips and restaurants.

"It is easy for people to just continue to increase their lifestyle every time they get a promotion," Frederick says.

Then again, they watched their slightly older co-workers spend

freely, and buy lake houses, too. The good life requires more money than it used to, she adds.

In 2009, the median home price was \$220,900, according to the Federal Reserve, and a new car cost an average of \$23,276, according to the Department of Energy. Had prices increased at the rate of the consumer-price index, the average house would cost \$322,000 today and a car would cost \$34,000. Instead, the Fed reports an average house goes for \$412,000 today, and a typical new car is \$48,000, according to Kelley Blue Book.

The national going rate for a babysitter 15 years ago was \$10.50 an hour, according to Care.com. Now it's \$18.38, 20% more than if the cost had tracked the consumer-price index.

Budget-conscious HENRYS tell

me it's often hard to find midtier options in, well, anything, as companies push luxury versions of everything from high-end water bottles to \$1,000-a-night hotel rooms.

### Price of education

Another financial curveball comes up frequently in my conversations with high earners: school costs.

Nearly half of American private schools increased enrollment in the last academic year, according to the Cato Institute.

Brad Gyger and his wife, Nabila Haq, give priority to private school for their three children, Cameron, Yasmeen and Celine, over a new car or new house.

Gyger, now an independent sales consultant in California, says he didn't consider private education until a few years ago, when he and his wife concluded their oldest child would thrive in a more academically challenging environment. The school could also accommodate their second child's learning needs.

Gyger, 46, says his family is fortunate to even have education options. The trade-off is living more modestly than his résumé might suggest.

He gave up gym and tennis club memberships, opting to stay fit on the cheap by cycling and lifting dumbbells in his garage. And forgot about upgrading from the home the couple bought in 2015.

"We're probably never moving," says Gyger. He hopes they'll remodel the kitchen. Someday.

FROM TOP: SAM KELLY/WSJ; ISTOCK (2); ROY LITTLE/GYGER FAMILY

BY ASHLEA EBELING

## Millions in Tax Refund Checks Are Stolen

Taxpayer refund checks are getting stolen in the mail.

And then, when the Treasury Department issues the taxpayer a new check through the mail, the replacement is getting stolen, too.

Rep. Nicole Malliotakis (R, N.Y.) said her office has fielded 218 cases of stolen checks totaling \$3.8 million, with amounts ranging from a few hundred dollars up to \$500,000. In one case, it took a constituent four tries to get a refund check delivered.

The theft is so rampant, members of Congress including Malliotakis and others are calling on the Internal Revenue Service and Treasury to do more.

"People are getting these checks reissued and the reissued checks are stolen," said Malliotakis.

Bennett Grimm, a spine surgeon in Atlanta, got a letter from the IRS in February saying that it had processed his 2021 amended tax return and he should expect his check in two to three weeks' time. By May, it still hadn't arrived, so Grimm's accountant requested a new check. That one was stolen and deposited fraudulently. He is now waiting on a third.

"You can't win," said Grimm,

who is owed a refund of nearly \$96,000 after the sale of his medical practice.

While more than 90% of taxpayers choose to get refunds by direct deposit into their bank account, there are still many Americans who prefer checks. Nearly 10 million paper refund checks went out last year, according to the IRS.

Some taxpayers prefer paper checks to sharing their bank information with the IRS.

There are also cases where the IRS sends a paper check to someone who elected direct deposit, such as when an account or routing

number is off, or it doesn't pass an IRS validation check.

But these refunds delivered by mail have become a popular target for check fraud, according to a Treasury Department report last year. Those who elect to receive a paper check aren't able to switch to direct deposit for that tax year in the event of lost or stolen refunds.

A technology fix is under way that would allow people to switch their preference on the IRS site, but the update is a few years away, said IRS Commissioner Danny Werfel.



"We strongly urge direct deposit," said Werfel. "It's the fastest and safest way for us to get taxpayers their refunds."

### How to get a new check

The IRS has a system in place for lost or stolen checks. If you are married and file jointly, you start by filling out an IRS taxpayer statement form and mail or fax—yes, fax—it to the IRS office where you filed your tax return. That starts a

refund trace to get a new check. Individuals can call the IRS to request a refund trace.

The Treasury Department's Bureau of Fiscal Service will make sure it is a legitimate claim, and if so, it will cut a new check. The trace process takes no more than three to four months, but often less

### Going after bad actors

The Treasury's Financial Crimes Enforcement Network issued an alert on a nationwide increase in mail theft-related check fraud last year, and an update last month says that the problem isn't letting up.

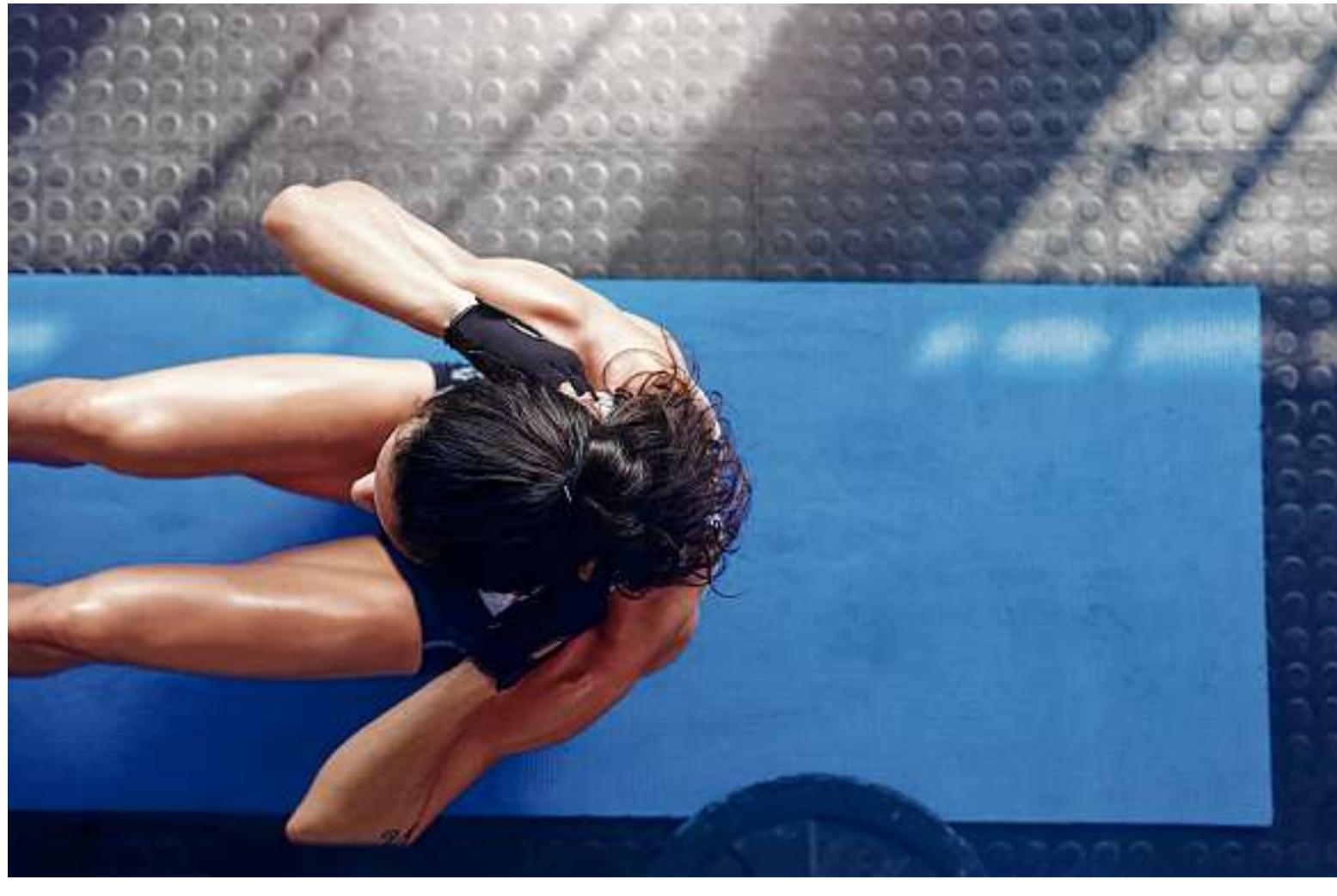
Bad actors have been prosecuted. In February, two New York men were sent to federal prison for stealing a \$2.9 million IRS refund check en route to a Houston couple. In August, a South Los Angeles man was sentenced to more than seven years in federal prison for using Instagram to solicit bank-account holders to deposit stolen checks worth at least \$2.7 million.

### The fix isn't in the mail

The IRS is modernizing its core technology infrastructure, with a huge system upgrade planned to go online next year, Werfel said. In the following years, more functions will be added to a dashboard taxpayers will see when they log into their online accounts. Another fix is to make the form uploadable. No fax required.

"As we modernize, we have to do it thoughtfully with a lot of due diligence," Werfel said.

## PERSONAL JOURNAL.



# Overly Intense Workouts Put Your Body at Risk of Rhabdomyolysis

The condition, when your muscle tissue breaks down, can lead to kidney damage and even death



**YOUR  
HEALTH**

SUMATHI  
REDDY

We've all been subjected to fitness instructors barking at us to work harder. What happens if you push past your limits?

Players on the Tufts University men's lacrosse team found out the hard way recently after a 45-minute workout with a Navy SEAL left nine members out of 50 people hospitalized with a condition called rhabdomyolysis. They've since been released.

Rhabdomyolysis, as it's often called, happens when muscle tissue breaks down and releases proteins and other substances into the blood. It can lead to kidney damage and failure, dangerous heart rhythms, seizures and even death.

The biggest symptoms that indicate you may be developing rhabdomyolysis are dark red or brown urine, and intense muscle pain at rest that persists after several days.

Rhabdomyolysis isn't common, but there are some indications that cases are happening more often. A

2021 study that looked at reported cases from 2000 to 2019 found a 10-fold increase in rhabdomyolysis hospital visits in the U.S. between the first and second decade studied.

The trigger is most often an intense workout, but it can also be triggered by trauma to the muscles, like a hard fall or a burn.

Those at highest risk were young men. Rhabdomyolysis is also more common in people with sickle cell trait, a genetic blood disorder.

Doctors and researchers point to the popularity of intense workouts like HIIT or CrossFit, year-round sports training, coaches pushing people harder, as well as a greater awareness of the condition. Increasing the difficulty of your workouts gradually over time, staying hydrated before, during, and after exercise, and monitoring your heart rate can help stave off the condition.

## What raises your risk

Shaun Johnson, a 40-year-old fitness buff, regularly works out at a HIIT gym in Phoenix and teaches classes there.

On Memorial Day, she decided to do a Murph workout—a popular challenge named after a Navy SEAL—which consisted of a 1-mile run, 100 pull-ups, 200 push-ups, 300 squats and another 1-mile run



wearing a 20-pound weighted vest.

"I pushed myself far beyond many levels for me," she says.

Within an hour of the workout she couldn't straighten her arms, which had swelled up. The next two nights she slept horribly. She noticed her heart rate was irregular and started having brain fog. By Wednesday her muscles were inflamed like Popeye, she says.

One of her coaches mentioned rhabdomyolysis. When she noticed her urine

was brown she went to the urgent care emergency room. She ended up being admitted to the hospital for six days with an IV drip.

Her arms still feel weak and though she started working out about a month ago, she says she's exercising at about 20% capacity compared to before. "I've been going

very slow," she says.

Unfortunately, there's no definitive way to tell whether you're pushing yourself so hard that you're likely to develop rhabdomyolysis while you're exercising. Feeling like you're working hard is fine, but pain, nausea and muscle weakness mean you're overdoing it, says Abbi Lane, an assistant professor of applied exercise science at University of Michigan School of Kinesiology.

The condition is more commonly associated with weightlifting than cardio, some doctors say, but can result from any prolonged, high-intensity exercise.

Normal exercise won't put you at risk for rhabdomyolysis, says Adam S. Lepley, an assistant professor and director of the Michigan Performance Research Laboratory at the University of Michigan School of Kinesiology. The risk comes from "excessive physical exertion," he says.

Someone who doesn't exercise and takes an intense, high-level one-hour spin class may be at risk because it's a big change for their body, while someone with a higher fitness level has a higher threshold, says Dr. Kelly Estes, an emergency medicine and primary care sports physician at Cleveland Clinic.

There's no official accounting of overall rhabdomyolysis cases—which don't always send people to the hospital—but one study back in 1995 estimated cases at about 26,000 a year. The condition is probably undercounted because people don't always go to a doctor if they have milder symptoms, says Estes.

Some people with genetic conditions like Duchenne muscular dystrophy are also more at risk of developing rhabdomyolysis, as well as people with certain metabolic or mitochondrial conditions.

## How to treat it

A few precautions can help. Make sure you're drinking enough water, and that your urine is pale yellow.

Monitoring your heart rate during a workout can be helpful, says Lane. Start out in a moderate zone—working out at 60% of your maximum heart rate—and slowly work up to working out at higher intensity levels.

Working out above 85% of your maximum heart rate can improve fitness but should be done cautiously, says Lane.

Doctors can diagnose rhabdomyolysis by testing your blood for levels of creatine kinase, or CK, an enzyme that leaks into the bloodstream when muscle is damaged.

Rhabdomyolysis can also be diagnosed with a urine test for levels of myoglobin, another protein released when muscle breaks down.

Treatment typically involves getting an IV fluid or different electrolytes. Extreme cases that result in kidney damage may require dialysis.

BY ESTHER ZUCKERMAN

## The Wizard Behind Oz's Transformation In 'Penguin'

In HBO's drama series 'The Penguin,' Colin Farrell is hidden under a mound of prosthetics that create his pockmarked skin, sagging chin and crooked nose.

two earlobes; and a dental piece. Then there are two false eyebrows as well as a hair piece.

**Around 800**  
The number of prosthetic face pieces used over the course of the shoot

Farrell wore the makeup 80 times during the shoot and had two days of test runs. Ten of the face prosthetics needed to be made fresh each time he applied it. That means there were over around 800 versions of those pieces.

**Over 105**  
Gallons of PlatSil silicone

Fresh prosthetics each day required vats of silicone—and even more if you screw up. "If you have a mess up in the studio and something doesn't come out, or you get a bubble or something like that, you throw it away and you have to make another one," Farrell said.

**About 40**

Pairs of eyebrows

Farrell had about four wigs in rotation for Oz's thinning hair—plus one



fuller wig for flashbacks—but he needed a lot more eyebrows. That's because the eyebrow hairs are woven into a super fine lace that won't withstand more than a couple of applications. "After you glue it and then you remove it and clean it, it's only really a few days it lasts," Marino said.

**Over three**

Gallons of Telesis glue

Getting the prosthetics to stick to Farrell's face required a lot of the medical-grade glue Telesis. "Imagine, like, a bunch of people at 2 in the morning forcing you to sit in a chair and going, like, 'OK, we're going to shave your eyebrows now, and we're going to dump glue all

over your hair,'" Marino said. "And by 11 p.m., we're scrubbing it off. It's not pleasant."

**Two and a half to three**

The number of hours every day to apply makeup

For the 2022 film, Marino and his team applied Farrell's makeup in about an hour and a half because at the time, the actor's head was bald. Farrell kept his hair for "The Penguin," so concealing it added an additional hour to the process. "He would never go to set as Colin ever," Marino said. "He would show up and wear this bag on his head. And then he would come out of the makeup trailer as Oz." Farrell wore the makeup for about eight hours

on a "good day," Marino added, though that could extend to 14 or 15 hours if shooting ran long. Removing everything could be done in about 45 minutes.

## About 20

The extra pounds on Farrell's body each shooting day

Marino estimated that the prosthetics on Farrell's face were about 4 pounds. The bodysuit he wore on a daily basis weighed about 15 pounds. On-screen, he looks about 100 pounds heavier than he actually is. For regular shooting days, the actor wore a bodysuit made from what Marino described as "couch foam which is fabricated into anatomy and carved with a special knife." For one scene where Oz is completely naked, Marino built another body suit from silicone and foam latex. Plus, they needed a prosthetic foot for a scene where Oz takes off his sock to reveal his clubfoot.

## Five

The pounds of body hair on Oz's nude form

When Oz's naked body is revealed it's very hairy. "He's got at least 5 pounds of body hair on him," Marino said. "It wasn't just chest hair: Back hair, shoulder hair, leg hair." Three different colors of two kinds of hair, both animal and human, with two different textures, were used for that process. A team of five people were putting the hairs into the human suit by hand. "One is inserted one by one," Marino added. "It takes weeks."

FROM TOP: ISTOCK/GETTY IMAGES

## ARTS IN REVIEW



ART REVIEW

## Style and Sustenance

A show examines the wide-ranging history of Islamic culinary culture

BY JUDITH H. DOBRZYNSKI

The Detroit Institute of Arts' new exhibition of Islamic art fills the walls and vitrines of eight dramatically lighted galleries with beautiful bowls, glassware, utensils, paintings, centuries-old cookbooks and more—about 230 pieces in all. What makes it notable and winning is the context in which they have been set. "The Art of Dining: Food Culture in the Islamic World" provides an entrée into a world stretching from Egypt through the Middle East and on to Central and South Asia via its robust culinary culture. Instead of displaying objects the usual way, by time period, place, medium and style, it stresses their functionality and mixes them up in themed groupings like "Eating for Health" and "Coffee Culture."

Linda Komaroff, the curator at the Los Angeles County Museum of Art who conceived the show, which was first presented there

(as "Dining With the Sultan"), bet that viewers would better appreciate these objects if they understood how they were used to prepare, serve, enjoy and celebrate food. At the DIA, where the exhibition is on view through Jan. 5, 2025, curator Katherine Kasdorf has staged a slightly smaller version with some substitutions.

An introductory gallery takes viewers to ancient Iraq and the elixir of life. Water for drinking, preparing food and ritual hand-washing before and after meals, drawn from Baghdad's canals, would fill two large earthenware jars, incised with swirling designs, the earliest dating to 700-900. Simple carafes, canteens and flasks, generally earthenware or metal, were used just as water bottles are today and also, a label says, to offer water to others, which is among

**'Babur Enjoying a Meal at the South Madrasa (College) in 1506'** (c. 1590-93), by Madhava Khurd and Jamshid Chela, below; Indian saltcellar (1664-65), below right.

Clockwise from top left: Dish from Turkey (late 1400s-early 1500s), rooster-headed ewer from Iran (c. 1200); and 'A Banquet Scene With Hormuz' (c. 1485-95).

the greatest charities in Islam.

Nearby, exquisite steel sculptures of a quince, a pear and a melon (all 1850s-99), damascened with gold and silver, were used by Shia Muslims in processions commemorating the hunger suffered by Husayn, a grandson of Muhammad who was martyred (one of the few direct references to religious practices).

A broad buffet of utensils, platters, decorative cloth napkins intended to unfold across the laps of many diners, and so on, follows. Some are plain household items: an opaque green glass bottle, a spouted bowl, a two-handled jar (all 224-651) from Iran; the jar likely stored dry goods like lentils for *mujaddara*, a classic dish that includes rice and onions. The design of an ochre-and-white luster painted bowl from Egypt (1100s)—four fish swimming amid the word "prosperity"—suggests it may have been used specifically for serving them.

The rich used more luxurious items, and here two delicate spoons from India—one made of white nephrite jade in the form of a bird, inlaid with gold and embellished with rubies and emeralds (c. 1600-50), and another made of gold, emeralds and rubies (1600-1700s)—are among several items showing how the wealthy impressed their guests. A small, elegant jade bowl from India (c. 1640-50), probably for wine, would reveal carved lotus leaves on its bottom when the user tipped it to drink. It may, the label

suggests, have belonged to Shah Jahan, builder of the Taj Mahal.

The elite dressed for dinner too, as five varied robes and coats—made of silk or wool with metallic threads or embroidery from India, Syria, Turkey and

Iran—show. And they entertained, with music from ouds, tombaks and other instruments shown or depicted here in manuscripts. The most splendid is a *tars*, a bowed stringed instrument shaped like a peacock (1800s-early 1900s) and made in

India from wood, vellum, string, horsehair and feathers. Using a QR code, visitors can listen to it.

Perhaps not surprisingly, some of the most engaging pieces are the highly detailed paintings portraying picnics and feasts, like "The

### Bowls, utensils, cookbooks and more make up this illuminating exhibition.

India from wood, vellum, string, horsehair and feathers. Using a QR code, visitors can listen to it.

Perhaps not surprisingly, some of the most engaging pieces are the highly detailed paintings portraying picnics and feasts, like "The

Princes of the House of Timur" by Mir Sayyid Ali (Persian, c. 1510-72). Set in a landscape of gold sky, craggy mountains, and a green-sward laced with flowering trees, the gouache shows servants transporting food, including a plateful of melons, to Mughal Emperor Humayun and his guests, who grew in number when later artists painted in additional notables. Today the piece, a fragment of the original, is "one of the earliest surviving paintings from the Mughal Empire," according to Ms. Kasdorf.

In "A Banquet Scene With Hormuz: Folio From a Dispersed Manuscript of the Shahnameh of Firdawsi" (c. 1485-95), eight diners sit around a *sufra*, a circular cloth set with food in Chinese blue-and-white porcelain bowls. But this pleasant gathering has a twist:

Hormuz is offering a poisoned morsel to a high priest. Mischief is also afoot in "A Thief Being Bitten by a Snake, From a Copy of the Hamsa (Quintet) of Ata'ullah bin Yahya Ata'i" (1721), showing natural justice done to a man who tried to steal a purse from a group of picnickers. More normally, "Alan-quva and Her Three Sons: Folio From a Copy of the Chingiznama (Book of Genghis Khan)" (1596) portrays a woman and her triplets sitting on a deep-blue *sufra*, set with porcelain, celadon bowls, and gold-domed dishes.

To get the most from "The Art of Dining," reading the labels and gallery guides is essential. If they do, visitors may well find themselves savoring it—and gaining a new appreciation for Islamic art.

**The Art of Dining: Food Culture in the Islamic World**  
Detroit Institute of Arts, through Jan. 5, 2025

Ms. Dobrzynski writes about art for the Journal and other publications.

## SPORTS

# He Is Baseball's Best Pitcher Whisperer

Royals catcher Salvador Perez's superpower is picking the spot to go talk with a pitcher in need of a confidence boost

BY JARED DIAMOND  
AND ROBERT O'CONNELL

It was the most important moment of his professional career, and Lucas Erceg looked like he wanted to puke.

Trying to protect a one-run lead in the ninth inning of the Kansas City Royals' first playoff game in nine years, Erceg issued a walk and fell behind 2-0 on the next batter. He appeared to be on the verge of a complete meltdown.

That was when Salvador Perez decided to show off his magic trick. The Royals' veteran catcher signaled for a timeout, rose from behind the plate and jogged out to the mound to have a chat with his frazzled battery mate.

Perez spent all of 10 seconds speaking with Erceg. That was all it took. Erceg proceeded to mow down the next three Baltimore Orioles batters with ease to seal a win for the Royals.

In the official MLB record, Erceg was credited with the save. But for anyone watching, there was no question that it was Perez who saved the Royals from what could've been a season-destroying implosion. "He allowed me to minimize the outside noise, what the atmosphere is—and really hone in on what matters," Erceg said. "Which is getting strike one."

Perez contributes to the Royals in a bunch of ways that are easy to see in the box score.

At age 34, nearly two decades after he joined the organization as a teenager out of Venezuela in 2006, he finished second on the team this year with 27 home runs, 104 RBIs and a .786 OPS. His performance has helped propel the Royals to the AL Division Series against the New York Yankees,



Kansas City Royals catcher Salvador Perez, left, chats with pitcher Lucas Erceg during an AL wild-card series against the Orioles.

Perez, that was never the case.

"No one dislikes getting a visit from Salvy because he's going to come out there and make you feel good," Guthrie said. "His smile will just make you relax, even for a minute."

It's more than just a therapy, though. In an era where virtually every decision on a baseball field is made with the help of terabytes of data, Perez has an irreplaceable old-school know-how.

"Sometimes the reports will say, 'Throw less of this,'" reliever John Schreiber said, "and then he'll call that pitch." The entire team, Schreiber added, trusts Perez's read of what's working on a particular day, or in a particular inning. "You're like, 'Yeah, let's go! Let's do it.'"

Perez has earned that kind of respect. He is the only player remaining from the Royals squad that won the World Series in 2015. He has caught 1,325 games

between the regular season and playoffs since debuting in 2011, about 150 more than any other active catcher.

Recently, the Royals have started to lighten Perez's load behind the plate, trying to keep him healthy after all the innings he's spent squatting. He started 44 games at first base this season, a career high. Those might be the games that demonstrate what the Royals think about the value of Perez's visits. Even from first base, Perez is still often the person on the field to instigate a meeting on the mound. It's safe to say he's the only first baseman in baseball to have that authority.

"In those instances," Royals manager Matt Quatraro said, "that's the guy we want out there."

with Game 2 set for Monday.

But to those who have worked with him, his greatest superpower is a mysterious skill that can't be measured, taught or explained: picking the exact right time to go talk with a pitcher in need of a confidence boost—and knowing precisely what to say once he's out there.

To test that point, The Wall Street Journal reviewed every Royals game from September, when Kansas City was mired in a tense push for the postseason. Perez went out to the mound 21 times during that span, calming pitchers in all manner of jams, pickles and fixes.

After Perez's visits—either initiated on his own or alongside a coach or manager—Kansas City pitchers suddenly became totally different players than the ones

who had just been up against the ropes. In 15 of those 21 times, Perez's words of wisdom helped them escape the inning without giving up a run.

The people who know him best insist that is no coincidence.

"If he's going out," former Royals catching coach Pedro Grifol said, "it's because he's got something to say that's going to make a difference in the game."

There is no relationship on a baseball field more important than the one between the man on the mound and the man behind the plate. So it isn't uncommon for catchers to spend a lot of time around pitchers in an effort to understand their arsenals and mechanics.

With Perez, however, the mission goes far beyond the nuances

of pitching. When tensions are at their highest, he knows just the words to say—to a green rookie or a seasoned stalwart.

"Every pitcher is different, how they like to be talked to," said Will Smith, a veteran reliever who has won three World Series. "He knows all of us inside and out."

Perez's mound visits often aren't about the pitcher's arm angle or the movement on his slider. It's a psychology session, often coming at the most pressure-packed time of the game when pitchers aren't always receptive to somebody interrupting them on the mound.

Jeremy Guthrie, a Royals pitcher from 2012 through 2015, said that there were many times he got "annoyed" by a catcher visiting in the wrong situation. With

## The WSJ Daily Crossword | Edited by Mike Shenk

**Across**

1 Panhandle

4 Maker of

the Ninjago

toy line

8 Run \_\_\_ of

(conflict with)

13 With nobody

else

14 Study for

tomorrow's

exam

15 Dentist order

16 2007 Paula

Cole song

18 Common

exposed parts

in ripped jeans

19 With nobody

else

20 Body cover

22 Prominent

parts in King

Charles III

caricatures

23 Get snugly

comfortable

25 "Curses!"

27 Collection

by Pindar

celebrating

victories

at the

Panhellenic

Games

33 Scheming

about

36 Make money

37 Coral island

38 Want

desperately

40 Collar

41 Facial product

42 Clicked a

thumbs-up

icon, say

43 Cry from a

happy player

45 Guns, as an

engine

46 Neil Gaiman

novel adapted

as a Starz

series

49 Many a

flat-screen

50 Heating in the

microwave

54 With

53-Down, an

Ibsen play

56 Pert talk

60 "Flowers"

singer Cyrus

61 Anticipate

63 "Wow, that's

unbelievable!"

and a clue to

the circled

letters

65 Caterpillar,

for one

66 Scent

67 Exam for

an aspiring

atty.

68 Stage

direction

69 Beer bash

containers

70 Group of

reps

71 Symbolic

logic pioneer

George

2 "St. \_\_\_ Fire"

(Brat Pack

film)

3 Turn on the

jets, so to

speak

4 PC screen

type

5 Amorous

archer

6 Rubberneck

7 Luxury hotel

chain

8 Noah's

construction

9 Infants

develop

them as they

grow

10 Double free

throw type

11 Manual

reader

12 Result after

cutbacks

13 Do a checkout

chore

17 Carter of

"Gimme a

Break!"

21 Keep-it-to-

yourself

legal doc.

24 Part of a

needle or

hurricane

26 Med. sch.

course

28 Craze

29 Shrimp's kin

30 Having a lot

at stake

31 Abbr. on a

relief map

32 Some

Nikons, for short

33 Home of the

NCAA's

Bruins

34 Stiffly

proper

35 Be

optimistic

39 Do some

publishing

## OPINION

## Why Do the Young Vote Left?

INSIDE  
VIEW  
By Andy  
Kessler

Fifty-seven percent of 18- to 34-year-olds surveyed prefer Kamala Harris for president vs. 26% for Donald Trump, according to the Pell Center. Why do our youth gravitate toward progressive idealism and a nanny state? Is it sloganizing like "new way forward" or "opportunity economy"?

Nah. It's the gifts. The progressive vibe is that big government will take care of you. It knows what's best for you.

It will redistribute money how it pleases. You need to put a smile on your face while it takes away your laurels, guns and money. "We believe in the collective," Ms. Harris declared, much like Hillary Clinton's "it takes a village." Equity in Schenectady. Handouts for all.

You want proof? Ms. Harris's Senate voting record is leftward of socialist Bernie Sanders. Vice-presidential candidate Tim Walz fawns over China, saying "everyone is the same and everyone shares." *Viva la revolución* and Che Guevara T-shirts for all.

This is antifreedom. Too many of today's youth fall in line with progressives because they're undereducated and overindoctrinated with someone else's agenda. I watched in horror as local high-school biology classes spent weeks on the science of recycling centers and only a short after-

noon on mitochondria and mitosis. Profit is a bad word. It's gimme, gimme, whether it's student loan forgiveness, free healthcare or tax credits.

Who's to blame? Misguided capitalism-hating social-studies teachers to start, with Tim Walz thinking: "One person's socialism is another person's neighborliness." Who is he, Mr. Rogers? Add like-minded college professors. Work ethic and ambition are evaporating.

Worse, Pew Research notes almost a third of currently childless 18- to 34-year-olds aren't sure if they ever want children. Why? The Harris campaign's "climate engagement director," Camila Thorndike, is among the hesitant, telling the Washington Post, "I want to protect them from suffering." Perpetually pessimistic progressive prognostications induce fear. No wonder U.S. fertility rates are at historic lows.

OK, I know I'm asking for trouble. Every time I write about youth, I get a chorus of comments and tweets telling me I'm an old man screaming, "Hey you kids, get off my lawn." Yeah, yeah. Very clever. I'm not that old. But in the Kamala collective—as California attempted—private "ornamental" lawns are out, and drought-resistant vegetation is in. Progressives literally want you off your own lawn.

My conversations with young folks who do exhibit some actual drive show their confusion: "I want to do a startup." Great! To do what? "A sustainable something or other. To save the planet." OK. Our youth aren't lazy but lost. Progressives have strong opinions about society but no viable solution beyond handing out other people's money—taken from the few who actually are productive, drive progress and generate wealth by fulfilling customer needs. It's a downward spiral: When progressives tax—screaming "fair share!"—they cripple the productive few who actually create the real non-burger-flipping, get-out-of-your-parent's-basement jobs.

To aggressive progressives, government is simply a magic money tree. Vote left and dollars appear. The gross incom-

petence of government—think billions for eight electric vehicle chargers—destroyed healthcare (thank you, ObamaCare) and education (assisted by Randi Weingarten's teachers union) and is close to destroying energy (net zero), even while the Biden-Harris administration works hard to destroy Big Tech—one of the few productive industries.

And I'll never forgive progressive Hollywood for turning "Star Wars" into unwatchable wokey Wookiee drivel.

What industries will be left standing? Who cares, because the dreamy types think generative artificial intelligence will kill all jobs and government will provide universal basic income so they can Zyn, Tik-Tok and play College Football 25 videogames all day. A naive youthful triumphalism.

This is a false endgame. There is so much more to be invented: drugs, immunotherapy, fusion, self-folding clothes, humanoid robotics, flying cars. Hard brain work plus quality recharging leisure time is the goal, not a nation of welfare queens.

I feel sorry for the youth that do care, do work hard, are productive and help push the boulder of progress up that steep slope, while essentially carrying all the others on their backs. It's you against the collective, the village, which is always about being supported, pampered, living off someone else's hard work and then complaining that the handouts aren't big enough. So, yeah, get off my lawn, while lawns are still allowed.

*Write to kessler@wsj.com.*

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## Socialist teachers lead them to think of government as a free-money tree.

OK, I say, but progress and societal wealth happen when you delight customers and postpone consumption to reinvest profits into better products. The looks on their faces are as if I'm describing Chinese arithmetic.

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## Not All Cuban Migrants Are Refugees

AMERICAS  
By Mary  
Anastasia  
O'Grady

Eight days ago Juan Carlos Santana Novoa was a high-ranking official in the Cuban military dictatorship. You know, the one that has been brutalizing its people for 65 years and is an ally of Iran, Russia, North Korea and China. On Sept. 30 Mr. Santana Novoa presented himself to immigration authorities at the Nogales, Ariz., border using the CBP One app, which expedites entry for migrants making asylum claims.

He was allowed to enter the U.S. and, according to the online news outlet CiberCuba, "his preliminary hearing in Immigration Court is scheduled for August 21, 2026," in Orlando, Fla.

Cold War veterans may read this and think of risk-taking defectors jumping sides in the dark of night, eager to denounce their former bosses and share state secrets with the Americans. But citing unnamed U.S. government sources, Martí Noticias journalist Mario Pentón tweeted on Oct. 1 that the former deputy minister of labor and social security "did not reveal his position to the U.S. immigration authorities when he requested asylum." Perhaps the 56-year-old simply wants out of a system that has long benefited him but is now on the verge of collapse. Or perhaps he's still working for the regime.

If population loss is an in-

dicator of a drowning nation, Cuba may be going under for the third time. Enormous numbers of civilians are fleeing the island. So too are officials of the Cuban dictatorship, many of whom are moving to the U.S. Some are bureaucrats. Others have grisly pasts working as enforcers of the repression. The common denominator is their use of President Biden's liberal immigration policies to enter the U.S. undetected.

Cuban emigration in recent years has been huge. For perspective, consider that the Venezuelan immigrant population in the U.S. is now upward of 800,000, according to Census Bureau data from 2023 and other immigration statistics. Cuba was about a quarter the size of Venezuela before an economic crisis in 2014 triggered a mass exodus from the South American country. Nevertheless, according to official U.S. data, the Cuban immigrant population is around 1.5 million.

The higher number of Cubans, in part, reflects the constant stream of refugees to the U.S. for decades. But since 2021, when according to the World Bank the Cuban population was 11.2 million, the island has been hemorrhaging humans. In July Cuban demographer and economist Juan Carlos Albizu-Campos released data showing that Cuba's population shrank by 18% between 2022 and 2023. He calculates that some 8.62 million remain on the island.

Cuba is in a full-fledged meltdown, starting with its public infrastructure. Mil-

lions are without running water. Food rations are shrinking. Electricity blackouts and brownouts are routine. The tourism industry, which was never robust, hasn't recovered since the Covid-19 pandemic despite the construction of luxury hotels. The only Cuban exports that earn serious hard currency are humans. Some win humanitarian parole granted by President Biden.

There are also regime officials who enter the U.S. without revealing their backgrounds.

But the regime also encourages the flight of many others. It charges them a steep price to fly to Nicaragua, from where they march up to the U.S. border. The State Department has labeled Havana a human trafficker.

A small cadre of thugs fight change. At 93, Raúl Castro is still said to exert influence along with his pal from the revolution, Ramiro Valdés, 92. Gen-Xer Alejandro Castro Espín, Raúl's son, has no more interest in giving up power than does the current dictator, Miguel Díaz-Canel. In May the Biden administration eased sanctions to allow Cuban small businesses access to the U.S. financial system. Within weeks the regime banned Cubans from taking advantage of the Biden offer, doubling down on Havana's embargo.

The rising number of offi-

cials further down the food chain who are moving to the U.S. may signal a loss in faith that the police state is sustainable. But they could also have bad intentions. It's troubling that U.S. immigration authorities rubber-stamp their entry without knowing who they are.

The Foundation for Human Rights in Cuba says it has identified more than 100 Cubans living in the U.S. who committed human rights crimes while working for the regime. Mr. Pentón has written about a few in *Marti Noticias*.

One is Manuel Menéndez Castellanos, the former first secretary of the Cuban Communist Party in the province of Cienfuegos, who arrived in Miami in August under family reunification. Another is Luis Raúl González-Pardo Rodríguez, a decorated Cuban air force pilot alleged to have participated in the operation that brought down two small planes over the Straits of Florida in 1996, killing four Americans. He entered the U.S. in April under humanitarian parole. A third is former Cuban prosecutor Rosabel Roca Sampayo, who won harsh sentences for July 1, 2021, protesters in the province of Camagüey. She used the CBP One app to gain entry into the U.S.

The regime will fall one day and when it does its victims may seek transitional justice. Collaborators shouldn't be allowed to whitewash their crimes by hiding in the U.S.

*Write to O'Grady@wsj.com.*

## I Was a Hamas Hostage, and My Dad Still Is

By Sahar Kalderon

I'm 17, and I survived 52 days in Hamas captivity in Gaza.

Last Oct. 7, I was kidnapped along with my brother Erez, who's 12, and my dad, Ofer Kalderon. My grandma Carmela Dan and my 13-year-old niece, Noya, were murdered. They were found hugging each other in a pool of blood.

That terrible morning, I was at home with Erez and dad in Kibbutz Nir Oz. We heard people yelling in Arabic, getting closer. When the terrorists approached our house, dad locked the door and told us to jump out the window and run.

Erez jumped first, then me, then Dad. We hid in some bushes for what felt like forever, 2½ hours. All around us, terrorists were dragging bodies looking for more victims.

Dad kept telling us not to look. Then a terrorist spotted us. He started shouting in Arabic and called his friends. Dad and Erez tried to run away, but I couldn't get up—my legs had fallen asleep. The terrorist shot at me but missed. They caught each of us and took us away.

I'm 17. My younger brother and I survived 52 days of captivity.

I was stuck in a tunnel for almost two months, separated from my father and my brother. When the terrorists finally let me see my dad in the tunnel, I didn't recognize him at first. He was so skinny, with a beard, mustache and long hair. I'd never seen my dad scared before,

but he looked terrified. We hugged and cried, and he said to me: "We've been through a Holocaust."

One day, the terrorists told me that Erez and I were going back to Israel. I asked about my dad, why he couldn't leave, when he would get out. They didn't answer. I hugged him one last time, and he cried. He said he was happy I was going home, but he was scared of being stuck there forever. He asked me to go to the protests and rallies, to fight for him. I feel like it's my job to save him.

Since then, months have gone by, and I can't stop thinking: How is my dad living there? What's happening to him? Is he safe? Does he have food and water? Does he know we're here, thinking about him all the time, fighting to bring him back? We don't get many answers. The Red Cross,

whose mission is to "help and protect people affected by armed conflict and other violence," has done nothing.

I've been going to rallies and protests, speaking to crowds, trying to make sure people don't forget about my dad and the other hostages. They are real people, not just something to bargain with. Each of them needs help urgently. We need to put pressure on Hamas. It isn't only Israel's job—it's everyone's job.

Dad, you're close to my heart, even though you're so far away. I love you, I miss you every second, and I pray every day that you'll come home. I can't imagine how you're dealing with all this, but I promise I'll keep fighting for you. I won't give up.

*Ms. Kalderon is a high-school senior.*

BOOKSHELF | By Amy Knight

## Reckless Nuclear Endangerment

## Chernobyl Roulette

By Serhii Plokhy

*Norton, 240 pages, \$29.99*

On Feb. 24, 2022, the day the Russian invasion of Ukraine began, officers from the Russian National Guard and regular armed forces arrived at the Chernobyl nuclear power plant in a column of fighting vehicles. Realizing that armed resistance would be futile and possibly deadly, the Ukrainian guardsmen tasked with protecting the plant laid their down their arms. What followed was close to three hours of tense negotiations—between Chernobyl's Ukrainian administrators and two Russian commanders, Col. Andrei Frolenkov and Gen. Sergei Burakov—over the fate of the power plant. That afternoon, as Serhii Plokhy observes in "Chernobyl Roulette," "Russian aggression turned the site of the world's worst nuclear disaster into an instrument of war."

Chernobyl's No. 4 nuclear reactor exploded on April 26, 1986, spewing radiation clouds across Europe. The plant, located in northern Ukraine some 12 miles from the country's border with Belarus, was finally shut down in 2000, but close supervision of the decommissioning process and the cooling of spent nuclear fuel continue, while a so-called exclusion zone—a highly radioactive area of around 1,000 square miles—surrounds the plant. The invading Russians agreed to leave operational control of Chernobyl to the Ukrainians, under the watchful eyes of the occupiers, who would remain on the site for the next 35 days. Meanwhile,

the plant's 118 Ukrainian employees would work around the clock, unable to leave except for one shift change in late March. According to a senior engineer on the Ukrainian staff, morale was low among the Russians. The troops drank so heavily that up to half of their garbage consisted of empty liquor bottles. The drinking led to frequent conflicts among them, as well as to the looting of Ukrainian equipment. More disturbingly, the Russians trampled through the exclusion zone and used bulldozers to dig trenches, exposing themselves to dangerous levels of radiation. "The Russian commanders had little understanding of the hazards they would encounter," Mr. Plokhy writes, "and scant concern about the health of their soldiers."

On March 9, 2022, the plant suddenly lost electrical power. The Ukrainian staff grew concerned that the water pumps used to help cool the spent nuclear fuel rods would stop working. They notified Rafael Grossi, the director general of the International Atomic Energy Agency (IAEA), who assured them that Chernobyl's spent fuel had decayed to the point that circulating pumps were not necessary to keep them safe. Still, according to Mr. Plokhy, the staff remained anxious and resented Mr. Grossi for playing down the danger. For the next five days the plant relied on emergency diesel generators, until the Ukrainian managers reluctantly agreed to connect it to the electric grid in Belarus, Russia's ally in the invasion. A little more than two weeks later, with their army in retreat, the Russian occupiers left Chernobyl.

Meanwhile, on the morning of March 4, Russian troops seized the Zaporizhzhia nuclear power plant—the largest nuclear facility in Europe, located in southern Ukraine—after a three-hour battle that damaged some of the plant's buildings and caused a fire in the training center. A Russian command post was set up near the plant, and representatives from Rosatom, Russia's state nuclear-energy corporation, took over management of Zaporizhzhia.

Numerous violations of nuclear safety standards have occurred since that occupation began, according to the IAEA, and the plant has continued to be hit by shelling and drone strikes, which Ukrainian and Russian forces blame on each other. After visiting the facility in September 2022, Mr. Grossi said the safety of the plant was "hanging by a thread." He initiated a plan to establish a security zone around the facility, which remains under Russian control, but he later had to abandon his efforts.

The Russian occupiers showed little concern either about the hazards of the environment or the health of their soldiers.

Mr. Plokhy, a professor of history at Harvard, is highly critical of Mr. Grossi, claiming that "it would take not hours or days but weeks" before the IAEA publicly identified the occupiers of Chernobyl as Russians. In fact, on Feb. 26—two days after the Russians arrived—Mr. Grossi issued a statement making it clear that Russian forces had taken control of the plant; in all his subsequent commentary about Chernobyl, he continued to identify the occupiers as Russians. Then, on March 2, after Mr. Grossi informed the IAEA board of governors during an emergency meeting that he was "gravely concerned

## OPINION

## REVIEW &amp; OUTLOOK

## The Lessons of Oct. 7 a Year Later

**H**amas's massacre last Oct. 7 was a catastrophe for Israelis, but a year later it has also taught the West forgotten lessons about deterrence, political will, and the illusions of a liberal, peaceful world.

The Oct. 7 attack took Israel by surprise, and the Jewish state has recognized its mistake of underestimating its enemies. Its response since is an unanswerable argument for the necessity of military readiness, and not only for Israel.

The world should never forget the videos of Hamas's atrocities. The terrorists livestreamed as they slaughtered the defenseless. They killed some 1,200 people and took 251 hostages, 101 of whom remain in captivity, assuming they are still alive.

Hamas is proud of this handiwork and would repeat it if it could. As Hamas politburo member Ghazi Hamad put it on Lebanese TV, the terror group would like to repeat Oct. 7 "again and again." Since Palestinians are victims of Israel, he says, "Nobody should blame us for the things we do. On Oct. 7, on Oct. 10, on Oct. one-millionth, everything we do is justified."

Another ugly surprise has been the support for Hamas's argument in the West, especially on elite college campuses. The intellectual case for murderous terror made by Frantz Fanon and taught without cavil for two generations has poisoned the young against their own civilization. Students for Justice in Palestine called Oct. 7 "a historic win for Palestinian resistance," and antisemitism was tolerated by university presidents as free speech.

This has been a shocking revelation, especially since this view has become a major influence in the Democratic Party. President Biden and Vice President Kamala Harris have felt obliged to chastise Israel for its response to the massacre as much as they do Hamas for hiding behind innocent children.

Israel has fought on despite its international critics, who have underestimated Israeli public support for a powerful military response. Israel has shown more political resolve and military strength than its enemies anticipated.

The reply of respectable liberalism has been to urge de-escalation, cease-fires and a two-state solution, and to blame Israeli Prime Minister Benjamin Netanyahu when they don't materialize. It's as if Hamas, Hezbollah and their

### The defeat of Hamas and the Iranian axis is the real peace plan.

patron in Iran don't exist. Hamas has refused to engage with mediators for weeks, and a Palestinian state at peace with Israel has never been its objective or Iran's. They want Israel destroyed and the Jews expelled or murdered.

As long as Iran pursues war, Israel must defend itself aggressively to survive. Mr. Biden has supported Israel, but he has also tried to cut short its defense. He withheld weapons from Israel even while Hamas ruled Rafah and its brigades controlled Gaza's smuggling routes to Egypt.

Hezbollah fired on Israel for 11 months. After a week of Israeli success in response, Mr. Biden called for a cease-fire there too. But if Hezbollah remains entrenched in southern Lebanon, how can there be peace? Even if diplomacy could return the region to its Oct. 6 status quo ante, that would prepare the ground for another Oct. 7.

French President Emmanuel Macron now calls for an arms embargo on Israel. Charles de Gaulle cut off Israel three days before the 1967 war with the Arabs. It is an old delusion that disarming Israel will buy peace from the fanatics who attack it.

As long as the West handcuffs Israel but refuses to deter Iran, the flames will spread across the Middle East. Israel's best option is to degrade the Iranian axis's capabilities and deny it safe havens. Israel will have a better chance at a durable cease-fire when its enemies know they will suffer more than Israel does when they attack.

\* \* \*

Israel has made substantial progress to that end, weakening Iran's proxies and putting its military and nuclear assets at risk. But Iran remains the center of Middle Eastern mayhem, and it is building an alliance with Russia and China. It is bent on obtaining a nuclear weapon, and Oct. 7 shows where a nuclear Iran would lead. The only path to a cease-fire, and a broader Middle East peace, is an Israel victory over Iran and its terror network.

As for the U.S., Oct. 7 is a reminder that Americans can't withdraw from the Middle East and assume we can avoid its menace. Iran is bent on America's destruction as much as it is on Israel's. The Jewish state is the frontline of the West, and we can't let it lose.

## The Chicago School Board Coup

**A**ny illusion that Mayor Brandon Johnson has a steady hand on the wheel in the Windy City was put to rest on Friday when all seven members of the Chicago Board of Education resigned amid a pressure campaign from City Hall. That's a no-confidence vote, Chicago style.

Chicago is in the middle of negotiating what is likely to be a costly new contract with the Chicago Teachers Union, Mayor Johnson's largest campaign contributor. Since the Chicago school district can't afford the hefty raises and benefits CTU is demanding, the mayor has suggested that the Chicago Public Schools (CPS) take out a \$300 million short-term, high-interest loan to cover the shortfall.

CPS CEO Pedro Martinez rejected this as irresponsible and unsustainable. In a column in the Chicago Tribune in September, he wrote that he is against "exorbitant, short-term borrowing, a past practice that generated negative bond ratings for CPS and that would likely lead to additional bond rating cuts and higher borrowing interest rates."

For that display of sanity, Mr. Martinez has become persona non grata at City Hall. Local press reports say Mr. Johnson asked for the

### The entire board resigns amid a fight over teachers union raises.

school's chief's resignation, which Mr. Martinez declined. Mr. Johnson then began pressuring the school board to fire him for causing a roadblock to CTU's contract demands. Thus the school board's resignation in refusal to be window dressing for the CTU agenda.

Mr. Johnson now says he'll appoint a new slate of school board members on Monday, and no points for guessing they'll be allies of Mr. Johnson and the CTU. The seven new members will have the authority to approve the loan Mr. Johnson wants, and fire Mr. Martinez if they can invent a reason.

The power play has outraged even the progressive Chicago City Council. In a blistering letter on Saturday, 41 of the City Council's 50 members called the mass resignation "unprecedented" and noted it "brings further instability to our school district." The letter noted that Mr. Johnson's emergency financing demands are especially rich since the city has spent more effort lobbying Springfield for \$2 billion for a new stadium for the Chicago Bears than it has trying to shore up CPS finances.

In other countries, this would be a crisis of corrupt governance. In Chicago it's the CTU monopoly at work.

## American Ports Are Global Laggards

**T**he International Longshoremen's Association (ILA) has reached a tentative agreement to return to work after winning a 62% pay raise over six years, but the labor dispute isn't over. Round II will be fought over the union's demand to protect its jobs forever by banning any automation at American ports.

The union's demand is no automation—ever. In a Sept. 7 letter to fellow ILA members, union boss Harold Daggett and his executive vice president and son Dennis put it this way: "We want ironclad language, and we want the intent of that language in writing. Bottom line: the ILA does not support any kind of automation, including semi-automation."

What they mean is they don't want any technological advances that would make loading and unloading ships faster, safer and more efficient—e.g., smarter cranes, gates, and container-moving trucks that require fewer workers to operate. In other words, they want higher pay with no productivity gains, which is unsustainable in a competitive global economy.

The World Bank global port ranking helps show what this means in practice. The Container Port Performance Index 2023 ranks ports by the amount of time a ship spends in port. Not a single American port cracks the top 50, with top-ranked Charleston, S.C., coming in at 53. Yangshan in China is No. 1, and China is investing in ports throughout Latin America.

This isn't the longshoremen's first tangle

with technology. In the 1960s the container revolution marked a shift from stuffing cargo inside the holds of a ship to putting cargo inside steel containers. Containers reduced the number of dockworkers needed, and the ranks of longshoremen declined as it was adopted. Today other nations are automating faster than the U.S.

That means they are becoming cheaper and more productive.

By now the 78-year-old Mr. Daggett should have learned that the fight against productivity is a losing battle. Look at what happened to the British miners who thought they could oppose the closure of unprofitable coal pits and preserve their jobs. British textile workers a century earlier revolted against the introduction of mechanized looms.

The hard truth is that technological advances that make companies more productive often mean they need fewer workers. The longshoremen would do better in the long-term if the union negotiated sweeter buyout packages for senior workers who have grandfathered job protections, rather than trying to hold off the inevitable. It would also help displaced workers if they could count on a healthy and growing economy that created new and better jobs.

Fighting productivity tools that the rest of the world is adopting harms the U.S. economy and millions of Americans workers beyond the ports. Mr. Daggett—and his pal President Biden—owes his 50,000 members better.

### No U.S. port is in the top 50 worldwide, thanks to the dockworkers union.

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

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## LETTERS TO THE EDITOR

## Readers Reflect on President Carter's Legacy

The Oct. 1 tributes to Jimmy Carter by Phil Gramm ("Jimmy Carter, Champion of Deregulation," op-ed) and your editorial ("Happy 100th, President Carter") are spot on. As counsel to the Senate Commerce Committee at the time, I had a front-row seat to the successful, bipartisan deregulation of airlines and trucking, done over the opposition of industry and labor. It could only have happened with the personal involvement of the president.

Mr. Carter was a nuclear engineer who could do the math, but he was also a peanut farmer who knew his business down to the penny. Prior to the deregulation of trucking, the federal government controlled the supply and price of all trucking services—with one exception: The shipment of fresh fruits and vegetables wasn't regulated.

Mr. Carter saw that the expense of shipping machinery, fertilizer and other goods coming into his farm was very high, but the cost of shipping the peanuts leaving the farm was much lower. He understood that the only variable that drove this disparity was the heavy hand of the federal government.

WILL RIS  
St. Simons Island, Ga.

Mr. Carter set the stage for the deregulation of various markets here and abroad by demonstrating the power of free markets. Mr. Carter didn't, however, decontrol prices for natural gas and oil.

In his 1978 Natural Gas Policy Act, the price of new gas production was decontrolled, but the regulation of the price of gas produced from existing wells, or old gas, remained unchanged. Old gas was slowly allowed to receive higher regulated prices set by the Federal Energy Regulatory Commission until 1985. Wellhead price controls weren't permanently removed from federal law until 1989.

Mr. Carter refused to decontrol the price of oil. Oil-price decontrol—along with gasoline and propane prices—was President Ronald Reagan's first executive order on Jan. 28, 1981, one of his most important policy actions.

JOHN A. TATOM  
Institute for Applied Economics  
Baltimore

Mr. Gramm correctly acknowledges the historic transformation engendered by the Carter administration through its championing of domestic economic deregulation. Even less recognized is Mr. Carter's similarly profound effect on international aviation.

Foreign governments traditionally regulated the routes, fares and schedules of airlines flying internationally with the express intention of limiting competition. The Carter White House instructed U.S. aviation negotiators to offer new domestic destinations to foreign airlines in return for their governments' agreement to desist from this micromanagement.

That quest for more liberal rules governing international flying continued through every succeeding administration, culminating in America's adoption of an "open skies" policy in 1992, now widely replicated around the world. Today, thanks to Mr. Carter's visionary initiative, international airlines mostly operate pursuant to the exigencies of the marketplace, not economic regulation.

JEFFREY N. SHANE  
Founex, Switzerland

Mr. Shane served as chief U.S. aviation negotiator during the Reagan administration and later as Under Secretary of Transportation (2003-08).

I would submit that Mr. Carter's real enduring legacy isn't economic deregulation but his abandonment of the Shah of Iran. This led directly to the radical Islamic theocracy that endangers much of the world today and brutally oppresses its own people.

HOWARD BARBANEL  
Bay Harbor Islands, Fla.

Kudos to Mr. Gramm for his reflections on oft-maligned Mr. Carter. My father, Jack Sullivan, was President Carter's Federal Railroad administrator and always gave Mr. Carter credit for the Staggers Rail Act and its aftermath. Dad also liked to tell the story that when Mr. Carter asked who Paul Volcker was, an adviser told him: "He's the guy that will prevent you from getting re-elected." Mr. Carter's response: "If he's the right man, we're not going to worry about that." It echoes some of that Greatest Generation stuff.

JIM SULLIVAN  
Huntingdon Valley, Pa.

## Medicare Becomes a Pricy Campaign Prop

Regarding your editorial "A Medicare Election Bribe for Seniors" (Oct. 1): Maybe the heads up that my wife and I got from CVS Caremark that the annual premium for our Silver-Script Choice Part D prescription drug plan is going to increase by 263% in 2025 was before the Biden administration figured out how to increase subsidies to insurers by using Inflation Reduction Act funds. If that is the case, perhaps President Biden will send us another message before Medicare open enrollment begins in two weeks.

Last week an email came from the Centers for Medicare and Medicaid that contained Mr. Biden's first message to ensure we were aware of historic reforms to Medicare. He noted that the reforms were "a result of the Inflation Reduction Act that I signed into law and that Vice President Harris

cast the tie-breaking vote to secure."

The gist of Mr. Biden's personal message was that drug companies—which produced the miracle medications that extend the lives of many—were ripping us off, and Biden-Harris said not on our watch. An underlying assumption is that the drug companies can make a lot less money and still develop the next generation of miracle cures.

His final line was: "Vice President Harris and I believe that health care should be a right, not a privilege." They urged us to take advantage of the new, lower-cost benefits as part of a stronger Medicare coverage that we deserve. Are there no filters that prevent federal agencies from being used for campaign ads of incumbents shortly before an election?

PHILIP GRANT  
Palm Coast, Fla.

## Moderation in All Things, Except for Debates

In your editorial "Vance Sells Trump Better Than Trump" (Oct. 3), you mention that you'd "like to hear moderators ask a question that showed they read something outside their mainstream media bubble."

I have another proposal: Do away with moderators entirely, as they did in the great Abraham Lincoln-Stephen Douglas debates. All that is needed is a high-school debate coach who would enforce the time limits and be forbidden to make any substantive comments other than to ring the bell and say, "Your time is up."

In a 90-minute debate, the first third could be devoted to domestic policy, the second to foreign policy and the last to general subjects of the candidates choosing.

KIMBALL GREENLAND  
Salt Lake City

Thanks to JD Vance and Tim Walz for reminding the country what civil discourse actually looks like.

KIM GULLO  
Corona Del Mar, Calif.

## Punctuation Can Save Lives

Commas are important. The last words of Gerard Baker's "Trumponomics May Be More Oprah Than Reagan" (Free Expression, Sept. 24) are problematic: "... immigrants eating cats and dogs and Taylor Swift."

ROBERT HELLAM  
Seaside, Calif.

## Pepper ... And Salt

THE WALL STREET JOURNAL



## California Discovers Thrift?

Allysa Finley notes that California Attorney General Rob Bonta seems outraged that Exxon "duped the public by promoting [plastic] recycling even though the process isn't economical" ("California's Plastic Bag-Ban Was Only the Beginning," Life Science, Sept. 30). Who wants to tell him about wind, solar and EVs?

D. CASEY JONES  
Olympia, Wash.

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## OPINION

# Oct. 7 and the Iranian Nuclear Threat

By Thomas S. Kaplan

I shared a table with Jake Sullivan at a June dinner in Paris. The White House national security adviser asked if I thought Iran would go nuclear. I said that if Israel and the U.S. failed to keep to their multiple public pronouncements that all means necessary would be employed to prevent it from happening, the Iranians would proceed. "It's not what I think but what you already know that really answers the question," I told him.

Almost a year earlier, I attended another, more intimate evening with his French counterpart, Emmanuel Bonne, at the home of a Saudi prince. I warned my host that regional war with Iran was coming due to the regime's miscalculation in their use of proxies to encircle Israel.

## Hamas's barbaric attack hardened Israeli attitudes, and the world has yet to appreciate the stakes.

I urged that Riyadh use its newly re-established diplomatic relations to advise Tehran to recede. A week before Oct. 7, I made the case in Tel Aviv to senior Israeli military and intelligence authorities that Iran's overreach made direct confrontation imminent. Alas, their preoccupation with an impending normalization deal with Saudi Arabia crowded out my exhortations.

I first broached the subject publicly in a 2019 conversation with Bernard-Henri Lévy at New York's 92nd Street Y. When we were asking whether "never again" was simply a slogan, I said that Israel and Iran could be headed toward the most catastrophic war in history.

My analysis of this trajectory met with resistance in Israel. No longer. Oct. 7 altered Israel's disposition toward its enemy as surely as Germany's invasion of Poland and Japan's strike on Pearl Harbor changed Britain's and America's. Absent either regime change or Tehran taking an off-ramp, the Islamic Republic's imperial journey will end as Japan's and Germany's did—in unadulterated devastation for its axis.

Nurtured by the savior-like figure of Cyrus the Great, Jews have broadly regarded Persian civilization as one of the world's richest. It wasn't lost on them that holding the current clique in power as the rightful heirs to the elevated culture that produced Hafez and Ferdousi would be tantamount to considering the Nazis lawful descendants to Goethe and Beethoven. Still, until Oct. 7, Israel's animosity toward Tehran wasn't so much personal as business.

The sheer hatred exhibited by the clerical regime was thus one-sided. Among myriad Iranian threats of extinguishing the "Israeli tumor" vociferated over decades, one always stood out—the 2014 warning to Israelis from Hossein Salami, then deputy commander and now commander in chief of the Islamic Revolutionary Guard Corps: "We will chase you from house to house, avenging every single drop of our martyrs' blood in Palestine." A year ago, Hamas carried out that threat in the kibbutzim of Kfar Aza and Be'er.

Like those who dismissed "Mein Kampf" as mere bluster until it was too late, most Israelis were aware of this frenzied hostility but chose not to internalize its significance fully—a phenomenon best exemplified by a government recklessly pursuing divisive politics over national unity, despite knowingly facing an existential external threat.

As the Russian proverb goes, "better to be slapped with the truth than



A Tehran billboard depicts a missile attack against Israel with the slogans (in Farsi) 'If you want war, we are masters of war' and (in Hebrew) 'Israel must be wiped from the face of the Earth and this is the beginning of the story.'

-AFP VIA GETTY IMAGES

kissed with a lie." The orgiastic paroxysm of hate and bloodthirstiness that unleashed hell on earth in southern Israel made Israelis comprehend that the Islamists meant their calls for extermination literally. Given hours to do as they pleased with Jewish innocents, Hamas's terrorists exposed the savage ideology of the Muslim Brotherhood. They created vignettes of barbarism that can never be unseen: infants shot and kidnapped, children burned alive, women gang-raped and dismembered, families slaughtered en masse.

Rather than stay quiet, Hezbollah opened hostilities in solidarity with Hamas. The mullahs and their proxies understood that, as the most horrific assault on Jews since the Holocaust, Oct. 7 had seared the Israelis' touchiest nerve. They seemed to derive pleasure from it, as demonstrated by the late President Ibrahim Raisi's revolting remark last November: "We kiss the hands of Hamas for

its resistance against Israel."

At last Israelis woke up to the reality that Iran's objective was what it had professed all along: encirclement followed by genocide. Overnight, a shadow war turned into mortal combat. While the Jews had faced the Third Reich naked, times have changed—and "never again" isn't only a slogan.

What does that mean in practice? Simply put, Israel's gruesome epiphany could ultimately lead to the obliteration of Iran. Bernard Lewis once quipped that for the Islamic Republic, mutual assured destruction is less a deterrent than an inducement. A notable if distressing validation of this viewpoint, the regime has displayed far greater institutional recklessness since Oct. 7 than perhaps ever before.

Eschewing the strategic patience and cost-benefit analyses for which it was duly renowned, Tehran's unmooring from rationality was evinced by the launching of ballistic

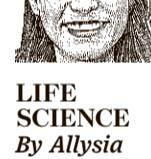
missiles against the forces of three nuclear-armed countries—the U.S. (in Iraq last November), Pakistan (in January) and Israel (in April and again last week). It was further exposed by the high-risk/no-reward proposition of allowing Hezbollah to continue striking northern Israel long after the area was evacuated and the militia's attacks had no practical effect other than to provide the Israel Defense Forces with a justification to crush an avowed enemy.

If Iran is so reckless, how would it behave if it had nuclear weapons? At least until recently, the regime subscribed to former President Hashemi Rafsanjani's dismissive maxim that "Israel is a one-bomb country"—in other words, that a nuclear exchange with the Zionists is winnable. This assessment was reinforced by Iran's belief that the less eschatologically driven, more life-loving Jews wouldn't go as far as to risk an "extinction level" counterattack. Flattering as that perception of Jewish values might be, it must be disabused as plainly as America's quandaries were about eliminating the Soviet Union.

Is the ideological fetish of destroying Israel worth losing tens of millions of people—and the concomitant eradication of thousands of years of patrimony? Such is the question before Tehran. Having witnessed the daring and ruthless manner in which Israel executed in Lebanon the decapitation of Iran's prize piece on the chessboard, not to mention the impressive long-range raids prosecuted on the Houthis in Yemen, Tehran should realize that the continued pursuit of nuclear weapons—successful or not—could be a death sentence for the regime and the Iranian nation.

*Mr. Kaplan is chairman and CEO of The Electrum Group LLC and co-founder with Bernard-Henri Lévy of Justice for Kurds.*

## Meet John Hess, the Latest CEO Target of Biden-Harris



**LIFE SCIENCE**  
By Allysa Finley

It's hard not to roll your eyes at warnings that Donald Trump would use his power as president to punish opponents while special counsel Jack Smith pursues him with the zeal of Captain Ahab.

Meantime, the press ignores how President Biden's appointees target their business enemies.

The Federal Trade Commission last week whaled Hess CEO John Hess, a shale-fracking pioneer who has lambasted the administration's energy policies. The message to other execs: Put up and shut up.

After Chevron last autumn announced plans to acquire Mr. Hess's company, Democrats demanded that the FTC intervene. Senate Majority Leader Chuck Schumer tweeted the deal "would give Big Oil more fuel to raise gas prices," never mind that the combined company would constitute a tiny fraction of global oil production.

Nonetheless, the FTC's three Democratic commissioners contrived a fictitious narrative about Mr. Hess being in league with the

Organization of the Petroleum Exporting Countries. They used this to scapegoat Mr. Hess for rising gasoline prices under Mr. Biden and as justification to bar him from Chevron's board. Their claims are a lot of bark but no bite. The FTC points to several of Mr. Hess's public statements about the oil market. At an event in 2016, he reportedly said: "The key question is can shale and OPEC coexist? The answer is absolutely yes. Everybody tends to talk about shale, and shale is becoming the new OPEC. Not the case."

Mr. Hess's point was that U.S. fracking companies and OPEC invest on different time horizons, and that both are needed to maintain stable prices. Where's the conspiracy?

The complaint makes much of Mr. Hess and other U.S. oil executives attending the same industry conferences as former OPEC Secretary-General Mohammad Barkindo: "These interactions presented OPEC representatives with opportunities for discussion, meetings, and communications with their rival U.S. oil producers relating to maintaining market stability that ultimately is likely to increase prices." The FTC quotes Mr. Hess as saying he had a "good talk" with Mr. Barkindo at one event. So what?

You keep waiting for a smoking gun, but there's only smoke. The complaint doesn't expressly accuse Mr. Hess of colluding with OPEC. Instead, it claims with heavy innuendo that Mr. Hess provided "supportive messaging" that "encourages OPEC's output stabilizing agenda." Didn't Mr. Biden do the same thing when he urged OPEC to increase production to ease U.S. gasoline prices in 2021 and 2022?

### The administration has abused its power to punish opponents. The press doesn't seem to care.

The FTC claims Mr. Hess's participation on Chevron's board would "amplify [his] supportive messaging to OPEC and others, thereby meaningfully increasing the likelihood that Chevron would align its production with OPEC's output decisions to maintain higher prices." Confused? Join the club.

GOP Commissioner Melissa Holyoak slams her Democratic colleagues for concocting a left-wing fantasy. "Unfortunately for Mr.

Hess, the CEO of Hess Corporation, the author of every fairy tale must also fabricate a villain, and today's action unjustifiably gave him that label," she writes in a dissent.

She notes that nothing in the FTC complaint "alleges that Mr. Hess has ever attempted to, or coordinated with, a rival. At most, the complaint alleges that he was a cheerleader for OPEC's efforts.... Such a theory of coordinated effects is so bizarre that no court—or even scholarly work—has endorsed it or even discussed it."

She also highlights the irony that the FTC's order lets Mr. Hess "consult with Chevron on projects that align with the climate agenda of the political left." "Mr. Hess is too dangerous to be allowed to participate as a board member, but apparently ceases to be dangerous if his services further climate change-related activity."

This is the second time in recent months that Democrats on the FTC have used their leverage over merger approvals to punish an energy executive without evidence of wrongdoing. In May, the FTC barred former Pioneer Natural Resources CEO Scott Sheffield from serving on Exxon Mobil's board after the two companies agreed to merge.

Its allegations against Mr. Sheffield were similar. Flogging the FTC's unsubstantiated claims, Senate Democrats then called for criminal prosecutions.

While Messrs. Sheffield and Hess haven't been indicted, there's no guarantee they won't be. The FTC referred its allegations against Mr. Sheffield to the Justice Department for potential criminal prosecution. Regardless, getting accused of wrongdoing without an opportunity for defense is the sort of government tyranny that Americans fought against in the Revolution.

The FTC action violates due process and therefore may be unconstitutional, but Mr. Hess has no recourse for appeal. The FTC required Chevron to throw Mr. Hess aside as a condition for getting its deal approved. Call it what it is: regulatory extortion. Yet none in the liberal press are fazed by how Mr. Biden's appointees have abused their power to punish their opponents. Most reported the FTC's disinformation as fact.

Progressives fret about an unchained President Trump, but the bigger danger is a Democratic administration in league with a liberal press.

## The Truth About Amber Thurman's Death

By Nicholas Tomaino

**G**ov. Tim Walz dodged a question about Minnesota's permissive abortion statute at last week's debate by repeating a story about Georgia's restrictive one. He brought up the case of Amber Thurman, 28, of Atlanta, who "had to travel a long distance to North Carolina to try and get her care" because Georgia prohibits abortion after six weeks. "Amber Thurman died in that journey back and forth," Mr. Walz said.

His source was an article by Kavitha Surana of ProPublica. Ms. Surana reports that in August 2022, nine weeks pregnant with twins, Thurman made an appointment at a North Carolina clinic for a dilation-and-curettage procedure, or D&C, a

surgical abortion. She drove there, arrived late, and was given mifepristone and misoprostol instead. After taking the first pill, she "insisted on driving home before any symptoms started."

Days later, after vomiting and passing out at home, Thurman was taken to a suburban Atlanta hospital, where she reported a tender abdomen. Doctors noted a foul odor during a pelvic exam, and an ultrasound showed possible tissue in her uterus. Thurman needed a D&C, but according to Ms. Surana, the state had "criminalized" that procedure, "with few exceptions," and practitioners who performed it risked "up to a decade in prison." Physicians operated some 20 hours after her admission, after diagnosing her with

acute severe sepsis. She died.

In the 56th paragraph of the story, Ms. Surana acknowledges: "It is not clear from the records available why doctors waited to provide a D&C to Thurman." Mr. Walz obviously didn't read that far, and the article's title is meant to give the opposite impression: "Abortion Bans Have Delayed Emergency Medical Care. In Georgia, Experts Say This Mother's Death Was Preventable."

Kamala Harris has also cited the Thurman case to support her claim that "the Trump abortion ban" means

"doctors have to wait until the patient is at death's door before they take action." Both the Harris-Walz account and Ms. Surana's gloss over several complications:

• *The abortion pills.* Thurman's death affirms what anti-abortion activists have argued: that the two-pill abortion regimen is far more dangerous than its advocates claim. The Food and Drug Administration in 2016 allowed nonphysicians to prescribe mifepristone, stopped requiring follow-up visits to evaluate patients for potential complications, and permitted use up to 10 weeks' gestation from seven. Five years later, the FDA eliminated the requirement that women be evaluated in person by any medical professional.

Christina Francis, CEO of the American Association of Pro-Life OB/GYNs, has written in these pages that the new protocols lead to far greater risk in the event of ectopic pregnancy, whose symptoms are similar to the normal effect of the abortion pills. According to the FDA's la-

bel, after taking the regimen, between 2.9% and 4.6% of women visit the emergency room for an adverse reaction.

• *Georgia's statute.* The law, which Gov. Brian Kemp signed in 2019 and a state judge in Atlanta enjoined last week, defines abortion as an act intended to "cause the death of an unborn child" when a "detectable human heartbeat" is present. Thurman's

### Harris and Walz exploit a tragedy to further a political narrative about 'Trump abortion bans.'

unborn children were, it seems, already dead. Even if they hadn't been, however, the law allows for immediate treatment "when a physician determines, in reasonable medical judgment, that a medical emergency exists" or that the "pregnancy is medically futile."

Contrary to Ms. Harris's claim, no abortion statute in the country requires doctors to "wait until the patient is at death's door" to intervene. Several states with restrictive abortion laws—including Georgia, Florida and Texas—have taken formal actions to counter this misinformation. Other states with similar laws ought to communicate directly with hospitals and doctors to do the same.

• *The hospital.* Medicare's rating of Piedmont Henry Hospital in Stockbridge, where Thurman died, gives it

two out of five stars and reports that only 41% of patients with severe sepsis or septic shock "received appropriate care." (The national average is 61%). Patient reviews report lower-than-average satisfaction with the hospital's cleanliness, responsiveness and communication. The hospital might have been underresourced: As Ms. Surana notes, "a D&C requires an anesthesiologist, nurses, attending physicians and others"—a host of staff that might have been more readily available elsewhere.

Such tragedies also occur in states with permissive abortion laws. In Nevada, where abortion is legal until 24 weeks, Alyona Dixon, 24, died on Sept. 28, 2022, owing to "complications from septic abortion," six days after a Planned Parenthood clinic reportedly gave her the same pills Thurman took. Dixon's widower has filed a wrongful-death lawsuit against the hospital where she was initially treated and discharged. The complaint cites a physician's expert declaration that the hospital "failed to adequately rule out sepsis as a cause of Ms. Dixon's symptoms."

Each of these details complicates the Harris-Walz narrative that Donald Trump is ultimately to blame for Amber Thurman's death. That may be a politically convenient claim, but it grossly ignores the facts, stokes needless fear among vulnerable women and medical professionals alike, and exploits a young woman who tragically died.

*Mr. Tomaino is an assistant editorial features editor at the Journal.*

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## WORLD NEWS

# Fragmentation Stifles EU Governments

Political divides that tie leaders' hands grip the Continent's largest economies

By BOJAN PANCEVSKI

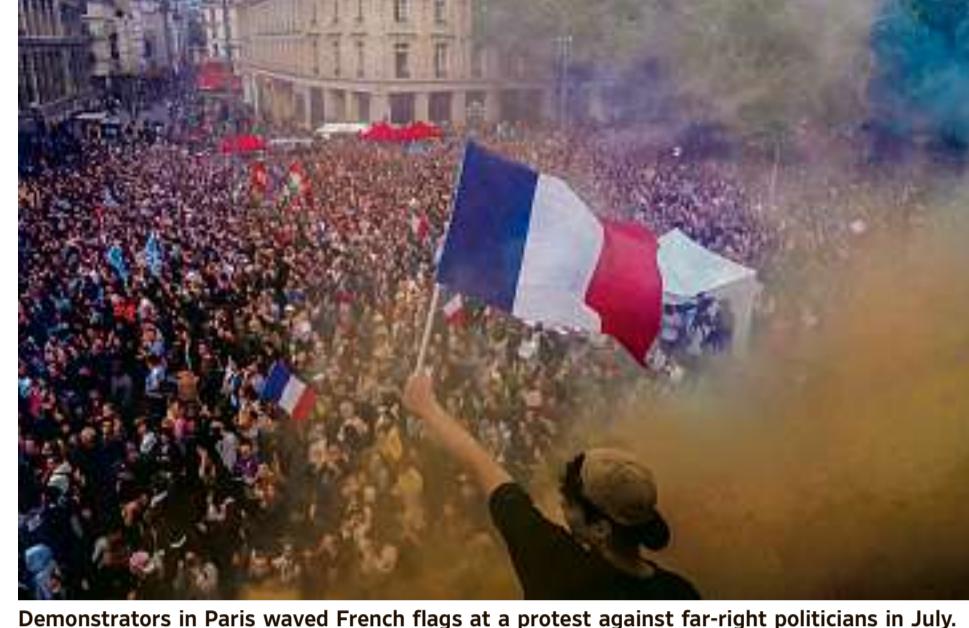
BERLIN—A German voter had some pointed criticism for Chancellor Olaf Scholz at a recent debate: The German government is unable to govern and its ministers are bickering like children.

Instead of pushing back, Scholz conceded the point. "The truth is: You are right," he said. "But what would be your solution? I mean, I'm asking for a friend."

The exchange triggered little controversy in Europe's largest economy, once considered a paragon of good governance. It is now all but taken for granted that politicians can agree on little here, and implement even less. Recent gains by Germany's far-right Alternative for Germany, or AfD, in state elections dealt Scholz's fractious government another blow.

France, which for decades has been the engine of the European Union along with Germany, has found itself in a similar state of political paralysis after elections in June left Parliament divided among a multitude of parties.

President Emmanuel Macron formed a center-right government, even though a coalition of left-leaning parties won the most seats in the National Assembly. That leaves his government vulnerable to challenges from Marine Le Pen's far-right Na-



Demonstrators in Paris waved French flags at a protest against far-right politicians in July.

mainstream politics has led to a gradual fragmentation of political groups: There are now seven significant parties, three of which are on the political fringes, making a coherent coalition nearly impossible, both at a federal level and in most of Germany's 16 states, said Prof. Manfred Gölner, founder of Forsa, one of the largest German pollsters.

The far-right AfD is now the second-largest party in nationwide polls, while in some eastern states it has become the biggest political group, forcing rivals into complicated coalitions designed to keep it out of power. At the same time, a new far-left party, known as BSW, which like the AfD is pro-Russian and anti-NATO, has overtaken mainstream parties in local elections.

But reaching consensus on a host of other issues has proven elusive. European countries have struggled to increase arms production to meet the needs of Ukraine or to agree to continentwide policies on immigration. Scholz's government hasn't delivered on promises to ease the housing crisis, cut red tape, improve infrastructure and reduce crime. Trains are notoriously late, corporate taxes are the highest among peer nations, and infrastructure is crumbling: A bridge collapsed in Dresden in September because of delayed repairs. Meanwhile, despite Macron's promises to cut public spending, France's deficit and debt have actually risen during his terms.

self-identification.

Paralysis has now become a structural feature of Europe's largest political systems, Gölner said. To be sure, Germany's government has long struggled to implement major changes, even dating back to Angela Merkel's 16-year tenure, but her governments benefited from steady economic growth and a relatively stable geopolitical environment, said Prof. Clemens Fuest, head of the Munich-based Ifo Institute that advises the government. Now, Fuest said, internal and external shocks have exposed the government's inability to implement policies.

In France, Macron originally ascended to the presidency by creating his own upstart political party. He was once seen as a great hope for

leading European integration

and changing the bloc and his own country. Macron did have some successes, including bringing down unemployment and attracting foreign investment.

But, after two terms, he has become an example of France's and the EU's decline into dysfunctionality, said Manuel Valls, a former French prime minister. The French state is having a crisis of legitimacy in the eyes of citizens who are used to expecting everything from the government, Valls said.

"Our institutions and our democracy will be put to the test," Valls said. "We risk experiencing a chaotic situation when the country would need clear direction to restore, for example, public accounts and authority."

Europe can't snap out of its malaise even in the face of war in Ukraine. In the third year of the war, the EU has failed to meet the pledge to deliver one million shells to Kyiv, while also failing to match Russia's expansion of arms production. The military stockpiles of France, Germany and others are all but depleted and there is little sign of the promised upscaling of their defense capabilities, said Ivan Krastev, a fellow with the European Council on Foreign Relations, a think tank.

"What is happening in Europe with military production, even at a time of a perceived existential threat from Russia, is a joke," he said. "There is no majority that can deliver on key challenges, and the foundation of state legitimacy is the ability to do things, which is now obviously lacking."

## African Nations Kill Elephants To Feed Hungry

By ALEXANDRA WEXLER

JOHANNESBURG—Countries in southern Africa are slaughtering elephants and other wild animals to feed their starving citizens amid the worst drought in more than a century.

"Southern Africa has experienced the worst impacts of the 2023-to-2024 El Niño, and is facing the risk of a deepening and widespread hunger crisis," said a spokesman for the U.N. Office for the Coordination of Humanitarian Affairs. "More than half of the annual harvest has been destroyed, leading to rapidly depleting stocks and increasing food prices."

Namibia, Malawi, Lesotho, Botswana, Zambia and Zimbabwe have declared states of emergency, while Angola, Mozambique, Eswatini and South Africa have also been severely affected by the drought.

Now governments are scrambling to prevent starvation. Although not regularly consumed by most communities in the region, elephants, hippos and other wild game are occasionally eaten. And governments argue that culling the animals solves two problems: filling hungry bellies, as well as alleviating grazing pressure and water scarcity, and reducing conflict between locals and wild animals in drought-stricken areas.



In Zimbabwe, an El Niño-induced drought is affecting millions of people, and children are most at risk from severe famine.

"It is important we manage the population," said Romeo Muyunda, a spokesman for Namibia's Environment Ministry. "If we don't intervene, it may be catastrophic."

In Namibia, the authorities have hired professional hunters and safari businesses to conduct the cull. As of Aug. 26, the most recent data available, 262 animals had been killed, resulting in about 125,000 pounds of meat, the Environment Ministry said. In Zimbabwe, authorities are in the process of issuing permits for the culling.

There are around 228,000 elephants in Angola, Botswana, Namibia, Zambia and

Zimbabwe, according to a 2022 aerial survey of those countries, representing more than half of the savanna elephants in Africa.

"The ecosystem that we have cannot sustain the numbers [of animals] that we have," said Tinashe Farawo, spokesman for ZimParks. "We are trying to deal with the problem of overpopulation. The meat that we are going to recover, we're going to feed our people and communities."

Some wildlife-advocacy groups, however, warn that culling can prove detrimental to conservation efforts.

"While we recognize the se-

verity of the drought, killing elephants will not adequately solve the pressing food crisis," said Tennyson Williams, the director for Africa at World Animal Protection, a not-for-profit animal-welfare organization.

Evans said killing large numbers of elephants can also weaken the genetic diversity of the remaining population.

"We need this to be done as professionally as possible," Muyunda said. "We are looking at not traumatizing the animals that are going to remain."

usually led by a matriarch.

"Elephants have complex social lives and, therefore, culling impacts those left behind," said Kate Evans, founder and head of research at Elephants for Africa, a research and education nonprofit. Evans said killing large numbers of elephants can also weaken the genetic diversity of the remaining population.

"We need this to be done as professionally as possible," Muyunda said. "We are looking at not traumatizing the animals that are going to remain."

*—Nicholas Bariyo and Bernard Mpofu contributed to this article.*

## WORLD WATCH



HAIR APPARENT: Kilian Wicht was a winner at the Swiss Mullet Cup in Martigny, Switzerland.

## NEW ZEALAND

## Navy Support Ship Sinks Off Samoa

A Royal New Zealand Navy support ship ran aground and sank off the Pacific island nation of Samoa, the country's defense officials said Sunday.

The New Zealand Defence Force said all 75 crew and passengers aboard Royal New Zealand Navy ship HMNZS Manawanui were rescued after the vessel became grounded late Saturday off the southern coast of Upolu.

It isn't yet known what caused the specialist diving-and-hydrographic vessel to run aground, defense officials said. A hydrographic survey was being conducted offshore when the incident happened.

*Rhiannon Hoyle*

## UNITED KINGDOM

## Chief of Staff For Starmer Quits

Prime Minister Keir Starmer's chief of staff quit on Sunday, citing concerns that growing news reports about her role "risked becoming a distraction to the government."

Sue Gray's resignation came after reports about tensions between her and Starmer's chief adviser, Morgan McSweeney, and that she was earning more than Starmer.

Gray said she accepted a new role as envoy for the regions and nations. McSweeney will succeed her as chief of staff.

Officials also announced the setting up of a new strategic-communications team.

*—Associated Press*

## VATICAN

## Pope Appoints 21 New Cardinals

Pope Francis named 21 new cardinals on Sunday, significantly increasing the size of the College of Cardinals and further cementing his mark on the group of electors who will one day elect his successor.

The new cardinals will get their red hats at a ceremony, known as a consistory, on Dec. 8, an important feast day on its own that officially kicks off the Christmas season in Rome. It will be Francis' 10th consistory to create new princes of the church and the biggest infusion of voting-age cardinals into the college in Francis' 11-year pontificate.

*—Associated Press*

# BUSINESS & FINANCE

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## Advisers in China Face Dilemma

**Big Four, others have signed thousands of contracts despite geopolitical tensions**

By ARUNA VISWANATHA AND WENXIN FAN

Western consulting and audit firms that have long done extensive work in China are increasingly caught in rising geopolitical tensions between Beijing and Washington.

Firms such as **PricewaterhouseCoopers** and **Boston Consulting Group** are allowed to work there, but are treading a fine line in pursuing

business in China. The Chinese government questioned and detained some Western consultants in recent years as it has shrouded its economy in greater secrecy on the national-security grounds. At the same time, the firms are doing business with Chinese state-owned companies that are deemed sensitive in the U.S.

Chinese authorities in September fined PwC's operations in the country \$62 million and imposed a six-month ban on its business there because of the firm's audits of a Chinese company at the center of the country's property collapse. Around the same time as that audit work, another PwC unit

there won a \$200,000 contract with a local government in Xinjiang, where the U.S. alleges human-rights abuses occurred, according to a copy of the contract reviewed by The Wall Street Journal.

Boston Consulting Group signed a deal last year valued at about \$530,000 to advise city officials in Beijing on the establishment of an artificial-intelligence hub, according to a copy of the contract, just as the

U.S. government tries to limit China's advances in sensitive technology. Officials in Shijingshan, in western Beijing, asked BCG to endorse the principles of the Communist Party in order to take on the assignment, according to the bidding documents.

Spending on consulting services from the "Big Four" accounting firms—KPMG, PwC, **Ernst & Young** and **Deloitte**—as well as McKinsey, BCG and Bain—

grew 53% in China between 2017 and 2023, among the highest of any region, according to an analysis published this year from Kennedy Intelligence, a firm that advises the consulting industry.

Western firms have largely navigated rising tensions between China and the West through a unique structure in which their Chinese units, along with those in other countries, are staffed and run by local teams that are legally separate from headquarters. The Big Four firms use a franchise model, where country units split profits among their partners but pay licensing and

Please turn to page B11

**Spending on consulting services grew 53% in China from 2017-2023.**

## Activist Starboard Buys Pfizer Stake of \$1 Billion

By LAUREN THOMAS

Activist investor **Starboard Value** has taken a roughly \$1 billion stake in **Pfizer** and wants the struggling drugmaker to make changes to turn its performance around, according to people familiar with the matter.

Pfizer had a market value of about \$162 billion as of Friday. Its shares have been roughly cut in half from a record notched in late 2021 after the company delivered the world's first Covid-19 vaccine. They are little changed so far this year, compared with a 21% rise in the S&P 500.

Starboard has approached two former Pfizer executives, Ian Read and Frank D'Amelio, to aid in its efforts, and they have expressed interest in helping, the people familiar with the matter said. Read was Pfizer's chief executive officer from 2010 to 2018 and picked current CEO Albert Bourla as his successor. D'Amelio was its chief financial officer from 2007 to 2021.

Other details, including Starboard's exact plans and interactions with the company, couldn't be learned.

Pfizer's Bourla has been under pressure from investors to right the ship at the drugmaker, especially after it overestimated future demand for pandemic-related products once the health emergency subsided.

The New York-based drugmaker delivered its Covid-19 vaccine in record time, cementing its status as a household name and helping communities reopen and children head back to school. In 2022, Pfizer's shot and its Covid-19 drug Paxlovid powered the business past \$100 billion in sales.

But the bet backfired as the world returned to normal. Now, as Pfizer struggles with falling Covid-19 sales, the company's other products haven't been able to fill the gap.

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**STREETWISE** | By James Mackintosh

## Tried-and-True Strategy Loses Out

**O**ne of the biggest simplifications in markets is to buy cyclical sectors when the economy's booming, and防守性 in a slowdown. It's obvious—until you try to decide what's cyclical and what's defensive.

The recent prospect of Federal Reserve interest-rate cuts, inflation-free growth and Chinese stimulus prompted a strong cyclical rally. Or they did on some measures. On others, the picture is confused.

Technology stocks messed up some of the basic measures, the boom in electricity demand gave utilities a growth tinge and war confuses everything.

When it works, utilities, consumer staples such as food retailers, and healthcare are defensive sectors, sure of steady sales even when the economy slows. Consumer-discretionary companies (such as carmakers), banks, industrials, materials and tech were cyclicals, with their performance more closely linked to the economy. It worked pretty well on Friday when far stronger-than-expected jobs numbers blew up the idea of a slowing economy: Financials and discretionary leapt,

while utilities fell and healthcare and staples lagged behind.

But the certainties are gone. Giant cash-rich tech stocks have marched to a different beat for years as their growth prospects trampled any barriers economic weakness might present. The artificial-intelligence boom boosted the "Magnificent Seven" stocks—**Amazon**, **Alphabet**, **Apple**, **Meta**, **Microsoft**, **Nvidia** and **Tesla**—to such a size that they came to dominate sectors including consumer discretionary and communication services, spreading the tech confusion.

**E**ven industrials aren't a perfect way to play the economic cycle. On Friday they underperformed the S&P because the strong economy wiped out hopes of another double-size rate cut from the Fed. This, in turn, means higher mortgage rates and less chance of a house-building boom. Six out of the seven building-products suppliers in the S&P 500 industrials sector fell, and strong performance from airlines and some other groups only just offset them.

Both the problem and one solution are clear in con-

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S&P 500 consumer discretionary sector performance vs. consumer staples this year



S&P 500 equal-weight sectors, share price change this year\*

DEFENSIVE SECTORS	S&P 500 equal-weight sectors, share price change this year*	S&P 500 market value-weight sectors, share price change this year*
Utilities	26.3%	28.3%
Financials	18.9	21.3
Industrials	18.4	18.8
Technology	15.1	29.0
Comm. services	11.3	29.7
Energy	10.6	12.2
Materials	10.1	11.1
Cons. discretionary	9.1	12.1
Healthcare	5.5	11.2
Cons. staples	1.2	14.5

\*Real estate excluded

Source: LSEG

## Lithium Startup Boss Lures Backers, Skeptics

By JULIE STEINBERG

Teague Egan wants to live to be 150 years old. And possibly be president of the U.S. someday.

But first, he aspires to build the world's biggest lithium company, despite having no background in mining or chemical engineering.

Egan's outsize ambition is part of what has attracted some blue-chip backers to his company, called **Energy Exploration Technologies**, or EnergyX. But he has gained skeptics, who believe he hyped the company's capabilities beyond what is realistic.

Egan is among a flood of entrepreneurs and energy-industry giants trying to capitalize on what is expected to be soaring demand for the silver metal, a key component

of batteries needed for electric vehicles.

This year, however, has been dismal for lithium companies. Prices crashed as EV sales slowed and supply flooded the market, and firms have been cutting costs and scaling back projects.

Still, at current prices, the global lithium market could reach more than \$36 billion by 2030, according to Benchmark Mineral Intelligence, up from \$1.6 billion in 2015. The U.S. has been trying to secure its own supplies of lithium and decrease dependence on China, which dominates the battery supply chain.

"I didn't get into lithium for what the price is going to be in the next six months, or to make a quick buck," Egan said. "I fundamentally believe

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## INSIDE



### BUSINESS NEWS

Amazon and Temu compete to attract sellers.

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### TECHNOLOGY

Europe's biggest battery maker is struggling.

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## A Half-Century Feud Divides The Family Behind Boar's Head

By SARAH NASSAUER

Since long before Boar's Head confronted a deadly listeria outbreak, the deli-meat seller has been afflicted by a different problem: a family of owners who don't get along.

For decades, the Boar's Head heirs have fought over a company their family has owned since 1905. The court battles shed light on a secretive food empire that was generating billions of dollars in estimated annual sales before the outbreak. Three family members make most major decisions at the closely held company, and only a handful of executives have access to its financial results, according to court documents.

"They ran it as a family business, but were not in fact one big happy family," said David Koche, a longtime lawyer



The food empire is secretive.

went to the other side of the family, rather than to son Eric Bischoff. Eric worked for decades at Boar's Head but never regained his father's 25% stake and ultimately left the company, cementing his grudge.

Eric and other members of his generation—the great-grandchildren of the Boar's Head founders—are fighting over the size of their stakes in the business, and at the same time have explored cashing out by selling it. On and off since 2005, these relatives have filed a series of lawsuits and countersuits against one another.

Some family members think Eric "is like Scar from 'Lion King'"—looking to get back what he believes he was denied by being deemed not fit to be an employee," Koche said in a 2021 conversation with other

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## Time-Tested Strategy Loses Out

*Continued from page B1*  
sumer-facing stocks. The S&P 500 consumer-staples sector is ahead of consumer discretionary this year, usually a sign that the economy is weakening and that bond yields are down.

In fact, the economy ran stronger in the third quarter than the Fed thinks is sustainable in the long run, according to the Atlanta Fed's GDPNow estimate, and 10-year bond yields are close to where they ended December.

Consumer staples did well in large part because the three biggest stocks in the sector, **Walmart**, **Procter & Gamble** and **Costco**, rocketed up. So far, so supportive of the thesis: when worried, buy defensives.

But the discretionary sector did less well in large part because Tesla, the second-largest in the sector after Amazon, is down for the year. We can reduce the effect of sectors dominated by particular stocks by looking at equal-weight versions, which treat all members equally. Do this, and discretionary handily beat staples, exactly what the fast-growing economy would predict.

Unfortunately, equal-weighting doesn't solve all the issues. Utilities have become an AI play thanks to the surge in demand for power for data centers. This makes them less useful as a gauge of investor demand for safety (although on Friday they fell as bond yields rose, as should be expected).

Energy stocks are treated as defensive by MSCI in its indexes because high oil prices—and so oil stocks—were often the cause of recessions, making it look like energy initially resisted the slowdown. I prefer to look at the obvious link between faster economic growth and demand for oil and treat energy as a cyclical sector.

But it's sensitive to Middle East tensions and OPEC poli-

ties, which interfere with its link to growth. Energy stocks have been the standout performer of the past week as Israel's invasion of Lebanon and Iran's bombardment of Israel raised the prospect of military disruption of oil production.

Banks and other financial stocks can be tricky. In serious recessions, they suffer as borrowers default. At other times, they are sensitive to the shape of the yield curve, or how much higher or lower long-dated bond yields are compared with overnight rates.

Usually the inverted curves that are bad for banks are a harbinger of recession. But investors are betting this time is different, and the past two years of inverted curves don't signal trouble.

Strip out energy, financials and tech and equal-weight each sector, and cycicals have indeed been on a tear, beating

defensives by about 6% over the past four weeks, the most in such a short period since the bubble of early 2021. That fits with the economic data coming in stronger and the Fed cutting rates into a decent economy.

Yet, so much fiddling with the figures makes me queasy. The simple market-value weighted indexes of cycicals and defensives show a much smaller rise, nowhere near as big as the tech-fueled leap of the summer—but that was obviously about AI much more than the economy.

Goldman Sachs tries to measure cyclical performance by looking at each stock's sensitivity to its estimate of economic growth, ignoring sectors. Again, cycicals performed strongly in the summer, as AI pushed up tech. There's no perfect gauge.

Investors who want to take a defensive stance can buy consumer staples or cut back on stocks in favor of Treasuries. Bulls can delve below sectors to buy sellers of true discretionary products such as travel and tourism, gambling or luxury goods. But the crosscurrents from tech and war make it foolish to rely on sectors to follow their traditional cyclical and defensive patterns in coming months.

**Utilities have become an AI play thanks to a surge in demand for power.**



Magnificent Seven stocks like Apple now dominate sectors such as consumer discretionary and communication services.

BRITTANY PETERSON/ASSOCIATED PRESS

## BUSINESS & FINANCE

# 'Joker' Sequel's Sales Disappoint

BY JOE FLINT

The opening weekend of "Joker: Folie à Deux" was nothing to sing about.

The highly anticipated musical sequel to the 2019 hit "Joker" from the Warner Bros. movie studio delivered just \$40 million at the domestic box office in its opening weekend. That performance fell short of already modest industry projections that it would gross between \$50 million and \$60 million.

Its box-office sales are a far cry from the original's nearly \$100 million opening. The first installment went on to gross more than \$1 billion globally.

With a production budget in the \$200 million range—more than three times what the original cost—"Joker: Folie à Deux" is looking like a critical and financial disappointment for **Warner Bros. Discovery**. That budget doesn't include the tens of millions spent on marketing.

"The movie didn't land with audiences the way we wanted it to," said Jeff Goldstein, Warner Bros.'s president of domestic distribution.

A slump at the studio is yet another challenge for Warner Bros. Discovery, whose stock has been hammered in recent months due in part to a write-down on the value of its cable



WARNER BROS./EVERETT COLLECTION

The highly anticipated movie starring Lady Gaga and Joaquin Phoenix cost about \$200 million.

### Estimated Box-Office Figures, Through Sunday

Film	Distributor	Sales, in Millions		
		Weekend*	Cumulative	% Change
<b>1. Joker: Folie à Deux</b>	Warner Bros.	\$40.0	\$40.0	—
<b>2. The Wild Robot</b>	Universal	\$18.7	\$64.0	-48
<b>3. Beetlejuice Beetlejuice</b>	Warner Bros.	\$10.3	\$265.5	-36
<b>4. Transformers One</b>	Paramount	\$5.4	\$47.2	-42
<b>5. Speak No Evil</b>	Universal	\$2.8	\$32.6	-34

\*Friday, Saturday and Sunday in North American theaters

Source: Comscore

networks and concerns about its long-term strategy. The company's TNT Network was also unable to retain its NBA rights, a big blow to that channel.

Warner Bros. Motion Picture Group enjoyed success with "Beetlejuice Beetlejuice," the long-awaited sequel to the 1988 hit, but several other recent releases fell flat. The highly anticipated "Furiosa: A Mad Max Saga," and horror movies "The Watchers" and "Trap" all disappointed.

Joaquin Phoenix, who won an Oscar for his performance in the original "Joker" film, is joined in the sequel by Lady Gaga as a groupie-turned-partner-in-crime. The studio

played down the musical element of the movie in its marketing campaigns, though it is a prominent part of the film.

While the first "Joker" touched a chord with male au-

diences, Goldstein said the sequel was a "deeper dive into mental illness" and that some of its core audience struggled to connect with Lady Gaga's character.



The Brunckhorst family started Boar's Head in 1905, delivering meat by horse and buggy in Brooklyn, N.Y.

## Feud Splits Boar's Head Family

*Continued from page B1*

lawyers, as disclosed in a recent lawsuit. Family members "took advantage of the fact that my father died in '73 and took his shares," Eric said in a 2022 deposition. His aim, he said, was to reverse that.

In a court order unsealed in September, a federal judge said Eric was entitled to significantly more shares because he had the right to buy shares of a different deceased relative. Other aspects of the lawsuit continue.

The listeria outbreak that this year killed nearly a dozen people threatens the financial stability of Boar's Head.

Two members of Congress sent a letter in September asking the U.S. Department of Agriculture and Justice Department to determine whether Boar's Head should face criminal charges.

The crisis is changing how the fractious family runs its business. Boar's Head said in September that it had shut the factory that produced the deadly meat and hired a panel of food-safety experts to advise the company.

Family members and their lawyers declined to respond to questions sent by The Wall Street Journal. A Boar's Head spokeswoman said the company has sympathy for the families affected by the outbreak, has appointed a new interim food-safety officer and is "working hard on steps to ensure that consumers can continue to trust the Boar's Head brand."

### A Brooklyn story

Frank Brunckhorst and his wife Alvina Pape started

Boar's Head in 1905 in Brooklyn, N.Y.

After Frank died in 1931, son Frank Brunckhorst Jr. and his daughter's husband, Bruno Bischoff, took over the company. They expanded into production, selling their own branded meats.

Over decades, the partners built a pork-processing business along with a distribution network, buying up smaller companies, processing plants and real estate.

By the late 1960s and 1970s, those partners had died. The next generation of family leaders stepped up and their children began entering the business.

Eric Bischoff started at Boar's Head in a manufacturing job in 1974, according to court documents. His father had died a year earlier.

"Eric began working as a full-time employee of Boar's Head with the promise and expectation that he would receive the same 25% of family-owned Boar's Head shares that his father had held," according to a 2021 lawsuit.

Eric had little contact with the Brunckhorst side of the family growing up, in part because his father had a contentious relationship with some of his cousins, a lawyer said during a deposition related to the continuing lawsuits.

Eric's second cousin Frank Brunckhorst was named after the family patriarch. He began working full time at Boar's Head in 1987, starting on the manufacturing side of the business.

He and Eric worked their way up at the company.

Eric moved to Virginia to help refurbish and operate the first Boar's Head manufacturing plant outside of New York—the same Virginia plant linked to this year's listeria outbreak.

Frank traveled to Virginia to see the operation and

stayed in Eric's house, according to court documents.

### 'Not phony bologna'

Boar's Head grew steadily, mostly by expanding distribution to new grocers and adding new product lines such as hummus. To position Boar's Head as a premium brand, the company focused more on marketing.

In its ads, Boar's Head said its products were worth their higher price because they didn't contain soy, cornstarch or artificial colors. "Boar's Head: pure bologna, not phony bologna," was the tagline in a 1980s ad. In 1985, the company started stamping its hams with a Boar's Head logo after it said some butchers were slicing up lesser-quality ham but charging shoppers for Boar's Head.

The company ran a series of TV spots encouraging shoppers to "demand to see the Boar's Head brand."

By the early 2000s, Eric's standing in the company was slipping. Frank's stake had increased in 2000 to around 25%. Eric's cousin Robert Martin, known as Bob, was running the company and gaining increasingly higher stakes. Eric owned less than each of them, according to court documents.

Bob and other family members felt Eric wasn't performing well

## BUSINESS NEWS

# Amazon and Temu Compete to Attract Sellers

Chinese platform chases the delivery services business that fuels Amazon

By SEBASTIAN HERRERA  
AND SHEN LU

Curtis Yang has sold millions of dollars worth of products on **Amazon.com**, but some of his inventory is now listed on rival site Temu.

Temu attracted Yang with low fees, high growth and guaranteed revenue for the furniture accessories and other items he sells. The California-based Yang says Temu could eventually become the world's biggest e-commerce outlet. "I'm playing both sides," he said.

Temu, which is backed by Chinese e-commerce company **PDD Holdings**, is coming after Amazon's consumers and its sellers. Independent merchants are a crucial source of income, paying Amazon almost one-quarter of total revenue for its services.

The battle is changing the way Amazon and Temu do business. The rivals are mimicking each other as they compete for sellers.

Amazon has worked on a new storefront for its site to highlight the kind of low-price items popular on Temu. Temu, which has relied on air-shipping products directly from China, is becoming more like Amazon by building local delivery capabilities. It is bringing on American brands and sellers with inventory stored in the U.S.

More brands will continue to switch to Temu, said Jordan Berke, founder of retail consulting firm Tomorrow. "Sellers will jump at the chance to be able to diversify," he said.

Temu has become the second-most-visited shopping site in the world behind Amazon, and it is one of the more popular in the U.S., according to web analytics firm SimilarWeb. Its share of the U.S. e-com-



STUART PALLEY FOR WSJ

The California warehouse of by Curtis Yang, who sells products on Amazon and Temu.

merce market is expected to triple from 0.7% last year to 2.3% next year, according to research firm Emarketer.

Temu's market share is still tiny compared with that of Amazon, which controls roughly 40% of the U.S. market. Still,

Temu's rise represents one of Amazon's greatest challenges in years.

By targeting sellers, Temu is going after one of Amazon's biggest businesses. Last year,

Amazon made about \$140 billion in revenue from fees for

helping sellers with their logistics, account management and other needs.

That total is more than it made from its Prime

subscriptions or cloud computing units.

Amazon uses the revenue from its seller services

business to fund its vast delivery infrastructure.

## Delivering results

Temu has been increasingly taking on Amazon in America with faster deliveries.

Temu's new focus requires

sellers to store products in U.S.

warehouses and handle delivery.

The company is trying to

entice merchants to its platform by offering dedicated staff

to work with each U.S.-based



\*Includes Sam's Club

said sellers are incredibly important to the company, which provides end-to-end logistics and an array of inventory management and customer-service tools.

Sellers who are trying Temu see it as a way to diversify from Amazon, not to replace it. Merchants said Amazon penalizes them if they list products on competing websites at lower prices. To avoid detection, some businesses list on Temu using different names.

"We have our brand names hidden," said Hsin Cheu, assistant retail director at Kasentex, a bedding company. "We don't want the information to hurt us."

## A new platform

Brandon Fuhrmann plans to list kitchen products on Temu, in addition to Amazon. Temu's high growth and low fees are too attractive to resist, he said. "Sellers are going to go where there is volume," he said. "People view Temu as getting on the ground floor."

The Amazon spokeswoman said its sellers set their own prices. They are free to offer lower prices elsewhere, though doing so can affect their prominence on its site.

Temu's home page now promotes products from local warehouses, such as shelves and vacuum cleaners, that consumers can get within four days instead of waiting for the five to 10 days it usually offers.

Sellers say Temu has been splurging on advertising and is trying to scout popular Amazon brands.

Amazon has a mixed relationship with its sellers because it has much control over their profits and selling ability. The company has increased its fees over the years. As the number of merchants on Amazon has swelled into the millions, each individual seller has mattered less to the company, sellers said.

Amazon said its fulfillment services cost an average of 70%

less than other two-day shipping alternatives.

Temu's push to use an increasing number of U.S.-based sellers is happening as the U.S. might make it more complicated and expensive to ship directly to Americans from China.

The Biden administration said in September that it would restrict use of a tax policy called the de minimis rule that has benefited Temu and others. The policy allows packages valued at under \$800 to enter the country without duty or customs screening.

Temu and its bargain competitor, **Shein**, rely heavily on the provision. Amazon sellers also use it for some deliveries. Companies expect the policy changes to undergo a public comment period before any final decisions are made.

A Temu spokesman said its growth doesn't rely on the U.S. tax provision and the company is committed to compliance with standards.

## Amazon's options

Amazon could give sellers more options. It has planned a new storefront for its website dedicated to bargain-priced items like those easily found on Temu. The new storefront would aim to attract consumers who want to save money and are willing to wait longer for products to arrive directly from China.

Amazon has struck deals with **Meta Platforms** and other social-media sites to allow users to shop on Amazon without leaving the social apps. It lowered some seller fees for apparel items.

Amazon and Temu compete in categories such as household goods, electronics, appliances and clothing. These items work well with direct-from-China deliveries, and customers are more willing to wait for them. Amazon is poised to continue its dominance with toiletries, pet food and other essentials because it can deliver them in hours.

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# Europe's Biggest Battery Maker Struggles

Sweden's Northvolt faces technical difficulties and slow demand for EVs

BY YUSUF KHAN  
AND H. CLAIRE BROWN

Europe's great hope for battery independence is fighting for survival after the company said it was cutting 1,600 jobs and curtailing expansion plans.

**Northvolt** was the darling of the European cleantech industry, attracting billions in funding from the world's biggest automakers, banks and governments. Today, as at least one investor questions its relationship with the company, its future seems bleak.

For policy makers in Brussels, the Swedish company's success was seen as key for energy security. Being able to develop a European source of batteries would enable the EU to keep its electric-vehicle ambitions alive without relying on Chinese supplies, as carmakers looked to switch away from traditional combustion engines.

The troubles at Northvolt reflect a worsening market for battery makers in Europe. Slowing demand, high costs and technical difficulties in the



Christopher Gorelczenko, senior director of commissioning, with a Northvolt battery mockup.

face of overwhelming Chinese manufacturing expansion in recent years have meant that producing batteries profitably and at scale has so far proved an insurmountable challenge for Western companies.

Launched in 2015 by former Tesla executives, Northvolt initially opened with a plant in northern Sweden to build state-of-the-art EV batteries

using clean energy. The company attracted billions of dollars in investment, largely through debt. By the start of this year, it had secured some \$15 billion worth of funds.

Automaker **Volkswagen** owns 23% of the company, with Wall Street giant **Goldman Sachs** and carmaker **BMW** also investing in the company. **Volvo Cars** signed a joint ven-

ture with its Swedish compatriot to collaborate on research and cell design as well as production. Northvolt signed deals for future delivery of its batteries with the European carmakers, giving it a future revenue stream against which it could borrow from other creditors.

But today, its fortunes are fading. Technical issues have mired the Arctic project. The

company has managed to produce thousands of batteries, but they haven't been up to automaker standards or met adequate volumes.

BMW pulled \$2 billion of orders from Northvolt after the company was unable to meet an original deadline to deliver its batteries. "Northvolt and the BMW Group have jointly decided to focus Northvolt's activities on the ambition of developing next-generation battery cells," a representative for BMW said. "The BMW Group has a strong continued interest in the establishment of a high-performance circular and sustainable battery cell manufacturer in Europe."

A representative for VW said it is in close contact with Northvolt and is supporting the industrial ramping up of production lines, while Volvo said Northvolt remains part of its strategy for supply-chain diversification. Goldman Sachs didn't provide comment.

Recently, Northvolt said it will cut 1,600 jobs in Sweden and it is abandoning efforts to double the size of its plant in Skellefteå, in northern Sweden. Last month, the company outlined a strategic review and said it was seeking a partner to produce batteries in Poland, and was also putting its lith-

ium refinery plans on ice.

"This narrative is bigger than Northvolt. Asian manufacturers generally and Chinese manufacturers specifically are in the lead, very clearly," said Jeffrey Chamberlain, chief executive of cleantech venture-capital company Volta Energy Technologies.

A recent report from BloombergNEF showed the market is oversupplied in terms of manufacturing capacity. By 2025, BNEF estimates there will be 7.9 terawatt hours of global capacity, compared with a projected demand of 1.6 TWh.

The idea that a startup can catch up and manufacture cells of equal or better quality at volume might have been viable 10 to 15 years ago, but it is increasingly becoming incredibly challenging," Chamberlain said.

Northvolt's fate echoes that of others within the battery industry. Last year, Britishvolt, a battery production startup, collapsed due to technical issues and a lack of funding.

"It feels like recent history repeating," said Ben Kilbey, former chief communications officer at Britishvolt and founder of Bold Voodoo, a communications agency.

—Stephen Wilmot contributed to this article.

## BUSINESS NEWS

### Starboard Takes Big Pfizer Stake

Continued from page B1

It is also staring down lower-priced competition for some of its big-selling products such as blood thinner Eliquis and arthritis treatment Xeljanz in the coming years.

Making matters worse, the

company's first attempt at a closely watched weight-loss pill also disappointed while competitors like Eli Lilly and Novo Nordisk found greater success. Pfizer is now advancing a version of the obesity drug as a once-daily pill.

Pfizer has been betting much of its future on cancer drugs, wagering they can ring up billions of dollars in new sales.

It agreed to spend \$43 billion last year to buy biotech Seagen and its pioneering class of targeted cancer drugs. Pfizer has said it expects Sea-

gen drugs, known as antibody-drug conjugates or ADCs, to generate \$10 billion in annual sales by 2030.

The company also struck many other smaller deals with its pandemic cash pile, including buying Arena Pharmaceuticals for \$6.7 billion and acquiring the portion of Biohaven Pharmaceutical Holding that it didn't already own for about \$11.6 billion. It also paid \$5.4 billion for Global Blood Therapeutics and recently said it would pull all lots of an approved sickle-cell drug, Oxbryta, that

it received in the deal.

Some analysts have criticized the company for lacking discipline in its approach to mergers and acquisitions and other aspects of managing the business. Under Read's reign, Pfizer was known for focusing the company on core businesses such as vaccines and cancer.

When Bourla took over, he dramatically increased the company's R&D budget and got rid of the company's off-patent drug business. Pfizer's stock is currently trading below 2019 levels when Bourla became CEO.

At the end of 2023, Pfizer

warned its revenue could fall this year and issued underwhelming 2024 guidance. The company also late last year announced a \$3.5 billion cost-cutting plan to be realized by the end of 2024.

In May, Pfizer said it would launch a new multi-year cost-cutting program. In July, it lifted its outlook for the year, with several acquired products and commercial launches helping to boost the business and offset a decline from Comirnaty, its Covid-19 vaccine.

"We are progressing on all cylinders," Bourla told The Wall Street Journal in July.

Starboard, led by Jeff Smith, invests across sectors but is especially active in technology, including recent efforts at Salesforce and Autodesk. In 2019, Starboard made a push at pharma giant Bristol-Myers Squibb in an attempt to scrap its \$74 billion deal to buy rival Celgene, to no avail. Starboard also won board seats in 2019 at healthcare-technology company Cerner.

—Jared S. Hopkins contributed to this report.



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# JOURNAL REPORT

THE WALL STREET JOURNAL.

INVESTING MONTHLY

Monday, October 7, 2024 | B7

BY LAWRENCE STRAUSS

**T**HE PAST five years have been a roller coaster for bond investors. First, interest rates were cut to near zero during the early days of the pandemic—only to then rapidly rise above 5% to combat the highest inflation in a generation.

Now, with inflation waning and the U.S. central bank starting to cut interest rates to shore up a halting economy, fixed-income experts say it is a good time for investors to reassess their bond portfolios. As interest rates fall, bond prices increase, and vice versa.

"It's so easy to sit in cash and money-market funds when they yield 5%, but that's going away," says Gene Tannuzzo, global head of fixed income at Columbia Threadneedle Investments. "Investors should think not just about bonds from an income standpoint, but as a diversifier and as an important portfolio ingredient."

Some investors, however, are probably still skittish from the bond market's poor performance in 2022 when the Federal Reserve began its aggressive rate increases. The S&P 500 notched a return of minus 18% that year, and bonds failed to hedge portfolios against stock losses as they typically do, with the Bloomberg U.S. Aggregate Bond Index returning minus 13%.

The aggregate bond index, which tracks investment-grade issues, has done much better since then—up about 4.5% so far this year after notching a 5.5% positive return in 2023.

So, which bonds should investors be looking at now? Here are four to consider:

## Treasurys

Treasury yields moved lower—and prices higher—in the months ahead of the Fed's rate-cut announcement on Sept. 18, which brought the benchmark federal-funds rate to a range between 4.75% and 5%.

But, the experts say, there is still room for prices to go higher, since the Fed is expected to continue cutting rates over the coming year. Tannuzzo favors Treasury notes that mature in five or 10 years, because they are most likely to rise in price as interest rates go lower.

He is more cautious about longer-term bonds, notably 30-year



## With Interest Rates Falling, Which Bonds Should You Buy?

Here's what fixed-income experts recommend for Treasurys, corporate bonds, high-yield securities and munis

Treasurys, because he is worried there could be a glut of Treasury-bond supply coming if there is a big tax cut or infrastructure package under the next president. Extra supply could pull down prices, and longer-term bonds are more sensitive to changes in government spending, interest rates and inflation than shorter-term securities.

Thirty-year Treasurys recently yielded 4.267%, some 0.287 percentage point above the benchmark 10-year note's recent yield of 3.980%, after spiking on Friday's robust jobs report.

The Fed's moves notwithstanding, Treasurys also could work as a portfolio hedge against an economic slowdown or global geopolitical tumult. Treasurys are less volatile than stocks and other types of higher-yielding bonds, often serving as a haven when investors seek more stability due to a weakening economy, geopolitical unrest or some other shock

to the markets.

"You could argue that [the 10-year Treasury note] looks cheap," says Priya Misra, a portfolio manager at J.P. Morgan Asset Management. "If we're heading into a recession, the 10-year is going below 3%."

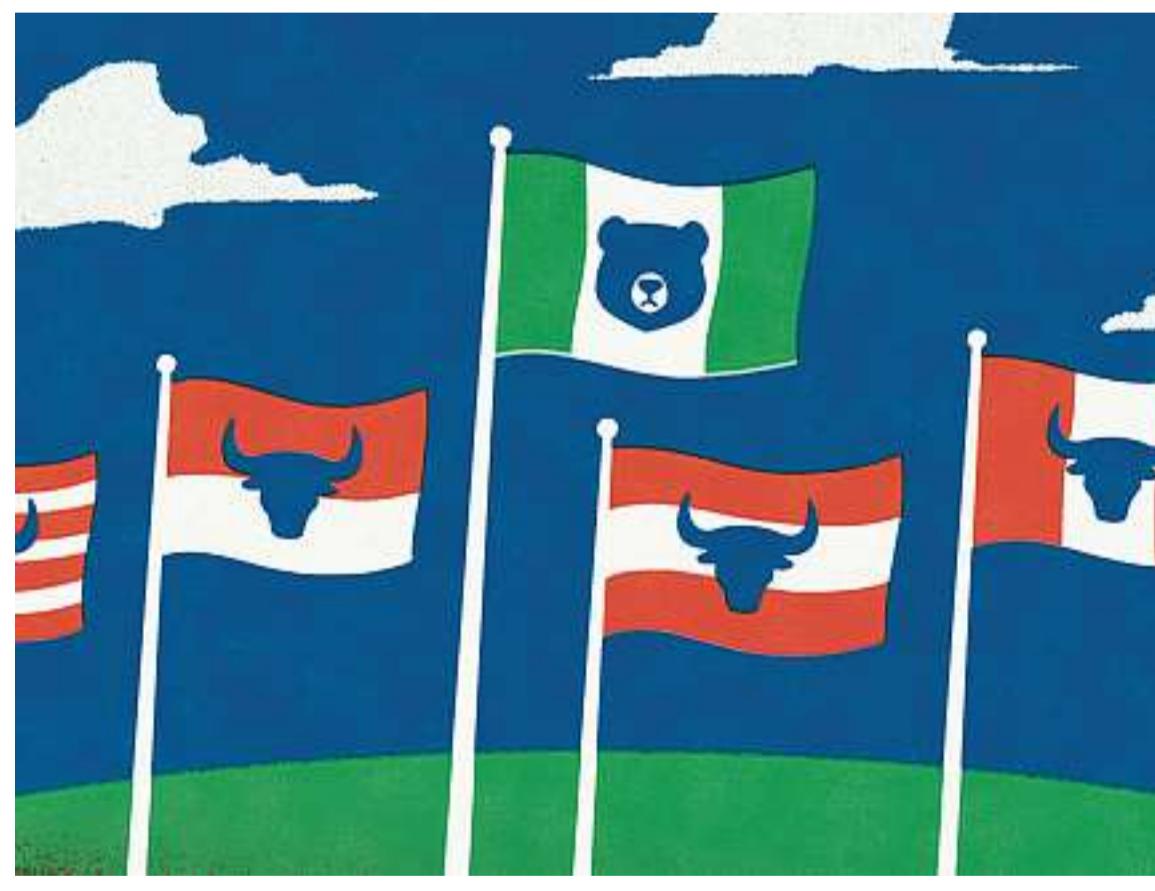
## Corporate bonds

Investment-grade corporate bonds look attractive on a number of fronts: They offer solid

yields and have low default rates that shouldn't spike even amid concerns about a weakening economy, and prices should continue to appreciate as the Fed cuts short-term rates. Market pros favor issues with maturities of three to 10 years as a good place to capitalize on these dynamics.

Anders Persson, chief investment officer and head of global fixed income at Nuveen, likes tri-

Please turn to page B8



## Why Stocks Underperform In High-Growth Countries

BY DEREK HORSTMAYER

**M**ANY INVESTORS likely assume that if a country's economy is growing at a rapid rate, then the companies based in the country must also be delivering high returns.

My research assistants, Nicholas Kline and Yashkaran Sidhu, and I find the opposite is true.

The countries with the highest growth rates in gross domestic product—one of the broadest measures of economic output—are associated with the lowest market returns. In fact, out of the top seven fastest-growing countries over the past 10 years, only

one had a positive annual rate of return in the stock market.

To conduct our analysis, we pulled monthly returns over the past 10 years for all country-specific MSCI exchange-traded funds for 34 countries, including those in Western Europe, parts of Scandinavia, Asia and South America, as well as the U.S., Canada and Mexico. All ETF returns

were denominated in U.S. dollars to make the comparison across countries accurate.

Next, we pulled the real growth rate on a quarterly basis for each of the countries. The real GDP number, which adjusts for inflation, captures the change in country growth net of any devaluation in their currency. Again, this gives us a basis to compare all countries on the same footing.

## The findings

The first interesting finding is that when we look at the 10-year average annual return for each country, the countries with the highest GDP growth have the lowest stock-market returns. For instance, the top quartile of countries in terms of GDP growth experienced an average annualized return of just 0.10% over the past 10 years. The bottom quartile of countries in terms of GDP growth experienced an average annualized return of 3.42% over the past 10 years.

In fact, just one of the top seven countries had positive average returns in their stock indexes over the past 10 years. China, the Philippines, Vietnam, Turkey, Indonesia and Malaysia all averaged negative returns while India was the single high-growth country to deliver positive returns.

A second interesting finding is that the high-growth countries come with increased risk as well. The top quartile of high-growth countries averaged an annualized volatility of 24.70% while the bottom quartile of growth countries averaged an annualized volatility of 22.60%.

## Behind the numbers

What could be driving these re-

sults? One reason could be that markets expected these high-growth countries and their companies to grow at even greater rates than they did and because they missed out on matching expectations, their stock markets suffered.

Another reason could be that these high-growth countries are growing at the expense of the private sector. The country is able to export or grow quickly but the companies that are driving the growth have their earnings taxed or expropriated by the local government.

A third possible explanation is that these high-growth countries drove their growth via a weaker currency (either intentionally or not). In other words, a high-growth country drives exports to other countries by having a weak or weakening currency, which can increase GDP but will hurt dollar-denominated returns.

We find evidence of this last theory directly in the data. When we compare the MSCI Emerging Markets index to the Currency Hedged Emerging Markets index (which removes the effect of the weakening local currency from the returns) we can see that currency does have an important impact on the results.

All in all, if you are a U.S.-based investor who cares about dollar-denominated returns, then it may be best to avoid the high-growth, emerging-market countries out there. Or if you are going to include these ETFs in your portfolio, you better figure out a way to protect yourself against the potential devaluing of emerging-market currencies.

Derek Horstmayer is a professor of finance at Costello College of Business, George Mason University, in Fairfax, Va. He can be reached at [reports@wsj.com](mailto:reports@wsj.com).

## JOURNAL REPORT | INVESTING MONTHLY



## Why More Investors Are Putting Money in State-Specific Muni ETFs

These exchange-traded funds could be especially attractive if tax cuts aren't extended at the end of '25

BY BAILEY McCANN

**A**GAINST A backdrop of falling interest rates and tax uncertainty with 2017's tax law set to expire next year, individual investors are turning to state-specific muni ETFs.

ETFs offer investors lower taxes than mutual funds or individual munis because they rebalance and reinvest with the goal of keeping taxable events at a

minimum. ETFs also allow investors to get started in municipal bonds at a low cost and exit relatively easily if they wish. Mutual funds, by contrast, tend to have higher minimum investments and trade only once a day.

"We are seeing a significant shift in preference among investors," says Alex Petrone, director of fixed income for Rockefeller Asset Management, which issues state-specific muni ETFs.

### State-specific ETFs

ETFs' tax efficiency and invest-

ment flexibility could come in handy if certain provisions of 2017's Tax Cuts and Jobs Act expire at the end of 2025, as is currently set.

Historically, tax-exempt municipal bonds become more popular if personal income taxes increase. If the current tax cuts fully expire at the end of 2025 and personal income-tax rates revert to pre-2017 levels, taxes will increase across all tax brackets. Interest payments from tax-exempt municipal bonds are tax-free at the federal level, which can help offset increases in income tax.

What's more, the fate of the \$10,000 cap on state and local tax deductions—the so-called

SALT deduction—could stoke more demand for state-specific muni ETFs. Democrats have indicated they will let the cap expire if it can be offset by increases in other tax revenue. The Republican position is less clear; former President Donald Trump said recently he is open to eliminating the cap, marking a shift from his previous position to keep it. Congressional Republicans have supported keeping the cap in place in the past as well.

If the SALT cap is retained or lowered, muni pros say that could make in-state bond investments more attractive over the long term as interest payments from in-state bonds are generally tax-exempt if the investor is lo-

cal. The cap is already giving a boost to these bonds, but they could look better on a relative basis if personal income-tax rates rise but the SALT cap is retained.

While passive state-specific muni ETFs have been around since at least 2007, issuers have been launching more of them thanks to increased investor interest. Since 2023, at least eight new funds have launched, bringing in more than \$500 million in investments.

So far these funds focus on California and New York, which along with Texas, are the largest issuers of municipal bonds, accounting for about 40% of total issuance.

These funds are actively managed, which tends to make them more expensive than passive funds. They have expense ratios ranging from 0.35% to 0.55% compared with 0.05% to 0.10% for passive funds.

### Timeline matters

Investing in state-specific ETFs may also be one way to diversify a municipal-bond portfolio. These ETFs have bonds that when considered together are of intermediate time to maturity—about 10 years. Longer-term bonds have different risk profiles than short-term bonds. If interest rates continue to go down and bond prices rise, investing in bonds with a longer time to maturity means that investors could lock in the higher prices for longer if they start to adjust their portfolios now.

Matthew Hage, municipal-bonds portfolio manager at investment manager MacKay Shields, says that as interest rates rose in recent years, both taxable and tax-exempt bonds had higher yields with shorter maturities because they were trading at a higher price. Now that interest rates are falling again, it may be time for investors to change how they invest in bonds. Hage says if investors are willing to invest in longer-term bonds, those bonds will have higher yields, which means higher income.

"The reinvestment window sneaks up on you pretty quickly if you are reaching it every three to six months with short-dated maturities," he says. "There is an opportunity now to lock in higher yields for a longer duration and protect against downside risk."

*Bailey McCann is a writer in New York. She can be reached at reports@wsj.com.*

ROBERT NEUBECKER

## Which Bonds Should You Buy as Rates Start to Fall?

*Continued from page B7* ple-B corporate credits, at the lower end of the investment-grade ladder. He says many companies in that category can withstand an economic downturn. Only two investment-grade companies defaulted last year, according to S&P Global, and there have been none so far in 2024.

"Companies have been preparing for an economic slowdown," Persson says, adding that he isn't expecting a big uptick in defaults. "So going down to that triple-B part of investment-grade space makes sense at this point."

David Rogal, a portfolio manager in the fundamental fixed-income group at BlackRock, agrees that the corporate sector is in good shape, though he figures that "a lot of good news is in the price" of those bonds. In other words, they look expensive to him.

As of Sept. 23, for example, triple-B bonds traded at about 1.1 percentage points above Treasurys, down from 1.41 a year ago, according to Nuveen. So investors aren't getting as much extra yield as they did 12 months ago for the risk of holding corporate bonds.

Still, Rogal says, "the fundamentals in investment-grade [bonds] are very strong."

### High-yield bonds

Market pros also say there are opportunities in high-yield, or junk, bonds issued by companies with non-investment-grade credit ratings. They have performed

well recently, with the ICE BofA US High Yield Index climbing nearly 8% this year through Sept. 20 after a 13% gain last year.

This part of the market also seems resilient. S&P Global is projecting a trailing 12-month junk-bond default rate of 3.75% in June of 2025, down from an actual rate of 4.6% in June, citing solid corporate earnings and consumer spending, among other reasons.

J.P. Morgan's Misra says she believes the high-yield market is bifurcated in terms of opportunities. She prefers higher-rated double-B or single-B bonds—not distressed bonds with even lower ratings. There are plenty of companies with strong earnings and balance sheets that could get upgraded to investment grade, she says.

Nuveen's Persson has a similar view, preferring higher-rated junk bonds. He doesn't see as many opportunities in lower-rated high-yield bonds such as

triple-C's, which "are going to be more exposed as the economy slows down." Given that the corporate credit fundamentals are holding up, we're comfortable playing double-B's and the better quality single-B's" in high yield, he says.

One strategy he likes involves cutting some exposure to floating-rate bonds, which reset regularly based on prevailing interest rates, and moving to higher-quality high-yield issues. Holders of floating-rate bonds face reinvestment risk in a falling rate environment, specifically lower yields.

### Municipals

Although it is hard to predict the impact of the presidential election's winner on different parts of the bond market, munis stand to benefit under certain scenarios.

Dan Close, head of municipals at Nuveen, offers an example of the top marginal federal tax rate going to 39.6% from 37% currently if the former President Donald Trump's Tax Cut and Jobs Act is allowed to expire at the end of 2025.

Given that municipal-bond interest is exempt from federal taxes, Close says that "for any individual who is paying taxes, the exemption is worth more" if marginal tax rates increase.

He uses an example of a muni yielding 5%, which has a tax-equivalent yield of 7.9% under the 37% marginal rate. If the tax reverts to 39.6%, the tax-equivalent yield would be even higher at around 8.25%.

"That higher tax bracket makes the muni exemption that much more worthwhile," says Close.

Close sees better opportunities in longer-term munis, where "you're getting paid to take that risk," he says.

The benchmark for a 14-year

muni bond with a triple-A rating yields 2.85%, compared with 2.3% for a two-year triple-A issue, according to FactSet.

*Lawrence Strauss is a writer in Millburn, N.J. He can be reached at reports@wsj.com.*

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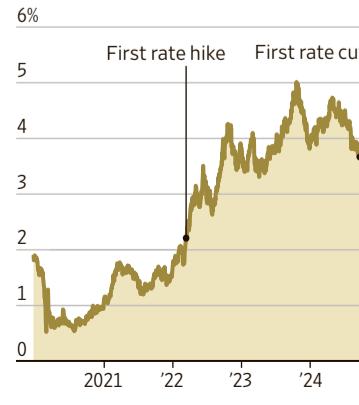
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### Bond Issues

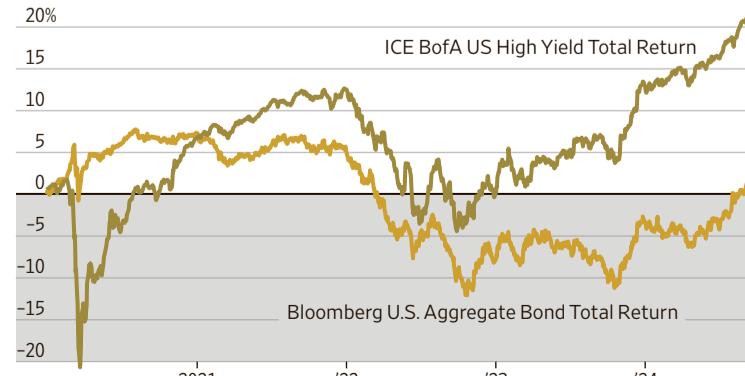
Fixed income has had a bumpy few years as rates were cut to near zero at the beginning of the pandemic and then raised quickly to battle generational inflation.

### 10-year U.S. Treasury yield since January 2020



Sources: Tradeweb FTSE Closes (Treasuries); FactSet (index performance)

### Index performance since January 2020



FROM TOP: PAUL BLOW; GIACOME BAGNARA

## 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. **Mo** yield is computed by dividing income dividends paid during the month by the average price for the month-end or during the previous 52 weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions. Depending on the fund category, either 12-month yield or total return is listed.

Source: LSEG

Friday, October 4, 2024

52 wk

Fund (SYM) NAV Close/Disc Yld

General Equity Funds

Adams Diversified Inv Inc **ADX** 24.27 21.45 -11.6 40.6Central Secs **CET** 56.29 35.81 -18.6 34.2CohenStrdAdvInvcInv **EVT** NA 24.65 NA 28.3Gabelli & Inc Inv Tr **GDV** 28.36 24.37 -14.1 33.8Gabelli Equity Fund **GAB** 45.46 5.44 -9.0 21.8General Atm **GAM** 16.75 53.20 -15.2 37.4JHancockAdvInv **HTD** 29.43 23.15 -7.3 48.7Liberty All-St Equity **LSE** 10.0 30.0 34.4Liberty All-Star Growth **ASG** 6.02 5.62 -4.6 26.5Royce Mkt-Opt Cap Tr **RMT** 10.78 9.55 -2.6 29.5Royce Mkt-Opt Trust **RVY** 27.35 15.59 -2.6 33.2Source Capital **SOPR** 46.59 44.29 -1.1 41.5Sprout Secs Trust **FUND** 8.97 7.71 -14.0 11.5SRH Total Return **STEW** 15.05 15.71 -23.4 24.6Tri-Continental **TY** 37.42 33.05 -11.7 30.6

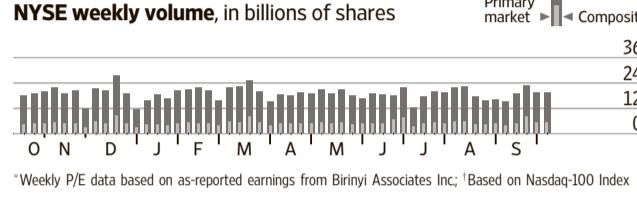
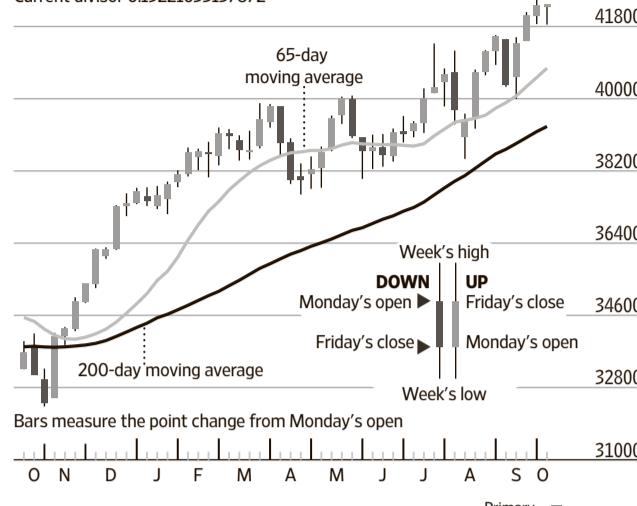
Specialized Equity Funds

abrdn Gbl Pm Prop **AWP** 4.36 4.40 +0.9 40.8abrdn Global Inv Inc **ASGI** 20.93 15.04 -1.1 41.5Baird & Co **BCAP** 4.59 4.29 -0.1 41.5

## MARKETS DIGEST

## Dow Jones Industrial Average

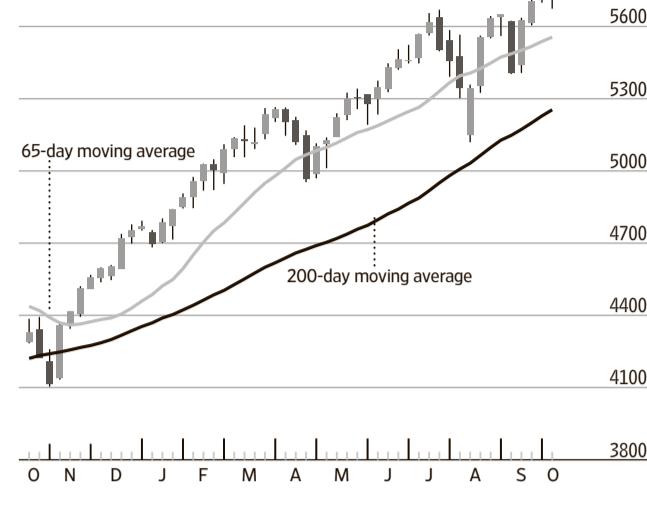
**42352.75** ▲ 39.75, or 0.09% last week  
High, low, open and close for each of the past 52 weeks



\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.; †Based on Nasdaq-100 Index

## S&amp;P 500 Index

**5751.07** ▲ 12.90, or 0.22% last week  
High, low, open and close for each of the past 52 weeks



\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.; †Based on Nasdaq-100 Index

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## New to the Market

## Public Offerings of Stock

## IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings. U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Expected pricing date	Issuer/business	Symbol/primary exchange	Pricing range(\$)	Bookrunner(s)
10/8 1/29	SKK Holdings Ltd Civil Engineering Services	SKK Nq	4.00/5.00	Bancroft Capital
10/9 9/6	KinderCare Learning Companies Child Day Care Services	KLC N	23.00/27.00	GS, MS
10/10 9/16	Moove Lubricants Holdings Petroleum products manufacturer	MOOV N	14.50/17.50	Citigroup Global Markets, Itau BBA USA Securities, BNP Paribas, Santander, Jefferies, MS

## Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Lockup expiration	Issue date	Symbol	Offer price(\$)	Offer amount (\$ mil.)	Through Friday (%)	Lockup provision
Oct. 6	April 10, '24	MNDR	4.00	9.0	-85.5	180
Oct. 7	April 11, '24	PACS	21.00	517.5	83.3	180
Oct. 8	April 12, '24	UL Solutions	28.00	1088.4	81.1	180
Oct. 12	April 16, '24	TWG	4.00	8.0	-58.8	180

Sources: LSEG Data and Analytics; Dow Jones Market Data

## IPO Scorecard

Performance of IPOs, most-recent listed first

Company SYMBOL	IPO date/Offer price	% Chg From Friday's close	Offer price(\$)	1st-day close	Company SYMBOL	IPO date/Offer price	% Chg From Friday's close	Offer price(\$)	1st-day close
Chain Bridge Bancorp CBNA Oct 4/\$2.00	21.20	-3.6	...	...	Legacy True LGCY Sept. 26/\$4.00	4.87	21.8	21.1	
FrontView REIT FVR Oct. 2/\$19.00	19.25	1.3	2.8	Premium Catering PC Sept. 25/\$4.75	4.65	-2.1	25.0		
StandardAero SARO Oct. 2/\$24.00	32.50	35.4	-0.8	Cayson Acquisition CAPNU Sept. 20/\$10.00	10.02	0.2	0.2		
Wellchange True WCT Oct. 2/\$4.00	3.82	-4.5	-7.1	Global Engine True GLE Sept. 20/\$4.00	4.61	15.3	10.3		
HomesToLife HTLM Oct. 1/\$4.00	4.03	0.8	0.2	YHN Acquisition I YHNAU Sept. 18/\$10.00	10.02	0.2	0.2		
ZLK Industrial ZJK Sept. 30/\$5.00	5.00	...	...	Impact BioMedical IBO Sept. 16/\$3.00	1.27	-57.7	-52.6		
BioAge Labs BIOA Sept. 26/\$18.00	21.89	21.6	19.6	Kairos True KAPA Sept. 16/\$4.00	1.33	-66.9	-49.0		
BKV True BKV Sept. 26/\$18.00	18.05	0.3	0.3	Bicara True BCAK Sept. 13/\$18.00	25.16	39.8	7.5		
Guardian Pharmacy True GRDN Sept. 26/\$14.00	17.36	24.0	8.5	MBX Biosciences MBX Sept. 13/\$16.00	23.75	48.4	0.4		
Innovation Beverage IBG Sept. 26/\$4.00	1.95	-51.3	-33.2	Zenias BioPharma ZBIO Sept. 13/\$17.00	18.81	10.6	3.6		

Sources: Dow Jones Market Data; FactSet

## Public and Private Borrowing

## Treasurys

Monday, October 7

Auction of 13 and 26 week bills; announced on October 3; settles on October 10

Wednesday, October 9

Auction of 17 week bill; announced on October 8; settles on October 15

Tuesday, October 8

Auction of 3 year note; announced on October 3; settles on October 15

Thursday, October 10

Auction of 4 and 8 week bills; announced on October 8; settles on October 15

## International Stock Indexes

Sources: FactSet; Dow Jones Market Data

\$ Nasdaq PHLX

Sources: FactSet; Dow Jones Market Data

## Commodities and Currencies

— The Week's Action —

Pct. chg. Point chg. in average\* Company Symbol Close \$1,000 Invested (year-end '23)

DJ Commodity	1034.33	21.99	2.17	7.99
FTSE/CC CRB Index	291.65	5.70	2.00	10.54
Crude oil, \$ per barrel	74.38	6.20	9.09	3.81
Natural gas, \$/MMBtu	2,854	-0.048	-1.65	13.52
Gold, \$ per troy oz.	2,645.80	1.50	0.06	28.29
U.S. Dollar Index	102.49	2.11	2.10	1.09
WSJ Dollar Index	97.23	1.92	2.01	1.45
Euro, per dollar	0.9110	0.0154	1.72	0.56
Yen, per dollar	148.72	6.58	4.63	5.45
U.K. pound, in dollars	1.31	-0.0257	-1.92	3.06
— 52-Week —				
Low Close(●) High %Chg				
DJ US TSM	56900	56600	56300	56000
▲ 108.03, or 0.19% last week				

Sources: Dow Jones Market Data; FactSet

— The Week's Action —

Pct. chg. Point chg. in average\* Company Symbol Close \$1,000 Invested (year-end '23)

UnitedHealth Group UNH	591.20			1,136
Caterpillar CAT	397.09			1,360
Walmart WMT	80.94			1,555
Visa V	277.93			1,074
Dow DOW	55.34			1,048
JPMorgan Chase JPM	211.22			1,271
Travelers TRV	236.21			1,257
McDonald's MCD	303.76			1,043
Apple AAPL	226.80			1,182
Cisco CSC	52.75			1,078
Goldman Sachs GS	495.16			1,308
Johnson & Johnson JNJ	160.29			1,047
Amazon.com AMZN	186.51			1,228
Boeing BA	155.00			595
Walt Disney DIS	95.15			1,059
Amgen AMGN	319.66			1,134
3M MMM	135.27			1,523
Verizon VZ	44.18			1,231
Honeywell HON	203.78			987
Coca-Cola KO	70.17			1,218
Procter & Gamble PG	168.88			1,174
Microsoft MSFT	416.06			1,112
Merck MRK	109.77			1,026
Intel INTC	22.59			456
Nike NKE	82.25			767

\*Based on Composite price. DJIA is calculated on primary-market price.

Source: Dow Jones Market Data; FactSet.

Source: FactSet; Dow Jones Market Data

Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year

5-year adjustable-rate mortgage (ARM) 7.00%

5-year Treasury note yield 5.00%

Interest rate Yield/Rate (%) Last (●) Weekago 52-Week Range (%) 3-yr chg (pct. pts)

## FINANCE &amp; MARKETS

# Shipping Stocks Fall as Port Strike Ends

Deal with U.S. dockworkers ends expectations of higher freight rates

By DEAN SEAL

Container-shipping stocks fell Friday after U.S. dockworkers agreed to return to work with a beefed-up contract offer, nixing for now the prospects of higher freight rates.

Shares of **ZIM Integrated Shipping Services** fell nearly 13% to \$18.95, American depository receipts of Germany's **Hapag-Lloyd** slid 15% to \$77.63 and ADRs of Denmark's **A.P. Moller-Maersk** retreated 5.3% to \$7.19, echoing declines in European mar-

kets. ADRs of China's **Cosco Shipping** were down 9.3% to \$7.70.

All four stocks had posted sharp and steady gains over the past month as negotiations between the International Longshoremen's Association and port operators broke down, resulting in a strike last week that closed container ports along the East Coast and Gulf Coast.

Investors had expected the strike to increase demand for space on containerships and raise freight rates, boosting the ship operators' earnings.

The walkout ultimately lasted only three days, shorter than many observers had expected, after port employers reportedly offered a 62% increase in wages over six years, up from a prior

proposal for a 50% raise.

The union and port operators said the tentative agreement would extend the prior contract, which expired at the start of last week, through Jan. 15, 2025, while the two sides negotiate on other issues, including automation on the docks.

Stifel analysts said late Thursday that they had expected the strike to last about two weeks, given how far apart the port workers and operators were on many issues, and the White House's message that it wouldn't intervene to get the ports back open.

The Biden administration privately and publicly pressed the large shipping lines and cargo terminal operators to make a new offer, according to The Wall Street Journal.



SPENCER PLATT/GETTY IMAGES

Stifel analysts said they expected the strike to last about two weeks.

## Big Four, Others Stay In China

*Continued from page B1*  
other fees to the global firms, and share technology, branding and intellectual property.

Many of the firms have taken on extensive work for government agencies and state-controlled companies in China, signing thousands of contracts since 2017, according to a review of bidding documents, company news releases and other records. At least 100 of the contracts are with units or affiliates of companies that have been sanctioned by the U.S., the Journal's review found. Dozens are with companies designated by the U.S. as Chinese military companies.

The type of sanctions at issue prohibit Americans from investing in sanctioned Chinese companies, but don't affect consulting work.

Representatives of the Big Four firms declined to answer

questions about specific contracts, citing client confidentiality. BCG said it "has robust risk and compliance systems to ensure our work meets the laws of all countries in which we operate," and said the firm's local team interpreted the guidelines that required endorsing party principles as necessary to comply with local laws.

PwC China said all of its work "is carried out in accordance with all applicable laws and regulations." EY's, KPMG's and Deloitte's China units, and regulators under China's State Council who oversee the country's state-owned enterprises didn't respond to requests to comment.

The narrow nature of the U.S. sanctions underscores why Washington has tried to manage strategic competition between the two countries through a messaging campaign, taking only small steps against Chinese companies of greatest concern, national security experts said. The Biden administration in September proposed banning Chinese hardware and software from cars on U.S. roads.

For some, the tensions over working with Chinese state

companies have driven a reorientation of China strategy. McKinsey, which came under scrutiny for hosting a retreat in Xinjiang and running a think tank in China that advised the government on national planning, refocused its work in China toward multinational firms and private-sector companies there, a spokesman for the firm said.

After the earlier criticism, the firm defended its work but reduced such engagements and assigned several executives, including one who once ran its China practice, to assess projects for geopolitical risks, according to people familiar with the matter. "We follow the most rigorous and comprehensive client service policy in our industry," the McKinsey spokesman said.

The Big Four still impose standards for the work their units take on, said Mark O'Connor, chief executive of Monadnock Research, which tracks the consulting industry. "If they felt as though their affiliate in China was doing things that weren't consistent with its way of doing business, they could easily jettison their affiliate," he said.

One contract signed by Ernst & Young involved streamlining administrative processes for a regional office in Yunnan province of the United Front, the branch of China's Communist Party responsible for keeping ethnic minority and religious communities in line at home, in addition to less-sensitive activities like promoting cultural events.

In 2022, Deloitte signed a \$1 million contract on a construction project for a unit of China National Offshore Oil Corp., which was placed under sanctions in 2021 for what U.S. officials describe as its work with the Chinese government to press unfounded territorial claims in the South China Sea.

Even as China tries to reduce its reliance on the West, it needs help navigating barriers erected by Washington and other Western capitals so it can maintain its connections with overseas markets, said Dexter Roberts, a director of China Affairs at the Mansfield Center, University of Montana. "In some ways Chinese authorities and companies need foreign consultants even more today," he said.

## THE TICKER |

### MARKET EVENTS COMING THIS WEEK

#### Monday

Consumer Credit	July, previous	up \$25.5 bil.	Initial jobless claims
	Purch., previous	up 1.0%	Previous 225,000
	Refinan., prev.	down 3.0%	Expected 230,000

#### Tuesday

Int'l trade deficit in billions	July, previous	\$78.79 bil.	Earnings expected
	Aug., expected	\$70.80 bil.	Estimate/Year Ago

#### Wednesday

Short-selling reports	Ratio, days of trading volume of current position, at Sep 13	Earnings expected
NYSE	4.4	Estimate/Year Ago
Nasdaq	2.7	Helen of Troy 1.04/1.74

#### Thursday

Consumer price index	All items, Aug.	up 2.5%	U.Mich. consumer index
PepsiCo	2.29/2.25	Sept., expected up 2.3%	Sept., final 70.1
		Core, Aug.	Oct., prelim 70.3

#### Friday

Producer price index	All items, Aug.	up 0.2%	Earnings expected
	Sept., expected	up 0.1%	Estimate/Year Ago
	Core, Aug.	up 0.3%	Delta Air Lines 1.54/2.03
	Sept., expected	up 0.2%	Domino's Pizza 3.63/4.18

\* FactSet Estimates earnings-per-share estimates don't include extraordinary items (Losses in parentheses) ▲ Adjusted for stock split

Note: Forecasts are from Dow Jones weekly survey of economists

## #Dadication

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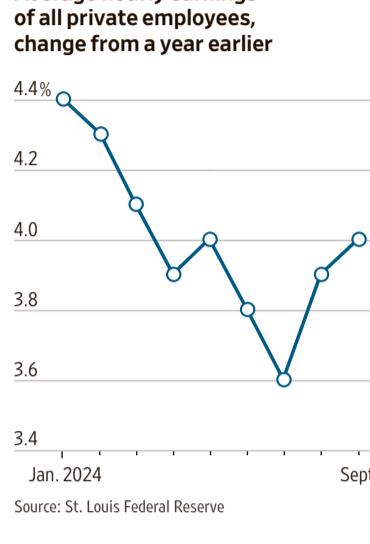
fatherhood.gov

# HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

## U.S.'s 'Goldilocks' Moment Is at Risk

Markets seem pleased with a strong jobs reading, but there are dangers to the economy's just-right level



Investors were breathing two big sighs of relief on Friday. Thursday evening brought news that a port workers strike from Maine to Texas, which threatened to paralyze the economy, would end after just a few days. Then came Friday's ebullient jobs report.

The U.S. economy added 254,000 jobs in September, well above estimates for 150,000. Job totals for July and August were revised up. The three-month moving average of job gains, a helpful gauge to smooth out monthly volatility, stood at 186,000 in September, up from 140,000 in August.

That looks close to a "Goldilocks" report—warm enough to reassure investors that the U.S. economy is chugging along, but not so

hot that it dissuades the Federal Reserve from continuing to cut rates at a gradual pace. Futures markets are pricing in a 99% chance of a quarter-point rate cut at the Fed's next meeting in November, according to the CME Group's FedWatch tool.

But investors should remember that even Goldilocks didn't have long to enjoy her porridge before the bears showed up.

The most obvious thing that could go wrong is geopolitics. Tensions in the Middle East show no sign of cooling and could soon explode. A strike on Iran's oil facilities, or Iranian retaliation in vital energy shipping lanes, could spike oil prices and herald a return of inflation pressures.

Or inflation fears could creep back up through more ordinary means if jobs numbers keep surprising on the upside. Average hourly earnings in September rose 4% from a year earlier, up from 3.9% in August and the strongest pace since May.

Should those trends continue, they would make expectations for a long series of rate cuts look complacent. According to CME Group, expectations now center on a further 1.25 percentage points of cuts between now and the Fed's meeting next June. But TS Lombard economist Steven Blitz said in a note on Friday that the Fed could well stop after two quarter-point cuts this year. "There is an inherent inflation problem given the room for private-

sector employment to recover and slow growth in the labor force," he wrote.

Even the universally expected November cut could come into question if this coming week's inflation reading is hot, warned UBS Global Wealth Management economist Brian Rose. All that is to say nothing of the volatility that could accompany the presidential election, which takes place just days before the Fed's November meeting.

Investors should never overreact to a single month's jobs report. The most likely scenario for the economy is still a soft landing, aided by a gradually easing Fed. But investors shouldn't unbutton their seat belts just yet.

—Aaron Back

## Microsoft's AI Story Gets Complicated

Big tech companies' AI champ is looking a little battered these days.

**Microsoft** was an early mover on generative artificial intelligence, and investors benefited handsomely. The software company's stock surged nearly 57% last year in its best annual performance since 1999, according to FactSet data. But the cold splash of reality that AI stocks received over the past few months was particularly chilling for the company that helped introduce the world to ChatGPT. Microsoft's year-to-date performance of less than 11% lags behind all other megacap techs and the S&P 500. It is the only one in that crew to trail the Dow Jones Industrial Average for the year.

There is a mix of reasons. Microsoft's business is indeed booming. Revenue of \$245.1 billion for the fiscal year that ended in June was up nearly 16% from the previous year and a record, while the company's annual operating margin of 44.6% for the year was its highest since 2001—when the business was about 10% of its current size—according to data from S&P Global Market Intelligence.

But keeping its lead in the AI race is proving expensive—even for a company of Microsoft's vast resources. Big tech companies boosted spending on AI technology across the board, but Microsoft's surge catches the eye. Capital ex-

penses combined with equipment leases totaled \$55.7 billion in the recently ended fiscal year. That is 23% of the company's reported revenue for the year, up from just 14% of revenue over the previous five years.

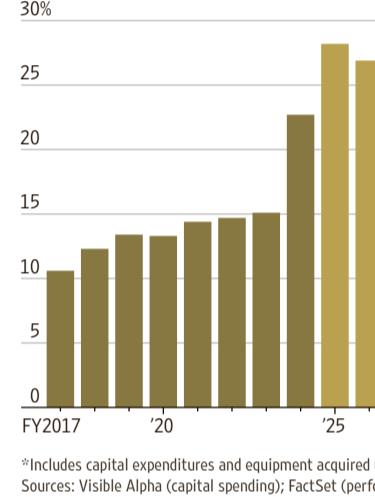
That outlay likely isn't an anomaly. Microsoft Chief Financial Officer Amy Hood said during the company's last earnings call in July that capital spending would increase again this year. Analysts expect total capital spending to represent 28% of Microsoft's revenue this fiscal year and 27% in the next fiscal year, according to estimates from Visible Alpha.

That spending has a cost. Analysts expect Microsoft's free cash flow to rise only 3% this year compared with a 25% jump the previous year. And since a lot of that spending will be going to AI infrastructure—like **Nvidia**'s expensive chips and the liquid cooling systems required for the latest of them—Microsoft will face higher depreciation charges against its earnings.

In an Oct. 3 report, Keith Bachman of BMO Capital Markets said Microsoft's "elevated levels of capex and thus depreciation may limit margin expansion in the near and medium term."

There is the question of what that spending will yield. So far, Microsoft hasn't disclosed specific revenue from generative AI offer-

### Microsoft's capital spending as a percentage of revenue\*



ings such as its Copilot tools, though Hood said in the last call that the 29% year-over-year revenue growth for the company's Azure cloud service in the latest quarter included 8 percentage points from AI services.

Keith Weiss of Morgan Stanley wrote in an Oct. 1 report that "investor patience appears to be wearing thin for GenAI to inflect revenue growth trend-lines more positively in the space."

Recent financial reporting changes by Microsoft might shed a little more light on the matter—or less. The changes, unveiled on Aug. 21, shift revenue around its business segments and will effectively lower revenue for the closely watched Azure cloud business but also boost the reported growth rates there, according to an analysis by Mark Moerdler of Bernstein.

Microsoft says the changes were made to better reflect how the affected businesses are actually managed. But they will also make comparisons with prior periods difficult. "When Microsoft reports [fiscal first-quarter results], it will be difficult to discern what's really happening," John DiFucci of Guggenheim wrote last month.

### Share price and index performance, year to date



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Microsoft has a complicated business model—made up of a mix of cloud contracts, transactional software licensing, game console and device sales and advertising.

"In other words, Microsoft is not an easy business to understand and these periodic changes make that much more difficult," noted Moerdler.

Microsoft's perceived dependence on OpenAI might also be a bit of a liability. Microsoft participated in OpenAI's mammoth funding round that closed last week and previously invested \$13 bil-

lion—making it OpenAI's largest outside stakeholder. But OpenAI is experiencing new turmoil, with several high-profile executives recently departing as the outfit begins a shift toward becoming a for-profit company.

The close partnership with ChatGPT's developer hasn't insulated Microsoft from worries about its competitive position. In a rare downgrade of the stock to a neutral rating, Gil Luria of D.A. Davidson

said that "competition has largely caught up with Microsoft on the AI front, which reduces the justification for the current premium valuation." About 93% of analysts rate the stock as a buy, indicating that Wall Street is still inclined to give the \$3.1 trillion software giant the benefit of the doubt.

Microsoft just has to make sure those doubts don't grow.

—Dan Gallagher

## MARKETS & FINANCE

## Next CEO of Charles Schwab Takes On Its Transition

By HANNAH MIAO

When Rick Wurster arrived at McKinsey as a fresh-faced M.B.A. graduate, he was often quiet during meetings. In a crowded room, he preferred to chat with a colleague in the corner. A mentor noticed his shyness and gave him a suggestion: take an acting class.

He never quite caught the acting bug, but over time, he grew more confident speaking up. On Tuesday, some 20 years later, Wurster was named the next chief executive of **Charles Schwab**.

Wurster will be tasked with steering Schwab through a transition. Troubles with its banking arm led to stalling revenue and profits over the past couple of years.

Founded by Charles "Chuck" R. Schwab roughly 50 years ago, the company is no longer the underdog upstart for amateur investors known for catchy slogans such as "Talk to Chuck." Schwab is the largest publicly traded U.S. brokerage, managing more than \$9 trillion across 43 million customer accounts. Growth is harder to come by at this size.

### Taking the reins

Wurster, 51 years old, has been primed for the top job since becoming president in 2021. Employees and analysts expect Wurster to largely continue the strategy set by long-time CEO Walt Bettinger, who will remain executive co-chair-

man of the board alongside Chuck Schwab. The company laid out plans to adjust how it makes money on customers' cash and to boost its more lucrative services including loans and financial advice.

"He's open, clear, people like him and trust him and will follow his lead," said Chuck Schwab.

Colleagues say Wurster is usually the first one in the office, often arriving around 5 a.m. A numbers guy, he peppers them with questions and wants to understand the minutiae of each part of the company.

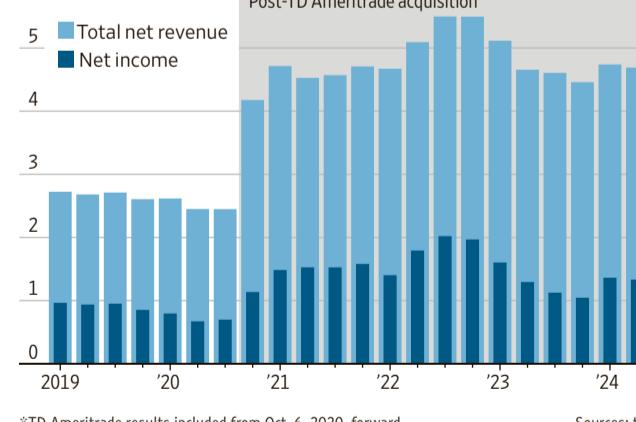
Some say he can come off as impersonal or overly scripted in larger arenas like town halls, but he connects better with people in smaller-group settings. Each year, he travels to more than 60 branches and service centers across the country to sit down with employees and hear customer feedback.

"I don't think I was a natural-born leader," Wurster said. "I've had to be very thoughtful and intentional about it."

Wurster grew up in Acton, Mass., near Boston. His father worked in technology sales and his mother was a homemaker. They often spoke about investing for retirement.

He was captain of the golf team and studied economics at Villanova. He got his M.B.A. from Dartmouth, where he met his wife, Jill, which he said was "the best part of business school."

### Charles Schwab's quarterly financial results\*



### Share-price and index performance



cutting rates, Schwab expects the movement of client cash to stabilize. The company is looking to put more of its investment portfolio into shorter-term assets and potentially unload more of its deposits to third-party banks.

### How to grow

Wurster believes the company can continue to grow if it keeps existing customers happy, which should encourage them to bring more business to Schwab.

"The stock will go up and down, the noise around the business may go up and down, but what's most important is building the long-term value for our clients," Wurster said.

Now living in Texas, where Schwab is based, Wurster tries to make it home for dinner before picking work back up in the evening. Last year, he coached his son's baseball, basketball and flag football teams.

When Neesha Hathi, Schwab's head of wealth and advice solutions, started reporting to Wurster, an assistant scheduled their one-on-one meetings in the morning, when Hathi usually spent time with her sons before school.

Wurster emailed the assistant to move the meetings so Hathi could continue her family routine.

"I didn't even have to ask him," Hathi said. "It's just a lovely thing when someone knows what your values are."

dent included everything from the brokerage's individual-investor business, to services for financial advisers, to banking, to technology. He focused on streamlining the day-to-day experience for customers.

"He was always the kind of person who you could trust to do business with on a handshake," said Salim Ramji, CEO of Vanguard, who worked with Wurster at McKinsey.

Therapy for his second daughter, who was born with disabilities, brought Wurster and his family to the San Francisco Bay Area. The move also led him to Schwab.

In 2016, he was brought on to lead two money managers Schwab had acquired. Soon, he was heading up Schwab's asset and wealth management arm. By 2021, his purview as presi-

dency good for my career."

Under Bettinger, Schwab expanded its bank and cut fees. It eliminated commissions on online stock trades in 2019, a move competitors swiftly followed, and acquired rival