

# THE WALL STREET JOURNAL.

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WEDNESDAY, APRIL 12, 2017 ~ VOL. CCLXIX NO. 84

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## What's News

### Business & Finance

United's CEO apologized for the forcible removal of a passenger from a flight in Chicago, seeking belatedly to quell a world-wide furor over the incident. A1, A2

◆ Five KPMG partners were fired after the firm improperly obtained information about which audits its regulator planned to inspect. B1

◆ Federal investigators are looking into accounting practices at AmTrust, and secretly recorded conversations are part of the probe. B1

◆ Toshiba expressed doubt that it can survive in light of huge losses at its U.S. nuclear subsidiary. B3

◆ Saudi Arabia has told OPEC officials that it wants to extend the group's agreement to cut output. B12

◆ Uber is losing its communications chief in the middle of a public-relations crisis. B1

◆ U.S. stocks and government-bond yields fell. The Dow lost 6.72 to 20651.30. B13

◆ Samsung will delay the launch of the English-language version of the Galaxy S8's "virtual assistant." B2

◆ Fox's O'Reilly announced a preplanned vacation, as controversy swirls concerning sex-harassment claims. B3

◆ Google pushed back against allegations it underpays female employees. B4

◆ Swift said it had released new security standards for its customers. B13

### World-Wide

◆ Russia has been trying to cover up for the suspected Syrian chemical attack last week, senior White House officials said, adding that the U.S. has concluded sarin gas was used in the assault. A1

◆ Spicer issued a rare apology after saying that Assad committed atrocities worse than Hitler's. A4

◆ Trump has signed off on a policy approach to North Korea that involves increased economic and political pressure, while military options remain under consideration longer term. A5

◆ Sessions directed federal prosecutors to pursue harsher charges against undocumented immigrants who commit crimes. A4

◆ The GOP won the first congressional race of the Trump era, keeping control of a Kansas House seat that became surprisingly competitive. A12

◆ The administration plans to lift the federal hiring freeze but will continue its push to downsize the government. A2

◆ Trump, at a gathering of U.S. CEOs, promised "some very pleasant surprises" to come on Nafta. A4

◆ Three explosions hit a soccer team's bus in the German city of Dortmund, seriously injuring one player. A6

◆ A federal panel has backed away from its 2012 recommendation against prostate-cancer screening for men ages 55 to 69. A3

### Journal Report

Squaring off on health care: Advocates on both sides of six major issues make their best case. Pages R1-8

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# U.S. Accuses Russia of Cover-Up

On eve of talks, White House suggests Moscow knew Syria was preparing attack

The officials also questioned whether Russia had a role in the attack and suggested it may have known that its ally Syria was planning to use sarin. In a briefing on Tuesday, they said that while there is no U.S. intelligence consensus on whether Russia had advance knowledge of the attack, it seems implausible that Moscow wouldn't have known, given the close military cooperation between the two countries.

Senior White House officials accused Russia of trying to cover up the suspected Syrian chemical attack last week, adding that the U.S. has concluded the Syrian military used banned sarin gas in the assault.

By Dion Nissenbaum,  
Carol E. Lee  
and Felicia Schwartz

"It's clear that the Russians are trying to cover up the attack," said one of the senior White House officials.

The accusations, leveled shortly after Secretary of State Rex Tillerson arrived in Moscow for high-level talks, were certain to escalate tensions

that already had been heightened after the U.S. struck a Syrian air base last week.

President Donald Trump ordered the strike in response to Bashar al-Assad's suspected deadly chemical weapons attack on April 4, and Mr. Tillerson had ramped up efforts to pry Russia away from its support of the Syrian president.

On Tuesday as Mr. Tillerson was beginning his visit, Mr. Trump took another step

certain to aggravate Moscow, signing a Senate ratification of Montenegro's bid to join the North Atlantic Treaty Organization, a move stringently opposed by the Kremlin. Going further, Mr. Trump was expected to meet at the White House on Wednesday with NATO Secretary General Jens Stoltenberg to discuss sanctions against Russia and Moscow's intervention in Ukraine.

Please see RUSSIA page A5

## North Korea's Parliament Convenes Amid Rising Tensions With U.S.



APPLAUSE: North Korean leader Kim Jong Un, top, holds up the Supreme People's Assembly card as he presides over a meeting of the country's parliament, bottom, in Pyongyang on Tuesday. The U.S. is sending an aircraft carrier to military exercises off the Korean Peninsula. A5

## Syria Attack Exposes Failed Deal

BY NOUR MALAS

ISTANBUL—The suspected sarin gas attack in Syria last week revealed one of the worst-kept secrets in international diplomacy: A 2013 deal brokered by Russia and the U.S. failed to cripple the Assad regime's ability to make or use chemical weapons.

International investigators were already looking into eight incidents involving chemical weapons use just since the start of this year, according to a report by the United Nations Secretary General. Evidence was mounting that Damascus continued to use chemicals—including some it had pledged to give up—in attacks on its citizens, according to Western officials and others involved in the disarmament effort.

But Russia disputed the findings of investigators and experts and blocked any meaningful punishment at the United Nations, and the U.S. and other Western powers declined to go further. In recent months, inspectors and diplo-

Please see SYRIA page A5

◆ Spicer walks back from Assad-Hitler comparison.... A4

## SEC Investigates Large Insurer AmTrust

Shares of fast-growing insurer AmTrust Financial Services Inc. fell to their lowest level since 2013 on news Tuesday that the firm is the focus of a probe led by the Securities and Exchange Commission. B1



# United Chief Apologizes To Passenger After Outcry

BY SUSAN CAREY AND DOUG CAMERON

United Airlines chief Oscar Munoz apologized Tuesday for an altercation in which police forcibly removed a passenger from a flight in Chicago, seeking belatedly to quell a worldwide furor.

The incident sparked outrage on social media, angered millions in United's fast-growing China market and drew condemnation on Capitol Hill.

"The truly horrific event that occurred on this flight has elicited many responses from all of us: outrage, anger, disapp-

ointment," Mr. Munoz wrote to employees of United Continental Holdings Inc. on Tuesday, two days after airport police dragged Dr. David Dao off United Express Flight 3411. "I share all of those sentiments, and one above all: my deepest apologies for what happened."

It was an about-face for Mr. Munoz after an initial response that seemed to defend his employees over Dr. Dao and other passengers on the flight. Three other passengers were also told to leave the flight to make room for off-duty crew members needed at the plane's destination, Louisville, Ky. They

complied without incident.

The stumble comes as Mr. Munoz spent the past year back on the job after a heart transplant working to repair United's often-fractious labor relations after a troubled merger. His focus on improving customer service and cajoling employees to work together had started to bear fruit. Employees were optimistic and shares soared to an all-

Please see UNITED page A2

◆ The Middle Seat: Bumped fliers have few rights..... A2  
◆ Heard on the Street: United has more to worry about.. B14

Like Chaos?  
Try Tesla's  
Parking Lot

\* \* \*  
Scarce employee  
spots make curbs,  
medians fair game

By TIM HIGGINS

Billionaire entrepreneur Elon Musk is reimagining the future of transportation by attempting to build self-driving cars, invent a supersonic railway and launch private citizens into outer space.

What keeps him up at night, though, is the parking lot outside his office window.

"Parking is, like, one of my biggest nightmares—like, where do we park everyone?" said the Tesla Inc. chief executive, on a recent earnings call with analysts who were trying to probe concerns about the electric-car maker's year ahead.

Now she is spending 40 hours a week on a special election in her own backyard,

## ENERGIZED LIBERALS FLOOD INTO LOCAL RACES

Upset over Trump's victory, Democrats focus time and money on House and state contests

By JANET HOOK

ALPHARETTA, Ga.—For years, Rachel Paule didn't have much to do with politics. That changed abruptly after Election Day.

The 23-year-old Georgian attended the women's march in Washington after President Donald Trump's inauguration. She became a local captain for Sister District, a new online group that directs donors to legislative races around the country. She contributed \$15 to a Delaware state senate candidate running in a special election more than 700 miles away.

Now she is spending 40 hours a week on a special election in her own backyard,

campaigning for Democrat Jon Ossoff in his bid for an open House seat in the suburbs north of Atlanta—the seat once held by Newt Gingrich, the former House speaker, and recently vacated by Tom Price, the Republican picked to be Mr. Trump's secretary of the Department of Health and Human Services.

Ms. Paule is one of the new foot soldiers of the Democratic Party—a surging wave of activists who just Tuesday made their presence felt in a special House election in Kansas. Republicans had to make

Please see LOBBY page A12

◆ GOP keeps control of House seat in Kansas..... A12

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## U.S. NEWS

### Trump To Lift Freeze On Hiring

By LOUISE RADNOFSKY  
AND REBECCA BALLHAUS

WASHINGTON—The administration plans to lift the federal hiring freeze that has been in place for the past three months but will continue its push to restructure and downsize the federal government, seen as a central piece of President Donald Trump's pledge to "drain the swamp."

"The government reorg is probably the biggest story nobody is talking about," Mick Mulvaney, director of the Office of Management and Budget, said in a briefing with reporters Tuesday. "We're trying to do something that's never been done."

Mr. Mulvaney said the government would lift the hiring freeze Wednesday. Agencies will be able to hire again but will be required to submit plans for making themselves leaner. Some, such as the Environmental Protection Agency, will do so in the knowledge that Mr. Mulvaney and his former colleagues in the House are eager to restrict their budget.

The departments of Defense and Veterans Affairs could ultimately opt to hire more people, Mr. Mulvaney said, but will still be required to consider eliminating duplicative, nonessential or ineffective activities.



RHONA WISE/AGENCE FRANCE PRESSE/GETTY IMAGES

Drought and population growth are endangering the Colorado River, an environmental group said.

### Report: Colorado River in Peril

By JIM CARLTON

Drought and population growth in the U.S. Southwest have combined to make the lower part of the Colorado River the most endangered stretch of river in America, and Trump administration policies could make the situation worse, a report said.

According to American Rivers, an environmental group in Washington, D.C., policies by the new administration also threaten to imperil nine other waterways that made the group's annual list of the

top 10 most endangered rivers in the U.S.

Among other things, river advocates say, they worry about the effect of President Donald Trump's proposed cuts to the Interior Department budget and his move to review Obama administration rules on clean water that some have complained are too restrictive.

"The rivers Americans depend on for drinking water, jobs, food and quality of life are under attack from the Trump administration's rollbacks and proposed cuts," said Bob Irvin, president of

American Rivers.

Administration officials said they will remain vigilant regarding the nation's rivers.

"The administration is absolutely committed to clean water and clean air and [Interior Secretary Ryan Zinke] has reiterated his commitment that protections will not be loosened," Interior Department spokeswoman Heather Swift said. "We can accomplish clean air and water while still powering America and enjoying recreation on our waterways; the two goals are not mutually exclusive."

They lifted the fed-funds rate to a range between 0.75% and 1% and the primary rate, also known as the discount rate, to 1.5% as part of their effort to nudge borrowing costs gradually higher to keep the economy on track and prevent it from overheating.

In the days leading up to the meeting, boards of directors of nine regional banks—those other than New York, St. Louis and Minneapolis—requested the discount rate increase. The New York Fed

voted March 9 to leave the discount rate unchanged at 1.25%, while St. Louis and Minneapolis indicated no preference on the discount rate before the March 14-15 policy meeting, the minutes showed.

The other three regional banks—New York, St. Louis and Minneapolis—put in requests for a discount-rate increase after the meeting.

At that March 14-15 meeting, Fed officials decided to raise both the central bank's benchmark federal-funds rate and its primary credit rate, the interest rate on short-term loans offered to generally healthy banks through its discount window, by a quarter percentage point.

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voted March 9 to leave the discount rate unchanged at 1.25%, while St. Louis and Minneapolis indicated no preference on the discount rate before the March 14-15 policy meeting, the minutes showed.

When regional bank boards ask for discount-rate increases it can sometimes reflect the bank presidents' views on raising rates generally.

*Boards' requests came ahead of the central bank's most recent policy meeting.*

Minneapolis Fed President Neel Kashkari voted against the Fed's March 15 decision to raise the fed-funds rate. St. Louis Fed President James Bullard had said in early March he saw no justification for a rate increase that month.

However, New York Fed President William Dudley said in late February he saw a "compelling" case for lifting rates.

After the March meeting, the three banks went along with the others and requested the same discount rate increase.

## Getting Bumped? Fliers Have Few Rights, Some Protections

By SCOTT McCARTNEY

Getting bumped from a flight is a huge inconvenience. Fliers have few rights in these situations, but there

are some protections. And there are some things you can do to reduce your risk.

◆ Book a seat assignment. Not having one means you may end up in the nomad category—waiting for a seat to open up.

◆ Check in early. Some airlines will consider check-in time in deciding who gets bumped.

◆ Follow the airline rules. If check-in is required at least 40 minutes before departure, don't be late or you go to the head of the bumping queue, and you won't be eligible for compensation.

◆ If you're traveling with family members, make sure you're all on the same reservation. If not, call the airline ahead of time as ask to "link

the PNRs," or Passenger Name Record, so the passenger records are handled together. Airlines try to avoid bumping families with children.

Airplanes are dictatorships, for safety reasons. Passengers are required by federal law to comply with crew instructions.

If a crew member says you have to get off a plane, federal law says you have to comply.

An airline ticket is really a contract that the airline will transport you from one city to another. You actually haven't

purchased a specific flight or a specific seat; the airline can change all that on you. When the airline bumps you to a different flight, you are entitled to compensation, but only in certain circumstances.

Airlines are required to offer vouchers to volunteers to give up seats. If an airline denies boarding to ticketed passengers, it must put them on the next available flight and cover any hotel costs.

If the airline gets you to your destination within:

◆ One hour of scheduled time, no compensation is required.

◆ Between one and two hours domestically or one and four hours on international flights, the airline owes you 200% of your one-way fare up to \$675.

◆ More than two hours on domestic flights and four hours on international flights, 400% of your one-way fare up to \$1,350.

If the airline has to substitute a smaller plane, compen-

sation isn't required. If bumping is required for weight-and-balance issues on planes with 30 to 60 seats, compensation isn't required. Planes with fewer than 30 seats are exempt from bumping rules.

Still worried about bumping? Avoid regional jets. They have much higher rates of involuntary bumping. Avoid the last flight of the night. People are less likely to give up seats. Buy a premium seat. You make yourself less of a target, and you might enjoy the legroom.

Sunday's flight declined to comment and referred the matter to United, which said its gate agents called police. Union leaders representing employees involved in the incident also declined to comment.

Many outraged United customers asked why the airline forced passengers off the plane rather than raise its incentives until enough customers took their offer.

Delta Air Lines Inc., beset by days of heavy flight cancellations after severe thunderstorms hit the East Coast last week, offered gift cards to entice customers to give up their seats. Some reported offers as high as \$1,350, the maximum mandated by Transportation Department rules.

United says it offered vouchers to volunteers on Flight 3411 up to \$1,000 but found no takers. United hasn't said why it didn't raise the offers.

Mr. Munoz will talk with investors on a conference call next week after United reports first-quarter financial results on Monday. Shareholders will have a chance to question his thinking at the airline's annual shareholders meeting next month.

—Andrew Tangel  
and Scott McCartney  
contributed to this article

## UNITED

Continued from Page One

time high in December.

But this latest public-relations nightmare has thrown a cloud over the airline's efforts.

As video of Dr. Dao's removal went viral, Mr. Munoz on Monday said he regretted the need to "re-accommodate" him and the other passengers.

Hours later in an email to employees, he struck a more defensive tone. "While I deeply regret this situation arose, I also emphatically stand behind all of you," he wrote.

Mr. Munoz "bent over too far to support his employees," said a person close to discussions this week among United executives.

"I think he got bad advice. He probably listened to lawyers too much," this person said.

Some of United's 15 direc-

tors have discussed the airline's handling of the incident among themselves, the person said, and some have offered advice to Mr. Munoz.

Attorneys representing Dr. Dao said Tuesday that he is still being treated at a Chicago hospital. "The family of Dr. Dao wants the world to know that they are very appreciative of the outpouring of prayers, concern and support," said one of the attorneys, Stephen Golman. "Currently, they are focused only on Dr. Dao's medical care and treatment."

Dr. Dao, a doctor and competitive poker player who has practiced in Elizabethtown, Ky., south of Louisville, earned a medical degree in Vietnam in 1974 and was licensed in Kentucky in 1983, according to records from the Kentucky Board of Medical Licensure.

Public anger spread on Tuesday over United's treatment of Dr. Dao. Members of Congress including Rep. Bill Shuster (R., Pa.) and Rep. Peter DeFazio (D., Ore.) asked the Transportation Department to better protect passengers against being bumped from flights. A bipartisan group of four senators—all members of the Senate Commerce Committee—sent a letter Tuesday asking the commissioner of the Chicago Department of Aviation for more information on the incident and the agency's procedures.

The Transportation Department has launched a review of the incident, though this will only relate to United's policy on overbooking and not the treatment of Mr. Dao, according to congressional aides briefed on the matter.

Mr. Munoz pledged a review of United's handling of overbooked flights and its interaction with law enforcement agencies by April 30. "We are going to fix what's broken so this never happens again," he said.

Mr. Dao's rough treatment and what he called Mr. Munoz's tone deaf response threaten to cast a pall over the whole U.S. air industry heading into the critical summer travel season, said Robert Haigh, a director at

### Furor Over Incident Spreads to China

Backlash against United Continental Holdings Inc.'s treatment of a passenger in Chicago spread to China, where social media lit up with criticism of the top U.S. airline operating there.

The incident was the top trending topic Tuesday evening on China's Twitter-like microblogging service, Weibo, drawing more than 160 million views and about 100,000 comments by early Tuesday evening.

China is a profitable and promising market for United thanks to the nation's huge population and stock of cities without direct flights to the U.S.—a niche United has pioneered.

United recently added nonstop routes from San Francisco to internal Chinese cities including Chengdu, Xian and Hangzhou. United also has a

London-based consulting firm Brand Finance.

"It's one thing to show solidarity with your workers, but the attitude they seem to have taken is just absolutely stunning," Mr. Haigh said. "It makes it seem their policy is so draconian."

Investors reacted negatively to United's handling of the crisis. The stock fell more than 4% at one point Tuesday in very heavy trading, and ended down 1.1% at \$70.71 after Mr. Munoz apologized.

"I'm glad the company has made an unequivocal apology," said one investor who owns millions of United shares. "It took too long."

The backlash spread to China, where United is the leading U.S. carrier and has a code-sharing relationship with Air China Ltd., one of the country's biggest airlines. The incident was the top trending topic on China's Twitter-like microblogging service, Weibo. China's huge population makes the country an important growth market for United. The

carrier has pioneered a strategy of connecting large cities in China's interior to the U.S.

Chicago's aviation department suspended an officer involved in Sunday's incident. The unit of Republic Airways Holdings Inc. that operated

United's flight declined to comment and referred the matter to United, which said its gate agents called police. Union leaders representing employees involved in the incident also declined to comment.

Many outraged United customers asked why the airline forced passengers off the plane rather than raise its incentives until enough customers took their offer.

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—Andrew Tangel  
and Scott McCartney  
contributed to this article

## CORRECTIONS & AMPLIFICATIONS

The first round of the French presidential election will be on April 23. Monday's Europe File column about candidate Emmanuel Macron incorrectly said the first round will be held on April 27.

In some editions Tuesday, a photo caption with a U.S. News article about Columbus, Ind., incorrectly referred to a picture of a church that didn't accompany the article.

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## U.S. NEWS

# Cities Lure Companies Back to the Center

Attracting talent gets tougher in suburbs, smaller cities, as young seek out urban areas

BY SHIBANI MAHTANI  
AND ANDREW TANGEL

CHICAGO—The tide of companies moving back to big cities in search of talent and better transportation links is rising, reviving many downtowns at the expense of suburbs and smaller communities.

Chicago's resurgence has been especially sharp. Nearly 90% of the more than 330,000 jobs created in Illinois from 2011 through 2016 were added in the Chicago metro area, the Bureau of Labor Statistics said.

More than 80 companies have moved their headquarters to or expanded in the Chicago area since 2008, including **Archer Daniels Midland Co.**, **Kraft Heinz Co.**, **ConAgra Foods Inc.** and **Motorola Solutions Inc.**, most of them from elsewhere in Illinois. **Caterpillar Inc.** recently announced plans to relocate its headquar-

ters to the Chicago area from its longtime home three hours away in Peoria, Ill., while **McDonald's Corp.** says it will move from suburban Oak Brook, Ill., to the city's downtown area.

These companies have leased 5.7 million square feet of office space, the biggest corporate relocation rental binge in any city in the U.S., according to real-estate firm Jones Lang LaSalle. Chicago's prime office rents rose 20% last year, the highest rate in the nation, according to commercial real-estate brokerage CBRE Group Inc.

"We had to be in a city where we could attract talent," said Diane Pearse, chief executive of food company Hickory Farms LLC, which moved to Chicago last month after 65 years in Toledo, Ohio.

Chicago still has plenty of big-city problems, including a troubled school system and a surge in violent crime.

Homicides were up 58% in 2016, a bigger single-year increase than any major U.S. city has seen in a quarter-century. Underscoring the continued vi-

### Windy City Rents

Chicago has seen rising office rents in recent years as companies open offices there.

#### Prime office rents, Q4 2016

Change from a year ago

City	Rent per square ft.
Chicago (Downtown)	19.9%
Seattle (Suburban)	11.6
Seattle (Downtown)	11.4
Atlanta (Suburban)	8.4
Atlanta (Buckhead & Midtown)	7.5
Los Angeles (Downtown)	5.7
San Francisco (Peninsula)	3.5
Chicago (Suburban)	2.5
Los Angeles (Suburban)	2.3

\*Rent per square ft.  
Sources: CBRE Research; Reis

olence, a Cook County judge was fatally shot outside his home on Monday morning and murders for the year remain almost on pace from 2016.

As with other major cities, many companies left Chicago decades ago as suburbia expanded and crime rose in urban centers. Big companies built

#### Five year growth and cost\*

Largest markets in the U.S.

City	Growth	Cost
New York	24%	\$70.99
Chicago	11	30.17
Los Angeles	14	36.68
Houston	16	28.16
Dallas	22	23.84
Atlanta	13	24.04
Boston	15	41.39
Philadelphia	10	26.80
Northern New Jersey	5	29.15

U.S. average  
Growth 14% Cost \$31.97

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sprawling campuses far from downtown.

Now the need to attract new employees as baby boomers age out of the workforce is pulling some back, said Darin Buelow, head of Deloitte Consulting's real estate and location strategy practice.

"The pain that companies have been experiencing in talent recruitment has outweighed the inconvenience and expense of picking up and moving to the city," he said.

More young people are living in the biggest U.S. cities than anytime since the 1970s. And 35 of the country's largest metropolitan areas had lower unemployment than the nationwide rate of 4.9% in February, according to the Bureau of Labor Statistics.

That is bad news for the communities that companies leave behind, like Caterpillar's home of Peoria. With a population of about 115,000, Peoria lacks the cultural and sporting events of Chicago, as well as the quick travel links via the city's two major airports.

The maker of construction and mining equipment last year

opened an office for data analysts in downtown Chicago. Months later, Caterpillar shocked residents of Peoria with plans to move its headquarters and about 300 employees to the Chicago area.

Recruiting in Peoria was too difficult, said Amy Campbell, Caterpillar's director of investor relations.

U.S. Rep. Darin LaHood, the Republican whose district includes Peoria, called the move a betrayal. Some residents fear that Caterpillar will move more of its remaining 12,000 workers from the Peoria area.

Motorola Solutions decided to move to Chicago after Democratic Mayor Rahm Emanuel made a pitch to Chief Executive Greg Brown during a 2011 Bulls basketball game.

"I said, 'Rahm, you know it might be possible to move a couple of hundred jobs downtown,'" Mr. Brown said. "Every time I threw out one number, he would raise it."

Chicago gives tax breaks to businesses on the West and South Sides where crime has surged, but not to companies moving downtown.

## Advice on Prostate Cancer Shifts

BY THOMAS M. BURTON

A high-profile federal panel has backed away from its 2012 recommendation against prostate-cancer screening for men ages 55 to 69, concluding in a new opinion that the risks and benefits of screening are "closely balanced" for those men and that they should seek a doctor's advice.

In men age 70 and older, the federal panel stands by its conclusion that any benefits of screening "do not outweigh the harms, and these men should not be screened."

The U.S. Preventive Services Task Force, in a draft recommendation weighing the usefulness of the blood test called PSA, slightly upgraded its views on the test for men between the ages 55 to 69.

**Task force upgrades its view of the utility of PSA test for men 55 to 69 years old.**

Previously, in the 2012 opinion, the task force had also recommended against the test for the 55-to-69 age group, saying the possibility it lowered deaths from prostate cancer was "very small."

Now, the panel, made up of private doctors advising the government, said additional medical evidence from some clinical studies increased its certainty about the PSA test reducing the risk of dying of prostate cancer and of metastatic disease.

Even so, it said, the balance between pluses and minuses is very close, and it advised men from 55 to 69 to consult their doctors in deciding whether to get the PSA, which stands for prostate-specific antigen.

About 26,000 men died of prostate cancer in the U.S. in 2016. Still, the decision to be screened is a complex one.

Among 1,000 men who get screened, an estimated 240 likely would get a positive result. But some share of those would be false positives, leading some to have unnecessary biopsies. People who are treated for prostate cancer run the risk of developing incontinence and impotence as a result of surgery or other treatment. Moreover, the task force said, about 20% to 50% of men with prostate cancer have a form that does not grow, spread or harm them.

"This isn't a one-size-fits-all" recommendation, the panel's chair Dr. Kirsten Bibbins-Domingo, told the Associated Press. Men whose greatest concern is reducing their chances of dying from cancer are sometimes willing to face the consequences and choose testing. "Other men will realize the likely benefit is small and aren't willing to risk the harms," she said.

## Ballpark Adds to Hartford's Fiscal Strain

BY JOSEPH DE AVILA

The Hartford Yard Goats finally have a home, while the Connecticut city is still figuring out how to make Dunkin' Donuts Park work financially.

The Double-A minor league baseball team, formerly known as the New Britain Rock Cats, played every game on the road in 2016 after a series of embarrassing miscues and blown construction deadlines delayed the opening of its 6,000-seat stadium for a year. Now the ballpark is set to open its doors for its first Yard Goats game on Thursday.

Hartford, a city of about 124,000 residents that is facing a fiscal crisis and a high poverty rate, is on the hook for \$68.6 million in bonds issued to cover most of the construction of Dunkin' Donuts Park.

Mayor Luke Bronin, a Democrat who opposed the stadium but is now reluctantly dealing with it, said the ballpark alone will never generate enough money to pay back the debt. The original idea was that surrounding development would generate funds to pay off the loans and bring in additional tax revenue for the city.

Mr. Bronin plans to borrow \$20 million in bonds in the coming weeks to cover a shortfall in the city's budget, and next year the city is already projecting a \$65 million deficit.

Despite the challenges, Mr. Bronin said: "There is no question it's better for the city to have a baseball park than a vacant parking lot."

The struggle to get the stadium built—including delays, cost overruns and ongoing litigation—raised concerns about whether the stadium will be a positive development.

Anne Goshgarian, 66 years old, a longtime Hartford resident and critic of the ballpark, said she is concerned that the city will be stuck without a revenue stream to repay the bonds. "It will be a crushing debt," Ms. Goshgarian said.

Supporters of the ballpark noted it would help boost the city's economy, where the unemployment rate of 9.6% is more than double the state's figure of 4.7%. A third of the city's residents live in poverty, compared with 11% in the state.



Hartford Yard Goats players, above, check out the new stadium earlier this month, while workers, below, install a television.



Mr. Bronin intends to turn Hartford's attention to developing the vacant parcels of land around Dunkin' Donuts Park. The city originally planned a \$350 million mixed-use project with hundreds of apartments and shops to accompany the stadium. This portion of the project was ex-

pected to be the main revenue generator for the city rather than the stadium itself, Mr. Bronin said.

But the future of this area remains in doubt as the city is mired in legal battles with the original developers who still have the rights to the land parcels.

The city fired the developer and builder—DoNo Hartford and Centerplan Construction Co.—in June 2016, because officials said they failed to complete the stadium on schedule.

Centerplan and DoNo Hartford sued the city in July 2016 for wrongful termination.

Mr. Bronin also alleged that

Centerplan failed to pay numerous subcontractors despite representing to the city that those payments had been made. The city then reported Centerplan to the Federal Bureau of Investigation, Mr. Bronin said.

"This is a reckless attempt by Mayor Bronin to divert attention from the fact that Centerplan Construction Co. and DoNo advised the city every month, in writing, that the project was over budget," said Ray Garcia, an attorney for Centerplan and DoNo Hartford.

Mr. Garcia said the city and the Yard Goats continually made design changes fully knowing the project was over budget and didn't have money to make additional changes.

An FBI spokesman declined to comment.

Yard Goats owner Josh Solomon said he doesn't regret his decision in 2014 to move the team from New Britain, Conn.

Dunkin' Donuts Park "will be a major draw in a neighborhood that has been certainly neglected and underutilized and will now become a vibrant mixed-use community," Mr. Solomon said.



John DeWolfe of the Florida Forest Service spoke on a two-way radio in Land O' Lakes, Fla., on Tuesday.

## Florida Declares an Emergency As Wildfires Sweep Across State

BY CAMERON MCWHIRTER

Florida Gov. Rick Scott declared a state of emergency in response to wildfires in many parts of the state and the expectation that drier-than-normal conditions will spark more.

"We are seeing fires all over Florida," said the state's Commissioner of Agriculture Adam Putnam, who asked the governor for the declaration.

Florida firefighters are battling more than 100 fires from a barrier island in the Panhandle to the Everglades, Mr. Putnam said. So far this year 27 homes have been destroyed in

the fires, and firefighters have saved 1,700, he said.

The fires, involving more than 23,000 acres, follow a rainy 2016 for Florida, he said. But in recent months the state has seen less rain than normal, turning vegetation that grew last year into potential fuel for fires this year, he said.

Forecasters predict more dry weather, he said.

In a release, Gov. Scott said, "This may only get worse as we enter the hotter summer months and it is crucial that we take every action right now to be prepared."

The declaration allows the

Florida Forest Service, to use state National Guard airplanes to drop water on fires and move firefighters rapidly to where they are needed, Mr. Putnam said. It also authorizes other state agencies to respond quickly with aid and opens the way for federal assistance.

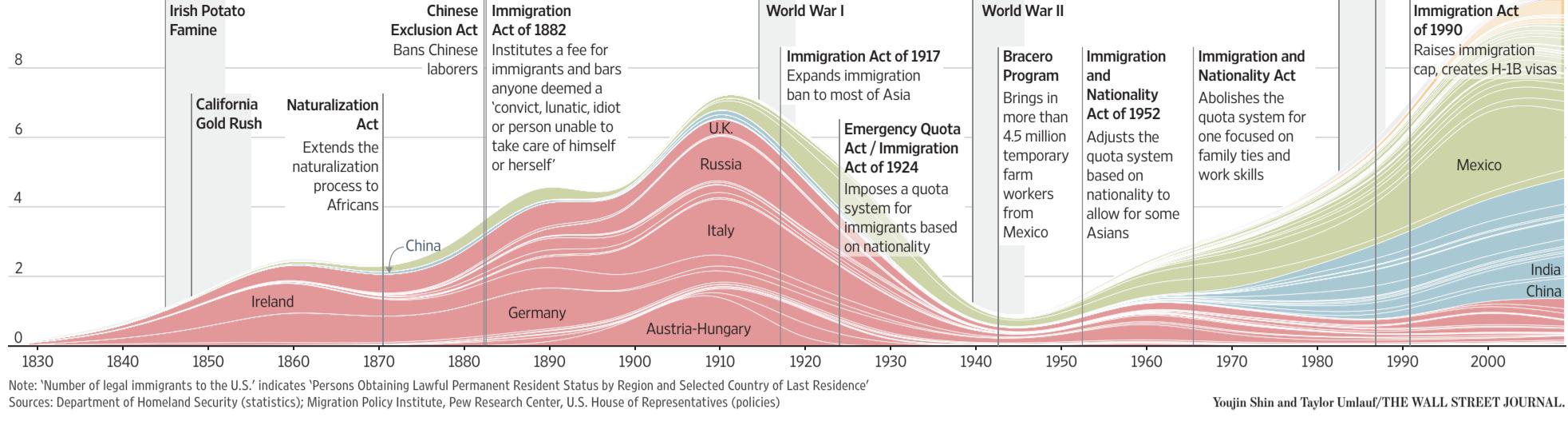
The Florida fires ravage a state much of which is abnormally dry, with parts of central Florida in severe drought, according to the U.S. Drought Monitor, a map of drought conditions made by the University of Nebraska-Lincoln's National Drought Mitigation Center and federal agencies.

## U.S. NEWS

### Coming to America

How immigration policy has shaped the makeup of the United States since the early 1800s

Number of legal immigrants to the U.S. ■ Europe ■ Asia ■ Americas ■ Africa ■ Oceania ■ Not specified



Note: 'Number of legal immigrants to the U.S.' indicates 'Persons Obtaining Lawful Permanent Resident Status by Region and Selected Country of Last Residence'

Sources: Department of Homeland Security (statistics); Migration Policy Institute, Pew Research Center, U.S. House of Representatives (policies)

Youjin Shin and Taylor Umlauf/THE WALL STREET JOURNAL.

# Sessions Turns Focus to Migrant Criminals

BY ARUNA VISWANATHA

Attorney General Jeff Sessions directed federal prosecutors to pursue harsher charges against undocumented immigrants who commit crimes, or repeatedly cross into the U.S. illegally, and he promised to add 125 immigration judges in the next two years to address a backlog of immigration cases.

The moves are part of the administration's efforts to deter illegal immigration and meant to target gangs and smugglers, though nonviolent migrants could also face more severe prosecutions.

In a memo issued Tuesday, Mr. Sessions instructed prosecutors to make a series of im-

migration offenses "higher priorities," including transporting or harboring illegal immigrants, illegally entering or re-entering the country, or assaulting immigration-enforcement agents.

The memo also required prosecutors to consider charging some undocumented immigrants with aggravated identity theft, which carries a mandatory two-year prison term.

In remarks Tuesday to border patrol agents at the U.S.-Mexico border in Nogales, Ariz., Mr. Sessions spoke in stark terms about the threat he said illegal immigration posed. "We mean international criminal organizations that turn cities and suburbs into

war zones, that rape and kill innocent civilians," Mr. Sessions said in his delivered remarks, referring to gangs run by illegal immigrants. "It is here, on this sliver of land, on this border, where we first take our stand."

The passage had drawn attention because the prepared remarks released by the Justice Department had included the phrase "take our stand against this filth." But Mr. Sessions deviated from his prepared remarks and didn't say "filth" as he delivered his speech.

"This is a new era," Mr. Sessions said during his speech. "This is the Trump era."

Former prosecutors said

they didn't expect the memo to dramatically affect U.S. attorneys offices along the southern border, which already bring thousands of such cases each year. They said it could have an impact on those farther inland, which haven't historically focused on immigration violations.

In the fiscal year that ended in September, 52% of all federal criminal prosecutions involved immigration-related offenses, according to Justice Department data analyzed by Transactional Records Access Clearinghouse at Syracuse University.

The largest number of cases—24,549—came from the Southern District of Texas, whose border with Mexico

stretches from Brownsville to Laredo, Texas.

"Those cases are brought and prosecuted on a daily basis in all those border districts," said Jeffrey Vaden, who worked as a prosecutor in that office from 1999 to 2011 and is now a lawyer at Bracewell LLP in Houston.

Peter Skinner, a former federal prosecutor in the Manhattan U.S. attorney's office who has prosecuted immigration crimes, said cases alleging unlawful re-entry are easy to bring but could stretch that office's resources if it is required to prioritize more such cases. "If they're all of a sudden allocating more of their time to an immigration docket, other stuff will suffer

as a result," said Mr. Skinner, who is now a partner at Boies Schiller Flexner LLP.

Immigration advocates said they worried the memo and tone set by the administration were describing a closer link between criminal behavior and immigration than statistics show.

"We are seeing an overemphasis on prosecuting, at the federal level, immigration, illegal entry and re-entry cases, and far less paid to criminal violations that implicate public safety," said Gregory Chen, director of advocacy for the American Immigration Lawyers Association.

—Dan Frosch and Nicole Hong contributed to this article.

# Trump Predicts 'Surprises' on Nafta

BY LOUISE RADNOFSKY

WASHINGTON—President Donald Trump promised "some very pleasant surprises" to come on the North American Free Trade Agreement, in a gathering with U.S. chief executives in which he also said he wants to overhaul the federal government's computer systems to make them more secure and up-to-date.

Mr. Trump offered few specifics on his plans for Nafta, the trade pact he frequently attacked on the campaign trail. He is expected to seek mainly modest changes to the agreement in coming negotiations with Mexico and Canada.

Mr. Trump also highlighted his hopes to upgrade the federal government's computers, saying he would work with Ginni Rometty, the chief executive of International Business Machines Corp., and others on the overhaul.

Citing the high cost of maintaining the existing computer system, Mr. Trump said: "I think we can buy a whole new system for less money, what do you say?" When Ms. Rometty appeared to say "sure," Mr. Trump quipped back: "We'll give you 10 billion right now."

IBM declined to comment on the gathering.

Mr. Trump also spoke sev-

### Donald Trump's First 100 Days

The administration's latest actions and agenda at a glance

#### TUESDAY

◆ **North Korea:** President Donald Trump said he would take unilateral action to blunt the threat of North Korea if China doesn't take steps to do so, a new warning that comes as a U.S. aircraft carrier made its way toward the western Pacific.

◆ **Russia:** Senior White House officials said Russia has been carrying out a "disinformation

campaign" to try to cover up the suspected Syrian chemical attack last week.

◆ **Immigrants:** Attorney General Jeff Sessions directed federal prosecutors to pursue harsher charges against undocumented immigrants who commit crimes, or repeatedly cross into the U.S. illegally. He said he would add 125 immigration judges in the next two years to address a backlog of cases.

◆ **Nafta:** Mr. Trump promised "some very pleasant surprises" to come on the North American Free Trade Agreement during a gathering with business chief executives in which he also said he has his eye on an over-

haul of the federal government's computer systems to make them more secure and up-to-date.

**QUOTES**  
"North Korea is looking for trouble. If China decides to help, that would be great. If not, we will solve the problem without them! U.S.A."

—Mr. Trump

"We will hold the U.S. wholly accountable for the catastrophic consequences to be entailed by its outrageous actions."

—Spokesman for North Korea's Foreign Ministry, according to the state-run Korean Central News Agency

eral times of his efforts to boost job creation, made a passing reference to his tax proposals by saying he would reduce taxes, and said of his environmental policy that "we're going to be very, very careful on the environment, it's very important to me," but that cutting regulations in his early weeks in office has already freed up companies to step up production.

Mr. Trump has prioritized regulatory rollbacks, particularly for energy firms, though their immediate impact hasn't

been enough to change long-term trends, such as the decline of the coal industry.

He said that in all, he believed he was a quarter of the way through his plans to cut regulations, and would continue to focus on the Dodd-Frank financial rules in particular, "keeping some obviously, but getting rid of many."

Mr. Trump held an initial meeting of CEOs, many of them picked by Blackstone Group LP's Stephen Schwarzman, in February. Others who came then re-

turned Tuesday, including PepsiCo's Indra Nooyi, Larry Fink of BlackRock, Toby Cosgrove of the Cleveland Clinic, Mary Barra of General Motors Co. and IBM's Ms. Rometty.

Mr. Trump was joined in the meeting by Education Secretary Betsy DeVos, Environmental Protection Agency Administrator Scott Pruitt, Transportation Secretary Elaine Chao, Commerce Secretary Wilbur Ross and the director of the Office of Management and Budget, Mick Mulvaney.

Speaking to reporters earlier in the day, Mr. Spicer made the initial comparison while speaking of the suspected chemical attack in Syria on April 4 that killed at least 85 people. The U.S. has concluded that the Syrian military used banned sarin gas in the assault, and the U.S. military launched nearly 60 Tomahawk cruise missiles against a Syrian air base early Friday.

Asked a few minutes later if he wanted to clarify his statement, given that Hitler and the German Nazi state killed millions of European Jews in

# Spicer Apologizes for Assad-Hitler Analogy

BY CAROL E. LEE  
AND MICHAEL C. BENDER

WASHINGTON—The White House's top spokesman issued a rare apology on Tuesday after saying that Syrian President Bashar al-Assad committed atrocities worse than Nazi leader Adolf Hitler, because the man whose genocidal regime instigated a world war and killed millions of people didn't use chemical weapons.

"I apologize," press secretary Sean Spicer said on CNN. "It was my blunder."

The apology was Mr. Spicer's fourth statement on Tuesday about Hitler and Mr. Assad.

Speaking to reporters earlier in the day, Mr. Spicer made the initial comparison while speaking of the suspected chemical attack in Syria on April 4 that killed at least 85 people. The U.S. has concluded that the Syrian military used banned sarin gas in the assault, and the U.S. military launched nearly 60 Tomahawk cruise missiles against a Syrian air base early Friday.

Asked a few minutes later if he wanted to clarify his statement, given that Hitler and the German Nazi state killed millions of European Jews in

gas chambers, Mr. Spicer said, "He was not using the gas on his own people the same way that Assad is doing." Mr. Spicer added that Hitler brought Jews "into the Holocaust center," an apparent reference to the death camps where millions of people, including most of Germany's own Jewish population, were killed.

Soon after the news briefing ended, the White House then issued a further clarification. "In no way was I trying to lessen the horrendous nature of the Holocaust," Mr. Spicer wrote. "I was trying to draw a distinction of the tactic of using airplanes to drop chemical weapons on population centers. Any attack on innocent people is reprehensible and inexcusable."

But Mr. Spicer's words "created a bit of a stir" inside the White House, one senior administration official said. Internally, it was decided that Mr. Spicer should issue a full-throated apology, an uncommon occurrence for President Donald Trump's team.

House Minority Leader Nancy Pelosi (D, Calif.) called on Mr. Trump to fire Mr. Spicer and "immediately disavow" his statements.

# TESLA

Continued from Page One

headquarters, uniformed valets dashed about on a recent morning directing traffic and cramming in as many cars as possible. A bumper-to-bumper formation of idle cars snaked through the lanes of the lot, boxing in other vehicles.

At the Tesla factory 30 miles away in Fremont, which has 6,000 employees over the course of various shifts competing for 4,500 vehicle spaces, photos show parking is a free-for-all. Cars are jammed diagonally in spots, propped up on curbs or resting on gravelly medians. One employee documents the worst offenders at both locations on Instagram, using photos sent in by co-workers with snarky and often profane comments.

In one, an old Cadillac is parked in spaces marked for motorcycles—"He thought it said boat parking." Another shows a haphazard assortment of cars—"parking spot lines are just a suggestion." A truck fully

on the median—"This one is called: despair."

There is even a shot of the plentiful parking at an office of SpaceX—the rocket company also run by Mr. Musk—with the comment, when "you realize Papa Elon picked a favorite child...and it wasn't you."

The Instagramming employee said the account began a year ago out of frustration. Tesla recently tried to improve parking in Fremont by repainting the lines to clarify spaces, the employee said, adding that before, "they used to have two sets of faded lines."

Tesla says it's taken steps to improve things, such as offering Wi-Fi-enabled shuttles to both locations, that have improved the Palo Alto situation in recent months—and that Fremont has more spaces than employees when factoring in overflow parking and shift work.

In Silicon Valley, parking is a classic barometer of booms and busts. Today, shuttle buses from Tesla, Alphabet Inc.'s Google and Facebook Inc. rumble across San Francisco and down Highway 101 to relieve

congestion at ever-expanding corporate campuses. Yahoo Inc.'s empty parking spaces in recent years were said to illustrate its troubled times.

Tesla's parking hell reflects a hiring binge that has expanded its head count by about 75% over the past two years to more than 17,000, not including employees of SolarCity Corp., which it acquired late last year.

Its market value has soared to about the same level as the largest U.S. auto maker, General Motors Co.

When Tesla announced in 2009 it was leasing the former Hewlett-Packard facility in Palo Alto for its headquarters, it said it planned to have about 350 employees there, with room for as many as 650. Tesla won't disclose how many people work there now, but says it has 600 striped parking spots.

The chaos has forced employees to come up with clever workarounds, including secret deals at the factory to share

spots with workers on opposite shifts. "Employees would enter into exclusive relationships, and payment would be made in the form of cash or a barter deal," such as cigarettes or help rebuilding a car on the weekend, said Marissa Peretz, who spent five years as a recruiter for the auto maker until 2015, when she left to cofound her own headhunting firm.

Some workers arrive early to find spaces, and then go back to sleep in their cars until work begins, employees said. Tesla factory worker Jose Moran, who has spoken out against the company's working conditions, said in an interview he tries to arrive an hour before his 5:25 a.m. shift to find parking. That means leaving his home in Manteca, about 60 miles from Fremont, at 3:25 a.m.

Getting out of the lot is a mess, too. Double-parked cars often box others in, causing employees to blow a gasket. The Instagram account captured a photo of a note left on a windshield that read, "With some pointed expletives: 'Next time you block 100+ people from getting out of the parking

lot you're getting your tires slashed"—signed, "Everyone."

Palo Alto's deputy fire chief, Catherine Capriles, calls Tesla's parking situation a "nightmare." The department has responded to at least three medical emergencies at the headquarters in the past year and ran into trouble when parked vehicles blocked the fire engine from turning or backing out, Ms. Capriles said.

Tesla says it works closely with the fire department to maintain pathways in case of emergencies. Tesla has tried to encourage alternatives to driving. It also tickets scalawags: Parking offenders at the factory can find boots on their tires or their cars towed to a distant overflow lots.

In theory, the self-driving cars Tesla is trying to build could one day alleviate parking headaches by parking themselves at distant lots—an irony that isn't lost on employees. One Instagram commenter theorized the disarray was a management plot: "It provides motivation to achieve [fully] autonomous driving as soon as physically possible."



The parking lot at Tesla's Palo Alto, Calif., headquarters.

TESLA PARKING LOT

## FROM PAGE ONE

# TESLA

Continued from Page One

in Silicon Valley, parking is a classic barometer of booms and busts. Today, shuttle buses from Tesla, Alphabet Inc.'s Google and Facebook Inc. rumble across San Francisco and down Highway 101 to relieve

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Its market value has soared to about the same level as the largest U.S. auto maker, General

Motors Co.

# WORLD NEWS

## Trump Sends New Warning to North Korea

Pyongyang says nation is 'unfazed' by the prospect of any U.S. military action

By CAROL E. LEE

WASHINGTON—President Donald Trump has signed off on a policy approach to North Korea that involves increased economic and political pressure while military options remain under consideration longer term, a senior U.S. official said.

The approach, which the official said Mr. Trump adopted before his meeting last week with Chinese President Xi Jinping, includes pressing China to follow through with steps to curtail Pyongyang. If China and other North Korea partners don't do so, the U.S. would adopt measures such as secondary sanctions aimed at Beijing, the official said.

Several other options, including military force, are "on the back burner," the official said.

Mr. Trump on Tuesday said on Twitter he would take unilateral action to blunt the threat of North Korea if China failed to do so. He said he had explained to Mr. Xi during their meetings in Florida last week "that a trade deal with the U.S. will be far better for them if they solve the North Korean problem!"

"North Korea is looking for trouble," Mr. Trump wrote. "If China decides to help, that would be great. If not, we will solve the problem without them! U.S.A."

Mr. Trump's comments came as North Korea is expected to conduct another missile test



Crew work on the flight deck of the aircraft carrier USS Carl Vinson, which, along with its strike group, is nearing the Korean Peninsula.

launch to mark the anniversary of the birth of the country's founder on April 15.

The warning came as the White House hardened its line against Syria and its backer, Russia, accusing it of trying to cover up for last week's gas attack in which the Assad regime is suspected of using sarin.

The president went further on North Korea in a Fox Business Network interview set to be aired Wednesday morning,

warning the U.S. had "very powerful" weapons including submarines in its arsenal that are "far more powerful" than the USS Carl Vinson, an aircraft carrier that is being redirected toward the western Pacific.

Defense Secretary Jim Mattis said Tuesday the Vinson had canceled a planned military exercise near Australia to steam directly to the western Pacific Ocean. Navy officials said later in the day the only definite can-

celations were port calls in Australia and that the exercises near Australia might still take place. "Previously scheduled activities are still being assessed," a Navy spokesman said.

South Korean officials sought to tamp down concerns over the possibility of a pre-emptive U.S. military strike on North Korea. "Be careful not to be fooled by exaggerations about the security situation on the Korean Peninsula," Moon Sang-gyun, a

spokesman for South Korea's Ministry of Defense, said.

North Korea and Syria, meanwhile, reaffirmed their close ties on Tuesday amid their growing confrontations with the U.S. The two countries are "conducting a war against big powers' wild ambition to subject all countries to their expansionist and dominionist policy," Syrian President Bashar al-Assad said in a message to North Korean leader Kim Jong Un, according to

Pyongyang's Korean Central News Agency. A spokesman for North Korea's Foreign Ministry said the country was "unfazed" by the prospect of any U.S. military action. "We will hold the U.S. wholly accountable for the catastrophic consequences to be entailed by its outrageous actions," the spokesman said, according to a KCNA report.

—Dion Nissenbaum and Jonathan Cheng contributed to this article.

## RUSSIA

Continued from Page One  
and Syria, among other issues.

At the same time, the U.S. during a meeting of Western allies in Italy this week demurred on the question of additional sanctions against Russia over Syria, as recommended by U.K. Foreign Secretary Boris Johnson. The White House said it wanted to see how Mr. Tillerson's meeting in Russia went.

A big question looming over Mr. Tillerson's visit is whether he will see Russian President Vladimir Putin. Often, say current and former officials, visiting U.S. diplomats don't schedule meetings with Mr. Putin, but end up holding "impromptu" sessions at the invitation of the Russian leader.

The chemical attack April 4 killed at least 85 people. Syria has denied using chemical weapons, and Mr. Putin said Tuesday that Russia plans to ask the United Nations to in-



Secretary of State Rex Tillerson, left, was greeted by John Tefft, right, U.S. ambassador to Russia, after he arrived in Moscow.

vestigate what he said were "false flag" attacks orchestrated by anti-Assad rebels so they could blame the actions on the Syrian regime. He offered no evidence for that view, which he outlined at a news conference as Mr. Tillerson arrived in the country.

The White House dismissed the Russian explanations as baseless disinformation meant to obfuscate Syria's culpability in the attack.

White House officials said Russian and Syrian forces work side-by-side at the airfield used to launch the attack, indicating Russia may have known what was coming.

"We do think that it is a question worth asking the Russians about: How is it possible that their forces were co-located with the Syrian forces that planned, prepared and carried out this chemical

weapons attack at the same installation and did not have foreknowledge?" said one of the officials.

While the White House officials stopped short of accusing Russia of knowing about the attack beforehand, Nikki Haley, the U.S. ambassador to the United Nations, said later Tuesday that Moscow "knew" in advance. "When this information came out, they were so quick to defend," Ms. Haley said on CNN. "They didn't look shocked, they didn't look surprised."

"They knew what was going on?" CNN reporter Jamie Gangel asked.

"I think that they knew, yes," Haley answered.

The White House officials outlined U.S. evidence pointing to the possibility that Russia was involved.

U.S. officials say a Syrian SU-22 warplane dropped one bomb filled with sarin gas on the rebel-held village of Khan Sheikhoun. After the attack, Pentagon officials said they saw a Russian drone flying

over the area, then a second Russian-made plane carried out an airstrike on a field hospital where many victims were taken for treatment.

It is unclear if a Russian or Syrian pilot carried out the second attack, White House officials said.

After seeing graphic images of children killed in the attack, Mr. Trump ordered a cruise missile attack Friday on the Shayrat airfield, believed to be home to the pilots who carried out the airstrikes.

The U.S. military launched almost 60 missiles in an attempt to deter Mr. Assad from using chemical weapons again.

The strike didn't damage the airfield runways or target suspected sarin gas storage sites at the base, making it possible for Syria to keep using the banned chemicals.

White House officials said Syrian personnel associated with the regime's chemical weapons program were at Shayrat airfield in late March, and on April 4.

On the day of the American

cruise missile strikes, U.S. officials warned Russians that an attack on Shayrat airfield was coming, giving them an opportunity to get their personnel at the base to safety.

The U.S. didn't strike parts of the base where Russians work, an intentional move designed to focus attention on Syria.

White House officials said there was no evidence to back up Russia's contention that a rebel chemical weapons storage site was hit in the strike. They called on Moscow to stop obfuscating, work with the U.S. and ensure that Syria follows through on its commitment to get rid of all of its chemical weapons, sometimes known as WMDs, or weapons of mass destruction.

"This is an opportunity for the Russians to choose to stop the disinformation campaign...and eliminate WMDs together," said one of the White House officials.

—Julian E. Barnes and Nathan Hodge contributed to this article.

## SYRIA

Continued from Page One  
mats trying to dismantle the chemical weapons program concluded they had hit a wall.

The April 4 attack, which killed at least 85 adults and children, is a stark example of the challenge: It was launched from an airfield where inspectors years earlier had identified and destroyed a chemical weapons facility, according to two people familiar with the work of the joint mission of the Organization for the Prohibition of Chemical Weapons and the United Nations at the time.

The U.S. struck the Shayrat Airfield, where Syrian and Russian forces worked side-by-side in recent months, with 59 Tomahawk missiles last week. White House officials suspect Russia may have known Syria was preparing to launch a chemical attack, and on Tuesday accused Moscow of trying to cover it up.

The Syrian airforce has resumed bombing runs from the airbase since the U.S. airstrike.

"Assad didn't fire his last salvo of CW, that's for sure," a U.S. official said, using an acronym for chemical weapons.

The U.S.-Russian agreement in 2013 sought to eliminate the Syrian chemical weapons program. The mandate of the mission that took up the work later narrowed the parameters to eliminating declared stockpiles and facilities.

Critics of the deal early on said it amounted to a victory

*'It requires a willful suspension of disbelief to see this agreement as anything other than the start of a diplomatic blind alley'*

*Republican Sens. John McCain and Lindsey Graham on the September 2013 deal*

*'Expectations are high ... for Russia to deliver on the promise of this moment'*

*Then-Secretary of State John Kerry, on the September 2013 deal*

for Bashar al-Assad, who dodged an American military intervention at a moment of regime weakness in exchange for only what chemical stockpiles his regime would declare.

Republican Sens. John McCain of Arizona and Lindsey Graham of South Carolina, both of whom had backed U.S. military action in Syria, criticized the deal then for leaving out an explicit threat of military force for any failure by

Syria to comply, calling it "an act of provocative weakness."

Obama administration officials have said the deal successfully rid Syria of the majority of its chemical weapons and that the alternative—a war with Syria or even Russia—would have been far worse.

Some officials involved in the OPCW-U.N. mission defend its success, saying it had a limited mandate and worked under unprecedented conditions to remove from Syria and destroy chemical weapons declared by the Syrian government.

Syria has repeatedly denied it has used chemical weapons.

Western officials and others directly involved in the effort to rid Syria of chemical weapons described in interviews what took place in the months and years after the 2013 deal.

The technical efforts to try to identify what the original mission omitted or missed—and the rare U.S.-Russian unity of purpose that backed it—would begin to unravel even before the Danish ship carrying the last batch of chemicals departed the Syrian port of Tartous in the summer of 2014. That spring, the team tasked with dismantling the program saw such inconsistencies between the Syrian government's declarations and previous intelligence assessments that the OPCW set up a new team dedicated to filling the gaps.

As scientists studied results from destroyed facilities and inspected equipment that Damascus had denied was related to chemical weapons, the discrepancies grew wider.

At the same time, the organization created a separate fact-finding mission to investigate allegations of chlorine attacks in rebel-held areas.

The follow-up work infuriated Russia and Iran, which wanted the OPCW to focus on a narrowly-defined technical mission, according to mission officials and diplomats. Chlorine attacks on rebels surged again several months later, and the OPCW fact-finding mission concluded in a public report that chlorine had been used as a weapon systematically in three villages in northern Syria.

At the U.N., reports to the Security Council based on briefings from the OPCW made clear Syria was skirting its obligations, but drafts were often watered down to avoid clashing with Russia, diplomats said.

The U.S. scored a diplomatic victory in late 2015, getting Russia at the Security Council to back a new U.N. mission with the OPCW, called the Joint Investigative Mechanism, to identify individuals, entities, groups, or governments involved in chemical weapons in Syria.

Within months of the new mission becoming operational, U.S. and European officials believed they had the evidence to coax Russia into their camp and consider U.N.-backed sanctions on the Syrian regime. The mission was identifying military units and officials believed to be involved in chemical weapons attacks. But Moscow made clear immediately it considered the reporting politicized and didn't think the evidence was credible enough, U.N. diplomats said.

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## WORLD NEWS



Far-left candidate Jean-Luc Mélenchon visited Marseille, where he said Sunday he might advance to the decisive runoff vote May 7.

## Left Wing Gains in France

Anti-austerity platform lifts Mélenchon in polls, 2 weeks before presidential election

BY JOSHUA ROBINSON  
AND WILLIAM HOROBIN

FENAIN, France—Far-left firebrand Jean-Luc Mélenchon, campaigning as an antiglobalist champion of a forgotten working class, has surged into contention in France's presidential election, transforming the contest into a four-way race.

Strong performances in TV debates and an ability to draw massive crowds with his promises of higher wages and fewer working hours has propelled Mr. Mélenchon into third place in some polls, ahead of conservative François Fillon and within striking distance of National Front leader Marine Le Pen and

upstart centrist candidate Emmanuel Macron.

"He brings something new, new ideas, compared to the candidates we've had for a number of years," said Bruno Bastin, a 25-year-old working in his family's funeral parlor in Fenain.

The surge in support for Mr. Mélenchon, who dons a Mao jacket on the campaign trail, is scrambling the math of an already erratic presidential campaign that has sidelined traditional parties. The changing landscape has spooked investors. On Tuesday, the extra yield investors demand to hold 10-year French government debt over safe-haven German bonds rose to nearly 0.75 percentage point, as they fled French assets.

At a rally in Marseille on Sunday, Mr. Mélenchon told a crowd of about 70,000 that his rising popularity means he might advance beyond the April 23 first-round vote to the decisive runoff

on May 7. "Victory is within reach of our efforts," Mr. Mélenchon said.

A nationally representative poll by Kantar Sofres-Onepoint published Sunday showed Mr. Mélenchon at 18%, overtaking Mr. Fillon at 17% and only 6 points behind Ms. Le Pen and Mr. Macron. The previous comparable poll in mid-March had Mr. Mélenchon at only 12%. Benoît Hamon, candidate of the ruling Socialist Party, over the weekend said he would vote for Mr. Mélenchon in the second round of the election. In a runoff against Ms. Le Pen, Mr. Mélenchon would win with 57% of the vote, the Kantar Sofres-Onepoint survey projected.

"Given Mélenchon's momentum he could well become the biggest surprise of this volatile election," said Antonio Barroso, an analyst at political-risk consultancy Teneo Intelligence.

Mr. Mélenchon is seeking to

build momentum at his next major rally Wednesday in Lille, the northern bastion of the French left. His message of restricting layoffs and handing power from shareholders to workers is expected to resonate in an area suffering from plant closures.

Mr. Mélenchon ran for president in 2012 after quitting the Socialist Party in 2008.

He is running on a similar soak-the-rich program as five years ago. He has pledged to raise taxes on inheritance and capital and create a maximum wage by taxing all income over the level of €400,000 (\$423,000) a year.

Mr. Mélenchon wants to pull France from the North Atlantic Treaty Organization and radically overhaul Europe—points that overlap with the anti-Euro rope platform of Ms. Le Pen.

◆ Heard on the Street: The French risk has changed..... B1

## Bombs Target German Soccer Team; 1 Injured

BY ANTON TROIANOVSKI  
AND JOSHUA ROBINSON

BERLIN—Three explosions hit a soccer team's bus just ahead of a major game in the German city of Dortmund on Tuesday, seriously injuring one player in what authorities described as a targeted attack on one of Europe's most prominent sports clubs.

Officials said three bombs hidden in a hedge went off as the bus pulled out of the Borussia Dortmund team's hotel in a suburban neighborhood to carry the players 6 miles to their stadium for a quarterfinal game in the most prestigious tournament in club soccer.

Marc Bartra, a Spanish defender on the team's roster, had surgery after injuries to a hand and arm as a result of the blast that shattered the bus's windows, officials said.

"It's not anything that is life-threatening in any way," Borussia Dortmund Chief Executive Hans-Joachim Watzke said. "The team is, of course, completely in shock."

As the police combed the crime scene Tuesday night, they found a letter claiming responsibility for the attack,

Dortmund prosecutor Sandra Lücke said. She declined to provide more details about the letter or to comment about possible motives.

"We must assume that this was a targeted attack on the BVB team," Dortmund Police Chief Gregor Lange said, using Borussia Dortmund's acronym.

Borussia Dortmund's scheduled quarterfinal game against AS Monaco in the UEFA Champions League later Tuesday evening was postponed to Wednesday.

A police spokesman said later in the evening that while authorities were still analyzing what exactly caused the blasts, their initial analysis showed it was a "serious attack" that could have cost lives. "These weren't fireworks or something like that," the spokesman said. "We are now analyzing what exactly it was that exploded."

At the time the blast went off, fans were already flooding into the stands until several announcements over the loudspeaker apprised them of the situation.

Dortmund authorities said they wouldn't speculate on whether terrorism or another motive was behind the attack.



The explosions shattered windows in the Dortmund team's bus.

## Shootout Shatters Philippine Resort

BY JAKE MAXWELL WATTS

At least eight people were killed on a popular tourist island in the Philippines during a gunbattle between suspected militants and government forces, far from territory where insurgent groups normally operate.

Two soldiers, a policeman and at least five suspected Abu Sayyaf militants were killed in the shootout on the central Philippine island of Bohol, a police spokesman confirmed.

Filipino troops recovered four rifles and a homemade bomb from the slain gunmen, who took cover in three houses as the fight broke out, the Associated Press said.

The attack took place during Holy Week, a busy period in the days before Easter when many Filipinos travel home to be with family.

A Philippine Armed Forces spokesman confirmed the assault had taken place after local residents alerted authorities to 10 armed men with three small boats along the riverside near the town of Inabanga.

Armed police and soldiers assaulted the men, who took shelter in three houses and returned fire.

If the men are confirmed to be from the Islamic State-linked Abu Sayyaf group, their presence in Bohol would mark an unusual move farther afield. Abu Sayyaf fighters rarely venture far from the mountainous area they control in the southern island of Mindanao.

Bohol, known for its rolling "chocolate" hills and coral reefs, is close to Cebu, one of the islands that is most visited by tourists in the Philippines.

On Sunday, the U.S. Embassy in the country said it had received unsubstantiated yet credible information of a possible kidnapping attempt in the Cebu and Bohol area. It didn't elaborate.

## Reports of Government Curbs on Religion Rise

BY IAN LOVETT

Government restrictions on religion increased around the globe in 2015, reversing a downward trend—a sign of growing religious tensions in many parts of the world.

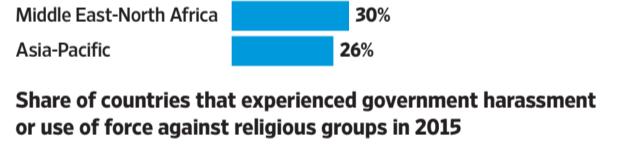
In a study from the nonpartisan Pew Research Center released on Tuesday, restrictions on religion—resulting either from government policies or social hostility—were rated "high" or "very high" in 40% of countries worldwide in 2015, up from 34% in 2014.

Government harassment of religious groups remained most common in the Middle East and North Africa, where religious hostilities are currently fueling armed conflicts.

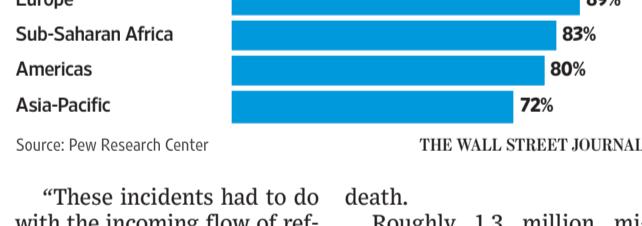
But the sharpest increase came in Europe, where an influx of refugees fleeing wars in the Middle East has led to political turmoil across the continent. Religious groups faced government harassment in most European countries in 2015. Muslims faced social hostilities in 71% of European countries, the highest total in any region.

### Intolerance on the Rise

Share of countries where government harassment or use of force against religious groups increased from 2014 to 2015



Share of countries that experienced government harassment or use of force against religious groups in 2015



Source: Pew Research Center

THE WALL STREET JOURNAL.

In some cases, Ms. Kishi said, government officials specifically questioned whether Muslims belonged in Europe. Slovakia ignored European Union refugee rules and agreed to accept only Christian refugees, the study's authors said.

This is the eighth year that Pew has tracked world-wide restrictions on—and hostility toward—religion.

Since 2012, the trend had been in a downward direction. But that changed in 2015, which brought an increase in government restrictions on religion in almost every region.

Christians and Muslims, the world's most populous religions, faced harassment in the highest number of countries. Meanwhile, 99% of Jews, whose population is concentrated largely in Israel and the U.S., lived in countries where Jews faced some harassment, from either the government or private citizens.

In many countries, rising fears of terrorism have fueled greater restrictions of religious groups.

In sub-Saharan Africa, at-

tacks by Boko Haram, an Islamist terrorist group based in Nigeria, have prompted bans on Muslim religious garb, Ms. Kishi said. Boko Haram fighters, she said, had at times disguised themselves in religious attire before attacks.

France, which was hit by two major terrorist attacks in 2015, was one of two European countries where the government used force against religious groups more than 200 times. The other was Russia, which has been cracking down on a variety of religious groups in recent years, including Muslims, Scientologists and Jehovah's Witnesses.

The Russian supreme court banned Scientology's Moscow branch in 2015 and blocked the website of the Jehovah's Witnesses, deeming it extremist material.

For the Jehovah's Witnesses, their conflict with the Russian state has only grown worse since the 2015 study. More than a dozen Witnesses have been prosecuted for practicing their faith in a Russian province where the religion has been officially banned.

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Roughly 1.3 million migrants applied for asylum in Europe in 2015, nearly double the previous record for asylum applications in a single year, the study said. More than half of those seeking asylum came from just three Muslim-majority countries: Syria, Afghanistan and Iraq.

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# GREATER NEW YORK

## (Feels Like) Summer in the City



RAYS TO SPARE: Unseasonably warm temperatures on Tuesday drew people to a pier along the East River in Manhattan.

## Family DNA Searches Set for Vote

By CORINNE RAMEY  
AND ZOLAN KANNO-YOUNGS

A state commission is expected to vote Wednesday on whether to allow a state DNA database to be searched for family members of suspects, potentially allowing the controversial technique to be used for the first time in New York.

New York's Commission on Forensic Science, a 14-member panel of district attorneys, medical examiners and others, will consider adopting regulations to allow so-called familial DNA searches.

This technique allows officials to search a state database with some 600,000 profiles for people who may be related to someone convicted of a crime. If the search produces a hit, law-enforcement officials can investigate family members to help track down a suspect.

Law-enforcement officials typically have supported the technique, saying it is a powerful tool to crack unsolved cases. Critics, including some defense attorneys and civil-liberties advocates, argue the searches could result in invading the privacy of innocent people and target a population that primarily is African-American and Hispanic.

At least 10 other states, including California and Florida, permit familial DNA searches.

The New York commission's DNA subcommittee approved regulations governing familial searching in March. If the full panel approves them, the regulations would be published in the state register and take effect after a 45-day public-comment pe-



A Manhattan crime scene after a fatal police shooting last year.

### NYPD Says Process Protects Civil Rights

The New York Police Department Deputy Chief Emanuel Katranakis said familial DNA searching could help solve cold-case homicides, sexual assaults and pattern crimes, such as robberies.

The commanding officer of the forensic-investigations division said police would begin by searching a database for a direct match of DNA at a crime

scene. If the search came up negative, investigators would use familial-DNA software.

After they compile a list of potential relatives, authorities wouldn't immediately make contact, he said. Investigators would develop a family tree and start eliminating people who couldn't have committed the crime, such as toddlers.

"We have written policies that ensure everyone's constitutional rights are protected," he said. Critics maintain that such protections aren't enough.

—Zolan Kanno-Youngs

riod. The anticipated cost of operating the program is unknown and would be partially dependent on the number of search requests, state officials said.

The regulations allow

searches for DNA associated only with certain felonies; re-

quire training for law-enforcement officers; and mandate officials certify that "reasonable investigative efforts" have occurred before the familial search.

The regulations "strike a

balance between enhancing

public safety without compro-

mising individual protections," a commission spokeswoman said in a statement.

Law-enforcement officials contend the searches serve as a valuable investigative tool. Successfully solving crimes through familial searching is fairly rare, said Lawrence Kobilinsky, a professor at John Jay College of Criminal Justice. "But when it works, it works big."

In one California case, nicknamed the Grim Sleeper, familial searching helped lead police to serial killer Lonnie David Franklin Jr. The police had DNA of the suspect but didn't know who it belonged to. However, his son's DNA already was in the state's database. And the test pointed authorities to Mr. Franklin, who subsequently was convicted and sentenced to death last year.

For the Brooklyn district attorney's office, familial searching would be beneficial not only for some current investigations but for cold cases, said Rachel Singer, chief of the office's cold-case unit, which was created in February. "A couple come to mind where we are in a situation where we've done everything we can do, exhausted many leads," she said.

Allison Lewis, an attorney at the Legal Aid Society's DNA unit, said the criminal-justice system has never been race blind, and therefore the DNA database disproportionately contains samples from poor people of color. Familial searching would target that pool instead of the state's population at large, Ms. Lewis said. "It's like genetic stop-and-frisk," she added.

## Trump Jr. to Sit Out '18 Race, But Governor Job Tempts Him

By MIKE VILENSKY

Donald Trump Jr. isn't planning a move to Albany just yet.

President Donald Trump's eldest son reportedly was eyeing a run for governor next year but nixed the idea Monday.

"I am not running in 2018,"

Mr. Trump told the Associated Press.

The younger Trump, who is 39 years old, left open the possibility, however, that he might run for office someday and said a governorship appeals to him.

He also told the AP he isn't planning to run for New York City mayor this year, meaning there likely won't be another high-profile Trump campaign before 2020.

Mr. Trump, an occasional surrogate for his father during the campaign, lives in New York City and is a co-trustee of the Trump Organization.

He wasn't a likely 2018 gubernatorial candidate. It would be unprecedented for a sitting president's child to run for



Donald Trump Jr.

public office, and Mr. Trump wasn't involved in politics before his father's bid.

His father won the New York Republican primary last year but lost the state handily to Hillary Clinton in November's general election.

Mrs. Clinton's 37-year-old daughter, Chelsea Clinton, also has been the subject of rumors of a political run in New York, but said she has no plans at the moment to do so.

The younger Trump has said

politics appeals to him, and the possibility of a Trump 2018 gubernatorial bid drew support from some New York Republicans.

"He'd make a very strong candidate," said Assemblyman Steve McLaughlin, an upstate conservative and early supporter of Mr. Trump's presidential run. "Certainly he has name-recognition and fundraising ability."

New York Gov. Andrew Cuomo, a Democrat, has said he plans to run for a third term in 2018. He likely would be the front-runner in a state where Democrats hold a two-to-one registration advantage.

Westchester County Executive Rob Astorino, Harry Wilson, a businessman who served in President Barack Obama's administration, and Sen. John Flanagan, the state Senate's Republican majority leader, are all weighing runs against Mr. Cuomo.

Mr. Trump's interest in 2018 was reported earlier by the New York Post. He didn't respond to requests for comment on Tuesday.

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## Connecticut Casinos Play Tough Hand

By JOSEPH DE AVILA

Revenue at Connecticut's two Indian casinos fell for the ninth straight year amid greater competition in the Northeast, according to a report released Tuesday, an extended losing streak that may continue with new competition on the horizon.

The combined gambling revenue for Foxwoods Resorts Casino and the Mohegan Sun casino fell to \$1.6 billion in 2015, a 1% decline from the previous year, according to the report by Nathan Associates Inc., an economic consulting firm, based on the most recent data.

The 2015 figures—which exclude revenue from accommodations and shows—are down by 36% from the last peak in 2006.

Currently the tribes that run the casinos send 25% of their slot revenue to Connecticut, or about \$260 million annually. Connecticut's Office of Fiscal Analysis estimates that new competition from a planned casino in Springfield, Mass., could cost the state \$68 million in annual gambling revenue.

The slowdown for Connecticut's Indian casino market was primarily driven by the recession and its aftermath, and more competition throughout the Northeast, said Alan Meister, principal economist with Nathan Associates.

"You've got this saturation of gaming in that region," Mr. Meister said. "They are fighting for their market share."

It is only going to get more difficult for the state's casinos as competition looms from New York and Massachusetts. MGM Resorts International will open its casino in Springfield next year. And Empire Resorts

Inc. plans to open a casino in Thompson, N.Y., in the Catskills in 2018.

The Mashantucket (Western) Pequot Tribal Nation, operators of Foxwoods, and the Mohegan Tribe, operators of Mohegan Sun, have teamed up to guard against potential losses to rival casinos in Massachusetts. The tribes are proposing to build a casino in East Windsor, Conn., about 20 miles south of Springfield.

"When Rhode Island launched its industry, we did nothing. When New York got into the game, we did nothing," said Andrew Doba, a spokesman for the tribes.

*'We've got a choice now—continue to do nothing, or fight and save good paying jobs.'*

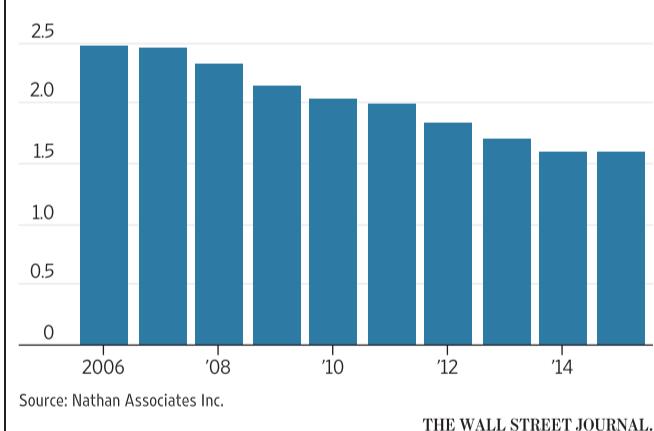
man for the tribes. "We've got a choice now—continue to do nothing, or fight and save good paying jobs."

That proposal, which requires approval from the state Legislature, faces an uncertain future in Hartford. Attorney General George Jepsen wrote a legal opinion in March that concluded it was unclear how the federal government would allow for a third casino or would permit proposed amendments to the state's existing revenue-sharing agreement.

The tribes sent Connecticut lawmakers a letter last week stating that their proposed third casino won't endanger the current revenue-sharing agreement.

### Steady Drop

Connecticut's annual casino revenue



Source: Nathan Associates Inc.

THE WALL STREET JOURNAL.

## GREATER NEW YORK

# Tax-Junkie Volunteers to the Rescue

Come tax season, millions of New Yorkers file their own returns. Others pay a professional to tackle the job. And then there are the few, the brave, the bonkers—volunteers who happily prepare other people's tax returns for free.

Carmen Mendez is one of 2,321 tax junkies volunteering this spring with a number of Internal Revenue Service programs that provide free filing at 288 pop-up sites around New York City.

Last year, they prepared 122,308 returns for their fellow New Yorkers.

Nationwide, meanwhile, volunteers with these programs prepared more than 3.7 million returns.

Ms. Mendez, who is 60 years old, says she discovered her love affair with filing as a 14-year-old working for a storefront tax preparer on the Lower East Side.

She went on to a career in risk management at the global insurance company AIG, but never lost her passion for taxes, preparing returns for friends and family.

"It's like a numbers puzzle," she says of a return.

Now retired, she volunteers four days a week, performing quality reviews or filing up to a dozen returns each four-to-six-hour shift for a variety of people, from young freelancers to struggling seniors.

But volunteer tax prep isn't all numeric fun and games. Some clients get upset when told that they owe money.

"I've had people crying," Ms. Mendez says.

Then there's the specter of TaxSlayer, the tax-prep software provided by the IRS. The new platform doesn't connect to the old database, requiring every piece of information to be re-entered for repeat cli-



TIM BOWER

ents.

Volunteers say they sign up looking for a challenge, and that's what they get.

Kevin Shanahan, a retired project manager with the New York Stock Exchange, says that while he completed a five-day training program in January and passed the certification exam, he still felt "a lot of trepidation" his first day volunteering at a library in Spanish Harlem.

"It's a tremendous responsibility," he says.

Volunteers often are confronted with the lives of lower-income clients. They learn not to respond with curiosity or shock when they discover a mother of

three is scraping by on \$12,000 a year.

About a third of the clients, volunteers say, are people who owe nothing and show up just to claim the \$63 school-tax credit

**IRS program provides free tax preparation at 288 pop-up sites around New York City.**

due many city residents.

Then there's the "shoppers"—clients who decline to file a disappointing return and later try a differ-

ent volunteer site, hoping for better results.

Intake counselors at each location receive a list of known suspects.

The mastermind behind this list in Manhattan is Blossom Nicinski, an über-volunteer who puts in four to five days a week at different Manhattan sites. She's the lady many volunteers call when they're stumped with a question.

Retired from a career in risk management with J.P. Morgan Chase, Ms. Nicinski, who is 70 and started with the program in 2007, serves as a district coordinator, screening fellow volunteers and scheduling shifts at 26 locations.

"Everyone knows my regular life stops in September and starts up again in April," she says.

She even helps organize an annual late-April recognition lunch, which features supermarket sandwiches and appearances from various IRS and New York State Department of Taxation and Finance bigwigs.

The real appreciation, however, comes from clients. Volunteers say they have been showered with everything from coffee and doughnuts to pizza and thank-you cards.

Brass Taxes founder Rus Garofalo, an accountant who notes that the going rate for a simple return in the city ranges from \$50 to \$300, says a number of his clients have had a good experience with the free service. The drawback is the wait.

"It wasn't worth the expense of time to save the money" for some of them, he says.

Indeed, while the IRS is expanding the programs, there's not enough help to go around.

Volunteers say clients line up at 8 a.m. hoping to secure a slot before the doors open at 10 a.m. Many are turned away. Most sites are open just one day a week, some on Saturdays.

Recently, a client waiting at the Bloomingdale Library in Manhattan's Morningside Heights grew lightheaded and collapsed on the sidewalk, Ms. Nicinski says.

When an ambulance arrived, she refused to go.

"Are you joking?" the client asked. "I'm No. 16 in line. I'm not going anywhere!"

Many volunteers happily would work more hours, Ms. Nicinski says, but they have other responsibilities.

"My own taxes?" she said last week. "I know I need to get going on them!"

*anne.kadet@wsj.com*

## German Firm Opens Co-Living Building

BY KEIKO MORRIS

A German company offering furnished apartments and access to amenities and social events has expanded its reach to New York, joining a small but growing number of businesses providing alternatives to the traditional rental industry.

Medici Living Group, which has 1,200 units world-wide, is opening so-called co-living spaces at 324 Grand St. on Manhattan's Lower East Side.

Under a brand called Quarters, Medici's first New York City location features 15 furnished apartments with three or more bedrooms, a kitchen and two bathrooms. Quarters offers flexible lease terms, a roommate-matching service and a program manager to plan events.

The company, which has a 10-year lease for the new Lower East Side building, said it is making a global push to raise venture-capital funding and work with developers as it moves forward with plans for more residences in U.S. cities such as Washington and Los Angeles.

"Everything in life is becoming more flexible, but renting an apartment is the most inflexible part of our lives," said Evan

**Medici is offering 15 furnished apartments with three or more bedrooms in New York.**

Kasper, co-founder and managing director of Medici. "You're limited by a lease and the cost of moving, and we want to remove those limitations."

Apartment sharing isn't new, but companies such as Medici see an opening to provide a more efficient process and more conveniences, including utilities such as cable and internet baked into the rental price. New York City's nascent co-living market includes WeLive, a division of shared-office space company WeWork Cos., Ollie and Common Living Inc.

More players are likely to enter the co-living arena in U.S. cities as urban revitalization, high real-estate costs and expected population growth of 18- to 34-year-olds have created fertile ground, said Hesam Nadji, chief executive officer of Marcus & Millichap Inc., a commercial real-estate brokerage and advisory firm.

"People who want to live in these urban settings can't afford the rent," Mr. Nadji said.

Monthly rent at Medici's New York location starts at \$1,799, with terms as short as three months to start and monthly renewals afterward. One benefit for the owner of the building, real-estate investment group Empire Capital Holdings, is the network of potential customers Medici brings, said Aaron Bergman, Empire's vice president of acquisitions.

Common, which launched in Brooklyn in 2015 and has locations in New York, San Francisco and Washington, D.C., said it has received more than 14,000 applications for 265 rooms in its buildings.

Ollie, which operates a co-living location in Manhattan's Kips Bay neighborhood, said the building took no longer than three months to lease up.

WeLive last year launched properties in lower Manhattan and Washington. It has attracted people at varying ages and stages of their lives, said James Woods, head of WeLive.

## GREATER NEW YORK WATCH



RICHARD DREW/ASSOCIATED PRESS

Charles Oakley leaving criminal court in Manhattan on Tuesday.

NEW YORK CITY

### HIV-Positive Man Denied Job Settles

A civil-rights lawsuit against New York City over the police department's refusal to hire an HIV-positive applicant for a 911 operator job has been settled, federal prosecutors said Tuesday.

The settlement awards Raymond Parker Jr. of Brooklyn \$55,000 plus \$30,000 in lawyers' fees, and the New York Police Department will hire him after the completion of screenings.

"As a result of this lawsuit, the City of New York has acknowledged that HIV status is not a basis to deny an individual employment," acting Manhattan U.S. Attorney Joon Kim said in a statement.

Liane Fisher, the lawyer representing Mr. Parker, said he was pleased with the settlement and his conditional letter of employment. The city's Law Department didn't comment on the settlement. The NYPD didn't respond to a request for comment.

—Corinne Ramey

MANHATTAN

### Oakley Is Arraigned For Alleged Assault

Former New York Knick Charles Oakley on Tuesday made his first court appearance since his arrest and ejection in Febru-

ary at Madison Square Garden.

Mr. Oakley, 53 years old, was arraigned in criminal court in Manhattan on misdemeanor assault and other charges before being released without bail.

Prosecutors have accused Mr. Oakley of striking a security guard in the fracas and say two other people who intervened were pushed and received cuts.

Mr. Oakley, who played for the Knicks from 1988 to 1998, said he would fight the charges. Earlier this week he said he didn't do anything wrong.

—Associated Press

NEW JERSEY

### Ex-Prosecutor Pleads Guilty to Tax Charges

A former prosecutor portrayed by Russell Crowe in the film "American Gangster" pleaded guilty to failing to pay his taxes going back to at least 2000.

Richie Roberts, 79 years old, pleaded guilty in U.S. District Court in Newark, acting U.S. Attorney William Fitzpatrick said Tuesday.

As a prosecutor in the 1970s, Mr. Roberts obtained an indictment against Harlem drug kingpin Frank Lucas, a case that was portrayed in the 2007 film.

Prosecutors said Mr. Roberts faces a maximum sentence of five years in prison and fines of up to \$350,000.

—Associated Press



MARK KAULZLICH FOR THE WALL STREET JOURNAL

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# LIFE & ARTS



STYLE

## Your Shoes Don't Want To Hurt You, Really

BY RAY A. SMITH

**IT IS ONE OF THE MOST** painful letdowns: you love and splurge on new shoes only to suffer pain and then blisters when you wear them.

High-end shoe makers are putting resources into new engineering and some craftsmanship to find a solution. While women may have complained about heels for ages, the market now getting a lot of attention is men's shoes.

Brooks Brothers plans to launch a line of men's dress shoes explicitly marketed as pain-free. It put leather in Italy through a mechanical process to make it softer. "It beats the leather to break the backbone," says Gianluca Tanzi, chief operating officer at Brooks Brothers.

The leather was used for the upper of the shoe.

The bottom of the shoe is made with a Goodyear welt, which is a strong leather strip stitched around the shoe's outsole. To many men, the welt signals a well-made shoe. Brooks Brothers added flexibility to the leather layers that make up the sole. Then, the retailer added layers of sneaker-like cushioning, including a rubber injection, into the sole.

"Why does a person who wears classic shoes have to suffer, especially the first time?" Mr. Tanzi says.

Cole Haan is known for adding technology to make its shoes more comfortable and continues to roll out updates. Its Washington Grand Oxford uses what the company calls its Grand.OS tech-

nology, which aims to make shoes lightweight, flexible, breathable and cushioned. The sole has multi-directional flex grooves, the kind more often found in running shoes. Inside rests a foam footbed, plus pods of foam in the heel and tongue. The foam will "hug around your Achilles and the top of the foot to reduce pressure," and make the shoes feel like they don't need to be broken in, says Scott Patt, Cole Haan head of innovation and design.

Breaking in new shoes is one of fashion's biggest pet peeves. Social media means consumers no longer suffer silently. People vent about the bruise that resulted from breaking in a new designer shoe or the on-commission store clerk who assured them shoes are supposed to feel tight and a bit uncomfortable "at first."

At Nordstrom, a department store known for its customer service and its big shoe departments, sales associates are trained to help customers not only find the right size but also the right fit. Even if a customer is sure of his size, sizes and fits aren't standard internationally. "It's not uncommon to wear a 10.5 size in one style and then 11 in another style," says George Staikos, a senior product merchandiser at Nordstrom.

Brooks Brothers puts engineering into its new dress shoes and Cole Haan tries for soles like sneakers; beating the leather so it won't hurt



Nordstrom advises customers to try on shoes with the socks they plan to wear with them otherwise there could be a difference in how they fit in the real world.

"Our salespeople can tell if it's too snug or too narrow or too wide by how easily the shoe slides on the foot," Mr. Staikos says. "They can tell by the way the laces lace up on your foot if it's too big or small. They will ask you, 'can you move your toes?' He adds, if toes can't move, the shoe isn't going to be comfortable. 'The shoe will not grow in length,' he jokes.

The leather, however, will eventually loosen up around the instep, or the widest part of the foot, "if the shoe is a little bit snug," he says. The leather has more give there.

Brooks Brothers's new shoe line, called the Golden Fleece Shoe Collection, is the first time the nearly 200-year-old retailer has made shoes in house; its other shoes were produced with partners. Golden Fleece is the umbrella name for Brooks Brothers' higher-priced tailored clothing and casual wear.

The shoes, made in Italy and priced at \$568, start arriving in five of Brooks Brothers's 125 North American stores this month. They'll serve as test markets before ex-

panding to other stores and expanding the line, which is starting out with 12 styles, says Lou Amendola, chief merchandising officer.



Brooks Brothers Golden Fleece shoes, above and left, have a rubber injection in the soles.

### How to Buy Blister-Free

**Try on shoes later in the day,** when the foot swells, to get the best sense of how the shoes will feel in real life, says Cary Zinkin, a podiatric physician and a spokesman for the American Podiatric Medical Association.

**Look for shoes designed to hug and flex with the foot.** In the store, bend the toe portion of the shoe toward the back. It will likely be more comfortable if it bends easily.

**Walk around the house in the shoes** for a few days before wearing them in public, many advise. Even sitting in front of the TV with new shoes on for 30 minutes to an hour can help, says Mr. Staikos, of Nordstrom. "The heat from your foot will soften the leather."

**Soak blistered feet** in warm water and Epsom salts.

### MUSIC REVIEW

## STORIES OF HIS ADOPTED COUNTRY

BY JIM FUSILLI

**LONG ONE OF ROCK'S** great songwriters, Ray Davies has spent much of the past decade commemorating his achievements. After releasing albums of his own new material in 2006 and '07, in 2009 he issued "The Kinks Choral Collection" in which he and the Crouch End Festival Chorus performed new versions of some of his notable compositions for the influential rock group he and his brother, Dave, founded in 1964. His 2010 album, "See My Friends," was an all-star reworking of his Kinks songs performed with the likes of Metallica, Spoon, Bruce Springsteen

and Lucinda Williams. Two stage musicals co-written by Mr. Davies and based on his life and songs ran in London. After writing his second memoir, "Americana," the 72-year-old Mr. Davies appeared to be easing toward the sunset following an admirable career.

But no. On April 21, he returns with an album also titled "Americana" (Legacy), a collection of 15 new tracks mostly recorded with the Jayhawks, the veteran alt-country band. On a recording that will brighten the spirit of any fan of Mr. Davies, the Kinks and expertly executed song-centric rock, he writes of his adopted country that he's observed with a keen eye.

As the album's name suggests,

Please see MUSIC page A8



Ray Davies's new album, 'Americana,' is out on April 21.

WORK & FAMILY | Sue Shellenbarger

# Teenage Girls: An Expert Guide

A look at the latest research by psychologists and others  
on how to navigate critical developmental stages

Screaming, slamming doors and careening from one emotional outburst to the next—all can be part of life with a teenage girl. Although girls approaching their teens are often years ahead of boys in gaining height, language and social skills, those strengths mask some important vulnerabilities. Questions about helping teen girls thrive are a source of interest for psychologists and neuroscientists, sparking more than three dozen studies in the past year.

Here's a guide to the findings:

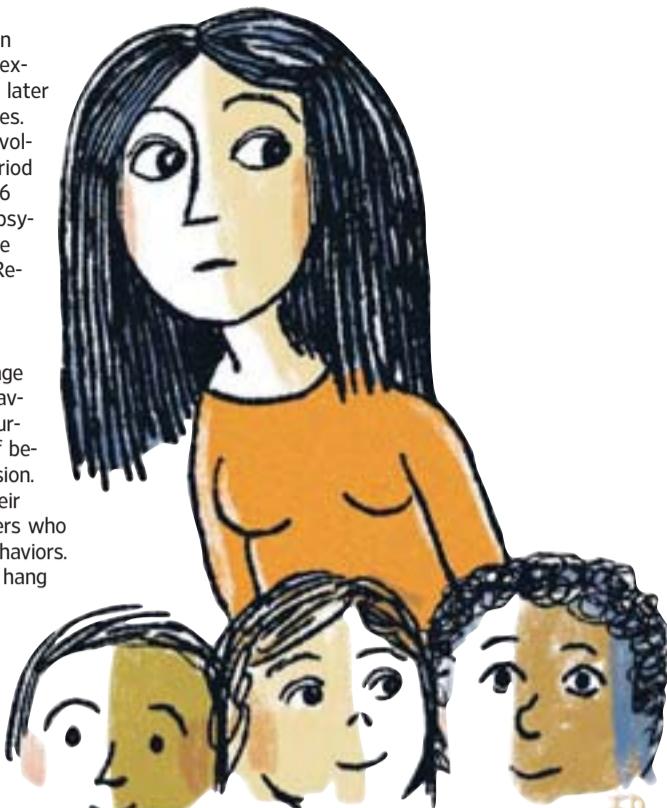


## Ages 10 to 11

Early signs of puberty set in sooner than many parents expect. Girls begin staying up later and having their first crushes. Many are beset by strong, volatile emotions, ending a period of relative calm from ages 6 to 11, says Lisa Damour, a psychologist and director of the Laurel School's Center for Research on Girls in Shaker Heights, Ohio.

Some girls mature faster and begin menstruating at age 10 or 11, compared with an average of 12 to 13. Early-maturing girls are at higher risk of behavior problems and depression. Girls who look older than their years often attract older peers who may lead them into risky behaviors.

Early-maturing girls who hang out with school friends the same age, rather than older friends from outside school, fare better. Also, those who say they're close to parents and can talk with them about many things have a better chance of thriving, research shows.



## Ages 12 to 13

Girls typically are more skilled than boys at expressing their emotions and interpreting others' moods at this stage. They're quicker to grasp nuances of strong emotions. Dr. Damour says, One eighth-grade girl screamed in distress after finding out about a bad grade online, as if she walked into a mass-murder scene," the girl's father told researchers in a 2016 study.

Parents should avoid overreacting. "The No. 1 mistake parents make when their kid is in distress is to jump in to solve the problem," says Michael Y. Simon, an author and school counselor in New Orleans.

Simply helping a girl name what she's feeling and talk about it can have an almost magical calming effect, Dr. Damour says. Teens who are able to ask for and receive support and problem-solving help from their mothers at age 13 tend to be more independent and better educated at 25, according to a 12-year study of 184 subjects.

Some girls try to cope by sharing too much or attacking others on social media, which tends to amplify bad feelings. Dr. Damour advises curbing social-media use and guiding girls toward face-to-face activities instead.

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## Ages 14 to 15

Girls' interactions with parents can take a negative turn, and some become pessimistic in the face of challenges. Boys offered a chance to win rewards in a Wheel of Fortune-like game became excited and motivated, while girls said the challenge made them anxious, says a 2017 study of 167 teens with an average age of 14.

Girls tend to have more negative conflicts with parents than boys. A certain amount of arguing helps teens learn to control themselves and negotiate differences, Mr. Simon says. Parents who can listen with respect and disagree calmly make teens feel as if their opinions matter, helping build a sense of identity.

Some teens, however, unconsciously dump negative feelings on a parent so Mom or Dad will feel bad in their stead, says Dr. Damour, author of "Untangled," a best-selling book on raising adolescent girls. They also tend to make bad feelings worse by ruminating or brooding over them. Rumination is linked to depression in teen girls, who suffer the malady at nearly twice the rate of boys.

If a girl is ruminating on a problem she can do something about, help her get started on working toward a solution, Dr.

Damour says. If it's something she can't change, help her find a happy distraction. Preteen and teenage girls posted lasting improvements in feelings of mastery and closeness with others after taking part in a one-week mountain-biking program where they were also coached on goal-setting, self-expression and team-building, according to a 2016 study of 87 girls.

Teen girls who embrace goals that involve helping others also have a higher likelihood of thriving.

Such teens tend to have parents who trust them and listen when they talk about problems, says a coming study of 207 girls led by Belle Liang, a professor of counseling and psychology at Boston College.

**WORK & FAMILY MAIL | Sue Shellenbarger**  
**WORKPLACE  
RELATIONSHIPS**

**Q:** A co-worker and I have become close and we've started seeing each other outside the restaurant where we work. This is no big romance, but our colleagues are starting to gossip and tease us about it. I'd like to stop all the talk. Any advice? —B.S.

**A:** Workplace relationships fuel gossip if they're mysterious or bear a whiff of scandal. Assuming neither of you is married or in a committed relationship with someone else, and neither of you is the other's boss, your co-workers are probably intrigued because you're trying to keep your relationship secret.

A casual, truthful response to the teasing could help, such as, "Sure, that's absolutely right, but it's no big deal and it isn't having any impact on us on the job." Or if you're just friends, say so. If you know the source of the rumor, consider asking that person privately to stop. If you have allies on the job, you might enlist them to downplay the rumors when you're not around and to give your version of events.

Also, avoid acting as if you have something to hide, by sneaking around or meeting secretly at or near the restaurant.

Write to Sue Shellenbarger at [sue.shellenbarger@wsj.com](mailto:sue.shellenbarger@wsj.com)

## LIFE &amp; ARTS

MY RIDE

# A Prize-Winning Tribute to Prince

**Rebecca Bass, 62, an art teacher at Heights High School in Houston, on the Purple Reign art car, as told to A.J. Baime.**

This past weekend, many thousands turned out for the 30th annual Houston Art Car Parade—billed as the biggest such parade in the world.

For the past 28 years, I have worked with students to produce a car for the event. This year, our car—called Purple Reign, a tribute to Prince—won the Mayor's Cup, the top honor.

To start out, I buy the car myself with a budget of \$500. This year, I bought a late 1980s Mercedes-Benz. I had a group of eight kids, ages 14 to 17, and we started in January. The kids worked every day after school until dark, on weekends, and all through spring break.

On top of the car, they built a replica of Prince's Honda motorcycle from the movie "Purple Rain." (I teach the kids to weld). They created sculptures of Prince, his drummer Sheila E., and his longtime bass player, out of foam, stucco, marine varnish and glitter.

I'm good at begging for things for my students. At a local Corvette place, I got the

back end of a 1991 Corvette. We zip-tied the Corvette piece onto the back of the Mercedes and painted it red, for the Prince song "Little Red Corvette." A local jewelry store called Charming Charlie gives us all its broken jewelry and we used it to bedazzle the car.

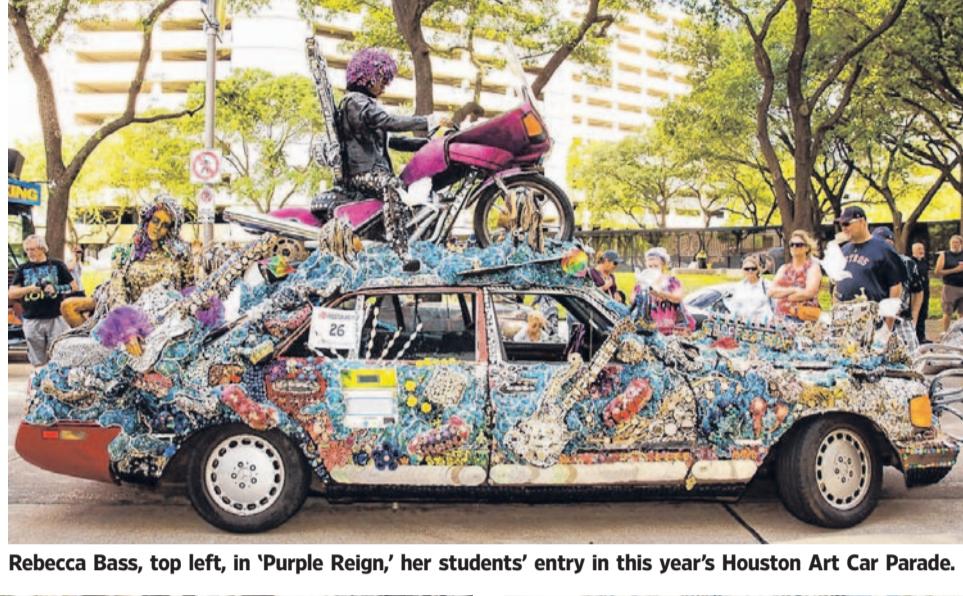
The parade itself is unbelievable. The kids have been working so hard, and now they are put on a stage. They are competing with artists from all over. They realize that their world is so much bigger than their block and their school. Their self-esteem skyrockets.

It's amazing for me, too. I see my old students who have worked on these cars in the past. They're 20 years old now, or 30 years old, and they come out to give me hugs and see the new car. The experience is priceless.

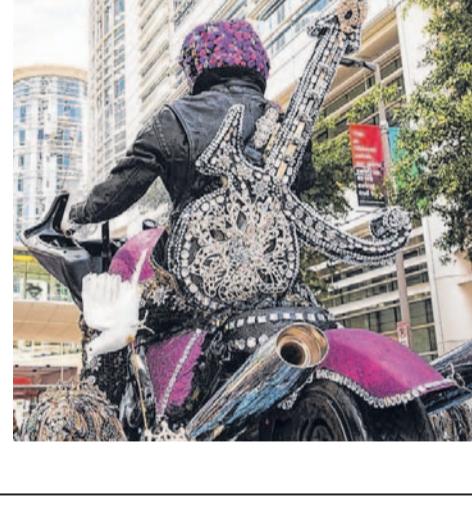
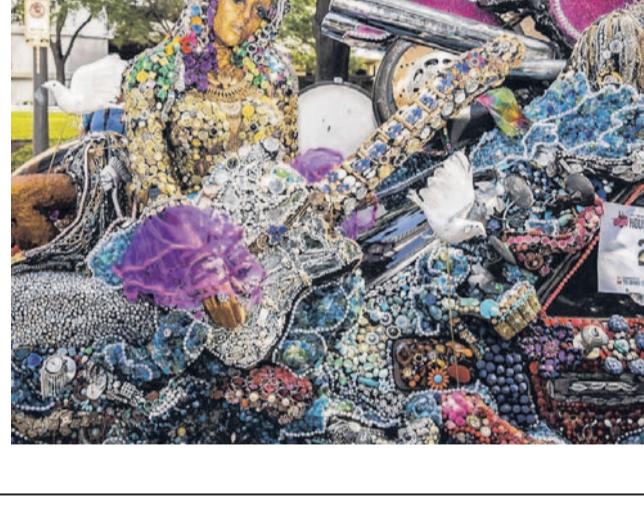
After the parades, our cars end up in museums and collections, all over the country, even in Europe.

This new one I hope ends up in Paisley Park (Prince's estate in Minnesota), which has been turned into a museum. We give these cars to places where they will be seen, and where they will be cherished.

Contact A.J. Baime at Facebook.com/ajbaime.



Rebecca Bass, top left, in 'Purple Reign,' her students' entry in this year's Houston Art Car Parade.



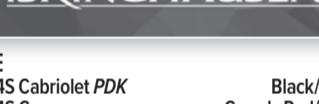
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# SPORTS

## GOLF

# Garcia's Lucky 13



BY BRIAN COSTA

### ON TUESDAY BEFORE THE MASTERS

as Sergio Garcia prepared for yet another attempt to win his first major championship, his fiancée, Angela Akins, handed him a stack of letters. Each one was handwritten on green paper, the same color as the jacket given to the tournament winner.

The letters came from friends and family members from Texas to Spain, addressing two points: why they love him, and why they knew he could win.

The injection of positivity added to what Garcia had already been working to boost within himself: a self-belief that wouldn't waver, combined with an inner calm that would endure through his worst shots. But as he approached the



Sergio Garcia, left, hits a key approach shot to the thirteenth hole at Augusta National. Above, the series of shots that he says "catapulted" him to the title.

13th tee Sunday, it still wasn't clear whether this new, Zen version of Garcia would hold up.

Would a player known for his meltdowns at majors—who had alternately cursed the golf gods, the golf course and himself—really be able to keep it together? He was, however unintentionally, about to find out.

"Thirteen was a big test," Garcia said in an interview Tuesday.

How he passed it was a window into how he won.

### The Tee Shot

Tucked in the deepest part of the famed Amen Corner, the 13th tee faces a par-5, 510-yard hole bending from right to left. For a right-handed golfer, that favors a draw—a shot that starts right and comes back left. But in his first three rounds, Garcia had hit the shot he is more comfortable with—a fade, or left-to-right shot—and avoided the trees that line the creek along the left side of the fairway.

"I just thought, 'Hit the same shot,' and I did," Garcia said.

Only this one caught part of a tree. The ball settled under a bush left of the creek, surrounded by trees and pine straw, just 259 yards from the tee.

It was a bad time for a big miss. Already, Garcia had gone from three shots up on Justin Rose to two shots down, with bogeys on the 10th and 11th holes. With Rose's tee shot on the right side of the fairway, it was easy to imagine a scenario where Rose makes

birdie, Garcia makes bogey and Rose's lead doubles to four, all but giving Rose the green jacket.

In the gallery, patrons were not optimistic. "This thing is over," one man said to another. More than a few people turned and headed back toward the clubhouse.

### The Recovery

In four days at the Masters, players combined to hit 292 drives off the 13th tee. Only four of them landed left of the creek without going into the hazard.

The hazard would have been the better outcome for Garcia, allowing him to drop the ball on the grass right of the creek. But his ball landed in an impossible position, forcing him to take a one-stroke unplayable-lie penalty. The best he could do was to drop it on a bed of pine straw.

Historically speaking, this is when Garcia starts to sulk, bemoans his misfortune and authors the next chapter in a lifetime of dramatic shortcomings at majors. But at the behest of the people closest to him, Garcia began the week determined to react differently.

"I told myself I wasn't going to do that the whole week," he said.

In the bathroom of their rented home for the week, Akins covered the mirror with green sticky notes, each featuring a motivational quote from people like Buddha, Audrey Hepburn, Theodore Roosevelt and Akins herself. She wrote: "Don't forget to be awesome."

Devoid of self-doubt, Garcia grabbed his 9-iron and drilled a

three-quarter chip shot down the middle-left side of the fairway, giving him the ideal line into the green.

### The Pitch

Eighty-seven yards from the pin near the front of the green, Garcia gripped a 58-degree wedge and eyed the down slope toward the back. "I knew I could use that slope a little bit with the spin on the ball and leave myself with a reasonable par putt," he said. The question was how reasonable.

The slope and speed of the greens at Augusta National do not lend themselves to precision, but precision on this shot was everything.

On average, from the fairway in the 75-to-100-yard range on the PGA Tour last season, Garcia's approach shots stopped about 15 feet from the hole. But this one took a few bounces, spun backwards and came to rest just 7 feet from the hole.

How much does that eight feet matter? From 15 feet, Tour players make about 23% of their putts. From 7 feet, the conversion rate is about 58%.

### The Putt

Nothing frays a player's nerves quite like a makeable putt on greens as tricky as Augusta's. But with a dramatic par save suddenly within reach, Garcia was comfortable.

"Don't get me wrong: When I say I was calm, that doesn't mean I wasn't excited for the moment," Garcia said. "But I felt like I was under control. I could feel the adrenaline, but I wasn't shaking."

Spotting a slight left-to-right break, Garcia aimed an inch left of the hole and made a steady stroke. Two days later, he remembered precisely where it fell in: over the middle-left side of the cup.

The putt, coupled with Rose's miss from 6 feet, kept Garcia two strokes back. On his charge to win the Masters, he had better holes, most notably an eagle on No. 15. But the most important one may have been the most revealing one.

"As soon as I made that putt, I pretty much hit every shot the way I wanted," he said. "That catapulted me."

—Brad Reagan contributed to this article.

### THE COUNT

## THE HOTTEST HANDS USUALLY HOLD STANLEY CUP

As the NHL playoffs begin on Wednesday, momentum is critical to Stanley Cup success. Unlike other major sports, where contenders might take it easy as the regular season winds down, rare is the hockey team that limps into the postseason and catches fire to become champions.

Only three teams since the 1990 playoffs—the 1992-93 Canadiens, the 2001-02 Red Wings and the 2014-15 Blackhawks—played their final 10 games of the season under .500.

The 2014-15 Blackhawks stumbled into the playoffs with a 4-6-0

mark (400) in their last 10 and were only 11-8-1 (.575) in their last 20. But superstar scorer Patrick Kane had been injured for the final 21 games. He returned for the post-season and led the Blackhawks in scoring.

If this trend continues this season, the Blackhawks are unlikely to go the distance. With most of their big guns healthy, Chicago staggered to a 3-3-4 finish in their last 10, which included a four-game losing streak at the wire.

The Washington Capitals won the Presidents' Trophy for the league's best regular-season record and con-

tinued to play well, going 8-2-0 in their last 10. Among the other teams entering the playoffs on a roll are the Anaheim Ducks (8-0-2), the Edmonton Oilers (8-2-0) and the St. Louis Blues (7-1-2).

Earlier this season, the Columbus Blue Jackets fell one win short of tying the NHL record of 17 consecutive victories. But they may have peaked too soon. They closed out the season 3-5-2, which included a six-game slide. Now, their road to the Stanley Cup must go through the defending champion Pittsburgh Penguins in the first round.

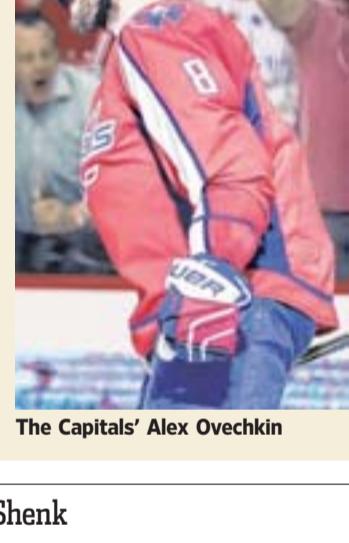
—Curtis Rush

### Momentum Is Key

How recent Stanley Cup champions fared in their last 10 regular-season games.

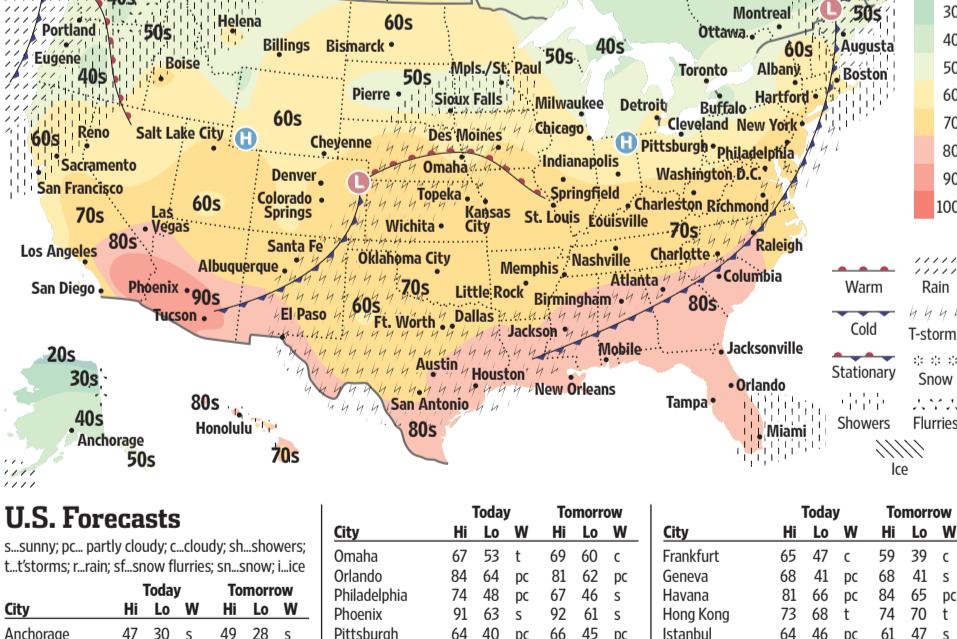
TEAM	SEASON	RECORD
Pittsburgh Penguins	2015-16	8-2-0
Chicago Blackhawks	2014-15	4-6-0
Los Angeles Kings	2013-14	5-3-2
Chicago Blackhawks	2012-13	7-2-1
Los Angeles Kings	2011-12	5-2-3
Boston Bruins	2010-11	6-3-1
Chicago Blackhawks	2009-10	6-3-1
Pittsburgh Penguins	2008-09	7-2-1
Detroit Red Wings	2007-08	7-2-1

Source: Stats LLC



The Capitals' Alex Ovechkin

### Weather



### U.S. Forecasts

S=sunny; pc=partly cloudy; c=cloudy; sh=showers; t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage 47 30 s 49 28 s

Atlanta 81 58 pc 82 59 pc

Austin 80 61 c 79 62 pc

Baltimore 76 47 pc 69 46 s

Boise 70 46 pc 57 39 t

Boston 65 44 t 59 40 s

Burlington 61 41 pc 54 35 pc

Charlotte 78 55 pc 78 55 pc

Chicago 61 45 s 62 52 c

Cleveland 59 44 pc 61 46 pc

Dallas 79 64 pc 80 63 pc

Denver 74 43 s 78 49 s

Detroit 62 44 pc 58 46 c

Honolulu 85 72 pc 84 71 c

Houston 80 63 pc 81 63 pc

Indianapolis 68 47 s 74 56 pc

Kansas City 72 58 pc 74 62 t

Las Vegas 84 61 s 78 52 pc

Little Rock 76 58 pc 82 58 pc

Los Angeles 73 55 pc 69 50 pc

Miami 82 72 sh 82 71 pc

Milwaukee 55 41 pc 49 43 c

Minneapolis 58 46 r 61 49 c

Nashville 79 53 pc 84 58 pc

New Orleans 81 61 pc 83 61 pc

New York City 72 49 pc 62 46 s

Oklahoma City 76 59 pc 74 60 t

### International

Today Hi Lo W Tomorrow Hi Lo W

City Amsterdam 54 45 r 53 42 c

Athens 71 55 p 73 57 pc

Bahrain 88 69 p 95 73 s

Bangkok 97 79 s 95 78 t

Beijing 75 42 s 69 48 c

Berlin 51 41 r 52 40 pc

Brussels 59 42 c 54 41 c

Buenos Aires 64 46 s 68 49 pc

Dubai 99 80 s 98 78 pc

Vancouver 53 38 c 52 42 c

Dublin 49 42 r 52 38 sh

Zurich 65 43 pc 63 39 sh

### The WSJ Daily Crossword | Edited by Mike Shenk

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## IN DEPTH

# Republicans in Kansas Win Early Test

GOP leadership's late push avoids an upset in competitive race for a House seat

BY JANET HOOK

Republicans won the first congressional election of the Donald Trump era Tuesday night, keeping control of a Kansas House seat that became surprisingly competitive and sparked last-minute GOP efforts to get out the vote.

Republican Ron Estes won a special election in the Fourth Congressional District, beating Democratic civil-rights attorney James Thompson, the Associated Press projected.

With 88% of the precincts counted, Mr. Estes led Mr. Thompson by 52% to 46%.

That is far less than the 27-point edge Mr. Trump enjoyed when he won the district in the 2016 presidential election.

The victory came as a relief

for Republicans, who worried an upset would have given Democrats a huge psychological boost and momentum heading into next week's more heavily scrutinized special House election in Georgia—and into the fight for control of the House in the 2018 midterms. The surprisingly close margin will also energize Democrats, who largely ignored the Kansas contest to pour resources into coming House elections in Georgia and Montana.

For weeks, little attention had been paid to the special election in the Wichita-based Fourth Congressional District because it was considered a slam dunk for Republicans. But in the past week, GOP leaders grew concerned about the potential for lackluster turnout that could produce, if not an upset, an embarrassing close result.

National GOP leaders made an 11th-hour get-out-the-vote investment that included a

JAIME GREEN/THE WICHITA EAGLE/ASSOCIATED PRESS

robocall from Mr. Trump endorsing Mr. Estes, a Monday campaign rally with Sen. Ted Cruz of Texas and a television ad by the National Republican Congressional Committee.

The Kansas seat was open because Mike Pompeo, a Republican, resigned to become director of the Central Intelligence Agency.



BO RADER/THE WICHITA EAGLE/ASSOCIATED PRESS

Republican Ron Estes, left, defeated Democrat James Thompson for a House seat in Kansas.

Mr. Estes, the state treasurer, had been heavily favored to beat Mr. Thompson, because the district hadn't elected a Democrat to Congress in more than two decades.

But special elections are typically low-turnout affairs, and Democrats lately have been enjoying a boost of po-

litical energy from across the country from people angry about Mr. Trump's election. The Kansas vote is the first in a series of special House elections this spring that have resulted from Mr. Trump picking four House Republicans to senior posts in his administration.

The race generating the

most national attention is the April 18 special election in the Sixth Congressional District of Georgia, to pick a successor to Tom Price, who became secretary of the Department of Health and Human Services. It is considered Democrats' best shot to pick up a GOP-held seat because last fall Democrat Hillary Clinton came surprisingly close to beating Mr. Trump there, a district that Republicans usually win by double digits.

In Kansas, like the national presidential contest, the special election pitted an establishment insider against an outside political novice, but in Kansas it was the Democrat who was the outsider. Mr. Estes is in his second term as state treasurer; Mr. Thompson has never held public office.

Mr. Thompson was backed by the political organization of Sen. Bernie Sanders of Vermont, who lost the Democratic presidential nomination to Mrs. Clinton last year.

nia, are also backing him.

One of Mr. Ossoff's first television ads took direct aim at Mr. Trump: "He's not only embarrassing us on the world stage, he could start an unnecessary war," Mr. Ossoff said in the ad. "We can't let Donald Trump put us at risk."

He has been one of the most prolific fundraisers for a House candidate, raising more than \$8.3 million in one quarter as of March 31. That included \$1.3 million from Daily Kos readers—a record amount that is three times what the site raised for national liberal icon Sen. Elizabeth Warren of Massachusetts in 2012, said David Nir, the Daily Kos' political director.

## Outside help

Mr. Ossoff's campaign-finance report illustrate his national appeal: 97% of his donations are from out of state. That has opened him to GOP complaints that his support wasn't homegrown.

"He's a far-left Washington insider whose campaign is propped up by Nancy Pelosi, Bernie Sanders and the like," said Maddie Anderson, spokeswoman for the National Republican Congressional Committee.

Most of his money is coming from small donors. The average contribution was \$42.52, the campaign said.

Among Mr. Ossoff's long-distance fans is Andy Diaz, a wine bar owner in Portland, Ore., who in late March held a sold-out fundraiser for Mr. Ossoff. He hosted a "Southern feast" with Smithfield Ham and grits imported from Athens, Ga.

"We are frustrated about politics," said Mr. Diaz, who said he had never before gotten involved in a political campaign. "Complaining about it doesn't get us anywhere."

The campaign is getting so much outside help, it assigned a full-time staff person to manage out-of-state volunteers and contributions. They have lined up local housing for hundreds of visiting campaigners.

But for all the national attention being showered on Mr. Ossoff, he faces an uphill fight in the affluent, conservative district that has been represented by a Republican for nearly four decades.

Democrats are banking on more recent indicators that the district may be changing. In the 2016 general election, Mr. Trump barely beat Mrs. Clinton; by contrast, in 2012, GOP presidential candidate Mitt Romney won the district by 23 points.

Republicans see risk in the fact that their field of candidates is so big and the bickering among them so contentious. Polls show that Karen Handel, a former Georgia secretary of state, and Bob Gray, a businessman, are leading the GOP field.

Mr. Gray said that Ms. Handel isn't supportive enough of Mr. Trump. Ms. Handel, who has also been attacked in ads by the conservative group Club for Growth, said it is more important to be in step with the district than with the president.

"There is a concern," said Peter Korman, a member of the GOP executive committee for the Sixth Congressional District. "When you have 11 Republicans splitting the vote, it gets very contentious and money gets used up. Will there be enough firepower after the first vote to win against outside money?"

## LOBBY

*Continued from Page One*  
an extraordinary 11th-hour investment—including robocalls by Mr. Trump—to hang on to a seat in a deep-red district that Mr. Trump had won in 2016 by 27 points. The seat had been vacated by Mike Pompeo when he was tapped to be the new Central Intelligence Agency director.

Special elections are generally low-turnout affairs that may not be a reliable bellwether for long-term trends, but the surprisingly close Kansas result was a sign of momentum that will surely energize Democratic activists in coming campaigns.

"In the weeks after the [presidential] election, we got inundated with emails and phone calls from people not involved before: 'How can we help?'" said Adam Bartz, executive director of the Washington Senate Democratic Campaign, a statewide group that is already organizing volunteers for a November special election that could flip control of the Washington state Senate in Olympia.

Much of the grass-roots energy is being channeled not by Democratic leaders but by virtual political organizers who have proliferated online in the wake of Democrat Hillary Clinton's loss to Mr. Trump last year. Liberal advocacy sites like The Daily Kos and Moveon.org are breaking political fundraising and participation records.

ActBlue, an online fundraising conduit for Democratic campaigns, handled 4 million donations totaling \$111 million in the first quarter of 2017—more than four times as much as in that period in 2015.

Republicans counter that Democrats' performance in other races so far this year is more bark than bite. In a series of special elections for state legislative seats in Virginia, Connecticut and Minnesota, Democrats failed to win Republican seats they had targeted. In a late-March Louisiana special election, Republicans picked up a state legislative seat that Democrats had held since 1972.

### Close races

"Democrat 'momentum' has not actually flipped a single seat from red to blue," said Adam Temple, spokesman for Republican State Leadership Committee, a GOP group that promotes Republicans in state races.

Still, Democrats came closer to winning than they usually do in those early state precincts. And Republican leaders are clearly concerned about the enthusiasm gap between the fired-up Democratic base and some GOP voters.

The wave of grass-roots liberal activism on the left is reminiscent of the emergence of the tea party in 2009, a conservative populist movement that arose to challenge the Democratic policies of former President Barack Obama's administration as well as the GOP establishment. A key question for the Democratic Party now is whether newly energized liberal activists will work with the party establishment, push it hard to the left or challenge it in future primary elections.

In Delaware, where the February special election could



MELISSA GOLDEN FOR THE WALL STREET JOURNAL

Rachel Paule, 23, volunteered to help Democrat John Ossoff's bid for a vacant U.S. House seat in Georgia once held by Newt Gingrich.

have given Republicans control of the state Senate in Dover, Sister District and another new grass-roots political group, Flippable, directed nearly \$140,000 in donations from all 50 states to the Democratic candidate, Stephanie Hansen. That amounted to almost one-third of her fundraising income, helping Ms. Hansen's campaign and the PAC supporting her outspend her Republican opponent by about six to one, according to campaign staff and state finance reports.

She won handily.

"Her seat was very important to keep Delaware blue," said Laurie Hardjowirogo, 65 years old, an audio book designer in New York who took a bus to Delaware to campaign for Ms. Hansen, a candidate she had never met.



Congressional hopeful Jon Ossoff is running on the slogan 'Make Trump Furious.'

The new wave of Democratic activism isn't just on the Democratic-leaning coasts. In Omaha, Neb., the mayor's contest is drawing national attention from progressives and being framed as a referendum on Mr. Trump.

In Montana, another special U.S. House election is also drawing money and support from activists across the country for Democrat Rob Quist, who is running to fill the seat vacated when Mr. Trump tapped Rep. Ryan Zinke to be secretary of the Interior Department.

"It seemed important right now to send a message to Republicans that, at a grass-roots

level, Americans are not happy," said Sarah Kupferberg, a Berkeley ecologist who donated to Mr. Quist as well as to Ms. Hansen and Mr. Ossoff. But she added, "I'm very disaffected with the Democratic Party. I think the future is in grass-roots organizations."

Many of the new grass-roots groups have encouraged activists to direct their money and attention to state legislative races—an important source of power in upcoming congressional redistricting battles and a political front that Democratic leaders concede they neglected over the last decade with calamitous political results.

Democrats have majorities in 31 of 99 legislative chambers, having lost 958 of the nation's roughly 7,300 state legislative seats since Mr. Obama took office. Republicans now control both chambers of the legislature and the governorship of 25 states; Democrats hold that much power in six states.

"We need to channel the energy we have in deeply blue areas and send it to anywhere in the country where a progressive candidate needs help," said Rita Bosworth, 38, a public defender in California who launched Sister District a week after the election. The site, which aims to connect people in solidly Democratic communities to competitive state legislative races elsewhere, has about 100 volunteer teams in all 50 states.

Flippable, a similar site with 46,000 current users founded by Catherine Vaughan, who worked on Mrs. Clinton's campaign, also identifies state races prime for flipping and had a hand in organizing support for the Delaware state Senate race.

Other new sites include Swing Left, which directs people to the nearest competitive congressional district. It got 200,000 sign-ups in three days after its launch in January and now has more than 5,000 people registered to help in Georgia. Code Blue promotes progressive candidates at all levels of government, from a county court clerk in Virginia to Mr. Ossoff in Georgia.

"If there is a silver lining to the reaction to the Trump win it's that Americans are getting more involved than ever in poli-

### Uneven Field

Campaign contributions in first quarter of 2017 for major candidates in the House special election in Georgia's 6th district.

Candidate	Total contributions	Out-of-state contributions*
Jon Ossoff, Democrat	\$8.3 million	97%
Judson Hill, Republican	\$473,029	17%
Karen Handel, Republican	\$463,744	11%
Bob Gray, Republican	\$217,500	39%
Dan Moody, Republican	\$107,900	17%
Bruce LeVell, Republican	\$55,306	30%

\*Percentage of contributions over \$200

Source: Federal Election Commission filings

THE WALL STREET JOURNAL.

itics," said M.J. Loheed, a television producer in California and political novice who launched Code Blue after the election.

The Democratic Legislative Campaign Committee, the Democratic Party arm that supports state legislative campaigns, convened in March a meeting of the growing band of online organizers to coordinate the sprawling, potentially overlapping efforts.

### Georgia test

For now, most activists' energy is pouring into the House special election in Georgia's 6th congressional district, which is widely seen as an important early test of whether anti-Trump resistance can produce concrete political gains for the Democratic Party.

Mr. Ossoff, a mild mannered and young-looking 30-year-old with the provocative slogan "Make Trump Furious," is an unlikely sensation and national hero of Democratic activists.

As dozens of volunteers packed his campaign office here one Saturday morning, he stood out for sporting a jacket and tie. He steered away from fiery anti-Trump rhetoric, even though the president is a big motivation for many of the people who turned out to canvass for Mr. Ossoff on a cloudy weekend.

There are 18 contenders—including 5 Democrats and 11 Republicans—for the all-party "jungle primary" on April 18 in which the top two finishers go on to a June 20 runoff, unless one candidate wins more than half the vote.

With Mr. Ossoff the clear Democratic favorite, Republicans started attacking early by portraying him as too immature and inexperienced for the job. A super PAC affiliated with House GOP leaders has spent more than \$3 million against Mr. Ossoff, a PAC official said, including an ad that tried to discredit him with YouTube footage of antics while he was a college student.

This is Mr. Ossoff's first run for elective office. A native of the 6th district, he was educated at Georgetown University and the London School of Economics. He worked on Capitol Hill for Rep. Hank Johnson, a Georgia Democrat whose membership on the House Armed Services Committee gave him national security experience that he touts.

After that he became a documentary filmmaker, working for a firm that specializes in anti-corruption investigations around the world.

Mr. Ossoff jumped into the race with the support of civil rights icon Rep. John Lewis (D., Ga.). Other national Democrats, including House Democratic Leader Nancy Pelosi of Califor-

nia, are also backing him.

One of Mr. Ossoff's first television ads took direct aim at Mr. Trump: "He's not only embarrassing us on the world stage, he could start an unnecessary war," Mr. Ossoff said in the ad. "We can't let Donald Trump put us at risk."

He has been one of the most prolific fundraisers for a House candidate, raising more than \$8.3 million in one quarter as of March 31. That included \$1.3 million from Daily Kos readers—a record amount that is three times what the site raised for national liberal icon Sen. Elizabeth Warren of Massachusetts in 2012, said David Nir, the Daily Kos' political director.

# OPINION

## Make America Great, Boycott United



BUSINESS WORLD  
By Holman W. Jenkins, Jr.

United Airlines has long been, forgive the rudeness, kind of a dumb company. Remember it was United in the mid-1990s that got the bright idea, in a business that routinely yielded no profits or capital appreciation, of handing employees 55% of ownership as if this would improve employee incentives.

Employees were not dumb, though several other adjectives come to mind. Leading the buyout was a pilot's union chief who told his members their approach in running the company would not be to not kill the golden goose, but just to "choke it by the neck until it gives us every last egg."

Though pilots were major shareholders in the company from 1994 until its 2002 bankruptcy, they never tired of trying to extort untimely pay increases by engaging in undeclared, illegal work slowdowns. Over eight days in 2008, one such action caused 329 flights to be canceled and left 36,000 travelers stranded in sick.

So much for changed incentives. The same tactics passengers may also remember for 2000's "summer of hell," and even from 1993, when United's workers were still trying to buy the airline. Think about it: Employees hoped to

take over a company by destroying its reputation with customers.

Usually we try to avoid anthropomorphizing a business corporation. Businesses have "cultures" but they are not immutable. Personnel change. Management changes. Market conditions change.

United had plenty of defenders when, in 2005, this column saw an overdue test case of whether the U.S. bankruptcy system still served the larger good of society or was merely a means to preserve

### Sometimes a business needs to be spanked hard in the name of social health.

zombie companies for the benefit of organized labor. United at the time was the latest of a series of carriers to use the bankruptcy court conveniently to shuck off debts and other "legacy costs" so they could return to the marketplace and make life difficult for competitors still struggling to honor their obligations.

Let United be liquidated rather than reorganized, we suggested at the time. Let United become a well-deserved sacrifice so the rest of the industry could have a chance at profitability.

The response was a flood of email from United employees suggesting a variety of unnatural acts with office supplies.

United pilots in particular seemed to be under the impression that columnists still use typewriters, though their suggestions were impossible.

All this we offer as background for the latest seminal outrage, which has the feeling of an important national moment. In case your iPhone battery died and your foot has been caught in a crevice on a remote mountainside and you haven't quite finished gnawing through your own shin, here's what you missed:

United overbooked a flight from Chicago to Louisville, and decided it needed to free up seats so four of its employees could get to Louisville. When no passenger volunteered to surrender his place for the cheapskate \$800 United was offering, the airline chose four people to remove, including one gentleman who quite demonstrably felt entitled to the seat he had bought and paid for.

The inevitable handheld video of this man being roughed up like a baby seal has now been seen approximately 4.5 trillion times. United has made itself a laughingstock in a way that few companies in recent memory have. Its CEO hardly helped matters—or helped matters a great deal if you're a late-night comedian—by publicly apologizing for the manner in which the passenger had been "re-accommodated."

OK, it's a mistake to assign excessive representative value to such situations, but sometimes businesses need to be

punished for the health of society. Are Americans going to stand for this? Are they going to let so prominent and symbolic a company treat them this way? A few peeps of boycott protest have emerged. Let this become a national movement of renewal.

We are currently drowning in suggestions that America has become a country of body parts that Donald Trump once grabbed with impunity. Such is the theme of economist Tyler Cowen's resonant new best-seller "The Complacent Class." So let the United boycott take off. Let United become a brand name of infamy that one day will be remembered as the stimulus for a national turnaround.

Boycott the airline. Burn a few effigies. Don't actually kick a United gate agent in the teeth but perhaps design the corresponding emoji.

While we're at it, what's wrong with Chicago airport security? Did not a single officer say, "I'm having no part of this. If United can't deal with its overbooking mistakes in a civilized, non-cheapskate way, how is it my job to manhandle innocent customers?" This also smacks of our national malaise—police who need an armored personnel carrier before they'll roll up and serve a warrant, who wait outside Columbine High until they're sure the shooting has stopped.

Donald Trump voters, you want to make America great again. This is your chance. Boycott United.

## The Rule of Law Is Enough for Us



POLITICS & IDEAS  
By William A. Galston

During Passover, Jews around the world gather to recount the story of the Exodus from Egypt. The Bible tells how God broke the bonds of slavery and punished the oppressor. His people were freed and then allowed to depart for a new land. This story has inspired liberation movements around the world, including the American civil-rights movement.

In the course of the Passover ritual, there is a famous song that recounts a long succession of miracles God performed for the Jews. After each comes the same refrain: "It would have been enough for us." Each would have been the occasion for boundless gratitude; each was evidence not of human merit but God's mercy. From a theological standpoint, the sentiment is unimpeachable.

But there is another point of view—the practical. In this light, it is far from clear that it would have been enough had God stopped partway. "If He had brought us to Mount Sinai and not given us the Torah," goes one stanza, "it would have been enough for us." Not so, because freedom and law are indissolubly linked.

If the American colonists had separated from the British monarch but had failed to adopt the Constitution, it

would not have been enough for us. Not all constraints are inimical to freedom, which only a structure of law can sustain.

Modern national liberation movements learned this lesson the hard way. Throwing off the shackles of colonialism is one thing, but establishing self-government is quite another. In the long run, indigenous autocrats are no more bearable than foreign rulers. In some ways they are worse, because they betray the sacrifices of those who struggled against colonial masters.

The same logic undermined the hopes of the Arab Spring. The massive demonstrations in Cairo's Tahrir Square led to the ouster of Egypt's leader, Hosni Mubarak, but didn't yield self-government under the rule of law. The inept governance of the Muslim Brotherhood, which a narrow majority brought to power, gave way to a new military autocracy that is, if anything, worse than the Mubarak regime whose deficiencies sparked this sad cycle.

In Europe, the aftermath of the Soviet Union's collapse confirms the link between freedom and the rule of law—which is not the same thing as majority rule. The process by which law is enacted and administered serves as a check on human will, even the will of the majority. Governments that weaken the rule of law in the name of majority rule begin by oppressing minorities and dissidents and end by empowering autocrats.

The 'Fight for \$15' has failed as a source of new dues-payers.

The SEIU might be losing hope: A Center for Union Facts analysis found that the union paid workers organizing committees \$14.7 million in 2016, down from \$16.4 million the year before.

With membership declining, the SEIU's cutback was inevitable. Since 2011 the union has shed nearly 21,000 dues-paying members, despite spending

Contemporary populists have legitimate complaints against the status quo, not least the incapacity of parliamentary governments to act decisively against mounting societal ills. The danger is that the understandable desire for bold measures will wind up undermining the structures that safeguard liberty.

This concern for sustainable freedom is the heart of constitutional democracy, as the American example shows. Constitutional safeguards often slow decision-making, which is frustrating, but in so doing they help ensure that a wide

### A Passover lesson on the importance of constitutional safeguards.

range of views and interests are taken into account. Legislative devices such as super-majority requirements for certain decisions perform a similar function, which is why dismantling them for temporary political advantage is likely to prove counterproductive.

The job of the judiciary is to defend constitutional safeguards and the rule of law against all adversaries, including aroused majorities, whether legislative or popular. When constitutional restraints fail, the results can be shameful. In the notorious *Korematsu*

decision, the Supreme Court blessed the internment of Japanese-Americans during World War II, a blot on American history that not even President Reagan's apology four decades later could wholly erase. If the court had probed seriously the evidentiary basis for the Roosevelt administration's policy, it would have reached a different decision.

When liberty is at stake, the government should face a high burden of proof, and it is the duty of the judiciary to determine whether this burden is met. This is why it was appropriate for federal courts to review the factual basis underlying the Trump administration's executive order concerning immigration and refugees. It does not matter how many Americans support his policy if it is inconsistent with the rule of law. A judge who safeguards these boundaries is not a "so-called judge," as Mr. Trump derisively said, but a real one.

In these polarized times, the administration's adversaries must distinguish between disputes over policy and disputes about the institutional political framework. The former may arouse intense passions, but threats to the latter are what should alarm the friends of ordered liberty.

If the U.S. emerges from these tumultuous times with its constitutional institutions strong and comes to the aid of these institutions wherever they may be threatened, it will be enough for us.

## Honey, I Shrunk the Union

By Richard Berman

The Service Employees International Union last week held yet another national protest. The "racial justice-themed Fight for \$15" spread to dozens of cities but failed to live up to the hype.

A few dozen people showed up in Boston. The turnout appeared even smaller in San Diego. The Chicago Coalition for the Homeless tweeted a picture of "16 homeless workers." The union should be embarrassed. Ignore the SEIU's political theatrics and Potemkin protests, and you'll find a cash-strapped group waging a losing war.

The SEIU has spent at least \$90 million on the Fight for \$15 since the campaign's launch in 2012, according to recently released financial disclosures. In 2016 alone, the union spent more than \$19 million on workers organizing committees, public-relations

retainers, and legal fees for the initiative. The Fast Food Workers Committee, which helps the SEIU, bagged more than \$3.6 million last year. Berlin-Rosen Public Affairs, a Democratic consulting firm, got \$1.7 million. The Mario Cuomo Campaign for Economic Justice secured \$250,000 for its work in New York.

The SEIU might be losing hope: A Center for Union Facts analysis found that the union paid workers organizing committees \$14.7 million in 2016, down from \$16.4 million the year before.

With membership declining, the SEIU's cutback was inevitable. Since 2011 the union has shed nearly 21,000 dues-paying members, despite spending

millions of dollars trying to unionize restaurant workers. The restaurant industry—a major unionization target for decades—boasts a union-membership rate of only 1.7%.

The union's failure to convert the Fight for \$15 into new members presents an existential threat to its business model. Andy Stern, the former SEIU president, argues that the union cannot continue paying for its social-justice work with revenue it makes from bargaining contracts "because collective bargaining is shrinking." Harold Meyerson, executive editor of the *American Prospect*, admits that the goal of unionizing fast-food workers is "as elusive today" as it was when the Fight for \$15 began.

The future looks bleak for the SEIU, so much so that the union is planning a 30% budget cut over the next year. Citing a need to "dramatically rethink" the union's strategy, SEIU President Mary Kay Henry announced the 30% reduction by

the end of the year and a 10% cut effective immediately. The reason? "Dramatically reduced resources."

The SEIU's failure to leverage the Fight for \$15 as a recruitment tool poses larger questions. How can the union sustain its political influence without a substantial influx of monthly dues? And how will decreased dues affect the Democratic Party, long a recipient of SEIU funding?

The union spent more than \$31 million on the 2016 election, almost all of it to support Hillary Clinton and other Democratic candidates. Since 2000 the SEIU has allocated roughly \$265 million for purely political purposes.

But even Mr. Meyerson acknowledged "there's a limit to how much unions can win politically if they continue to shrink."

Mr. Berman is executive director of the Center for Union Facts.

BOOKSHELF | By Hugo Restall

## China's Great Leap of Faith

### The Souls of China

By Ian Johnson  
(Pantheon, 455 pages, \$30)

In 1982 a young Communist Party cadre asked for a transfer to Zhengding County, about 160 miles south of Beijing. There he befriended a famous Buddhist monk and helped rebuild Linji Temple, birthplace of the Rinzai school of Zen Buddhism.

The cadre, Xi Jinping, now China's paramount leader, was taking a risk. The party espouses atheism, and Mao Zedong suppressed religion during the Cultural Revolution. But the same year that Mr. Xi moved to Zhengding, his father, one of Deng Xiaoping's allies in the Politburo, forged a more tolerant policy that recognized religion's contribution to stability.

In "The Souls of China," Ian Johnson reports on the religious revival that followed, in which China's five mainstream faiths—Buddhism, Daoism, Islam, Catholicism and Protestantism—have grown to 300 million followers.

A former Journal reporter, Mr. Johnson interweaves the stories of four groups over one year. Devotees of a Daoist goddess maintain shrines for the annual pilgrimage at Beijing's holiest site, Miaofengshan. The Lis, a family of Daoist priests in Shanxi Province, conduct funerals. Young pastors nurture Calvinist churches in Chengdu. Buddhist and Daoist gurus teach meditation in Hangzhou and Beijing.

These lives represent China's immense diversity of experience. Yet they also reveal a widespread desire for spirituality. The lack of a moral "bottom line" at every level of society has left Chinese grasping for something to believe in.

In the 1980s and '90s, folk religions that the party once condemned as "superstition" came flooding back. Officials struggled to control movements led by charismatic leaders promising miracle cures. But for the most part the Communist Party benefited by embracing what it terms "intangible cultural heritage." Religion at the village level is about harmonizing with society and nature, which fits nicely with the party's obsession with "stability maintenance."

As Mr. Johnson puts it, "Chinese religion had little theology, almost no clergy, and few fixed places of worship. But this didn't mean Chinese religion was weak. Instead it was spread over every aspect of life like a fine membrane that held society together."

So it's natural that Mr. Xi has endorsed Confucianism, imperial China's state religion, as part of his anticorruption campaign. In 2013 he paraphrased one of Confucius' maxims: "A state without virtue cannot flourish; a person without virtue cannot succeed." The next year he praised Buddhism for being fully Sinicized, i.e., obedient to the state.

But Mr. Johnson's reporting suggests challenges ahead for the party. As China becomes more prosperous and moves to the cities, their spiritual life is also evolving. Instead of rituals and fortune-telling, they want a coherent worldview and direction on how to live a good life. Simple rules are giving way to theological debates.

Protestantism is most representative of this trend, which

Mao Zedong suppressed religion during the Cultural Revolution. A half-century later, more than 60 million Chinese are Protestants.

helps explain why it continues to grow so fast. The one religion that thrived under Mao's oppression, it has gone from just one million followers in 1949 to more than 60 million today. Mr. Johnson describes how Early Rain, a congregation in Chengdu, has begun "planting" a second church on the other side of town after outgrowing its office-building church.

Protestantism adapts quickly. Wang Yi, the pastor of Early Rain, was once a human-rights lawyer. Now he and his colleagues see Christianity as the path to redeeming a corrupt society. They push their congregations to accept the international doctrines of Reformed theology so they can build a new "city on the hill." As one parishioner tells Mr. Johnson: "It used to be that charismatics who ran the churches in the villages, but people are not so satisfied with that. They want more content."

The folk religions seem to be thriving, but this may be a straw fire that burns bright before dying out. The Miaofengshan stalwarts who restarted the pilgrimage in the 1980s are getting old, and some in the next generation treat the pilgrimage as another way to flaunt their wealth.

With faith in its own ideologywaning, the Communist Party had adopted the traditional religions that it had nearly destroyed. Now these too are losing their power. The Li family's home is designated the Hengshan Daoist Music Training Base, a National Level Intangible Cultural Heritage. Despite these grand titles, Li Bin sends his son to private school so he can have a stable career outside the priesthood.

Meanwhile, Protestants challenge the party's teachings openly and operate as the country's only real civil-society groups. The Early Rain church rewrites official Chinese history to restore the contributions made by foreign and local missionaries. It even gives money to the families of political dissidents. The congregation protects itself with a policy of radical openness. It provides the police with lists of everyone who attends services, and it allows police informers to attend meetings. But Pastor Wang continues to criticize the party.

The fact that the party tolerates Early Rain and thousands of similar churches shows its weakness. It spends more on the apparatus of social control than on the military, but it can't afford to suppress Christians dancing on the knife edge of civil disobedience. If it closes the churches, they will worship in the parks. If it throws them in prison, they will become martyrs.

While many of China's human-rights lawyers are Christians, Mr. Johnson concludes that even traditional faiths promote the idea of natural law. "[R]eligion's real challenge to state power comes from something subtler that it is helping to create: a reawakened national conscience."

Mr. Xi's pragmatic approach has shored up the Communist Party's fading legitimacy for a generation. But if religion is to provide a moral foundation for society, it needs to be authentic. State sponsorship ultimately saps faith of its vitality. In a rapidly changing China, the only certainty is that religion will continue to evolve beyond the control of the party.

Mr. Restall is the editorial-page editor of *The Wall Street Journal Asia*.

## OPINION

### REVIEW & OUTLOOK

## A Market for United's Bookers

**A**s corporate PR fiascoes go, the United Airlines case of the doctor forcibly dragged off an overbooked flight at Chicago's O'Hare International Airport Sunday is one for the ages. The late-night comics have a new non-Trump target, United's stock fell more than 4% before rallying to 1.1% off on Tuesday, and CEO Oscar Munoz's use of the word "re-accommodate" to describe the episode will enter the Euphemism Hall of Fame. To think that a simple lesson in market economics might have spared everyone the trouble.

Passengers loathe overbooking, for understandable reasons, but the practice is legal, makes economic sense for airlines, and doesn't inconvenience many passengers. Airlines use algorithms to monitor no-show probabilities, and overbooking helps airlines run with fewer empty seats. Passengers can also benefit because not penalizing no-shows means there will likely be some seats available to fly stand-by or at the last minute.

The Department of Transportation, which fines airlines for egregious overbooking, reports that 41,000 fliers were involuntarily bumped from their flights last year. That's a relatively small figure compared to the 660 million passengers last year. United wasn't even the worst offender with a rate of 0.43 involuntary bumps for every 10,000 passengers, below the airline average of 0.62. Not that it matters now, but United had been improving in recent years.

The populist impulse now will be to pass a law to outlaw overbooking, or to haul Mr. Munoz for a public display of self-abnegation before Congress, if not followed by a hanging. United shareholders can also expect to write a giant check to David Dao, the doctor who was hauled away to global fame on YouTube. Whether or not you think Dr. Dao protested too much, there is a better way.

The economist Julian Simon wrote on these pages in 1977 (and we repeated in 2010) that the way to handle overbooking if too many passengers show up for a flight is to hold an auc-

**As Julian Simon taught,  
an auction is the best  
solution to overbooking.**

tion. Treat the seat shortage like a market to persuade people to give up their tickets voluntarily. Offer passengers compensation in gradually rising value until enough volunteers give up their seats.

The auction lets passengers determine how much they value keeping their seats. The maid of honor for her college roommate's wedding is not likely to accept any compensation, because her priority is to get to her destination on time. But the passenger with no urgent demands might trade some of that time for cash.

If 115 passengers showed up for a flight with 100 seats, the airline would start to offer, say, a \$300 voucher to passengers who agreed to take a later flight. If there weren't enough takers at \$300, the airline would increase the offer to \$400, then \$500, a free round trip ticket, etc., until 15 passengers volunteered. This is an efficient way to allocate a scarce resource, and it leaves passengers happier than if they're forced to give up their seats.

Over the years airlines have adopted versions of the Simon incentive plan for bumped fliers. But instead of an auction, too often they offer one-size-fits-all compensation. In the case of Mr. Dao's United flight, the airline is reported to have offered passengers \$1,000. That United had no takers simply means it set the compensation price too low.

Delta Airlines does better by asking passengers what compensation would get them to give up their seats. Since they go by the lowest bidder, the incentive is not to demand too much. And people who are bumped aren't nearly as upset, given that they have already given the price at which they would accept another flight.

Today's flying experience is often miserable, and what beleaguered passengers want is to be treated like customers, not cattle. Whatever an auction system might have cost United to get someone other than Dr. Dao to give up his ticket would be much less than what United will pay to settle lawsuits and repair its public reputation. Markets work better than brute force.

## Trump's Putin Pushback

**T**he theory, popular with the media, that President Trump is a political prisoner of Vladimir Putin is looking less credible by the day. The latest evidence arrived Tuesday as White House officials accused Russia of trying to cover up Bashar Assad's chemical-weapons assault in Syria, and Mr. Trump formally invited Montenegro to join NATO.

As Mr. Putin was refusing to meet Secretary of State Rex Tillerson in Moscow, White House officials said Russia is conducting a "disinformation campaign" to shield Mr. Assad from accountability for last week's sarin attack that killed at least 85 people. The officials also said they suspect Russia knew about the attack in advance given how closely the two militaries work together in Syria—though there isn't definitive evidence. This public truth-telling is welcome and helps to keep diplomatic pressure on Mr. Assad and Russia as his accomplice.

Meanwhile, the White House announced that Mr. Trump signed the U.S. "instrument of ratifi-

**He invites Montenegro  
to join NATO and keeps  
up the Syria pressure.**

cation" for Montenegro to become the 29th member of NATO. The decision paves the way for the tiny Eastern Europe nation to join at the NATO summit in May if other nations agree.

Montenegro won't count for much militarily, but its entry is important as a rebuke to Mr. Putin, who opposes any expansion of the Western alliance close to Russia's borders. Last year Russian agents tried but failed to orchestrate a coup to overthrow Montenegro's pro-Western government. "President Trump congratulates the Montenegrin people for their resilience and their demonstrated commitment to NATO's democratic values," said the White House statement, in a clear reference to the coup attempt.

The investigations into ties between Russia and the Trump presidential campaign have a long way to go, but Mr. Trump isn't acting like someone who is making foreign-policy judgments out of fear of Russia's response. This is reassuring and will strengthen his leverage with the Russian strongman.

## The Anti-School Choice Coalition

**T**eachers unions portray vouchers as a nefarious Republican scheme though support for—and opposition to—private school choice is often bipartisan.

Witness how Democrats in Maryland and Republicans in Texas have stymied efforts to improve educational options for poor kids.

**Democrats in Maryland  
and the GOP in Texas  
punish poor kids.**

capital's fiscal crisis and deteriorating public schools. But over the last 15 years Washington has been at the forefront of school reform. Former chancellor Michelle Rhee imposed rigorous teacher evaluations, eliminated tenure, introduced merit pay and expanded school choice. Nearly half of students attend charters while about 1,200 receive federally funded private-school scholarships.

The results speak for themselves: In 2015 Washington, D.C. ranked as the fastest improving urban school district on the National Assessment of Educational Progress in fourth-grade reading. On the other hand, Baltimore's fourth-grade math and reading test scores dropped more than any other school district. Unyielding Democratic opposition to reform in Maryland may propel more parents in Baltimore to leave, undercutting tax revenues and public schools.

Meanwhile, Republicans in the Texas House have deep-sixed legislation passed by the state Senate creating tax-credit scholarships and education-savings accounts for low-income kids. After rural lawmakers complained that vouchers would harm their local schools, Senate Republicans restricted scholarship eligibility to the state's 17 largest counties and capped tax credits at \$25 million.

House Education Committee Chairman Dan Huberty says the bill is dead on arrival, and more than two-thirds of House lawmakers voted last week to ban state funds from flowing to private schools. In February Mr. Huberty called vouchers "a solution in search of a problem." Would he like to defend the status quo in Houston where a mere one in five eighth-graders score proficient in reading?

In selecting Betsy DeVos as Education Secretary, Donald Trump picked a school-choice warrior who's fought for years on the barricades. The setbacks in Texas and Maryland show why her experience and tenacity are needed.

Ironically, many of Maryland's black parents fled Washington, D.C. two decades ago amid the

controversy to the politics of left versus right, Wake Forest University seeks to move beyond such labels to promote a greater understanding of, and appreciation for, academic freedom.

## LETTERS TO THE EDITOR

### Modern Cars Are Safer, Mostly, but at a Cost

"Safer Cars Come With a Hidden Cost" (Business & Finance, April 4) is most timely. My Audi A8 went to the dealer that same morning for what I thought was a routine wheel alignment. Totally shocked to hear an estimate of \$700, I listened as alignments on my vehicle were described as time-consuming, major tasks. Not because of the wheels, but because cameras, sensors and associated systems must also be aligned with the track of the vehicle. I wasn't happy, but your article helped me accept that a \$700 alignment is now a significant and necessary "hidden cost." But I'm not feeling any safer on the road each day.

Today's auto makers have done a miraculous job of protecting me from myself. My steering wheel vibrates if I wander over a painted line, my car slows or even stops if I get too close to the vehicle ahead, I get visual and aural collision warnings, etc. But what I really need are systems that better protect me from the other guy—specifically, from the millions who routinely drive while texting. Frankly, I now fear them day and night and much more than I do drunken drivers. A solution? Demand, perhaps legislate, that auto

makers, device companies and cellular providers develop and install systems in every vehicle, phone and tablet that allow only voice communication in the front seats while a vehicle is in motion. It's technically doable and will better protect all of us—from the other guy.

ROGER SPENCE  
Richmond, Va.

In my 2014 midsize sedan there is one dial on the dashboard. That is the volume control for the radio. All other controls are "touch" and are on the touch screen and a panel area below it. The touch screen is equally as dangerous as texting. The 13 subtle pushbuttons below the screen are almost as dangerous. No action can be taken on either of these areas without taking one's eyes off the road. Modern ergonomics on the dashboard is vastly more dangerous than the historic dials and knobs.

Insurance companies love the addition of costly but questionable safety features. Their profits are basically cost-plus, so the higher cost is simply passed on to the car owners, resulting in greater profits.

DUANE J. HYLAND  
Golden, Colo.

### Method Behind Trump's Off-the-Wall Tweets

Daniel Henninger ("The Trump Tweets," Wonder Land, April 6) and Karl Rove ("A Presidential Honeymoon From Hell," same-day op-ed) assign blame for President Trump's dismal approval rating to his injudicious tweets that feed a hostile press. He is waging a war with news media that the White House never wins.

It is widely accepted that the press generally wanted and expected Hillary Clinton to win the White House. Given near-unanimous media disdain for Donald Trump, is there anything he could be doing now that could neutralize or soften press animosity? Sure, it would be little harder to delegitimize his presidency without off-the-wall tweets, but would that

significantly affect his press coverage? A war with people who "buy time with the public by the petabyte" still may be unwinnable, but a stand-off that is relished by Mr. Trump's believers may not be as negative as it was in the past.

Fortunately for President Trump, American trust in the media is in a statistical dead heat with his job approval rating. An unwinnable battle with the press may be a distraction, but could be a net positive in our digital age of media contempt for anyone challenging liberal norms and the widespread citizen contempt for liberal news media.

SEAN NAPLES  
Asheville, N.C.

### Tax Reform Must Help Small Businesses, Too

As the owner of a small business, I'm excited at the prospect of growth tax reform this year. However, Jason Furman in his April 3 op-ed "How to Make Tax Reform Bipartisan" all but ignores the small-business economy in his proposal for bipartisan reform. Small businesses have created nearly two-thirds of new jobs in the past two decades and employ half of all private-sector workers. Mr. Furman's proposal treats this critical sector as an afterthought.

Mr. Furman proposes that Congress should focus only on reforming corporate rates. According to the National Federation of Independent Business, three-quarters of small businesses operate as pass-through entities paying at the individual rates, which are higher than the corporate rate. If small businesses are given nothing while large corporations are relieved of hundreds of billions in taxes, what does he think will happen? Obviously, corporations will have a host of new advantages over their smaller competitors.

Mr. Furman does propose new small-business tax credits, but only for "research and employer benefits." Only a sliver of small businesses in this

country conduct research, and there is no telling whether an employer-benefit credit would balance the costs of adding new benefits. The temporary ObamaCare small-business credit was an abysmal failure in that regard.

Republicans would be foolish to leave small business behind in the quest for tax reform. Only a plan that benefits businesses of all sizes equally will create the broad economic growth President Trump and Congress seek.

LAURIE SPROUSE  
Dallas

### Extreme Vetting Will Badly Damage American Tourism

While some experts rightly note that it is unclear whether "extreme vetting" measures for visitors to the U.S. will improve security, there is no acknowledgment of the potential negative consequences to the tourism industry ("U.S. Crafts Extreme Vetting Methods," page one, April 5). Subjecting foreign visitors to deeply intrusive processes likely will cause tourists to look for alternative locales. The U.S. could do worse than take a look at successful methods elsewhere. Israel is worth emulating. The focus there is on the individual, not the device or the country of origin.

VIJAY DANDAPANI  
New York

### We've Been This Way Before

In "How Trump Can Break the Gridlock" (Politics & Ideas, March 29), William Galston says the failure of the Republican health-care bill is the inevitable consequence of trying to legislate with the votes of only one party. Isn't that how we got in this mess in the first place?

PATRICK MARTIN  
Temecula, Calif.

### Pepper ... And Salt

THE WALL STREET JOURNAL



"I enjoy the simple pleasures - the setting sun, a glass of wine, the Dow resuming an all-time high."

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## OPINION

# How Technology Liberates Human Capital

By Michael Milken  
And Igor Tulchinsky

**N**ew technologies tend to disrupt old businesses, but also to create more jobs than they destroy. That's little solace, though, to the workers who lack either the skills or flexibility to find better opportunities.

From the factory floor to the Wall Street trading desk, advanced technologies such as artificial intelligence and smart robots are already affecting millions of Americans in dozens of job categories. Across the country, especially in

Digital innovation and robots are opening new possibilities for workers across the U.S. economy.

rural areas, workers and labor-force dropouts are suffering. Tragically, the death rate for middle-age whites—unlike other groups—has increased in recent years. Homelessness, disabilities, mental distress, pain and opioid addiction are all too common. Without help, many workers will sink further into isolation and despair.

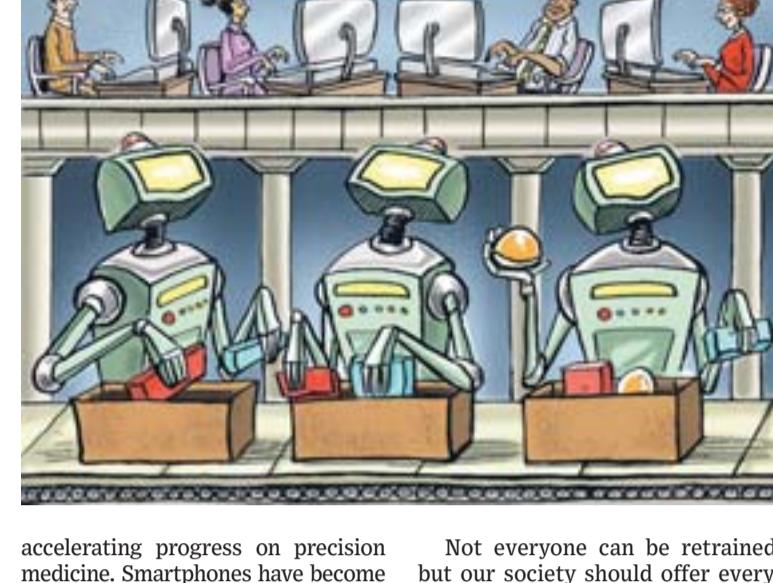
This January, the McKinsey Global Institute reported that almost half of paid work can be automated with current technologies. That would increase productivity growth by an estimated 0.8% to 14%, compounded every year—a substantial economic boost. Unfortunately, it could also leave many more workers behind, without a chance for upward mobility.

But the very technologies eliminating jobs can be part of the solution for disrupted workers. To see what pessimists are missing, go back 40 years, when powerful financial technology first started being used on Wall Street. The combination of mainframe computers with new types of securities and trading processes increased access to capital, especially for small and medium companies. Pioneers in the cellular telephone industry, for example, previously had a hard time convincing lenders that they could revolutionize how people communicate. There were only a handful of capital providers—primarily banks and insurers—that most companies could turn to.

This changed beginning in the 1970s, when capital markets began a long process of displacing the established financial institutions as the leading sources of funding for corporate growth. Innovative fixed-income and equity-linked instruments helped create more than 60 million net new jobs in the U.S. over the last third of the 20th century. This proved an important formula: Prosperity comes when financial technologies multiply the sum of human capital, social capital and real assets.

Real assets have traditionally included tangible balance-sheet items such as land, factories and capital equipment. On a national scale, the term used to mean large physical installations like airports, highways, electrical grids and seaports. Today, however, the digital infrastructure that serves three billion internet users world-wide has become even more important and is driving three revolutions.

First, technology leverages human capital—the talent, training and experience of people. Digital collaboration among researchers, for example,



CHAD CROWLEY

accelerating progress on precision medicine. Smartphones have become a useful connection with a doctor, mentor, financial adviser or bank.

This hasn't reduced the number of jobs. Two million manufacturing positions will go unfilled by 2025 according to Deloitte Consulting, which calls technology a "great job-creating machine" that increases income and thus demand. The problem

is a mismatch between employee skills and changing workplace needs. The solution will involve major training efforts.

Enlightened manufacturers are minimizing layoffs by preparing assembly-line workers for higher-level duties while relegating routine tasks to robots and AI programs. Outside of manufacturing, opportunities are everywhere, from application coding to rapidly growing "new-collar jobs" like medical sonography. This is the workplace of the future, where humans are not displaced by machines, but interact with them.

Not everyone can be retrained, but our society should offer everyone at least an opportunity for a life of dignity and purpose. That's why the theme of this month's 20th annual Milken Institute Global Conference is "Building Meaningful Lives." Panels will address topics such as AI and robotics, underemployment, workforce development and the opioid epidemic.

Second, technology is creating new business opportunities. Vastly reduced computing costs have resulted in a tsunami of data, which doubles in size every few years. That means many new jobs in data analysis. General Electric estimated in 2012 that over 20 years the industrial internet could boost the world-wide gross domestic product per capita by nearly a fifth. Billions of interconnected devices will produce an effect even bigger than railroads and telegraphs did when they linked 19th-century communities.

Technology also creates jobs in physical distribution—a book from Amazon, a car from Uber, or tonight's dinner from a local restaurant. Meanwhile, networks are being used to train people at all levels, ranging from high-school vocational classes to sophisticated graduate courses. Since last year, for example, the WorldQuant Foundation's WorldQuant University has enrolled several hundred students in a tuition-free online master's degree program in financial engineering. The first class will graduate in 2018.

Third, new forms of financial technology are rapidly increasing the multiplier on the human capital and business revolutions. Today's entrepreneurs face lower barriers to entry because crowdfunding and other nonbank lenders allow them to secure backing quickly for a good idea from people they've never met. Soon there could be millions of such lenders, each employing advanced databases to make sound credit decisions. Further, since more products than ever are digital instead of physical, startups can work with customers and suppliers world-wide. This has a dramatic effect on the value of real assets and jobs.

As hardware becomes cheaper and software smarter, disruption will continue. But so long as workers retain hope that there's a path to a meaningful life, America's democratic institutions can endure. The key is to keep that path clearly lit for everyone. The future of the American dream depends on meeting this challenge successfully.

*Mr. Milken is chairman of the Milken Institute. Mr. Tulchinsky is founder and CEO of WorldQuant LLC, a quantitative investment management firm.*

## Where Were the Pro-Refugee Protesters When Assad Gassed Syrians?

By Kassem Eid

I know how painful it is to suffocate from nerve gas. I know the devilish terror that it triggers in the victim's mind. I know because I am a survivor of the Syrian regime's chemical massacre of Aug. 21, 2013.

On that morning, I nearly died after inhaling the deadly perfume that Bashar Assad unleashed upon my hometown of Moadhamiya, in the western suburbs of Damascus. I struggled to breathe as this silent killer hugged my chest and pressed my lungs until my heart stopped beating out of pain. The doctors gave up on me and left me for dead. I woke up 30 minutes later screaming in agony and surrounded by corpses.

But an even worse moment came when President Obama canceled his "red line" that had promised consequences for the use of chemical weapons. At the time I was gassed, I was a local media activist for the Syrian Revolution against Assad's brutal regime. For two years, I was trapped in Moadhamiya as the town

endured government siege, starvation and savage bombardment.

I escaped Syria and came to the U.S. in 2014, hoping that my testimony would help persuade Mr. Obama to stop the genocide. But after two years of speaking to the media, think tanks, universities, the State Department, Congress, the Pentagon and the National Security Council, I was sure that nothing would change the president's mind—not me, not the "Caesar report" published that year on the industrial-scale torture in Syria's prisons, and not the millions killed and displaced by Assad's genocide.

I left the U.S. a year ago out of disappointment and frustration. Even though I was a refugee who had made it to America, I was disgusted with myself for living a comfortable life while thousands of Syrians were still being slaughtered each day by Assad, Iran, Hezbollah, Russia and Islamic State. I now live in Germany among other Syrian refugees.

As I watched footage of the nerve-gas attack last week that killed more than 100 people, including children—

Assad's worst chemical massacre since 2013—I could not help but cry and feel outraged at each and every person who could have saved them but didn't.

Only two months ago, American airports became protest zones because President Trump attempted to bar entry temporarily to refugees

Trump has given my people hope, but if Americans truly care they can help remove Syria's tyrant.

and travelers from seven nations, including Syria. Where is all that outrage today? How come protesters didn't pack the streets in front of the White House and the United Nations last week to demand military action against Assad?

Syrians—like the people in the other Arab Spring countries—didn't rebel against the dictatorship as a way to gain entry to the U.S. as refugees. We rebelled because we

wanted to live for the first time as equal citizens in our own nation. We wanted to stay home and make Syria a better place.

President Trump has done more with one strike to fight Islamic State than his predecessor did in six years. He has now given the Syrian people hope that the U.S. will stand for human rights and freedom. ISIS thrives on hopelessness and international passivity to convince its fighters to seek revenge instead of justice. It was on Obama's watch, due to his inaction, that ISIS formed and created a caliphate the size of Indiana.

I want to thank President Trump for his brave action in striking the Assad regime and holding it accountable for its massacre of civilians. This is the first step in saving the lives of Syrians being killed every day, helping them stay where they live, and allowing refugees like me to return home. But more needs to be done.

America, if you really care about refugees, then take to the streets, call your representatives, and ask for even further action against the murderer who displaced us. President Trump

could order strikes to fully ground Assad's air force, whose bombing forces civilians to flee. The Assad regime still has more than a dozen operational military airports from which to continue its attacks. Help civilians by creating safe zones and no-fly zones.

If you really care about human rights, work to remove Assad, the tyrant who has killed, raped, gassed, burned, tortured and displaced millions of civilians. If you really care about eliminating Islamic State, oust the dictator who for years has supported extremist terrorist groups like al Qaeda, Hamas and Hezbollah and who buys oil from ISIS.

Please help us. Please stop Assad. Let the world know, let Syrians know, and let Assad know that there are consequences for his crimes. If you do not act, I fear that what happened on Aug. 21, 2013, and again on April 4, 2017, will repeat itself many times over.

*Mr. Eid, who often uses a pseudonym, Qusai Zakarya, that he adopted while opposing the regime in Syria, now lives in Germany.*

## McMaster Brings a Touch of Eisenhower to the NSC

By Taylor Dinerman

When President Trump removed chief strategist Steve Bannon as a "principal" on the National Security Council, Mr. Bannon had an explanation. "Susan Rice operationalized the NSC during the last administration," he said in a statement. "I was put on the NSC with General [Mike] Flynn to ensure that it was de-operationalized." Mr. Bannon added that Lt. Gen. H.R. McMaster, Mr. Flynn's successor, "has returned the NSC to its proper function."

What did Mr. Bannon mean?

Presidents have considerable latitude in deciding how to use the NSC, but since the council was formally established by the 1947 National Security Act, they have tended to use one of three basic models. The first,

best exemplified by the Eisenhower White House, can be called "process-centric." In this model, the council adheres to established military staff decision-making procedures. The second, most famously used by Richard Nixon, could be called "guru-centric." The third model is "president-centric"—or, as Mr. Bannon put it, "operational."

The danger of the presidential system is that the NSC becomes a tool of the chief executive and his personal staff to get around legal and political obstacles. In his 1997 book "Dereliction of Duty: Lyndon Johnson, Robert McNamara, the Joint Chiefs of Staff, and the Lies That Led to Vietnam," Gen. McMaster wrote that "in place of the formal Eisenhower system [President] Kennedy relied on an ad hoc, collegial style of decision making." The national security adviser

ceased to be a "traffic cop" and became another courtier. Kennedy not only minimized the role of the NSC; he diverted much of its power to his personal military adviser, Gen. Maxwell Taylor. LBJ also followed this model.

An operationalized NSC in 1984-86 bedeviled President Reagan and led to the Iran-Contra scandal. An institutionally similar abuse might have happened in the Obama NSC under Susan Rice. The possibility that Ms. Rice used her position to unmask the names of her political foes shows how the council can be misused.

Under the guru-centric system, the president chooses as national security adviser an ideologically sympathetic expert, usually an academic, whom he personally trusts. In the Nixon White House, Henry Kissinger

kept many of his negotiations secret from both the Pentagon and, before he became secretary of state, from Foggy Bottom. That the disastrous end of the Vietnam War did not

Steve Bannon says the National Security Council is now 'de-operationalized.' What does that mean?

Mr. Trump that Mr. Kissinger was to Nixon. But like Eisenhower, the new national security adviser is an experienced and successful combat leader and a graduate of the Command and General Staff College at Fort Leavenworth, Kan. Under his leadership the NSC will provide clear, thoughtful and careful advice to the president. One doubts that his people will interfere with the advice the president gets from the secretaries of state and defense and other ranking "principals."

Many of the most significant decisions, however, are made not directly by the president or the principals but by various "deputies committees," made up of men and women who represent the principals. They often set the agenda for the higher-ups, and indirectly for the president himself. The slow process of nominating and confirming sub-cabinet personnel is already creating problems for the administration and could hamper the effectiveness of both the NSC and the White House for months to come.

Gen. McMaster's book was a powerful indictment of the president-centric mode of decision making. Developing a staff process that works for a chief as mercurial as Mr. Trump is going to be exceptionally hard. But one sign that things have changed for the better since the Obama era is the relatively quick decision to respond to the Syrian government's sarin attack with a cruise-missile strike. America's allies and enemies did not expect the administration to move so fast. Washington's foes now have to fear that their actions will be met with a swift and decisive response. Good.

*Mr. Dinerman writes on space policy and national security.*

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## Notable & Quotable: Harvard

From "Harvard Grad Students Faced 'Existential' Crisis of Sadness, Despair After Election" by Elizabeth Harrington, FreeBeacon.com, April 7:

The "deep feeling" of misery led students to start a "resistance school," which kicked off at Harvard, Wednesday evening. Timothy McCarthy, a lecturer at the Kennedy School, taught the first course. . . .

McCarthy refused to refer to Trump by name and began by attacking the president as a "racist," "sexist," and "greedy."

"The origin of the resistance school lies in the election on November 8 of 2016 of the 45th president of the United States," McCarthy began. "Henceforth in my talk at least referred to by his clearly preferred

gender pronouns he, him, his, or simply, 45." . . .

McCarthy then stressed the need to "bridge-build between groups of people," citing a conversation he had with one of his students.

"I had a really interesting conversation yesterday with one of my students, an African-American man who said, 'You know I get tired sometimes when I'm talking to white folks about race. I hear their frustration because they don't want to be called racists, they don't like the words 'white supremacy.' But I also get frustrated when Google is free, that you're so frustrated by race.'"

"I love that," McCarthy said. "When Google is free." . . .

McCarthy ended his talk by telling the students to stay "woke."

## WORLD NEWS

# Long Wait for Houses Tests South Africa

Corruption allegations, infighting and slow delivery undermine support for ruling ANC

BY GABRIELE STEINHAUSER AND NTHABISENG GAMEDE

BLOEMFONTEIN, South Africa—When construction trucks laden with bricks and mortar rolled up her dirt road on a sunny fall day, Patricia Makhetha thought she was about to receive something that has eluded generations of black South Africans: her own house.

That day was 5½ years ago. Today, the gray facade of what Ms. Makhetha hoped would be a home for her and her two children stands crumbling. During daylight hours, children use the rubble as a playground; after dark, teens gather to smoke nyaope, a concoction of heroin, rat poison and other chemicals.

The local housing department hasn't told her if the builders will return. "They just tell me to be patient," she said.

Ms. Makhetha's little-house-that-wasn't is a symptom of the governance crisis now enveloping South Africa's ruling African National Congress and roiling the continent's most developed economy 23 years after the end of white minority rule.

The party of Nelson Mandela has sought to radically transform the South African economy through affirmative action and extensive social policies, including a housing program whose annual budget has climbed above 30 billion rand (\$2.15 billion).

But the ANC's ambitions have been undermined by allegations of corruption and patronage and controversies have consumed the presidency of ANC leader Jacob Zuma, including an internal revolt and debt downgrades triggered by his dismissal in March of his popular finance minister.

In December, the Free State



Patricia Makhetha, at her unfinished home in South Africa, has been waiting more than five years for the work to be completed.

housing department in Bloemfontein accused 106 contractors and materials suppliers of embezzling as much as 631.4 million rand meant for the construction of low-cost houses, according to documents seen by The Wall Street Journal.

A motion filed by the department with the state's High Court says its own yearslong investigation found that the majority of the 14,769 houses contracted to those named were never begun or, like Ms. Makhetha's home, never completed.

Such allegations of fraud are sapping the trust of the ANC's base of mostly black, and mostly poor, voters.

The perception of corruption in the ranks of the ANC "is a major political factor and a major social factor...It causes people to seriously not trust their government," said David Lewis, executive director of Corruption Watch, the

South African chapter of Transparency International.

A spokeswoman for the ANC declined to comment on the examples cited in this article, but said that "as the ANC, we have a standing position of zero tolerance against corruption." Mr. Zuma's office and the national Department of Human Settlements, which runs the housing program, didn't respond to requests to comment.

RDP houses—named after the Reconstruction and Development Program that conceived them in 1994, just as South Africans were negotiating their new democracy—are the most visible among the country's postapartheid social policies.

Since then, for a population now at about 54 million, some four million rudimentary, one-story homes, often with solar panels on top, have transformed cities and townships and handed many of the poor-

est South Africans a durable asset to pass on to younger generations. A right to adequate housing was enshrined in the 1996 constitution.

Yet many households are still waiting for RDP houses, some for over 20 years: The housing department says it aims to build 1.5 million housing units by the end of 2019 in an effort to clear the backlog.

Many people believe that corruption within the ANC has slowed the construction of new homes or transferred houses to the wrong people. Legal follow-up to such suspicions is rare, and when it happens can quickly be quashed.

The suit filed in December by the Free State housing department says the department's previous administration ignored federal rules by failing to open a proper bidding process for contracts and paying contractors before work was completed.

Mosebenzi Zwane, the politician in charge of the department at the time the contracts were written, was appointed by Mr. Zuma in 2015 as South Africa's mining minister. The office of Mr. Zwane, who wasn't named in the filings, didn't respond to a request to comment.

A spokeswoman for the Free State's housing department declined to comment on the lawsuit, citing continuing legal proceedings.

Ms. Makhetha, who scrapes by each month on 1,400 rand (about \$100) she makes from occasional work as a maid and gets 720 rand in government child benefits, said she no longer believes the ANC's promises of a better life, and has stopped voting.

"When it is election time, the ANC is visible. They come to us and make empty promises just to get our votes and then they forget about us after the elections," she said.

## Severe Drought Dims Outlook for Kenyan Economy

The Kenyan economy, a rare bright spot on a continent battered by plummeting commodity prices, will expand at a slower rate in 2017 because of a drought, the World Bank said Tuesday.

The impact of the drought, which is hitting several parts of the country and causing a devastating hunger crisis across the Horn of Africa, could shave 0.6 percentage point off growth in East Africa's biggest and most mature economy, the bank warned.

Elections this year, as well as global events such as the rise in oil prices, will contribute to the slowdown, but, at a rate of 5.5%, Kenya will still be growing at multiple times the sub-Saharan African average. Violence around elections has in the past dramatically disrupted business for weeks.

Growth is expected to rebound to 5.8% in 2018 and above 6% in 2019, the report said. Still, that may still not be enough to catapult Kenya to "middle-income status," a designation of emerging economies that have grown out of poverty, the report warned.

While impressive to Western eyes, the 5%-6% growth rate seen here is trailing East African neighbors like Tanzania and Rwanda; it is also not enough to make up for rapid population growth.

Unlike most major players in Africa, Kenya doesn't depend on oil or ores for its revenue.

The bank said the country's economic mix, in which services account for the majority of gross domestic product growth, is a boon. But credit availability remains a risk to Kenya's aspirations. Credit growth is at its slowest in 13 years, putting a brake on growth.

—Matina Stevis

## U.S.-Mexico Frayed Ties Mend as Trump Relents

Earlier this year, U.S.-Mexican relations hit their worst crisis in decades when Presidents Donald Trump and Enrique Peña Nieto quarreled over who

### Trade Gap

Mexico's trade surplus with the U.S. reached \$63 billion last year.



would pay for a proposed border wall, prompting the Mexican president to call off a planned trip to Washington.

But then a funny thing happened: Mr. Trump, at the urging of senior aides, stopped attacking Mexico on Twitter and in public statements, opening up space to officials from both countries to markedly improve ties since then, U.S. and Mexican officials say.

"The relationship is much more constructive," a senior Mexican government official said. A senior U.S. official agreed, saying the greater contact between the sides had improved ties.

Mexican officials say they are more confident now that the two countries can strike a deal to renegotiate the North American Free Trade Agreement, which Mr. Trump at-

expected to seek mainly modest changes to the agreement in coming negotiations with Mexico and Canada.

Financial markets are also more sanguine. Mexico's peso has been the world's best-performing currency since Mr. Trump's Jan. 20 inauguration, up nearly 16%. And the country's stock market set a record on Monday.

"The radio silence from the president's Twitter feed has been extremely important to provide breathing room" to both sides, said Arturo Sarukhan, Mexico's former ambassador to the U.S., who advises the Mexican government.

Government and business officials on both sides of the Rio Grande credit the improved mood over U.S.-Mexican ties to a variety of factors. They cite meetings between top officials and a behind-the-scenes pro-Nafta lobbying effort from big U.S. firms and farmers. At least seven top-level meetings between various cabinet members of both governments have occurred in the past eight weeks, U.S. and Mexican officials say.

—Louise Radnofsky contributed to this article.

tacked repeatedly on the campaign trail as the worst trade deal the U.S. ever signed.

"We've gone from panic to concern," another top Mexican official said.

The White House declined to comment for this article. But at a meeting with U.S. chief executives on Tuesday, Mr. Trump promised "some very pleasant surprises" to come on Nafta, but offered few specifics. He is

according to a document from the court released Tuesday.

The Car Wash investigation, which centers on bid-rigging at the state-controlled oil company Petrobras, has led to more than 100 convictions over the past three years and implicated some of the country's most influential businessmen and politicians of all major parties.

Tuesday's announcement from the Supreme Court, the only body in Brazil allowed to open investigations into sitting lawmakers, comes at a critical moment for Mr. Temer as he struggles to push through landmark changes to the country's insolvent pension system.

Among the cabinet ministers to be investigated are Mr.

Temer's chief of staff, Eliseu Padilha, and Secretary-General of the Presidency Wellington Moreira Franco, both of whom are key to the administration's relations with Congress. Mr. Padilha declined to comment, and Mr. Moreira Franco wasn't available to comment.

Eunício Oliveira, head of Brazil's Senate, said he would defend himself against any accusations. Rodrigo Maia, who leads Brazil's lower house of Congress, couldn't be reached for comment.

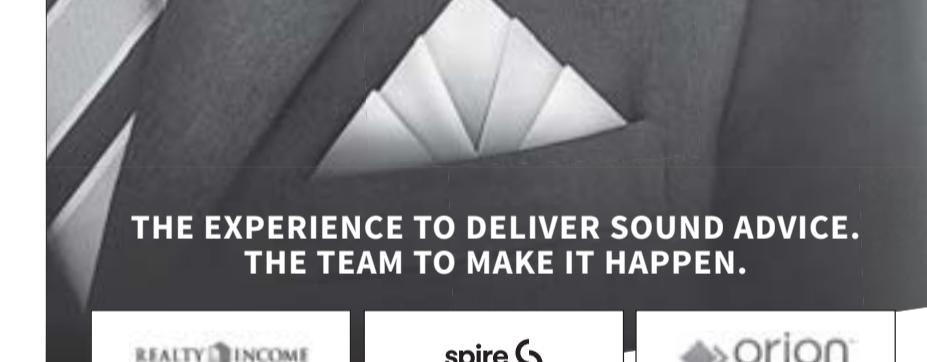
Mr. Temer has previously said he would allow members of his cabinet to remain in their posts while they are being investigated.

—Jeffrey T. Lewis contributed to this article.

BY SAMANTHA PEARSON AND LUCIANA MAGALHÃES

SÃO PAULO—Brazil's Supreme Court has ordered investigations into one-third of the country's sitting ministers and scores of top politicians for alleged corruption, delivering a major blow to President Michel Temer as he struggles to revive Latin America's biggest economy.

Justice Edson Fachin, who is overseeing cases in Brazil's high court related to the country's sprawling Operation Car Wash probe, has given permission for prosecutors to open investigations into at least eight ministers, the leaders of both houses of Congress, and more than 50 senators and federal deputies,



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Joint Book-Running Manager

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3.543% Senior Notes due 2024

February 2017

orion

Business Innovation

\$68,000,000

Senior Secured Credit Facilities

Sole Lead Arranger and Bookrunner

February 2017

Regency Centers

Joint Book-Running Manager

\$350,000,000

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Cheddar's

Scratch Kitchen

\$265,000,000

Senior Secured Credit Facilities

Joint Lead Arranger and Bookrunner

January 2017

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# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Wednesday, April 12, 2017 | B1

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Kids Comp Camp, a Kenyan afterschool tech program nurtured under the iHub incubator. iHub collaborates with Facebook and Google.

## Kenyan Technology Hub Recharges

'Silicon Savannah' turns focus to profits, going beyond initial social activism

By MATINA STEVIS

NAIROBI, Kenya—After a decade of buzz that brought bold headlines but few profits, Kenya's "Silicon Savannah" technology hub is retooling to put income before activism.

A homegrown African tech community is rising in this city: bootstrapped but profitable businesses using technology and the internet to solve commercial problems connecting the biggest names in tech and finance.

**International Business Machines Corp.** is training hundreds of Kenyan coders in Nairobi each year; Visa and **Mastercard** are turning to Kenyan fintech companies to crack the local market.

Last month, **Facebook Inc.** and **Alphabet Inc.'s** Google started a strategic alliance

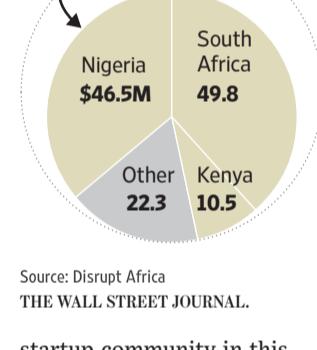
with the iHub, an incubator and co-working space at the heart of Kenya's tech scene, to reach and train app developers there. The Silicon Valley companies will tap local talent for coding and product development; they also will train Kenyans in artificial intelligence, cloud computing and machine learning—reinforcing the region's role as the center for technology in Africa.

"It is true we had some companies that were more excited about headlines and about what new widget would solve the problems of the world," said Patrick Njoroge, Kenya's Central Bank governor, in an interview last month. "What we've been pushing is for companies to focus on a particular problem. It's more sustainable."

Since the late 2000s, the

### Tech Frontiers

African technology and internet hubs continue to draw investment but funding dropped in 2016.



Source: Disrupt Africa  
THE WALL STREET JOURNAL.

startup community in this sprawling East African city welcomed top U.S. and European graduates, who were lured by adventurous oppor-

tunities and millions of dollars in no-strings-attached grants from Western donors. Newspapers queued up to profile startups using technology to spur African development in sectors as diverse as farming and transportation. Luminaries including former U.S. President Barack Obama and Facebook Chief Executive Mark Zuckerberg visited the hub to trumpet its potential.

But beyond the buzz, few companies turned a profit and many died a quiet death, investors say. Funding has plummeted, with the total raised by Kenyan startups falling to \$10.5 million last year from \$47 million in 2015, according to data-collection platform Disrupt Africa.

Now, in the wake of the bubble, a less flashy but

Please see KENYA page B4

HEARD ON THE STREET | Richard Barley

## French Vote Hides Other Market Risks

When it comes to markets, there are risks that are obvious and risks that are disguised. The former lead to more fireworks, but the latter matter more over time.

France tops the list of obvious risks that are impossible to ignore. That is the case even though the French presidential vote has been widely recognized as a risk ever since Brexit and the election of President Donald Trump in the U.S. led markets to question just how well they understood politics. March's global fund-manager survey by **Bank of America Merrill Lynch** showed European elections as the biggest risk facing global markets.

Moreover, the French risk has changed shape. Until recently, the main focus was on France's second-round vote due May 7, and the



Investors are focusing on France, but China may be overlooked.

chances of victory for far-right euroskeptic National Front leader Marine Le Pen if she faces centrist Emmanuel Macron. Markets appeared comfortable with the idea that Mr. Macron would emerge the winner, leaving the euro undisturbed.

But with far-left candidate Jean-Luc Mélenchon gaining in the polls, the first-round

vote on April 23 has moved into prominence. The second round might yet offer voters a choice between two options that markets are likely to find highly unpalatable. That would hammer sentiment on Europe and intensify worries around whether the euro can hang together; Mr. Mélenchon wants to radically change Europe as

much as Ms. Le Pen.

By contrast, a risk that is disguised lies on the other side of the world, in China. It isn't a revival of the fears that China is heading for a financial bust and economic hard landing; the BAML survey pegs a major Chinese devaluation as only the sixth-biggest tail risk for markets. Instead, it is the potential underestimation of how much China's 2016 stimulus has contributed to the recent acceleration in global growth, and how any deviation from that course could undermine markets. UBS cites Chinese import growth of close to 15% over the past year, versus just 3.5% for the U.S., as a signal of how China is at the epicenter of global inflation. Another sign is China's 27% share of global investment relative to its 15% share of the global economy, notes Macquarie. But China's credit-fueled stimulus may

Please see HEARD page B2

## Uber's PR Chief Exits in Time of Tumult

By GEORGIA WELLS

**Uber Technologies Inc.** is losing its communications chief in the middle of a public-relations crisis for the ride-hailing company.

Rachel Whetstone, who joined Uber in 2015 from Alphabet Inc.'s Google where she also led communications and public policy, said in a statement Tuesday that she is leaving the company, without citing a reason. Ms. Whetstone couldn't immediately be reached for comment.

Jill Hazelbaker, Ms. Whet-

stone's deputy, will be taking over as senior vice president of policy and communications. Ms. Hazelbaker reported to Ms. Whetstone at Google.

"I am incredibly proud of the team that we've built—and that just as when I left Google, a strong and brilliant woman will be taking my place," Ms. Whetstone said in the statement.

Her departure comes after a tumultuous couple of months for Uber, valued by investors at nearly \$70 billion. The company is investigating allegations it tolerates sexual harassment, reviewing an internal

program that was used to evade government officials and fighting a lawsuit by rival Alphabet that claims Uber stole proprietary self-driving car technology.

Ms. Whetstone reported to Chief Executive Travis Kalanick, the co-founder who in recent weeks has had to issue public apologies after the harassment allegations and an embarrassing viral video surfaced showing him berating an Uber driver.

Mr. Kalanick has addressed the scandals publicly only at arm's length, through blog posts and leaked letters to em-

ployees, confessing at one point that he needed management guidance. Uber is searching for a deputy for Mr. Kalanick.

Ms. Whetstone is among a string of key departures from Uber in recent weeks, including Jeff Jones, president of ride-sharing, Ed Baker, vice president of product and growth, and Raffi Krikorian, who helped oversee Uber's self-driving car efforts. A mapping software executive, Brian McClendon, also recently stepped down to move back to Kansas.

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## Samsung Delays English Product

SEOUL—The English language version of a voice-activated “virtual assistant” that is a major feature of **Samsung Electronics** Co.’s newest flagship device won’t be ready to go when the Galaxy S8 smartphone arrives in U.S. stores next week, according to people familiar with the matter.

The delayed English-language rollout of the Galaxy S8’s artificial-intelligence service, dubbed Bixby, could stretch on until as late as the end of May, one of these people said, though these people warned that no final decision had been made on timing.

—Timothy W. Martin

additional steps to ensure that such a situation should not happen again.”

A spokeswoman for the accounting board said the organization has taken steps to “maintain and reinforce the integrity of its inspection process” since discovering the leak.

The leaked information relates to annual inspections the accounting board performs of each of the major accounting firms, reviewing dozens of a firm’s audits to gauge perfor-

The inspectors generally give accounting firms two to three weeks’ notice about the audits they intend to examine, according to people familiar with the matter. Because the accounting board sometimes inspects more than 60 annual audits performed by a Big Four firm, the board often will disclose them in batches of five to 10 so the auditors can gather records and fill out forms associated with the inspection.

If an accounting firm found out which audits would be subject to inspection before it completed them, it could devote more time to those projects to ensure they pass muster with regulators, the people said.

If it learned after an audit was issued, any last-minute changes to an audit or the work papers behind it would have to be documented under board rules.

The news of the leak is “pretty eye-opening,” said Bryan Church, an accounting professor at the Georgia Institute of Technology. “These guys feel enormous pressure dealing with inspectors, and they do stupid things.”

Mr. Marcello had been KPMG’s vice chairman of audit, the firm’s top executive overseeing its U.S. audit practice, since 2015.

Mr. Marcello also sat on the firm’s management committee, which implements KPMG policies as decided by its board.

**The PCAOB was created to police the audits of listed companies’ results.**

mance and compliance with auditing rules. Inspections are particularly sensitive because they are the board’s primary means of assessing audit quality.

Inspectors can fault the accounting firms for deficiencies, and the findings are widely seen as a report card for how the firms are performing and whether audit quality is getting better or worse.

The accounting board’s inspections tend to focus on the most difficult businesses and transactions, ones in which it believes accountants may have cut corners or made mistakes.

## HEARD

Continued from the prior page  
be fading; policy has been gently tightened. Hopes of fiscal stimulus elsewhere have yet to turn into hard spending plans.

China’s official manufacturing purchasing managers index has been increasing steadily since February of last year—also the point at which commodity prices hit bottom. The economic shifts that drove last year’s market reappraisal of growth and inflation were in train from that point; Mr. Trump’s election acted as an amplifier for markets.

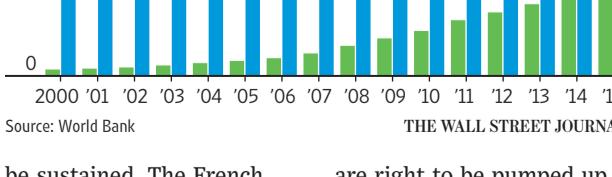
Investors are looking to developed economies for signs that the reflation trade that has pushed bond yields and stock prices higher can

### Big Spender

Gross fixed capital formation

■ China ■ World

\$20 trillion



be sustained. The French elections could yet upset sentiment and risk appetite. But the longer-term risk to markets lies in whether they

## BUSINESS & FINANCE

# Dutch Group Peddles a Bike Deal

By BEN DUMMETT

**Pon Holdings**, a closely held Dutch conglomerate, on Tuesday proposed to buy **Accell Group** for about €847.4 million (\$898.2 million), creating one of the world’s biggest bicycle makers and bringing together well-known brands such as Raleigh, Diamondback, Cervelo and Santa Cruz.

A tie-up would also create a corporate champion in the Netherlands at a time when some of the nation’s biggest companies are under attack from foreign buyers.

Amsterdam-based **Akzo Nobel** NV, a big paints and specialty chemicals company and one of the world’s oldest industrial firms, is currently fighting off a takeover bid from U.S. rival **PPG Industries** Inc. Akzo argues the offer is too low and doesn’t sufficiently take into account the company’s employees and customers.

Earlier this year, **Unilever** PLC, the Anglo-Dutch consumer-goods giant, successfully fought off a takeover overture from Pittsburgh- and Chicago-based rival Kraft Heinz Co.

Pon’s potential Accell deal, if it proceeds, would result in a cycle manufacturer with combined revenue of about €1.8 billion from world-wide sales of about 2.3 million leisure, electric, mountain and other specialized bikes.

Pon said it expects to generate €700 million in revenue this year from the sale of about 800,000 bicycles.

In 2016, Accell, which is based in Heerenveen, Netherlands, reported revenue of €1.05 billion and a profit of €32.3 million. It sold around 1.5 million bicycles.

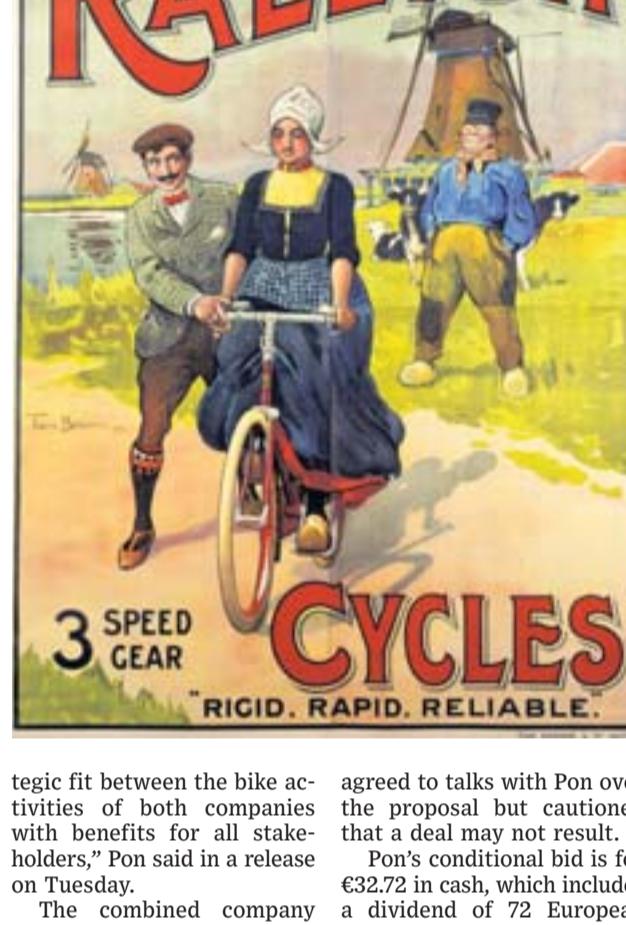
Accell shares rose almost 20% to €31.73 on Tuesday.

Their combined scale could help the companies eliminate duplicate operating costs, broaden their portfolio of bikes to appeal to a larger customer base and help secure better pricing from suppliers.

“There is an excellent stra-



PA WIRE/PRESS ASSOCIATION IMAGES



EVERT COLLECTION

The bicycle brands of target company Accell include Raleigh. Above, the future George VI visited a Raleigh factory in Nottingham, U.K., in the 1920s.

price on March 16, the day before the conglomerate made an initial approach.

Pon is one of the Netherlands’ biggest family businesses with roots dating back to 1895 as a trading company selling soap, tobacco and sewing machines.

The company, which is based in Almere, has since grown into a diversified business with operations that include the importing of high-end car brands like Porsche, Bentley and Bugatti, bike manufacturing and distribution, and the supply of industrial equipment to the recycling and other industries.

Pon’s bicycle division encapsulates more than 10 brands including Cervelo and Santa Cruz, the California-based maker of mountain bikes that it acquired in 2015. It has operations in Europe, the U.S., Asia and Australia. Accell operates production facilities in Europe and China, and the company’s brands include Raleigh and Diamondback in the U.K., U.S. and Canada, as well as Ghost in Germany.

tegic fit between the bike activities of both companies with benefits for all stakeholders,” Pon said in a release on Tuesday.

The combined company would be based in the Netherlands.

Accell said that it has

agreed to talks with Pon over the proposal but cautioned that a deal may not result.

Pon’s conditional bid is for €32.72 in cash, which includes a dividend of 72 European cents, for each Accell share.

Pon said that represents a 31% premium to Accell’s closing

# THE PLEDGE

If you are ever trapped under a ton of rubble, I promise to sniff you out.  
I promise to be worth every cent of the \$10,000 that it took to train me.  
I promise to ignore all other more fascinating smells and concentrate on the scent of live humans.  
I promise to go about my work with a wagging tail, even if my paws get sore.  
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## BUSINESS NEWS

### O'Reilly To Take A Break At Fox

Fox News commentator Bill O'Reilly announced he is going on a preplanned vacation, less than two weeks after a controversy broke out over the news that he and the network made settlement payments to women who accused him of sexual harassment.

At the end of Tuesday night's edition of "The O'Reilly Factor," the host said he would be off for an Easter-related vacation starting Wednesday and would return on April 24.

"We all need R&R," he said as he concluded the telecast. "I like to take some time off around Easter. It's calming."

Clouds have surrounded Mr. O'Reilly since the New York Times reported on April 1 that he and Fox News paid \$13 million in settlements to five women who either worked on his program or appeared on-air and accused him of sexual harassment or verbal abuse.

Fox News and parent **21st Century Fox** declined to comment on Mr. O'Reilly's break from the show. Advertisers have fled the show since the revelations of the settlements. Ratings have remained strong.

Mr. O'Reilly has denied any wrongdoing and said in a statement released April 1 that he made settlements to "put to rest any controversies to spare my children." Of the \$13 million, \$10 million was paid by Mr. O'Reilly, according to a person familiar with the matter.

**21st Century Fox** stood by Mr. O'Reilly when the Times article was published. Fox News recently signed Mr. O'Reilly to a new contract and continues to pay him an annual salary of more than \$20 million, people with knowledge of the pact have said.

**21st Century Fox** and Wall Street Journal parent company News Corp share common ownership.

# Toshiba Admits Doubt on Survival

Japanese company reels from losses at Westinghouse unit; chip business for sale

By TAKASHI MOCHIZUKI

TOKYO—**Toshiba** Corp. on Tuesday expressed doubt for the first time that it can survive in light of huge losses at its U.S. nuclear subsidiary, which filed for bankruptcy last month.

The company issued the warning alongside its latest earnings report, which came two months late and without the approval of its auditor.

Toshiba, which traces its roots to 1875, is fighting for survival because of two blows: an accounting scandal in 2015 and then cost overruns at U.S. nuclear-reactor projects being built by its Westinghouse Electric Co. subsidiary.

Westinghouse's bankruptcy filing March 29 is likely to push Toshiba into a net loss of ¥1.01 trillion (\$9.21 billion) for its fiscal year ended March 31, Toshiba reiterated Tuesday.



CEO Satoshi Tsunakawa leaving after a presentation of Toshiba's much-delayed results on Tuesday.

"[T]here are material events and conditions that raise substantial doubt about the company's ability to continue as a going concern," Toshiba said. But the company said it has a comeback plan that includes selling its semiconductor unit and asking its banks for forbearance.

The semiconductor business, which makes flash-memory chips for smartphones and computer servers, has drawn a bid of up to ¥3 trillion from **Foxconn Technology Group** of Taiwan, people familiar with the bid said earlier this week.

"I believe our financial standing is solid, despite the

numbers we put out, if we consider the value of the unit for sale," Toshiba Chief Executive Satoshi Tsunakawa said at a news conference on Tuesday. He declined to comment on the status of the sale.

Toshiba's latest results suggested its chip business is healthy. The unit posted an op-

erating profit of ¥102 billion in the April-December period of 2016, up 9% from a year earlier. Toshiba has the second-largest market share for widely used NAND flash-memory chips, according to IHS Markit, well behind **Samsung Electronics** Co.

Westinghouse's bankruptcy removed the unit from the Toshiba group's balance sheet, and Toshiba has said it believes it can wall itself off from any further losses connected to nuclear-reactor projects. Westinghouse has undertaken in Georgia and South Carolina.

Toshiba had to postpone the announcement of its nine-month results on two occasions because of differences with its auditors. On Tuesday, it proceeded with the release even though the auditors refused to sign off.

The auditors, PricewaterhouseCoopers Arata LLC, said they couldn't be certain that earlier accounting for Westinghouse was proper. A spokeswoman for the Tokyo Stock Exchange said it would look into why auditors didn't sign off on Toshiba's results.

## AutoNation's CEO Calls Tesla Overvalued

By MIKE SPECTOR  
AND CHRISTINA ROGERS

The head of the U.S.'s largest car-dealership chain called **Tesla** Inc.'s market value "inexplicable," a day after investors pushed the Silicon Valley auto maker ahead of **General Motors** Co.

Tesla "is either one of the great Ponzi schemes of all time" or will eventually work out for investors, said **AutoNation** Inc. Chief Executive Mike Jackson during an interview Tuesday at a New York automotive event held by J.D. Power and the National Automobile Dealers Association.

Mr. Jackson, among the auto industry's more outspoken executives, called Tesla

overvalued and GM undervalued at roughly \$33 a share, arguing the former will continue to struggle to earn money selling electric vehicles despite a loyal following.

Competition would eventually lead to a correction to the Palo Alto, Calif., company's market value, he said. GM and other auto makers are investing billions of dollars in electric vehicles that are set to hit showrooms in coming years.

A Tesla spokeswoman didn't immediately respond to a request to comment.

Tesla briefly leapfrogged GM as the most valuable auto maker in the U.S. on Monday when the company's stock price surged to \$313.73, valuing it at \$51.17 billion. Tesla

last week also surpassed **Ford Motor** Co. in market value.

Shares in Tesla fell 1.2% to \$308.71 each on Tuesday.

Investor enthusiasm for Tesla has continued throughout the year, pushing shares up more than 40% while Detroit auto makers' stock prices have been stuck in neutral. That is despite Tesla's unprofitable operations selling rarefied luxury vehicles that can run \$100,000, so the company's bottom line isn't likely to get a lift from the more-affordable Model 3. "What would impress me about Tesla? Selling vehicles at a profit," he said.

With cheap gasoline, electric vehicles remain a sliver of U.S. sales, while fuel-thirsty trucks and SUVs have surged to a 60% share. "This shift to sport-utility vehicles—it is permanent, it is structural, it

serves accolades for creating a valued brand.

"You have to tip your hat," Mr. Jackson said. "He has created a brand that has a strong cultlike following."

But Mr. Jackson emphasized that Tesla remains unprofitable selling rarefied luxury vehicles that can run \$100,000, so the company's bottom line isn't likely to get a lift from the more-affordable Model 3. "What would impress me about Tesla? Selling vehicles at a profit," he said.

With cheap gasoline, electric vehicles remain a sliver of U.S. sales, while fuel-thirsty trucks and SUVs have surged to a 60% share. "This shift to sport-utility vehicles—it is permanent, it is structural, it

is long-term, because customers passionately love these vehicles," Mr. Jackson said.

Mr. Jackson said he voted for Democrat Hillary Clinton in the November presidential election, concerned about Donald Trump's temperament.

He said Mr. Trump's early days in office have validated his determination. "One minute he's a 70-year-old, the next minute he's a petulant 7-year-old," Mr. Jackson said.

But Mr. Jackson offered a positive view of the business landscape under the Trump administration, lauding the president's efforts to curtail regulations and attempts to boost the economy.

—Tim Higgins contributed to this article

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## TECHNOLOGY

# Casinos Bet on Esports Matches

MGM Resorts, others turning to videogame contests as they vie to draw younger guests

BY SARAH E. NEEDLEMAN  
AND CHRIS KIRKHAM

U.S. casinos are turning to videogame competitions to attract younger visitors and improve years of subdued growth.

**MGM Resorts International** plans to convert a former nightclub at its Luxor Hotel and Casino in Las Vegas into a permanent venue for hosting esports contests starting next year, the company said Tuesday.

Other gambling properties

already have built or are leasing space for such events, including Downtown Grand in Las Vegas and Caesars in Atlantic City, N.J.

Casinos are looking for ways to jump-start growth, which has slowed since the recession. From 2001 to 2007, gambling revenue for casinos across the U.S. rose by more than 38%; since then, it has risen 8%, according to data from the University of Nevada, Las Vegas.

Many casinos, particularly on the Las Vegas Strip, have sought growth through other revenue streams, such as restaurants and entertainment. Last year, 34% of casino revenue on the Strip came from gambling, down from 41% in 2007, according to the Uni-

sity of Nevada, Las Vegas.

Casinos view esports as a way to attract younger new patrons who aren't gambling as much as baby boomers or interested in existing forms of entertainment there. The average esports fan is between 21 and 35 years old, according to research firm Newzoo BV.

"This is really about creating another amenity on the property," said Nik Rytterstrom, general manager of the Luxor.

About 191 million people world-wide are expected to watch an esports contest in person or online at least once a month in 2017, more than double the number in 2012, according to Newzoo. By 2020, it expects esports viewership to hit 286 million.

"I don't know of any new casino property that caters to a wide audience that isn't going to do this," said Seth Schorr, chairman of the Downtown Grand, which is owned by real-estate investor CIM Group.

Downtown Grand began hosting twice-weekly esports tournaments in 2015. It has outfitted some of its hotel rooms with bunk beds that have USB ports built in so team members can practice.

Casinos have long featured live sports such as boxing and mixed martial arts—with wagering, too—as a way to lure customers. Esports is a natural fit, proponents say. Contests feature highly skilled players competing on stage at games such as Tencent Holdings

Ltd.'s "League of Legends," with close-ups of their faces and footage of the games displayed on jumbo screens as commentators weigh in on the action over loudspeakers.

**Microsoft** Corp. this month booked space at Caesars' Atlantic City casino for a three-day "Gears of War 4" contest featuring dozens of teams. Caesars called the attraction, which drew 340 spectators and 525 competitors, an experiment, and said it plans to host larger contests in the future.

Other events have drawn much larger crowds. Last year's League of Legends Championship Series event at MGM Resorts' Mandalay Bay Events Center in Las Vegas drew an estimated 12,000 spectators, the company said.

# Google Rebuts Claims It Underpays Women

BY GEORGIA WELLS

Google pushed back against allegations it underpays female employees, detailing the methodology it uses to determine equitable compensation.

The move Tuesday came after the U.S. Department of Labor last week said it found a gender-pay gap at the **Alphabet** Inc. unit, which is a federal contractor, during a routine compliance probe.

The department is suing Google to compel the company to disclose more compensation data for its investigation.

Silicon Valley tech companies have been under increasing scrutiny for hiring more white men than women or people of color, along with their pay practices.

Google said each year it suggests compensation based on an employee's role, job level, location and performance ratings. The company said analysts who calculate what each employee should earn don't have access to an employee's gender, and an employee's manager has limited discretion to adjust the suggested amount.

Google's pay-equity model then looks at employees in the same job categories, and analyzes their compensation to ensure there is no significant differences between men and women. Last year, Google performed the analysis across 52 job categories and found no pay gap, it said.

"Our annual analysis is extremely scientific and robust," Google said a blog post. Its methodology is available to other businesses that want to test their own compensation practices for equal pay, the company said. A spokesman for the Labor Department said he couldn't comment because the case is still open.

Calls for more transparency about gender pay gaps are one part of the tech industry's diversity problem. In a way, such gaps are easier to solve than a lack of diversity—tech firms can just throw money at it.



The iHub, a technology incubator in Nairobi that began as a social movement, is transforming itself into a for-profit company.

company eBay Inc. For the iHub, the model became increasingly unsustainable last year as it faced cash-flow problems, said its former chief executive, Kamal Bhattacharya, who took it over after a career at IBM and became chairman of the iHub board this month.

The incubator last year received \$2 million in funding from Invested Development, a U.S.-based fund, that allowed the company to reorient its business. Mr. Bhattacharya raised prices

for services and added multimonth contracts to the firm's revenue stream. The company has posted \$1.5 million in annual revenue on average for the past three years.

Data collection remains patchy in Kenya, but the iHub reckons more than 100 startups have used its services over the past seven years, and more than 1,000 people have worked at startups during the same time. It now employs about 30 people full-time and has handled

more than 50 projects in the past 12 months.

Kenya last year was the second-biggest technology hub in Africa in terms of the number of startups that secured funding, trailing only South Africa. But the average amount raised per startup last year declined 85% compared with the previous year, Disrupt Africa data show, from \$2.6 million in 2015 to just \$402,469 in 2016, relegating it to sixth place by this criterion behind Nigeria, Ghana, Egypt, Morocco and

South Africa.

One fundamental change here is the type of investor attracted to Kenyan tech businesses. Angel investors—often themselves successful businesspeople or returned from the Kenyan diaspora—private equity and specialized technology funds are becoming more involved, just as Western donor agencies and charitable foundations are becoming less active, according to investors and technology entrepreneurs.

## BUSINESS WATCH

### CHINA

#### Beijing Urges Limits On Transferring Data

Foreign companies with business operations in China would be required to apply for permission to transfer data out of the country under draft rules released Tuesday, in the government's latest move to tighten regulation of digital information.

The rules would affect all so-called network operators, a term that industry experts say likely encompasses technology companies, as well as other firms that do business through computer networks. The rule would apply to companies seeking to move more than one terabyte of data out of China, or that have data on more than 500,000 people.

The Cyberspace Administration of China said the rules were necessary to "secure personal information and the safety of important data, as well as to protect internet sovereignty and national security." It didn't respond to a request for additional comment.

The draft drew some industry criticism Tuesday: "The strongest

international standards to protect data privacy are determined by industry consensus, draw on global best practices, and are largely blind to where data is stored or transferred," said Jake Parker, vice president of the U.S.-China Business Council.

—Eva Dou

### LOEW'S

#### Bain Capital to Sell Container Maker

**Loew's** Corp. on Tuesday said it reached a \$1.2 billion deal with **Bain Capital Private Equity** to buy a packaging business it sees as immune to disruption by technology.

**Consolidated Container** Co., an Atlanta-based maker of rigid plastic such as packaging for household chemicals, food and beverages, will join a newly created segment called Loew's Packaging Group.

"We have been analyzing the packaging industry for some time because it fits our key acquisition criteria: It is a fragmented industry that generates strong cash flows and we be-

lieve it is unlikely to be subject to major technological disruption," said Loew's Chief Executive James Tisch.

—Anne Steele

### WAL-MART STORES

#### Retailer Cuts Back Corporate Jobs

**Wal-Mart Stores** Inc. is cutting hundreds of corporate jobs this month, following similar layoffs earlier this year, as the retail giant looks for ways to save as it spends billions to improve its e-commerce operations and existing stores.

The cuts fell broadly Tuesday and over the past few days on the international side of Wal-Mart's business, as well as its technology group and at its warehouse chain Sam's Club, according to people familiar with the matter.

The move adds to a string of job cuts and layoffs over the past year. Earlier this year, Wal-Mart cut about 1,000 corporate jobs, including 200 in its e-commerce department.

—Sarah Nassauer



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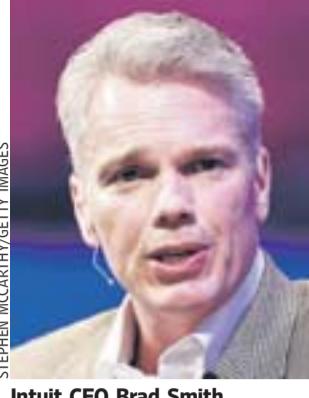
Walmart

SCOTT OLSON/GETTY IMAGES

Wal-Mart is cutting corporate jobs, adding to a string of layoffs.

## MANAGEMENT

### WORKAROUNDS



Intuit CEO Brad Smith

#### Job Applicants' Pain Can Hurt Companies

Judging by the hurdles facing job applicants—endless online applications, interviews with no follow-up—companies may have forgotten that candidates are their customers, too. A growing body of research suggests that shabby treatment of job seekers could have a cost.

Nearly two-thirds of workers said they were less likely to purchase goods and services from a potential employer who treated them poorly during the recruiting process, finds a new survey from consulting firm Future Workplace LLC and human-resources software company CareerArc Group LLC.

Some employers are beginning to tally the costs of unsatisfied candidates who stop patronizing their businesses or bad-mouth them to friends, said Kevin Grossman, the president of global programs at San Diego-based Talent Board LLC, a nonprofit research organization focused on recruiting.

Intuit Inc. is attempting to make the job-search process less painful, ensuring that candidates for most permanent jobs at the company receive updates on the status of their applications. The maker of TurboTax and QuickBooks informs candidates if they don't get an offer and provides coaching on why they weren't a fit.

Job seekers, even unsuccessful ones, can be good promoters, said Intuit's chief executive, Brad Smith. "They'll never forget the experience," he said. "They'll tell their friends, 'Go interview there.'"

# When Ability Holds Back Advancement

Companies are taking action to prevent bosses from clinging to top performers

BY JOANN S. LUBLIN

Ever feel like you're stuck in place at work? You may be so good at your job that your boss isn't willing to lose you.

It is called talent hoarding, a manager's natural tendency to hold on to top performers instead of working to promote them or transfer them to other areas of the company.

Eric Miquelon felt hoarding crimped his advancement when he was a middle manager at **Avanade** nearly a decade ago. He vividly recalls being "hungry to do more" and join the technology consultancy's North American leadership team.

But his boss's boss, the region's head, "was hoarding a group of high performers" and even resisted letting other colleagues join the team, Mr. Miquelon says. A year later, he got a different executive role at the company.

Now, more companies facing skill shortages are taking aim at talent hoarders.

Chiefs at firms such as Avanade consider antihoarding efforts a personal priority.

Lender **Ally Financial** Inc. allows staffers to lobby certain leaders for promotions.

Firms including Ernst & Young LLP reward executives for developing lieutenants—even though they may lose their best to different assignments.

In 2013, Avanade Chief Executive Adam Warby decided he and his management team

should fight hoarding, recalls Stephen Kelly, chief human-resources officer. The Seattle-based firm, jointly owned by **Microsoft** Corp. and **Accenture** PLC, was struggling with rapid business growth because managers didn't want to let their people take other inside positions, Mr. Kelly says. "Everyone only knew their own people."

Mr. Warby initiated a push to shift leaders to new roles every few years, telling top leaders in early 2014, "This is a team sport."

Clinging to good people is bad for business, a 2016 study concluded. Talent-hoarding managers exist at half of 665 employers surveyed by the Institute for

#### Ally Financial discourages talent hoarding through career roundtables.

Corporate Productivity, a research group. That proportion rose to 74% for the lowest-performing companies in the survey, as defined by such measures as profit and revenue.

"Hoarding inevitably results in key people leaving—a problem aggravated by today's mobile millennial workers and strong economy," observes Kevin Martin, the institute's chief research officer and co-author of the study. The issue persists be-

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Technology consulting firm Avanade decided to shift leaders to new roles every few years.

cause managers are rarely rewarded for moving individuals to different parts of the operation, he adds. "This lack of accountability is a killer," he says.

Avanade's Mr. Warby took several steps to expand internal mobility. He insisted that the company's highest executives identify staffers by their level of readiness for a move, ranging from immediately to three years.

The mandate helped stars like Anna Di Silverio rise faster. Before fall 2015, she managed her native Italy for Avanade and had never lived abroad. She has since been promoted twice and is now area president for growth markets, living in Singapore and overseeing China, Brazil and six other countries.

Ms. Di Silverio views her advancement as "a well-managed process." But within her regions, she says, she continues to chastise managers trying to hoard and reminds them to make talent rotations "a natural behavior."

Mr. Warby also now

spends several days a year discussing the company's executive talent with his management team.

Avanade leaders are evaluated partly on how many of their staffers are ready to move now, according to Mr. Kelly. Between formal meetings, Mr. Warby often asks his lieutenants about "who we haven't moved," Mr. Kelly says.

There is now more job hopping within upper management. Thirty of Avanade's 240 senior executives have switched internal roles since July 2015, an unusually high proportion for such a brief period, a spokeswoman says.

Ally discourages talent hoarding through career roundtables, where executives typically review potential inside prospects to fill vacancies. The lender's corporate financial organization takes roundtables one step further, allowing staffers to pitch their qualifications to senior managers who have immediate or imminent openings.

To take part, employees

must be performing well based on reviews and must have been in their current role for more than a year. Since 2015, 11 finance employees landed higher jobs or made lateral moves following their roundtable presentations, according to Kathleen L. Patterson, Ally's chief human-resources officer.

Among them is Tony Jefferson, hired in 2013 as a first-line supervisor. He says he figured a roundtable pitch might help him move ahead faster because his boss "never set a timeline" for his next Ally role during their career-planning chats. His immediate supervisor did recommend a roundtable appearance as "a good opportunity to get your name and face in front of the senior leadership team," he said.

In June, Mr. Jefferson spent 20 minutes describing his specialized finance training and career aspirations to nearly a dozen financial leaders. Three months later, Ally promoted him to middle manager.

## An Ambitious Adventure Awaits

### Celebrating Human Ingenuity: An Exploration of Technology and Creativity by Private Jet

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EXPEDITIONS

# THE PROPERTY REPORT

## U.S. Investor Wagers on Greek Malls

Värde Partners last week paid \$65 million for stakes in a pair of Greek shopping malls

By ART PATNAUDE

As risky bets go, Greece ranks right up there. When you add shopping malls to the mix, only the hardest investors need apply.

That is the wager that U.S. private-equity firm **Värde Partners** LP made last week when it paid €61.3 million (\$65 million) for a stake in two of Greece's biggest shopping malls.

The deal stands out because there have been few commercial real-estate transactions over the last eight years in Greece, once the epicenter of Europe's financial crisis. Of the €255 billion (\$270 billion) of commercial property traded in Europe last year, only \$650 million of deals took place in Greece, mainly in the hotel sector, according to real-estate research firm Real Capital Analytics.

"There are some big question marks hanging over Greece," said Walter Boettcher, director of research at Colliers International, a real-estate broker.

At the same time, the rise of online shopping and changing consumer preferences around the world have led to massive retail bankruptcies and store closures in the U.S., the U.K. and around the world.

Yet Minneapolis-based Värde, a value investor on the hunt for discounted assets, sees opportunity.

"The risk is about the politics," said Tim Mooney, global



Lamda Development SA, in which Värde Partners bought a 31.7% stake, owns malls including Golden Hall in Athens, seen here.

Hall, with air conditioning, restaurants and play areas for children, also aren't as common in Greece as they are in the U.S. or other parts of Europe, giving Värde confidence it will remain a popular shopping destination, Mr. Mooney said.

The potential returns also were attractive to Värde. Because the Greek property market is so illiquid, nailing down an average yield in Greece is difficult, analysts said.

"You're not getting paid yields that you would see in Ukraine. But you're getting paid more than Romania or Turkey," said Mr. Iannazzo at Värde, which manages \$12 billion of assets.

This isn't new ground for Värde, which aims to buy assets or take control of companies at a discount to their potential value and then list them on a stock exchange or sell them.

The firm in 2011 bought U.K. home builder Crest Nicholson Holdings PLC, which was listed on the London Stock Exchange in 2013.

Värde in March bought Spanish housing developer Vía Celere for €90 million. The company will be merged with a Spanish developer it already owns and is being considered for an initial public offering or sale, Mr. Mooney said.

Last year, Värde bought a stake in Trastor, a Greek real-estate investment trust, from Greece's largest lender Piraeus Bank. It now owns 54% of the group, which is focused on office and retail sectors.

"We like housing in Spain. We like retail in Greece," Mr. Mooney said. "As a value investor, we think it's the right time."

co-head of real estate at Värde. "The gutsy part of the trade is not at the asset level."

The Greek economy has only started to recover after shrinking by more than 25% during the financial crisis.

The government is finalizing details of a deal struck on Friday with creditors to keep its economic bailout program going.

A final agreement will pave the way for discussions between European creditors—led by Germany—and the International Monetary Fund on debt

relief.

Prolonged bailout negotiations revived uncertainty in Greece. The country's economy shrank faster than expected in the last quarter of the year, and while the Greek government expects growth to clock in at 2.7% this year, several economists believe it will be more modest.

Värde paid the €61.3 million for a 31.7% stake in Lamda Malls SA, a unit recently spun out of **Lamda Development SA**, one of Greece's biggest real-estate companies.

Lamda has two assets: Golden Hall in Athens and Mediterranean Cosmos in Thessaloniki, a major city in the north of the country.

Even at the worst point of Greece's recession, occupancy at Lamda Malls never fell below 96%, "and you had no significant decline in tenant sales," said Anthony Iannazzo, a managing director at Värde.

"It is rare as a value investor that you have the opportunity to observe how an asset will perform under a Great Depression-level economic crisis, but that is exactly the case here," he said.

While malls in the U.S., U.K. and elsewhere have suffered from consumers shifting online, the Greeks have been slower to change.

Last year, less than 70% of Greeks used the internet, while around 35% made a purchase online, according to a report from Deutsche Asset Management.

Both figures put Greece with having among the lowest internet penetration in Europe.

Shopping malls like Golden

Plot & Ploys

RESEARCH

Commercial-Property Debt, Not Equity, Is the Smart Bet

Investors should focus on debt rather than equity at this stage of the bull market for commercial real estate, according to a report by Amherst Capital Management LLC, a boutique real-estate investment firm.

But not just any debt will do. The New York firm, with \$5.7 billion of assets under management, points to bridge loans for properties that are experiencing a temporary interruption in cash flow from tenant rollover or that need a new business plan.

—Esther Fung

HEALTH-CARE REITS

Care Capital Purchases Six Behavioral Health Hospitals

Care Capital Properties

Inc., a health-care real-estate investment trust, is spending \$400 million to purchase six behavioral health hospitals in California, Arizona and Illinois in a sale-leaseback transaction.

The Chicago-based REIT is purchasing the hospitals from affiliates of **Signature Healthcare Services** LLC, which provides psychiatric services focused on behavioral health and substance abuse. It will also fund up to \$50 million in capital expenditures to finance expansion and improvements in the portfolio, which contains a total of 712 beds.

—Esther Fung

MANHATTAN

Tower Refinances Debt With Loan From Metropolitan Life

Carnegie Hall Tower, the Manhattan office skyscraper that helped shore up the finances of the fabled concert hall, is getting a boost from its location in the new super-luxury residential district, refinancing its debt with a \$325 million loan from Metropolitan Life Insurance Co.

Full terms of the fixed-rate 15-year loan, arranged by Singer & Bassuk Organization LLC, weren't disclosed, but the rate is below 4%, according to a person familiar with the matter.

Over all the Midtown office market has rebounded from the latest financial downturn but still isn't as strong as it was before the crash. Some pockets are facing softening because of new development.

—Peter Grant

age size of a retail real-estate loan was \$8.3 million in 2016, down from \$12.2 million in 2015, according to data from Real Capital Analytics. The average loan-to-value ratio fell to 66% in 2016 from 70% in 2015, while the average occupancy rate of the underlying properties rose to 98% in 2016 from 92% in 2015.

A steady drumbeat of store closures is escalating concerns about the fate of retail shopping centers, especially lower-tier malls and strip centers.

*'There is a sea change in attitudes over the last eight months.'*

Major retailers such as **Macy's** Inc., **Sears Holdings** Corp. and **J.C. Penney** Co. have said in recent months they plan to close as many as 290 stores, while **Payless ShoeSource** Inc. last week filed for chapter 11 bankruptcy protection and said it would close 400 stores.

Real-estate executives and financiers said it is more difficult these days to value shopping centers amid the shift in shopping habits.

"Lenders are more forward-looking this time, and question what the property is going to look like five years from now,"

said Eric Wolf, managing director at Katz Properties LLC, a property investment, development and management firm. "There is more face time with lenders, and you go over things, and go over again," said Mr. Wolf, whose firm owns 27 shopping centers in the U.S.

Mall values can drop more sharply than residential and office properties if anchor tenants close and surrounding tenants then peter out. J.C. Penney and Macy's closed stores at Hudson Valley Mall in Kingston, N.Y., in 2015 and 2016, respectively, and the value of the mall plummeted 90%. The mall was valued at \$87 million in 2010. Last December, Kroll Bond Rating Agency said it was valued at \$8.1 million.

Not all malls are struggling. Some better-quality properties in affluent coastal cities with a steady stream of tourists continue to boost rents.

Larger mall operators still make hefty investments in their best properties to keep them competitive.

Mr. Miller's Runyon Group recently secured a \$47 million, 10-year securitized loan from **Wells Fargo** & Co. to refinance a mixed-use, open-air retail and office property in Los Angeles.

"Generally in two to three years, interest rates will be higher," said Mr. Miller. "We're stress-testing our business plans to be successful in an environment like that."

## U.S. Commercial Property Loans Fall

By PETER GRANT

Commercial real-estate lending by banks, insurance companies and other financial institutions is declining as sales activity slows and regulators voice concern about the sector.

Lenders closed roughly \$491 billion of mortgage loans backed by U.S. property in 2016, down 3% from 2015, according to new statistics from the Mortgage Bankers Association.

Most of the decline occurred in the fourth quarter, when volume was 7% lower than the 2015 quarter, according to Jamie Woodwell, the trade group's head of commercial-property research.

Despite the decrease, the new-volume number was the third highest since the association began doing the survey, behind 2015 and the record year of 2007.

The decline from 2015 to 2016 was due partly to a slowing of property sales, meaning fewer buyers needed financing. "There's a very tight correlation" between the two, Mr. Woodwell said.

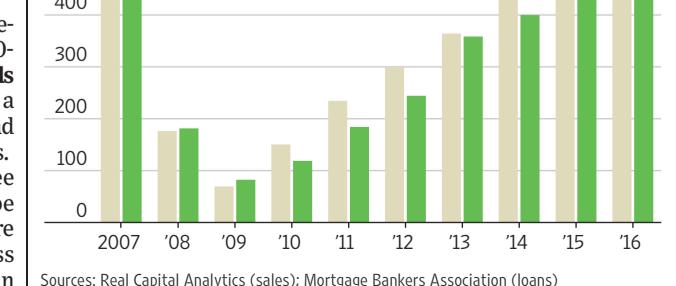
Buyers, for their part, are getting jittery because values have been rising for eight years and are near records. In all, investors purchased \$493.7 billion of U.S. commercial property in 2016, down 10% from 2015, according to Real Capital Analytics.

Activity has slowed further this year. Investors purchased just \$50.3 billion worth of U.S. commercial property in the first two months of 2017, compared with \$80.1 billion during the period in 2016, according to Mr. Myers.

### Slowdown

Lending for commercial real estate has slowed with a decline in sales.

**Commercial real estate sales volume**    **Commercial real estate loan originations**



Sources: Real Capital Analytics (sales); Mortgage Bankers Association (loans)

THE WALL STREET JOURNAL.

## COMMODITIES

WSJ.com/commodities

### Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Total return close	YTD total return (%)	Index	Yield (%)		
			Latest	Low	High
<b>Broad Market</b> Bloomberg Barclays					
1904.00	1.4	U.S. Aggregate	2.560	1.820	2.790
<b>U.S. Corporate Indexes</b> Bloomberg Barclays					
2682.14	2.0	U.S. Corporate	3.260	2.750	3.520
2562.86	1.7	Intermediate	2.750	2.190	3.010
3608.78	2.8	Long term	4.420	3.960	4.710
551.17	1.6	Double-A-rated	2.640	1.980	2.870
687.44	2.3	Triple-B-rated	3.580	3.180	3.870
<b>High Yield Bonds</b> Merrill Lynch					
400.46	3.1	High Yield Constrained	5.798	5.568	8.206
403.22	4.8	Triple-C-rated	10.115	9.584	18.591
2763.04	3.0	High Yield 100	5.365	5.200	6.804
363.35	3.2	Global High Yield Constrained	5.451	5.256	7.750
292.54	1.9	Europe High Yield Constrained	3.062	2.901	4.840
<b>U.S. Agency</b> Bloomberg Barclays					
1623.20	1.2	U.S. Agency	1.770	1.150	1.960
1457.07	0.8	10-20 years	1.570	0.960	1.750
3250.75	4.1	20-plus years	3.050	2.390	3.460
2389.52	2.0	Yankee	2.810	2.320	3.090

\*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds

\*\*EMBI Global Index

Total return close	YTD total return (%)	Index	Yield (%)		
			Latest	Low	High
<b>Mortgage-Backed</b> Bloomberg Barclays					
1957.98	0.9	Mortgage-Backed	2.890	1.930	3.120
1934.83	0.9	Ginnie Mae (GNMA)	2.830	1.850	3.090
1145.78	0.9	Fannie Mae (FNMA)	2.900	1.950	3.120
1763.98	0.9	Freddie Mac (FHLMC)	2.920	1.980	3.130
509.01	2.0	Muni Master	2.048	1.297	2.516
355.48	2.3	7-12 year	2.082	1.300	2.618
394.08	2.1	12-22 year	2.627	1.610	3.047
379.50	2.3	22-plus year	3.133	2.027	3.622

**Global Government** J.P. Morgan<sup>1</sup>

n.a.	n.a.	Global Government	n.a.	n.a.	n.a.							
n.a.	n.a.	Canada	n.a.	n.a.	n.a.							
n.a.	n.a.	EMU\$	n.a.	n.a.	n.a.							
n.a.	n.a.	France	n.a.	n.a.	n.a.							
n.a.	n.a.	Germany	n.a.	n.a.	n.a.							
n.a.	n.a.	Japan	n.a.	n.a.	n.a.							
n.a.	n.a.	Netherlands	n.a.	n.a.	n.a.							
n.a.	n.a.	U.K.	n.a.	n.a.	n.a.							
771.69	4.4	Emerging Markets <sup>**</sup>	5.653	5.134	6.290							

<sup>1</sup>In local currency \$ Euro-zone bonds

Sources: Merrill Lynch; Bloomberg Barclays; J.P. Morgan

### Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose(▲) or fell(▼) in the latest session

Coupon (%)	Maturity, in years	Yield (%)										Spread Under/Over U.S. Treasuries, in basis points
		0	20	40	60	80	100	120	Previous	Month ago	Year ago	
1.250	U.S. 2	1.246	▼	●	●	●	●	●	1.274	1.351	0.703	
2.250	10	2.301	▼	●	●	●	●	●	2.368	2.577	1.728	
5.250	Australia 2	1.665	▼	●	●	●	●	●	1.665	1.927	1.868	41.9
4.750	10	2.557	▼	●	●	●	●	●	2.582	2.989	2.424	25.6
0.000	France 2	-0.468	▲	●	●	●	●	●	-0.481	-0.453	-0.458	-171.4
0.250	10	0.964	▲	●	●	●	●	●	0.926	1.123	0.464	-133.7
0.000	Germany 2	-0.853	▼	●	●	●	●	●	-0.844	-0.835	-0.519	-209.9
0.250	10	0.207	▼	●	●	●	●	●	0.209	0.487	0.112	-209.4
0.300	Italy 2	-0.046	▲	●	●	●	●	●	-0.078	0.022	0.009	-129.2
1.250	10	2.096	▲	●	●	●	●	●	2.062	2.368	1.351	-20.5
0.100	Japan 2	-0.223	▼	●	●	●	●	●	-0.216	-0.262	-0.245	-146.9
0.100	10	0.039	▼	●	●	●	●	●	0.050	0.090	-0.081	-226.2
2.750	Spain 2	-0.207	▲	●	●	●	●	●	-0.217	-0.101	0.009	-145.3
1.500	10	1.619	▲	●	●	●	●	●	1.607	1.866	1.509	-68.2
1.750	U.K. 2	0.101	▲	●	●	●	●	●	0.097	0.098	0.401	-114.5
4.250	10	1.055	▼	●	●	●	●	●	1.078	1.235	1.395	-124.6

Source: Tullett Prebon

### Corporate Debt

Price moves by a company's debt in the credit markets sometimes mirror and sometimes anticipate moves in that same company's share price. Here's a look at both for two companies in the news.

#### Investment-grade spreads that tightened the most...

Issuer		Coupon (%)		Maturity		Spread <sup>1</sup> , in basis points		Stock Performance	
								Close (\$)	
McDonald's	MCD	2.750	Dec. 9, '20	61	-18	■	n.a.	131.20	0.94
Bank of Nova Scotia	BNS	2.050	June 5, '19	56	-17	■	65	58.09	-0.31
Discovery Communications	DISCA	4.375	June 15, '21	92	-13	■	n.a		

## COMMODITIES

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## Futures Contracts | WSJ.com/commodities

## Metal &amp; Petroleum Futures

Contract Open High hi lo Low Settle Chg Interest

**Copper-High (CMX)**-25,000 lbs.; \$ per lb.  
 April 2,607.0 2,607.5 2,5840 2,6060 0.0040 1,339  
 May 2,607.0 2,6240 2,5830 2,6080 0.0040 109,435

**Gold (CMX)**-100 troy oz.; \$ per troy oz.  
 April 1254.50 1273.50 ▲ 1254.50 1271.20 20.10 1,749  
 June 1256.80 1277.40 ▲ 1254.70 1274.20 20.30 308,181

Aug 1260.80 1280.40 ▲ 1258.80 1277.40 20.30 44,676

Oct 1264.40 1283.70 ▲ 1262.00 1280.70 20.30 6,551

Dec 1266.20 1287.00 ▲ 1265.40 1284.10 20.30 45,402

Feb'18 1270.80 1287.70 ▲ 1268.50 1287.50 20.30 7,813

**Palladium (NYM)**-50 troy oz.; \$ per troy oz.  
 April 806.30 806.95 806.30 802.95 13.10 2

May 798.65 801.35 798.65 802.95 13.10 2

June 787.55 806.95 787.10 803.10 13.10 32,590

Sept 789.00 805.00 789.00 803.45 13.10 1,501

Dec 803.60 803.60 803.60 804.10 13.00 26

**Platinum (NYM)**-50 troy oz.; \$ per troy oz.  
 April 943.50 943.90 943.50 965.90 28.40 124

July 941.60 973.70 941.60 969.50 29.50 61,815

**Silver (CMX)**-5,000 troy oz.; \$ per troy oz.  
 April 18,040 18,290 18,040 18,233 0.339 161

May 17,950 18,345 17,910 18,254 0.339 142,917

**Crude Oil, Light Sweet (NYM)**-1,000 bbls.; \$ per bbl.  
 May 53.13 53.45 52.70 53.40 0.32 348,279

June 53.60 53.84 53.10 53.79 0.31 428,508

July 53.94 54.16 53.43 54.11 0.31 174,718

Sept 54.25 54.50 53.83 54.48 0.31 179,243

Dec 54.60 54.76 54.08 54.75 0.34 273,909

Dec'18 53.65 54.00 53.44 54.01 0.34 125,208

**NY Harbor USLD (NYM)**-42,000 gal.; \$ per gal.  
 May 1,6548 1,6548 1,6330 1,6506 0.0033 96,818

June 1,6583 1,6624 1,6409 1,6587 0.0043 92,402

**Gasoline-NY RBOB (NYM)**-42,000 gal.; \$ per gal.  
 May 1,7617 1,7652 1,7364 1,7577 -0.004 106,268

June 1,7600 1,7634 1,7365 1,7579 0.011 85,471

**Natural Gas (NYM)**-10,000 MMbtu; \$ per MMbtu  
 May 3,243 3,268 3,141 3,150 -0.088 236,562

June 3,115 3,339 3,218 3,224 -0.085 137,325

July 3,386 3,408 3,292 3,296 -0.084 159,008

Sept 3,399 3,420 3,310 3,317 -0.079 114,950

Oct 3,417 3,433 3,326 3,334 -0.075 125,428

Jan'18 3,661 3,671 3,585 3,598 -0.056 86,841

## Agriculture Futures

**Corn (CBT)**-5,000 bu.; cents per bu.  
 May 366.00 369.00 362.25 366.50 -50 454,449

July 373.50 376.25 369.50 373.75 -75 485,849

**Oats (CBT)**-5,000 bu.; cents per bu.  
 May 216.00 220.00 215.50 219.75 3.25 3,666

July 216.00 220.25 215.25 219.50 3.50 2,244

**Soybeans (CBT)**-5,000 bu.; cents per bu.  
 May 941.75 945.00 ▼ 929.75 939.25 -2.50 277,231

July 952.35 956.50 ▼ 941.25 950.75 -2.50 247,870

**Soybean Meal (CBT)**-10 tons; \$ per ton.  
 May 309.10 310.70 ▼ 305.50 309.30 .20 127,968

July 313.20 314.80 ▼ 309.60 313.50 .30 141,802

**Soybean Oil (CBT)**-60,000 lbs.; cents per lb.  
 May 31.37 31.66 ▼ 30.86 31.07 -28 138,527

July 31.63 31.93 ▼ 31.12 31.31 -31 141,993

**Rough Rice (CBT)**-200 cwt.; \$ per cwt.  
 May 1026.00 1027.00 1018.00 1026.50 ... 7,532

July 1052.00 1053.00 ▲ 1044.00 1052.50 ... 2,617

**Wheat (CBT)**-5,000 bu.; cents per bu.  
 May 428.00 434.75 423.75 433.25 4.50 199,774

July 441.00 448.50 436.75 447.50 5.75 183,552

**Wheat (KC)**-5,000 bu.; cents per bu.  
 May 424.25 430.75 420.50 429.75 4.25 90,514

July 437.25 443.00 433.00 442.00 3.75 114,994

**Wheat (MPLS)**-5,000 bu.; cents per bu.  
 May 519.25 528.00 ▼ 515.25 527.75 8.50 19,681

July 527.00 536.25 ▼ 523.50 535.50 8.50 25,076

**Cattle-Feeder (CME)**-50,000 lbs.; cents per lb.  
 April 135,300 137,700 ▲ 134,950 137,175 1.875 5,095

May 135,350 137,950 ▲ 135,025 137,325 1.950 22,809

**Cattle-Live (CME)**-40,000 lbs.; cents per lb.  
 April 121,100 123,450 ▲ 121,100 123,250 2.150 19,458

June 112,125 113,925 111,950 113,700 1.400 186,461

**Hogs-Lean (CME)**-60,000 lbs.; cents per lb.  
 April 63,300 63,400 ▼ 62,575 62,650 -.675 11,791

June 73,000 74,100 72,825 74,000 .725 84,269

**Lumber (CME)**-110,000 bd. ft. per 1,000 bd. ft.  
 May 393.70 403.80 391.00 403.50 9.70 3,587

July 396.60 407.40 395.00 405.60 8.00 1,720

**Milk (CME)**-200,000 lbs.; cents per lb.  
 April 15.14 15.16 15.09 15.14 .04 5,250

June 15.23 15.32 ▼ 15.08 15.32 .14 4,828

	Open	High	hi lo	Low	Settle	Chg	Open interest
Contract							
<b>Cocoa (ICE-US)</b> -10 metric tons; \$ per ton.							
May	1,943	1,980		1,934	1,972	.17	31,845
July	1,950	1,996		1,945	1,988	.24	123,911
<b>Coffee (ICE-US)</b> -37,500 lbs.; cents per lb.							
May	139.85	140.65		139.35	140.20	.35	53,321
July	142.00	142.95		141.55	142.40	.25	77,067
<b>Sugar-World (ICE-US)</b> -112,000 lbs.; cents per lb.							
May	16.60	16.85		16.21	16.72	.09	223,041
July	16.60	16.87		16.27	16.76	.14	255,260
<b>Sugar-Domestic (ICE-US)</b> -112,000 lbs.; cents per lb.							
July	28.55	28.75		28.55	28.82	.30	1,093
Sept	28.75	29.00		28.75	29.00	.40	1,499
<b>Cotton (ICE-US)</b> -50,000 lbs.; cents per lb.							
May	75.11	75.80		74.41	75.01	-.14	70,956
July	76.99	77.36		76.18	76.43	-.38	87,926
Sept	166.80	166.80		160.60	161.75	-.58	5,254
July	158.60	158.60		154.60	154.80	-.50	4,127

## Interest Rate Futures

**Treasury Bonds (CBT)**-\$100,000; pts 32nds of 100%  
 June 151-220 153-040 152-310 1-06.0 644,221

Sept 151-070 151-200 151-050 1-06.0 113

**Treasury Notes (CBT)**-\$100,000; pts 32nds of 100%  
 June 124-280 125-180 124-280 18.5 3,080,441

Sept 124-230 125-035 124-230 19.0 2,125

**5 Yr. Treasury Notes (CBT)**-\$100,000; pts 32nds of 100%  
 June 117-282 118-102 117-280 11.5 3,009,433

Sept 117-160 117-200 117-160 11.0 111

**2 Yr. Treasury Notes (CBT)**-\$200,000; pts 32nds of 100%  
 June 108-067 108-105 108-097 3.0 1,350,787

**30 Day Federal Funds (CBT)**-\$5,000,000; 100-daily avg.  
 April 99.105 99.108 99.105 4.00 431,531

May 99.095 99.100 99.095 4.00 255,237

## NEW HIGHS AND LOWS

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE Mkt and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session.  
% CHG-Daily percentage change from the previous trading session.

## Tuesday, April 11, 2017

## NYSE highs - 89

Stock	52-Wk Sym	% Hi/Lo Chg	Stock	52-Wk Sym	% Hi/Lo Chg	Stock	52-Wk Sym	% Hi/Lo Chg
Allelu ALE	69.58 0.6		GlobeLease GLB	188.39 0.6	Stillwater SWC	17.54 0.3	Wistid Europe SPC EUSC	28.48 0.3
AlprGblPrProp AWP	5.91 0.3		HDFC Bank HDB	76.92 0.4	StoneHarborEnt EDI	16.03 0.6	Wistid Int'l Hdqld HHDG	59.84 0.5
AmtowerREIT Pfa AMT	17.28 0.2		HRC Group HRC	19.67 1.4	TempGlob GIM	6.76 0.2	YieldRate REIT MORT	24.12 0.6
AmerTower REIT AMT	124.40 0.2		HarvestNest HNR	7.35 0.7	TerrenoRealty TRNO	29.63 2.8	YieldRate REIT TWOI	86.35 0.3
AnnCap NYL	11.49 0.9		IDACORP IDA	84.04 1.0	TransportadGas TPS	16.20 4.3	FirstDefence FDEF	52.35 3.0
AnworthHtng ANH	1.63 1.8		Intersol-Rand IR	43.87 1.3	TwoHaborsInv TWO	9.85 0.5	ZynerbaPharma ZYNE	25.88 0.3
AnworthHtng ANH	16.76 1.8		KBH Home KBH	20.18 ...	UIMH Prop UMH	15.57 0.3	Fsbk FSBK	12.91 ...
AnworthHtng ANH	27.49 3.0		Lennar LEN	43.38 1.5	UIMH Prop UNH	15.57 0.3	Nasdaq lows - 36	
AnworthHtng ANH	27.49 3.0		MGMGrowthProp MGP	28.25 0.3	Unilever UN	51.11 0.2	Ability ABIL	1.05 -0.7
Arbor Reality ABR	8.66 1.3		MaciGillIntra MGU	23.25 0.5	UniversalHealth UHT	68.62 1.8	AchillionPharm ACHN	3.64 -1.9
Arco ARCO	8.40 3.2		MainStreetCap MAIN	38.70 0.7	Vectren VVC	59.46 0.2	AmShrtFin Svcs AFSI	13.51 -18.9
ArmourRes ARR	23.65 0.8		MauiLand MLP	13.20 5.2	WasteConnections WCN	89.24 0.5	Grifols GRFS	19.28 0.8
AshlandGlobal ASH	126.52 -0.1		NordAngliaEduc NORD	28.30 3.0	YumChina YUMC	32.57 0.7	AtossaGenetics ATOS	0.66 1.7
AxovantSciences AXON	20.82 9.2		Oncor OMC	10.11 0.1	YumChina YUMC	32.57 0.7	Avinger AVGR	0.50 -0.2
Biois Sciences BCC	30.48 -0.2		OptiMedOpns OPT	43.50 -0.2	ZymerbaPharma ZYNE	25.88 0.3	Hofft HOFT	41.30 4.2
Boise Cascade BCC	27.65 1.9		PapaEnergy PAM	10.63 -0.8	ZymerbaPharma ZYNE	25.88 0.3	IlmMarket ILM	1.83 -6.1
BoydGaming BYD	22.28 1.5		NaviosMaritime Nmpg	18.00 1.6	ZymerbaPharma ZYNE	25.88 0.3	Info INFQ	42.45 0.5
CenturyComms CCS	27.65 1.9		NevioMaritime NEFF	20.00 1.3	ZymerbaPharma ZYNE	25.88 0.3	CytitorTherap CYTX	2.88 -5.4
ChinaCordBlood CO	7.40 -5.1		NewGermanyFund GF	14.98 0.2	ZymerbaPharma ZYNE	25.88 0.3	DianatContainer DCIX	0.67 -13.0
ChinStrpFdf CDF	92.18 0.9		NextPointResident NXRT	25.38 1.1	ZymerbaPharma ZYNE	25.88 0.3	Inova INVA	14.48 1.4
Coresite COR	92.97 1.1		NordAngliaEduc NORD	20.30 1.2	ZymerbaPharma ZYNE	25.88 0.3	EchoGlobalLog ECHO	19.29 -3.4
CorpOfficeProp OFC	34.41 0.9		OptiMedOpns OPT	43.50 -0.2	ZymerbaPharma ZYNE	25.88 0.3	Dmtr DMTX	1.38 -3.4
Cotiviti COTV	43.00 1.2		PapaEnergy PAM	10.63 -0.8	ZymerbaPharma ZYNE	25.88 0.3	Jd JD	33.28 -1.1
DCT Industrial DCT	50.83 1.1		PapaEnergy PAM	10.63 -0.8	ZymerbaPharma ZYNE	25.88 0.3	FoxmPharm FOXM	4.17 -4.3
DNB Select DNP	10.97 -0.5		PapaEnergy PAM	10.63 -0.8	ZymerbaPharma ZYNE	25.88 0.3	Kins KINS	16.10 1.0
DoubleLineIncml DNL	20.58 0.5		PapaEnergy PAM	10.63 -0.8	ZymerbaPharma ZYNE	25.88 0.3	Laure LAUR	15.00 -0.9
EastPointCredit ECC	22.11 -1.1		PapaEnergy PAM	10.63 -0.8	ZymerbaPharma ZYNE	25.88 0.3	HolysysAuto HOLI	15.55 -0.3
EasterlyGovProp DEA	21.38 2.4		PapaEnergy PAM	10.63 -0.8	ZymerbaPharma ZYNE	25.88 0.3	LibertyExpedia LEXE	47.85 -0.2
EastGroup EGP	77.76 2.2		PapaEnergy PAM	10.63 -0.8	ZymerbaPharma ZYNE	25.88 0.3	LibertyVentures4 LVNTA	52.92 -0.2
ElPasoelectric EE	51.50 1.9		PapaEnergy PAM	10.63 -0.8	ZymerbaPharma ZYNE	25.88 0.3	Lumos LMS	17.84 0.2
EllingtonResMtg EARN	14.85 2.0		PapaEnergy PAM	10.63 -0.8	ZymerbaPharma ZYNE	25.88 0.3	MaliblBoats MILACCP	8.80 -2.6
EmbotelAndina AKA/D	23.36 0.2		PapaEnergy PAM	10.63 -0.8	ZymerbaPharma ZYNE	25.88 0.3	MagnesGas MAGNGA	5.27 -7.5
EquityCommwlth EQC	32.29 0.8		PapaEnergy PAM	10.63 -0.8	ZymerbaPharma ZYNE	25.88 0.3	MedicNovo MNNOV	5.28 -6.7
FourCornersProp FCPT	23.46 1.5		PapaEnergy PAM	10.63 -0.8	ZymerbaPharma ZYNE	25.88 0.3	Mesoblast MESO	11.66 9.1
GOLInhas GOL	33.43 7.1		PapaEnergy PAM	10.63 -0.8	ZymerbaPharma ZYNE	25.88 0.3	Mitomo MOHO	38.09 -0.2
GabelliGblMultMed GGT	8.25 0.7		PapaEnergy PAM	10.63 -0.8	ZymerbaPharma ZYNE	25.88 0.3	NantGeneral NPGHCN	24.11 -2.1
Graco GGG	95.19 0.7		PapaEnergy PAM	10.63 -0.8	ZymerbaPharma ZYNE	25.88 0.3	Obseva OBSV	7.60 -6.6
							MTD MTD	16.30 1.5
							OncomMed OMED	4.91 -10.8
							Ophtotech OPHT	2.83 -5.7
							PCI PCI	30.74 0.4
							Pfnd PFDINDUSTRIES	14.52 -2.8
							Ptnr PTN	31.62 0.2
							Protagonist Therap PTGX	9.93 -2.0
							RitterPharm RTR	0.98 0.8
							SecureWorks SWX	8.66 0.1
							SrNre SRNE	2.88 -4.8
							StellValu r STAR	24.90 0.3
							Strategic STAR	10.67 0.01
							TgtRe 2015 TGTRE2015	15.02 0.02
							TgtRe 2020 TGTRE2020	19.30 0.06
							TgtRe 2025 TGTRE2025	21.06 0.03
							TgtRe 2030 TGTRE2030	21.09 0.03
							TgtRe 2040 TGTRE2040	21.11 0.03
							TgtRe 2045 TGTRE2045	21.17 0.02
							TgtRe 2050 TGTRE2050	21.22 0.04
							TgtRe 2055 TGTRE2055	21.28 0.04
							TgtRe 2060 TGTRE2060	21.34 0.04
							TgtRe 2065 TGTRE2065	21.40 0.04
							TgtRe 2070 TGTRE2070	21.46 0.04
							TgtRe 2075 TGTRE2075	21.52 0.04
							TgtRe 2080 TGTRE2080	21.58 0.04
							TgtRe 2085 TGTRE2085	21.64 0.04
							TgtRe 2090 TGTRE2090	21.70 0.04
							TgtRe 2095 TGTRE2095	21.76 0.04
							TgtRe 2100 TGTRE2100	21.82 0.04
							TgtRe 2105 TGTRE2105	21.88 0.04
							TgtRe 2110 TGTRE2110	21.94 0.04
							TgtRe 2115 TGTRE2115	22.00 0.04
							TgtRe 2120 TGTRE2120	22.06 0.04
							TgtRe 2125 TGTRE2125	22.12 0.04
							TgtRe 2130 TGTRE2130	22.18 0.04
							TgtRe 2135 TGTRE2135	22.24 0.04
							TgtRe 2140 TGTRE2140	22.30 0.04
							TgtRe 2145 TGTRE2145	22.36 0.04
							TgtRe 2150 TGTRE2150	22.42 0.04
							TgtRe 2155 TGTRE2155	22.48 0.04
							TgtRe 2160 TGTRE2160	22.54 0.04
							TgtRe 2165 TGTRE2165	22.60 0.04
							TgtRe 2170 TGTRE2170	22.66 0.04
							TgtRe 2175 TGTRE2175	22.72 0.04
							TgtRe 2180 TGTRE2180	22.78 0.04
							TgtRe 2185 TGTRE2185	22.84 0.04
							TgtRe 2190 TGTRE2190	22.90 0.04
							TgtRe 2195 TGTRE2195	22.96 0.04
							TgtRe 2200 TGTRE2200	23.02 0.04
							TgtRe 2205 TGTRE2205	23.

# BIGGEST 1,000 STOCKS

WSJ.com/stocks

## How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq, OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS. The list comprises the 1,000 largest companies based on market capitalization.

**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.

**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, April 11, 2017

	Stock	Symbol	Close	Net Chg	Stock	Symbol	Close	Net Chg	Stock	Symbol	Close	Net Chg	Stock	Symbol	Close	Net Chg	Stock	Symbol	Close	Net Chg
<b>NYSE</b>																				
<b>Net</b>																				
<b>Stock</b>																				
ABB	ABB	23.06	-0.03		AZO	700.59	-3.05		CapitalOne	COF	83.09	0.32	HuntingtonIngs	HII	205.62	1.73	NewellBrands	NWL	46.27	-0.50
AES	AES	11.31	0.16		AVB	187.25	0.48		CardinalHealth	CAH	82.30	-0.11	Huntsman	HUN	24.52	-0.12	NextfieldExpln	NFX	37.01	0.27
Aflac	AFL	73.75	0.20		AvgnyDension	AVY	79.67	-0.16	CarMax	KMX	57.24	0.13	HyattHotels	H	53.94	0.37	NewMarket	NSM	453.06	5.28
AT&T	T	40.31	-0.07		Avnet	44.64	0.06		Carnival	CCL	57.78	-0.66	ICICI Bank	IBN	8.76	0.14	NextEraEnergy	NEE	129.32	-0.11
AXIS Capital	AXS	66.50	...		BaileyCoatings	AXTA	31.66	0.14	Caterpillar	CAT	97.10	-0.04	Dover	DOV	81.11	0.30	NielsenHoldings	NLSN	41.37	-0.11
AbbottLabs	ABT	43.85	0.25		BCE	45.49	0.18		Celanease	CE	92.29	-0.01	DrPepperSnps	DPS	97.12	0.03	IllinoisToolWks	ITW	132.81	0.57
AbbVie	ABBV	64.18	-0.15		BHPBilliton	BHP	38.39	0.13	Cemex	CX	9.23	-0.05	DrReddySlab	RDY	40.33	-0.48	InfoSys	INFY	15.09	-0.08
Accenture	ACN	116.00	-0.55		BP	35.37	0.28		Censcoops	CNC	9.27	-0.07	DuPont	DD	79.14	-0.16	NiSource	NI	23.85	0.11
AcuityBrands	AYI	177.68	1.27		BRF	12.28	0.36		CenovusEnergy	CVE	11.03	-0.12	DukeEnergy	DUR	82.19	-0.21	Noitelecom	NBL	35.44	-0.07
Adient	ADNT	67.51	0.31		BT Group	BT	19.74	0.05	Centene	CN	72.20	0.43	Energion	INGR	128.06	1.68	NomuraHoldings	NMR	6.01	0.02
AdvanceAuto	AAP	143.46	0.62		BakerHughes	BHI	60.87	-0.84	CentralisBras	EBR	4.99	0.10	ENI	E	32.50	0.25	NextEraMining	NEM	35.13	0.52
AdvSemiEngg	ASX	6.35	-0.08		Ball	BBT	43.62	-0.17	CenturyLink	CTL	24.90	0.40	Enbridge	EPB	18.52	-0.02	NorthGrumman	NSC	115.22	-0.27
Aegon	AEG	4.93	0.02		BancoBilbaoViz	BBVA	7.50	0.04	Chemours	CC	37.55	0.10	Enbridge	ENB	42.19	-0.55	Novartis	NVS	73.96	0.45
AerCap	AER	44.02	-0.22		BancodeSantander	BSX	33.32	0.35	Cemex	CX	9.23	-0.05	Eaton	ETN	75.39	-0.21	NovoNordisk	NVO	36.36	0.17
Aetna	AET	129.52	0.72		BancoSantander	BSA	24.80	-0.09	CenovusEnergy	CVE	11.03	-0.12	Interpublic	IPG	24.48	0.33	OvationsCorning	OC	61.03	0.48
AffiliatedMtrs	AMG	162.62	1.43		BancoSantander	SAN	5.96	-0.02	Centene	CN	72.20	0.43	J&J	JNJ	124.22	-0.12	Parkers	PKR	54.71	0.05
AgilentTechs	AMT	52.83	0.11		Bancor	CB	40.58	-0.05	CenterPointEnergy	CNP	27.91	-0.09	EdisonInt'l	EIX	79.99	-0.09	NuStarEnergy	NSM	51.47	0.05
Aig	AIG	46.36	1.08		BancaIB	IB	22.92	0.10	CenturyLink	CTL	24.90	-0.16	EdisonInt'l	EIX	79.99	-0.09	OccidentalPetrol	OXY	64.98	0.84
AirProducts	APD	136.42	0.66		BancaIB	IB	47.26	0.20	Chemours	CC	49.62	-0.05	Enbridge	EPB	18.52	-0.02	Och-Ziff	OZM	2.25	0.01
AlaskaAir	ALK	88.84	-0.20		BancaIB	IB	58.09	-0.18	Chemours	CC	37.55	0.10	Enbridge	ENB	42.19	-0.55	OldRepublic	ORP	20.24	0.11
Albermarle	ALB	105.6	0.75		BancaIB	IB	70.77	0.06	Chemours	CC	13.58	-0.02	Enbridge	ENB	42.19	-0.55	OldRepublic	ORP	20.24	0.11
Alcoa	AA	34.39	0.73		Bard	BCR	249.99	-0.11	Chiquita	CMG	45.00	-0.20	Enbridge	ENB	42.19	-0.55	OldRepublic	ORP	20.24	0.11
AlexandriaRealEst	ARE	113.63	0.86		BarrickGold	ABX	20.09	0.62	Chubbs	CB	137.80	-0.18	Energy	ETR	76.66	0.75	OldRepublic	ORP	20.24	0.11
Alibaba	BABA	110.44	-1.26		Baxter	BAX	46.67	-0.33	ChinaMobile	CHL	54.35	-0.47	EnterpriseProd	EDP	27.91	-0.11	Oracle	ORCL	44.17	0.17
Alleghany	AYI	615.57	2.76		BectonDickinson	BDX	183.78	-0.26	ChinaMobile	CHL	54.35	-0.47	Enbridge	EPB	18.52	-0.02	Orbita	OTK	97.49	-0.43
Allegion	ALLE	75.29	0.67		Berkley	WRB	69.19	0.10	ChinaTelecom	CH	91.57	-0.16	Equifax	EFX	135.74	0.15	Orix	IX	76.13	-0.16
Allergan	AGN	239.11	-1.01		BethKathyHawth	BAK	128.60	-1.78	ChinaTelecom	CH	91.57	-0.16	Equifax	EFX	135.74	0.15	OwensCorning	OC	61.03	0.48
AllianceData	ADS	238.24	-0.32		BethKathyHawth	BAK	128.60	-1.78	ChinaTelecom	CH	91.57	-0.16	FidelityTrPvt	ETP	35.85	-0.21	OldRepublic	ORP	20.24	0.11
Allianz	ALL	22.35	-0.35		BerryPlastics	BRY	48.20	-0.15	ChinaTelecom	CH	91.57	-0.16	FidelityTrPvt	ETP	35.85	-0.21	OldRepublic	ORP	20.24	0.11
AlliantEnergy	LNT	37.90	-0.01		BestBuy	BYY	48.65	0.10	ChinaTelecom	CH	91.57	-0.16	FidelityTrPvt	ETP	35.85	-0.21	OldRepublic	ORP	20.24	0.11
AllisonTransm	ALSN	35.03	-0.21		Bio-RadLab	BIO	20.71	0.33	Coach	C	40.66	0.44	FidelityTrPvt	ETP	35.85	-0.21	OldRepublic	ORP	20.24	0.11
Allstate	ALL	81.17	-0.19		Bio-RadLab	BIO	20.71	0.33	Coach	C	40.66	0.44	FidelityTrPvt	ETP	35.85	-0.21	OldRepublic	ORP	20.24	0.11
AllyFinancial	ALLY	19.70	0.12		Bio-RadLab	BIO	20.71	0.33	Coach	C	40.66	0.44	FidelityTrPvt	ETP	35.85	-0.21	OldRepublic	ORP	20.24	0.11
Altira	MO	70.28	0.32		Bio-RadLab	BIO	20.71	0.33	Coach	C	40.66	0.44	FidelityTrPvt	ETP	35.85	-0.21	OldRepublic	ORP	20.24	0.11
AlmoofChina	ACH	12.73	-0.16		Bio-RadLab	BIO	20.71	0.33	Coach	C	40.66	0.44	FidelityTrPvt	ETP	35.85	-0.21	OldRepublic	ORP	20.24	0.11
Ambev	ABEV	5.67	-0.14		Bio-RadLab	BIO	20.71	0.33	Coach	C	40.66	0.44	FidelityTrPvt	ETP	35.85	-0.21	OldRepublic	ORP		

## MARKETS DIGEST

### EQUITIES

#### Dow Jones Industrial Average



\* P/E data based on as-reported earnings from Birinyi Associates Inc.

#### S&P 500 Index



#### Nasdaq Composite Index



#### Major U.S. Stock-Market Indexes

	Latest			52-Week			YTD		
	High	Low	Close	Net chg	% chg	High	Low	% chg	3-yr. ann.
<b>Dow Jones</b>									
Industrial Average	20660.03	20512.56	<b>20651.30</b>	-6.72	-0.03	21115.55	17140.24	<b>16.5</b>	4.5 8.8
Transportation Avg	9142.52	9031.83	<b>9135.58</b>	-43.12	-0.47	9593.95	7093.40	<b>17.7</b>	1.0 7.5
Utility Average	701.54	695.74	<b>700.34</b>	-0.18	-0.03	720.45	625.44	<b>5.7</b>	6.2 9.4
Total Stock Market	24421.12	24234.85	<b>24419.28</b>	-9.01	-0.04	24868.78	20583.16	<b>15.3</b>	4.9 8.6
Barron's 400	622.78	616.18	<b>622.78</b>	3.34	<b>0.54</b>	635.07	491.89	<b>21.3</b>	3.5 7.7
<b>Nasdaq Stock Market</b>									
Nasdaq Composite	5878.94	5819.29	<b>5866.77</b>	-14.15	-0.24	5914.34	4594.44	<b>20.4</b>	9.0 13.6
Nasdaq 100	5422.79	5359.14	<b>5398.40</b>	-23.28	-0.43	5440.41	4201.05	<b>20.1</b>	11.0 16.1
<b>Standard &amp; Poor's</b>									
500 Index	2355.22	2337.25	<b>2353.78</b>	-3.38	-0.14	2395.96	2000.54	<b>14.2</b>	5.1 9.0
MidCap 400	1719.99	1700.55	<b>1719.85</b>	9.48	<b>0.55</b>	1758.27	1416.66	<b>19.5</b>	3.6 9.3
SmallCap 600	837.02	826.23	<b>836.79</b>	6.89	<b>0.83</b>	862.21	670.90	<b>23.4</b>	-0.1 9.2
<b>Other Indexes</b>									
Russell 2000	1377.23	1360.54	<b>1376.95</b>	9.86	<b>0.72</b>	1413.64	1089.65	<b>24.5</b>	1.5 7.4
NYSE Composite	11474.67	11393.38	<b>11473.62</b>	9.28	<b>0.08</b>	11661.22	9973.54	<b>12.1</b>	3.8 3.7
Value Line	518.66	513.56	<b>518.61</b>	1.73	<b>0.33</b>	529.13	435.06	<b>15.0</b>	2.5 3.0
NYSE Arca Biotech	3474.23	3416.77	<b>3452.82</b>	-10.30	-0.30	3642.30	2818.70	<b>10.4</b>	12.3 13.3
NYSE Arca Pharma	506.76	503.90	<b>505.82</b>	0.24	<b>0.05</b>	554.66	463.78	<b>-0.3</b>	5.0 1.7
KBW Bank	90.29	88.95	<b>90.27</b>	-0.05	-0.06	99.33	60.27	<b>41.2</b>	-1.7 9.9
PHLX® Gold/Silver	89.45	87.47	<b>89.02</b>	2.35	<b>2.72</b>	112.86	73.03	<b>11.4</b>	12.9 -1.3
PHLX® Oil Service	171.73	168.80	<b>171.55</b>	0.03	<b>0.02</b>	192.66	148.37	<b>6.0</b>	-6.7 -15.4
PHLX® Semiconductor	984.42	968.77	<b>983.34</b>	-8.28	-0.83	1012.29	630.77	<b>46.8</b>	8.5 20.6
CBOE Volatility	15.88	14.17	<b>15.07</b>	1.02	<b>7.26</b>	25.76	10.58	<b>1.5</b>	7.3 -4.0

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

#### Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Mkt and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

#### Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
United Bankshares WV	UBSI	8,123.2	40.65	...	unch.	40.75	40.65
SPDR S&P 500	SPY	7,913.8	235.12	0.06	<b>0.03</b>	235.36	234.64
Van Eck Vectors Gold Miner	GDX	5,902.4	24.42	0.06	<b>0.25</b>	24.44	24.22
Oclaro Inc	OCLR	4,254.5	9.08	0.08	<b>0.89</b>	9.08	8.98
WhiteWave Foods	WWAV	3,677.0	56.24	...	unch.	56.24	56.24
iPath S&P 500 VIX ST Fut	VXX	2,968.2	17.81	-0.03	<b>-0.17</b>	17.97	17.62
iShares Russell 2000 ETF	IWM	2,749.8	137.05	0.15	<b>0.11</b>	137.12	135.15
H&R Block	HRB	1,906.3	23.61	...	unch.	23.61	23.58

#### Percentage gainers...

Neurocrine Biosciences	NBIX	884.1	49.11	7.63	<b>18.39</b>	49.50	39.89
North Atlantic Drilling	NADL	839.2	2.85	0.15	<b>5.56</b>	3.13	2.52
Bellicum Pharmaceuticals	BLCM	8.2	13.50	0.64	<b>4.98</b>	13.50	12.86
Yingli Green Energy ADR	YGE	8.6	2.96	0.14	<b>4.96</b>	2.96	2.88
Geron	GERN	23.5	2.41	0.08	<b>3.43</b>	2.50	2.33

#### ...And losers

NuSTAR Energy	NS	11.7	48.00	-3.47	<b>-6.74</b>	51.47	47.70
Organovo Holdings	ONVO	28.9	2.85	-0.19	<b>-6.25</b>	3.05	2.75
Entegris	ENTG	10.9	22.25	-1.05	<b>-4.51</b>	23.38	22.25
Tractor Supply	TSCO	106.6	67.62	-2.85	<b>-4.04</b>	70.47	65.60
Impax Laboratories	IPXL	86.6	13.05	-0.25	<b>-1.88</b>	13.36	13.05

#### Trading Diary

Volume, Advancers, Decliners	NYSE	NYSE Mkt





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## COMMODITIES

# Worry Over Venezuelan Bonds Expands

Congressmen warn a PdVSA default could give Russia control of U.S. oil infrastructure

BY JULIE WERNAU

A default by Venezuela could move the Russian government closer to gaining control of U.S. refineries and pipelines, members of Congress wrote to the Treasury Department this month urging a review of the matter.

The prospect of a default by the Venezuelan government or Petróleos de Venezuela SA, which is a PdVSA subsidiary and the largest foreign owner of U.S. domestic refinery capacity, according to the con-

gressmen's letter. It has three refineries in the U.S., and a network of terminals and pipelines running across 24 states.

A Venezuela default on the Rosneft loan "would give the Russians more control over oil and gas prices world-wide, inhibit U.S. energy security and undermine broader U.S. geopolitical efforts," Reps. Jeff Duncan (R, S.C.) and Albio Sires (D, N.J.) wrote in a letter to Treasury Secretary Steven Mnuchin.

PdVSA officials have said they expect to make a \$2.1 billion bond payment due on Wednesday. But the country has spiraled into a crippling economic crisis brought on by

lower oil prices. Venezuela has a 41% chance of default or missed payment in the next six months, according to the credit-default swap market, up from 34% only a month ago.

The two ranking members of the Subcommittee on the Western Hemisphere of the House Committee on Foreign Affairs asked Mr. Mnuchin to bring the matter before the Committee on Foreign Investment in the U.S., or CFIUS. The committee reviews foreign takeovers of U.S. businesses.

Six U.S. senators also submitted a letter on Tuesday requesting that Mr. Mnuchin "proactively monitor the situa-

tions remain in place."

Also, Rosneft has collateral for just less than 50% of Citgo. PdVSA previously pledged the other 50.1% of Citgo's equity as collateral to bondholders who agreed to swap into longer-dated PdVSA bonds in October.

Michael Roche, emerging-market fixed-income strategist at Seaport Global Holdings, said Rosneft has reported that it has about \$20 billion in cash. He said it is likely the Russian company has already acquired the approximately \$6.7 million of bonds that might gain control of Citgo, if PdVSA were to default on both its loan and bond obligations.

## Fretful Forecast

If El Niño strikes, some commodity prices could rise amid disruptions.

Expected conditions:   Wet Dry

 Reduced monsoon rains in India could lead to smaller rice and sugar crops.

 Severe drought in Australia could devastate production of wheat and other crops.

 Dry weather in No. 1 nickel producer Indonesia would mean less water to run hydro-powered mining equipment.

 Wet weather in Chile could lead to flooding in copper mines, tightening supplies.

 Wet weather in Brazil, the world's top producer, could delay the coffee harvest.

Sources: National Oceanic and Atmospheric Administration; commodities analysts

THE WALL STREET JOURNAL

# Commodities Face New El Niño Risk

BY LUCY CRAYMER

An El Niño weather phenomenon will likely occur again this year as the Pacific Ocean heats up, Australia's weather bureau said, bringing potentially price-moving news for the some of the world's commodities markets.

Information related to when exactly an El Niño might form is becoming critical "as it can tighten the supply-demand situation for [agricultural] commodities, especially soft commodities," Société Générale SA recently said.

At the start of 2017, forecasters around the world were in general anticipating neutral weather conditions for this year.

Now, all models that Australia's Bureau of Meteorology uses in forecasting the naturally occurring phenomenon indicate an El Niño will form this year or in early 2018. The agency noted that parts of the eastern Pacific Ocean surface are already 1.8 degrees Fahrenheit warmer than normal.

Government forecasters in the U.S. and Japan also see an increased risk of an El Niño

event, putting the likelihood at a minimum of 50%. The U.S. Climate Prediction Center will update its forecast Thursday.

As probability of a 2017 El Niño rises, analysts have been highlighting the risks for crops, particularly those grown in Asia and Africa such as robusta coffee, sugar, cocoa and palm oil.

Risks are exacerbated by the fact that much of Southeast Asia is only just starting to recover from the 2015-16 event, which was one of the three most severe on record. It brought widespread

drought to large parts of the region, cutting production of coffee and palm.

It also left sugar withering in paddocks. Palm-oil prices hit their highest level in four years in 2016, while robusta coffee jumped nearly 50% last year.

El Niño occurs when winds in the equatorial Pacific slow or reverse direction. That warms water over a vast area, which in turn can upset weather patterns around the world; it typically reduces rainfall in Australia and across parts of southeast and southern Asia.

# Saudis Would Extend OPEC Output Cuts

BY SUMMER SAID AND BENOIT FAUCON

Saudi Arabia has told OPEC officials that it wants to extend the group's agreement to cut crude-oil production for an additional six months when it meets in May, people familiar with the matter said.

Saudi support is essential for the 13-member Organization of the Petroleum Exporting Countries to renew its agreement at its next meeting, in Vienna on May 25. The group committed last year to cut about 1.2 million barrels of oil a day to bring a vast global oversupply of crude back in line with demand and thus raise petroleum prices.

The agreement helped raise oil prices about 20% after it was announced Nov. 30 and then joined by Russia and 10 other non-OPEC producers that pledged to trim an additional 558,000 barrels a day.

But prices have stalled at about \$56 a barrel for Brent crude, and the cuts haven't drained oil inventories down as fast as expected, OPEC officials said. That is partly because U.S. oil producers took advantage of the rise in prices and raised their own output.

Oil prices, which were headed down early Tuesday, reversed to gains after The Wall Street Journal reported

Saudi support for a renewal. U.S. oil prices settled up 0.6% to \$53.40 a barrel.

Saudi Arabia is OPEC's biggest producer and the world's top exporter of oil. It has shouldered the group's largest burden, slashing as much as 700,000 barrels a day in some months since the agreement to make up for shortfalls from other members.

The November agreement came together thanks to Saudi support, but the king-

**Saudi support is essential for OPEC to renew its agreement at its next meeting.**

dom's energy minister, Khalid al-Falih, has been unwilling to publicly signal that he would support extending the cuts. The production cuts have been costly to the kingdom as it wages a war in Yemen, and the International Monetary Fund trimmed Saudi economic growth forecasts this year, citing the lost oil revenue.

But Mr. Falih has since decided he would sign off on renewing the agreement, the people familiar with the matter said.

—James Marson contributed to this article.

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# PROBE

Continued from page B1  
agency ever successfully brings legal action in the matter.

An AmTrust spokeswoman declined to comment on whether the company knows of any SEC probe, saying the company didn't speak for the agency. The company said it wasn't aware of any FBI investigation. It said questions about its accounting practices are "fantasies concocted and intentionally publicized by parties who clearly have a self-serving agenda and appear to be trying to profit from misinformation about AmTrust."

After The Wall Street Journal article was published online Tuesday morning, AmTrust issued a statement saying there was "nothing" in the story "that is different from these old, recycled" themes circulated for years by the company's critics, some of whom are hoping to profit by betting against its stock.

On Monday, AmTrust disclosed it has recently beefed up its financial-accounting team with the hiring of a chief accounting officer and other moves.

BDO declined to comment on AmTrust, saying it is "bound by professional standards which prohibit discussing confidential client matters."

Since its founding 19 years ago, AmTrust has grown, mostly through acquisitions, into the nation's third-largest workers' compensation insurer by market share.

It protects millions of U.S. workers by bearing responsibility for their medical care and lost wages from job-related injuries. Its revenue in 2016 was \$5.45 billion.

AmTrust shares fell to a 52-week low Tuesday on news of the SEC probe. Shares tumbled 19% to \$15.30 in Tuesday

trading.

The Markopolos group claims that AmTrust has overstated its profits and financial health by understating what it may need to pay policyholders in the future.

To mask this, they contend, the company has used complicated financial maneuvers, some involving related offshore companies.

In a 2013 submission to the SEC, which has been reviewed by the Journal, the group claimed it used internal documents gathered by the whistleblower to calculate that \$277 million in losses had been shifted to an offshore affiliate from 2009 to 2012, bolstering AmTrust's operating income by that amount. This accounted for 38% of net income in 2012 alone, the group calculates.

The recent accounting restatement, with KPMG's approval, "does not change our fundamental view of AmTrust's shoddy accounting," said Mr. Markopolos, who said his group isn't betting against AmTrust's stock.

AmTrust said it received clean audit opinions from BDO every year and has since received the same opinion from KPMG. "KPMG's audit included in its scope an audit of the allegations made by short sellers

since 2013, including the baseless allegation that AmTrust shifted losses off its books through reinsurance transactions."

KPMG declined to comment. AmTrust has skirmished with critics before. In 2015, a New York federal judge dismissed a shareholder lawsuit against AmTrust based on some similar issues to those raised by the Markopolos group, ruling that the complaint failed to support its claims. A federal appeals court upheld the dismissal in 2016.

Many of the Markopolos group's claims concern alleged flaws in BDO's audits. The whistleblower alleges BDO often was rushed, partly because AmTrust was late or inconsistent in providing figures, or lacked documentation.

At least twice, the whistleblower alleges, BDO signed off on its audit before completing important checks, and covered for its lapse by loading unfinished documents into an internal software system to show the right time stamp.

BDO said such allegations "are not consistent with our firm's values and the expectations we have for our professionals."

—Dave Michaels contributed to this article.



Forensic accountant Harry Markopolos hopes to collect a reward.

## BANKING & FINANCE

# Swift Revamps Security Standards

BY KATY BURNE

Swift, the dominant carrier of cross-border payment instructions between banks, said it had released new security standards for its customers as well as a tool for blocking suspicious payments that some said could have been adopted earlier.

The message carrier, known officially as the **Society for Worldwide Interbank Financial Telecommunication**, released the final rules last week, said spokeswoman Natasha de Teran on Tuesday.

Swift's customers, which include financial-services firms and central banks, will have to comply with the additional requirements by the end of the year or risk being reported to regulators. The company vetted the new requirements by consulting with users.

Swift said in September that it would be raising its security standards following a spate of cyberattacks on banks in recent months that have drawn heightened scrutiny from the company's regulators, which include central banks. Those attacks have included an \$81 million theft from the Bangladesh central bank's account at the Federal Reserve Bank of New York in 2016 and other heists in Ecuador, Vietnam and India over the past couple of years.

The anomaly detector, which was requested by Swift's users, is designed to flag and suspend unusual payment instructions. The tool is primarily aimed at central banks and firms with low payments traffic that don't typically invest in sophisticated fraud-detection systems. The optional service will be offered to customers for a small fee under Swift's financial-crime-compliance tool kit, and is a key part of the new customer-security program the network operator initiated last May.

Some industry observers said the new tool could have mitigated the recent heists and Swift could have implemented a version of it earlier instead of relying on banks to safeguard their own security.



The possibility of far-left candidate Jean-Luc Mélenchon or the far right's Marine Le Pen winning the presidential vote has roiled markets.



FROM LEFT: FOREIGN PRESS SERVICE/ZUMA PRESS; JEAN-FRANCOIS BADIAS/ASSOCIATED PRESS

# Au Revoir, French Investors

BY CHRISTOPHER WHITTALL

Investors sold French assets, a further sign of jitters ahead of the first round of voting in the country's presidential elections April 23.

Shares in French banks slumped for a second day on Tuesday, while the premium investors demand to hold French government debt over haven German bonds rose to its highest level in more than six weeks.

Meanwhile, a gauge of how much investors are willing to pay to shield themselves against a sharp move in the euro hit levels not seen since the height of the eurozone sovereign-debt crisis.

Some analysts attributed the moves to a rise in the polls of far-left candidate Jean-Luc Mélenchon, transforming the vote into a four-way race that could reduce the likelihood of victory for a mainstream party. Investors are already nervous at the prospect of far-right, euroskeptic candidate Marine Le Pen clinching the presidency.

"It clearly tightens the race a bit. There is some possibility that you end up with a runoff between the far right and the far left, which I think might unsettle markets," said John Stopford, head of multiasset income at Investec Asset Management.

Mr. Stopford said he would look to take profit on a small bet he holds against French

## French Twists

**Investors have sold French debt in recent months, widening the gap between French and German bond yields...**

Spread between France's and Germany's 10-year bond yields

0.8 percentage point

0.6

0.4

0.2

0

-0.2

-0.4

-0.6

-0.8

-1.0

-1.2

-1.4

-1.6

-1.8

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-29.4

-29.6

-29.8

-30.0

-30.2

-30.4

-30.6

# MARKETS

# Did Banks Get a 'Trump Bump' or Not?

Results to be released are a moment of truth for expectations set by the new presidency

By PETER RUDEGEAIR

Investors get a first look at bank earnings under President Donald Trump this week.

The biggest U.S. banks kick off the first-quarter earnings season Thursday morning with J.P. Morgan Chase & Co., Wells Fargo & Co. and Citigroup Inc. each reporting results for the three months ended March 31.

Investors will seek to judge whether the outlook for the firms will live up to the sharp rise in bank stocks since the election, reflecting expectations that growth will pick up under Trump administration policies.

Most big banks are forecast to show higher profits compared with last year's dismal first quarter, when plunging oil prices, concerns about China's economy and tough trading conditions weighed on results.

But over the past 90 days, analysts polled by Thomson Reuters have revised their revenue estimates lower for three banks—Citigroup, J.P. Morgan and Goldman Sachs Group Inc.—and raised them a bit for Morgan Stanley, Bank of America Corp. and Wells Fargo.

One reason for analysts' hesitancy is a surprising, sharp slowdown in business lending since late 2016. Commercial and industrial loans, which account for the bulk of many banks' loan portfolios, expanded by a 1% annual rate in January and shrank by a 1.3% annual rate in February, according to Federal Reserve data.

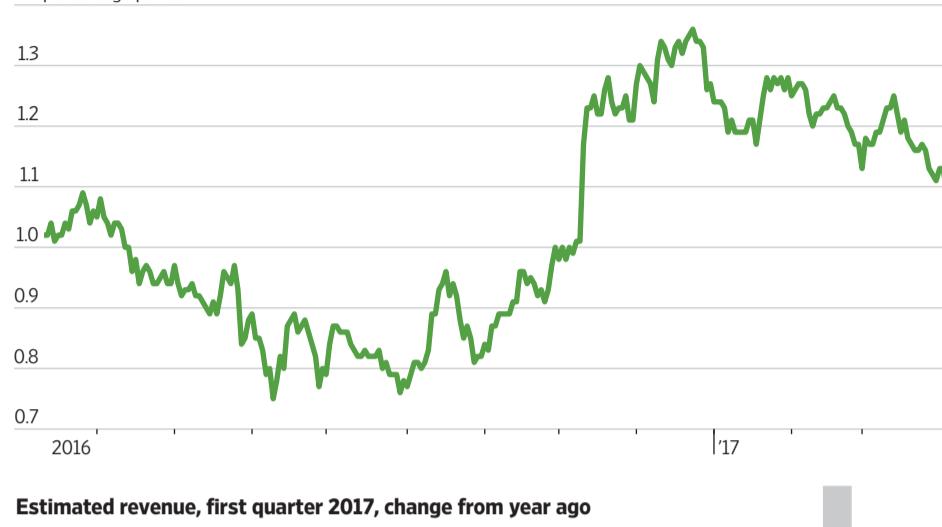
That is a steep decline from the pace of expansion over much of the past year.

## Checking In

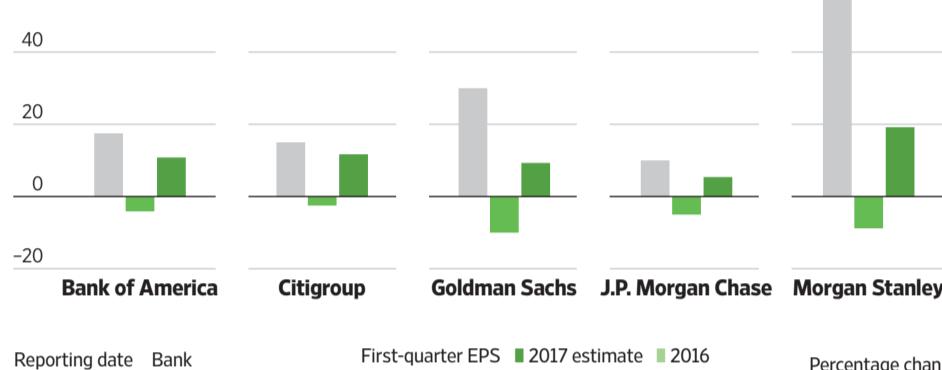
As earnings season gets under way, investors will be closely monitoring profit, revenue and trading trends at major financial firms for a read on whether a post-election bank-stock runup is justified. The yield curve measuring the gap between two- and

10-year yields has flattened and loan growth has slowed, likely limiting profit gains, but revenue should rise at many firms off soft year-ago comparisons. Analysts have pared back some estimates, keeping shares relatively flat in 2017.

### 10-year Treasury yield spread over 2-year yield



### Estimated revenue, first quarter 2017, change from year ago

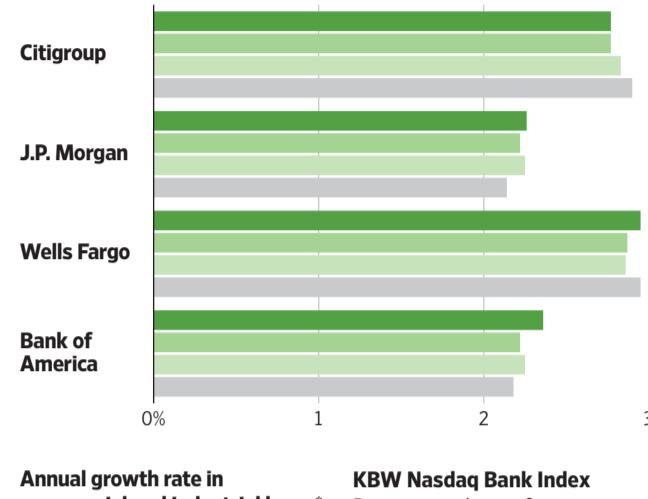


Reporting date	Bank	First-quarter EPS	2017 estimate	2016	Percentage change
April 13	Citigroup	\$1.24	\$1.10		▲13%
	J.P. Morgan Chase	\$1.52	\$1.35		▲13%
	Wells Fargo	\$0.97	\$0.99		▼2%
April 18	Bank of America	\$0.35	\$0.21		▲67%
	Goldman Sachs		\$2.68	\$5.18	▲93%
April 19	Morgan Stanley	\$0.88	\$0.55		▲60%

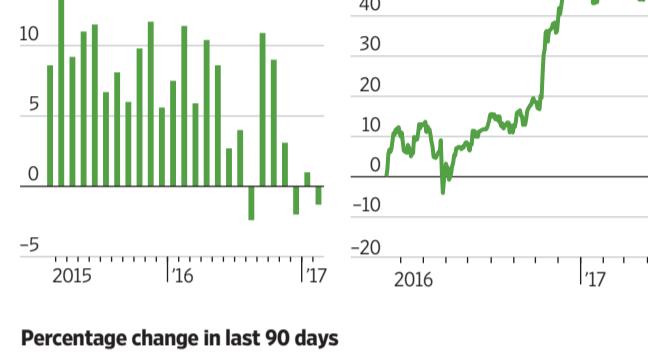
\*Seasonally adjusted

Sources: FactSet (spread, performance); KBW (NIM); Federal Reserve (growth rate); Nomura (estimated revenue); Thomson Reuters (estimates); the companies (2016 earnings)

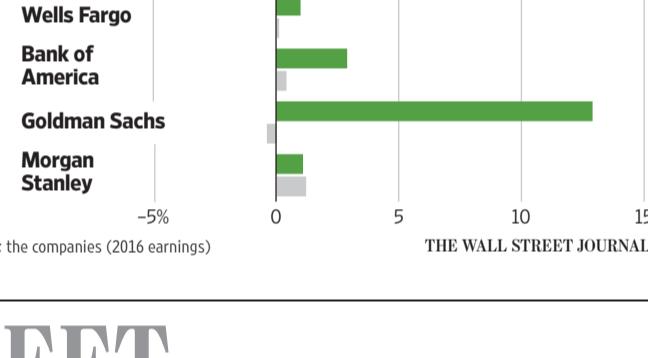
### Net interest margin, a measure of how profitably banks lend or invest customer deposits



### Annual growth rate in commercial and industrial loans\*



### Percentage change in last 90 days



## HEARD ON THE STREET

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FINANCIAL ANALYSIS & COMMENTARY

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## This Cable IPO Is for the Risk-Hungry

Cable group Altice's strategy of buying and turning around weak cable operators has shown results since its U.S. debut in December 2015. Investors shouldn't ignore the risks of the company's high debt level.

The European group filed a prospectus Tuesday to list its U.S. assets, Optimum and Suddenlink Communications, in New York. The immediate objective is to give their two minority shareholders a way out. Private-equity firm BC Partners and the Canadian public pension want to sell up to one-third of their stakes for roughly \$1 billion, according to The Wall Street Journal.

Altice's history suggests there is also a longer-term objective: deals. A local stock-market listing would give Patrick Drahi, the Netherlands-based company's controlling shareholder, a more effective currency to buy more U.S. cable assets.

One target often cited is Cox Communications, though it has given no indication it wants to sell.

Jeff Wlodarczak of Pivotal Research Group expects earnings before interest, taxes, depreciation and amortization of roughly \$3.8 billion at Altice USA this year. That would imply an enterprise value of \$34 billion, assuming a multiple of nine times. But debt accounts for more than three-fifths of the total.

Mr. Drahi's taste for leverage is what will make Altice USA a wild ride. So far Optimum and Suddenlink have reported surprisingly strong sales growth and margin gains under their new owner. But if business turns down, this new cable star will fall as rapidly as it has risen.

—Stephen Wilmot

## United Has More to Worry About

Dragging one of its passengers off a plane won't win United Continental Holdings any customer-service awards. But it hasn't won many anyway, and that hasn't stopped its shares from soaring. For investors, there are other things to be concerned about.

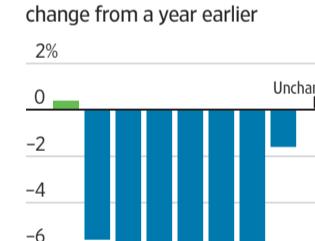
Performance issues have plagued the company since the merger of United and Continental in 2010. The incident certainly threatens to undo some progress United has made in repairing its reputation with customers.

United tied for fifth place in overall U.S. airline rankings published by The Wall Street Journal last year, after coming in dead last as recently as 2013.

Even though its customers grouse, United has served investors well. United shares have nearly doubled since last summer and have tripled in five years, though they fell 1.1% Tuesday after holding steady the day after the Sun-

### Off the Ground

United Continental's unit revenue, change from a year earlier



Note: Passenger revenue per available seat mile

Source: the company, FactSet



DAVID J. PHILLIP/APASSOCIATED PRESS

THE WALL STREET JOURNAL.

day incident.

March traffic statistics released Monday evening understandably didn't get much attention, but they also paint a brightening operational picture. United said a key measure of profitability, passenger revenue per available seat mile, would be flat in the first quarter, after falling considerably over the past

two years. On-time performance was 67% in the first quarter, a solid improvement from 64.4% a year earlier.

One concern was that March capacity growth was 3.4%, higher than investors would like, as too much capacity can harm pricing power.

Those improvements aside, the stock trades at

more than nine times forward earnings—nearly a five-year high, according to FactSet.

There are risks to that valuation. First, investors have bet that years of airline consolidation have made the industry less sensitive to economic weakness. Lower debt levels help. But that hasn't been put to the test.

Second, an end to low fuel costs, a recent benefit for the sector, would hurt. United has stopped hedging its fuel costs. And a sharp fall in oil wouldn't be as good as it might seem. United's significant exposure to the Houston area means the company's results are vulnerable to oil weakness as well.

United booted off passengers to make room for crew members so it wouldn't have to cancel a flight the next day. A move like that is good for business, if not for customers. The risk is that the fundamentals catch up with United, and investors no longer get first-class treatment.

—Charley Grant

## OVERHEARD

You don't usually get three exclamation points on a bond market research report. Maybe it was the quiet holiday week, or maybe it was just that the bond market types were annoyed that the stock market was getting all of the attention for low volatility.

In a report titled, "The Most Boring Year Ever!!!" Deutsche's strategists base their assessment on the range of moves in corporate-bond spreads over government bond yields. The tiny moves in 2017 are among the smallest on record: U.S. investment-grade corporate bond spreads have moved in a 0.09 percentage-point range this year; in Europe the range is just 0.08 point. Both mark the third-quietest start to a year since 2000.

The bad news is there was more boredom in 2006 and 2007. Things got very interesting—perhaps too interesting—quickly after that.

## Business Lending Is Slowing and No One Is Certain Why

One of the great mysteries and biggest concerns in the economy right now is the slowing growth in bank lending. Economists are searching for answers, but none are entirely satisfying.

Total loans and leases extended by commercial banks in the U.S. this year were up just 3.8% from a year earlier as of March 29, according to the latest Federal Reserve data. That compares with 6.4% growth in all of last year and a 7.6% pace as of late October.

Loans to businesses have slowed most sharply, with the latest data showing commercial and industrial loans up just 2.8% from a year earlier, compared with 8.9% growth in late October. Economists at Goldman Sachs

### Not a Good Sign

Total loans and leases by U.S. commercial banks, change from a year earlier



Source: Federal Reserve

Group estimate the slowdown in commercial and industrial lending alone equates to a \$100 billion shortfall in loans.

Investors may start to get more clarity on what is causing the slowdown when banks start reporting first-quarter earnings Thursday.

One explanation is that many companies have been tapping corporate-bond markets to lock in low rates and in some cases to pay down more expensive bank debt. In the first quarter of this year, corporate-bond issuance rose 18% from a year earlier, according to the Securities Industry and Financial Markets Association. But one reason for the increase is that the first quarter of 2016 was dismal because of market turmoil. The rise isn't enough to explain the entire shortfall in lending.

Goldman's economists also point to dynamics in the oil-and-gas industry. When oil prices were falling sharply in the first quarter of 2016, many energy companies couldn't tap capital markets

for financing. Instead, they drew on bank lines of credit. Now that oil prices have rebounded, many of these companies are paying down their bank lines, Goldman says.

As the Goldman economists admit, this hypothesis is hard to verify because the Fed lending data aren't broken down by industry. Using data from the Office of the Comptroller of the Currency on the total size of credit facilities, they assume commodity companies borrowed around one-third of loan commitments available to them by March last year, then paid down about 35% of that balance over the rest of the year. They figure this would account for roughly the entire \$100 billion shortfall in commercial and industrial lending.

Political uncertainty may be one cause. Consumers and businesses have shown greater confidence since the election, but with major policy changes in taxes, trade and health care still in limbo, they might want more clarity before they take out big loans for new projects.

—Aaron Back

# HEALTH CARE

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Wednesday, April 12, 2017 | R1

## SQUARING OFF

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The Experts  
An Online  
Conversation  
DETAILS, R2

We invited advocates on each side of six health-care issues to make their best case. Read their debates here and join the conversation online.

### Can Consumers Be Smart Health-Care Shoppers?

Patients are told they need to take greater control over their care. But are laypeople capable of sifting through all their choices to make the right decisions—particularly when it comes to costs?

The Kaiser Family Foundation, a health-care research nonprofit, found deductibles for individual workers have soared in the past five years, rising 67% since 2010 without adjusting for inflation. That's roughly seven times earnings growth over the same period. A separate Kaiser analysis of tens of millions of insurance claims found that patient cost-sharing rose by 77% between 2004 and 2014, driven by a 256% jump in deductible payments.

A movement has been growing to give patients more information and choice. Efforts are under way to improve price transparency and help patients navigate a confusing system where prices can vary based on a range of factors. In some cases, patients are consulted by caregivers as partners when deciding on care. And some programs are springing up that reimburse doctors based on the quality of care they provide rather than the quantity, making them more likely to encourage patients to monitor and help their conditions.



JOHN KUCZALA

#### YES

### There Are Simple Steps That Could Save a Lot of Money

BY DEVON M. HERRICK



CONVENTIONAL wisdom holds that it is impossible to compare prices for medical care as consumers do in other markets. But it's not only possible, it's easier than most of the naysayers realize.

For the critics, the argument comes down to one thing: There's a lot of information out there, and it can be confusing for laypeople to sort out what kind of care is appropriate and how they can get the best deal on it.

But shopping for care and lowering costs don't necessarily mean poring over websites to compare the benefits of medications and treatments, and then hunting for the best price that's available for them. With just a small effort, anybody has the chance to drastically lower their health-care costs—without committing to undertake a daunting amount of research.

#### Turn to your physician

Here's a look at some of the steps anyone can take, to show how easy the process of lowering costs can be.

Start with your doctor's office. Physicians are very willing to discuss lower-cost treatment options with patients. Often, merely asking doctors questions about cost and financial concerns is enough to prompt the doctors to recommend less-expensive care or simply monitoring a condition to see if it gets better on its own.

**Dr. Herrick is a health economist and senior fellow with the National Center for Policy Analysis. Email him at [reports@wsj.com](mailto:reports@wsj.com).**

Being smarter about prescription drugs represents another simple technique that can have a big impact on patients' costs. And, again, it's not a matter of comparing the efficacy of different treatments yourself—simply tell your doctor that the cost of medicine is a consideration.

The free drug samples doctors often hand out are for brand drugs, which typically come with high prices once you need a refill. Patients can start by asking their doctor if he or she can prescribe a less-expensive generic drug instead.

#### Checking on tests

It's also possible to compare prices for diagnostic services and lab work. Consider my wife's experience in scheduling a CT scan. When she called a local hospital outpatient clinic, she was taken aback when told her share of the cost would be \$2,700. I'm a former hospital accountant; hospitals charge higher prices than anywhere else. Avoid them if you can.

I used Google to check for CT scans using the billing code my wife's doctor had ordered. In less than 10 minutes, I found a cash price for \$403 that included the radiologist fee. Always ask about cash prices; they are often cheaper than your insurer's negotiated price.

Please see *SHOP YES* page R2

#### Few Compare Costs

Most health consumers don't check prices across multiple providers before getting care. The percentage of those surveyed who say they have:



Source: Public Agenda online and telephone survey of 2,010 U.S. adults, 2014; margin of error +/- 2.8 percentage points

#### Tell Us More

Cost information is high on the list of health consumers' complaints. The percentage saying they are not satisfied with information available on the following:

#### HOUSEHOLD INCOME

#### Under \$50K Over \$50K

Hospital costs before the visit	56%	46%
Cost of medications	49%	45%
Understanding medical billing	54%	44%
Outpatient costs before the visit	51%	41%
General health information	27%	23%
When to see a doctor	26%	23%
Doctors' professional experience	28%	21%

Source: Altarum Institute "Right Place, Right Time" mail and online survey of 4,068 U.S. adults, June-August 2016; margin of error +/- 2 to 3 percentage points

THE WALL STREET JOURNAL.

#### Can Different Forms of Fasting Make You Healthier?

R5

asking consumers to make complicated decisions about their health care based on that information.

#### A complex system

The health-care system is complex: Less than 15% of Americans can correctly answer questions about basic components of traditional health insurance. Choosing health-care services and providers may be even more complicated, especially for the half of all American adults that have at least one chronic condition.

More important, the public seems to not want to shop for health care. In studies, fewer than 5% of respondents used health-care shopping tools when available. This lack of use has persisted over time, even as tools have improved.

When it comes to their health care, people generally don't want more choices; rather, they want to know that they are getting good care and to feel confident in their range of choices. Most Americans prefer to choose their providers based on recommendations from their friends or their family, rather than on price.

People also lack a sufficient incentive to engage in price shopping. A single, well-informed and motivated consumer who needs an expensive elective procedure may be able to spend time researching and save money by shopping for the lowest price possible, but this scenario is the exception rather than the norm.

Available evidence is not cause for optimism about how much money can be saved with more choices and publicly available prices. While large health-care payers may save some money from consumer shopping, the average person will likely see little, if any, savings.

#### The benefit structure

And what savings are possible will largely be determined by insurance-benefit design. No consumers could shop their way to a lower copayment, or out of making a deductible payment. Factor in the associated opportunity costs, and the average American won't save money.

Please see *SHOP NO* page R2

**Dr. Frost is a senior researcher at the Health Care Cost Institute. Email her at [reports@wsj.com](mailto:reports@wsj.com).**

## INSIDE

Is It a Good Idea for Adults to Take a Daily Multivitamin? R2

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Should Medicaid be Converted to a Block-Grant Program? R4

Can Different Forms of Fasting Make You Healthier? R5

Are Night Owls Better Off Changing Their Sleep Patterns To Be Healthier? R7

## JOURNAL REPORT | BIG ISSUES

# Is It a Good Idea for Adults to Take a Daily Multivitamin?

Millions of Americans take multivitamins, though the supplements' popularity appears to be fading.

A study published in the Journal of the American Medical Association in October found that the use of dietary supplements of any kind remained stable between 1999 and

2012 at 52% of adults in the U.S. But only 31% of those surveyed in 2011-12 said they took a multivitamin/multimineral product, down from 37% surveyed in 1999-2000.

That decline may reflect in part the release of several studies in the intervening years that questioned whether multivitamins

had any benefit in preventing chronic disease. But this case is hardly closed. Other studies have shown some benefit to taking multivitamins. And some doctors say that no study has yet been conducted with enough people over a long enough time to provide a definitive answer to the question

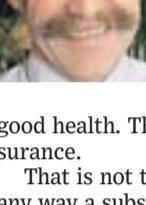
of how effective multivitamins are, if at all, in preventing disease.

So the debate continues, fueled in part by the fact that Americans in general remain notoriously bad eaters and preventive health care in general doesn't get the attention many doctors feel it merits.

### YES

## People Should Think Of Them as Low-Cost Nutritional Insurance

BY MEIR STAMPFER

  
I RECOMMEND that most people take a multivitamin for one simple reason: Multivitamins are a safe, inexpensive way for people to be sure that they are getting enough of the many vitamins that contribute to good health. They are low-cost nutritional insurance.

That is not to say that multivitamins are in any way a substitute for a healthy diet, or that they rank in importance with other crucial steps that people should take like avoiding smoking, getting plenty of physical activity, maintaining a healthy weight and drinking only moderate amounts of alcohol.

But, because most American adults don't get optimal levels of all vitamins, multivitamins do have a role to play in maintaining good health.

They can be particularly helpful in combating vitamin deficiencies that can't be solved by a better diet.

For instance, some vitamin D comes from the diet, but most is made by exposing skin to sunlight. Most Americans have inadequate levels of vitamin D, and this can lead to a wide range of health effects, including reduced bone and muscle strength and greater risk of various cancers.

Another example is B-12 deficiency. Many older individuals don't get enough of this vitamin despite adequate levels in their diets, because they lack the stomach acid needed to liberate B-12 from food sources. Multivitamins solve that problem because acid isn't needed to absorb B-12 from supplements. Vitamin B-12 deficiency can contribute to nervous-system disorders including irreversible neuropathy, a condition typified by pain, numbness and weakness in the hands and feet.

Certainly people can take vitamin D or B-12 individually, rather than a multivitamin. But while these are the two most important deficiencies, many people also aren't getting enough of other vitamins as well, such as B-6 or vitamin A. So it is simpler to take a multivitamin than to take several pills.

And it is better to take a preventive approach than to wait for a deficiency to show up in physical symptoms. The symptoms of B-12 deficiency, in particular, can be subtle and hard to detect until irreversible damage has been done.

### A good bargain

What does the research on the health effects of multivitamins show? Such studies are hard to conduct, mainly because it is difficult to tease out the specific impact of the multivitamins from other factors. Most trials have been too small or too short to provide meaningful information.

When you look only at long-term studies, the weight of the evidence points to some

small benefit. The most persuasive data comes from the Physicians Health Study II, a 14-year trial among 14,641 physicians. It found a statistically significant 8% reduction in cancer risk.

That is not a big benefit, but given the low cost, safety and ease of taking multivitamins, it seems like a good bargain. Also, physicians tend to be better nourished than others, so one can speculate that the benefits might be bigger in the general population.

### A manageable downside

It is true, as some critics point out, that not all the mechanisms of exactly how the nutrients in multivitamins contribute to better health have been worked out, but this shouldn't be a reason not to take multivitamins. Exactly how cigarette smoke causes lung cancer isn't known with certainty, but it still makes sense to advise quitting.

The main downside of taking multivitamins is that it can convey the false impression that by doing so you don't need to be as concerned about the more important steps you should be taking for your health. But that doesn't appear to be a widespread problem: Studies have shown that multivitamin users tend to be more health-conscious than others, not less, and have better diets and more health care.

And it's possible that multivitamin use could help by allowing people to forget about altering their diet to be sure of getting any particular vitamin, and focus instead on the broader aspects of their diet, such as eating the right types of fat and plenty of whole grains, fruits and vegetables.

As long as it's understood that multivitamins are just a small part of a healthy lifestyle, not a substitute for one, they will have a positive impact on people's health.

*Dr. Stampfer is a professor of medicine at Harvard Medical School and professor of epidemiology and nutrition at the Harvard T.H. Chan School of Public Health. He can be reached at reports@wsj.com.*

### A Little Something Extra

The 10 most commonly used types of dietary supplements based on the percentage of U.S. adults who said they used them and the leading reason given. Multivitamins are No. 1 by far.

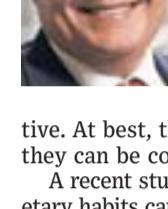
SUPPLEMENT	OVERALL PCT.	MEN	WOMEN	LEADING REASON GIVEN
Multivitamin-mineral	31.9%	28.5%	35.2%	To improve overall health
Calcium	11.6%	4.4	18.5	For bone health
Omega-3/fish oil	9.8%	9.3	10.3	For heart health, lower cholesterol
Botanical supplements	7.5%	6.6	8.4	To improve overall health
Vitamin C	7.1%	6.6	7.6	To boost immune system, prevent colds
Multivitamin	5.7%	4.7	6.6	To improve overall health
Vitamin D	4.9%	3.0	6.8	For bone health
Vitamin E	3.7%	3.1	4.3	To improve overall health
Joint supplements	4.0%	4.0	4.1	For healthy joints, to prevent arthritis
Vitamin B-12	3.3%	2.5	4.0	To improve overall health

Source: JAMA Internal Medicine, Regan L. Bailey et al., 2013, based on sample of nearly 12,000 U.S. adults age 20 and older

### NO

## They Do Little or No Good, and May Be Counterproductive

BY ELISEO GUALLAR



WE KNOW THAT the diets of many Americans are unhealthy and responsible for a substantial burden of disease. But recommending ineffective solutions to that problem won't help, and multivitamins are ineffective. At best, they are unnecessary. At worst, they can be counterproductive.

A recent study estimated that unhealthy dietary habits caused 300,000 deaths from heart disease, stroke or diabetes in the U.S. in 2012—and that total doesn't even include cancers or other diseases also related to a poor diet. Against this backdrop, multivitamins are often promoted as a nutritional backup for less-than-ideal diets, and many people believe that multivitamins supply all the vitamins and minerals that they need for health and wellness.

But, despite their popularity, there is no clear evidence that multivitamins help prevent chronic disease or maintain health in populations where all the nutrients necessary for good health are available in the food supply. In addition to the difficulty researchers face in trying to separate the effects of supplements from the effects of many other lifestyle factors, few clinical trials have evaluated the efficacy of multivitamins in large numbers of people. Sometimes individual studies find a significant result, like the reduction in cancer risk found in the Physicians Health Study II, a long-term study of the effect of multivitamin

use among more than 14,000 physicians. But a recent broad review of the data from many studies concluded that there was no consistent evidence that multivitamins had a beneficial effect on the overall mortality rate or the incidence of cardiovascular disease or cancer in healthy individuals without known nutritional deficiencies.

### No easy fix

The bottom line is that a balanced diet provides the vast majority of the vitamins and minerals that we need. Getting people to eat a balanced diet is hard, but multivitamins aren't an easy fix for that problem. Any effect they have is likely to be small and inconsistent across populations.

The unconvincing results of studies of multivitamin use aren't the only reason these supplements have no clear value. It is also hard to make an airtight case for them biologically. That's because the arguments that are commonly given to explain why multivitamins may prevent chronic diseases are very unspecific in most cases. They suggest that multivitamins have broadly beneficial effects on the body's ability to fight disease, but they don't explain exactly how. That's in contrast to, for instance, our much clearer understanding of how treatments that reduce LDL cholesterol and high blood pressure help prevent heart disease.

People also shouldn't rely on multivitamins to prevent specific problems like deficiencies of vitamin D or vitamin B-12. These are conditions that require laboratory testing and should be identified and managed by a clinician. In most cases, people with these deficiencies need supplements that boost the levels of those specific vitamins, not a multivitamin. It is even conceivable that if people think they are insured by taking a multivitamin, they may delay visiting a doctor or consulting a clinician who can identify these conditions and provide adequate supervision of their treatment.

That same risk applies more broadly, as well. People may think that taking a multivitamin means they can be lax with their diets, exercise or other aspects of a healthy lifestyle. Many people already fall short of healthy habits, and in this way multivitamins can make that problem worse, not better.

### Staying focused

We need to keep people focused on the things that have been demonstrated to improve their health: a healthy diet, rich in fruits, vegetables and legumes, that includes nuts, seeds, whole grains and fish, and that limits processed meats, salt and sugar-sweetened beverages, is essential. Eating well, in combination with regular exercise, keeping a normal weight, avoiding smoking, and controlling well-established risk factors such as blood pressure, cholesterol and glucose, is an effective way for individuals to reduce the risk of disease. People who follow restricted or unusual diets should consult a nutritionist to establish their dietary needs, rather than rely on a multivitamin to cover any gaps.

So far, it seems that multivitamins aren't the magic pills many people think they are. We don't need a daily multivitamin, and our health isn't improved by taking one.

*Dr. Guallar is a professor of epidemiology and medicine at Johns Hopkins University. He can be reached at reports@wsj.com.*

## Shop Yes

Continued from the prior page

(But remember: Paying cash for these kinds of procedures may not count toward your deductible.)

Critics argue that the public doesn't seem to want to shop for health care. People want to get quality care and be confident about their choices, so they would rather make a choice based on personal recommendation, not price.

### No incentives?

What's more, these naysayers argue, patients lack a sufficient incentive to shop for care, because how much they save depends on how their benefit plans and deductibles are set up.

It's certainly true that Americans want to know they are getting good care, and they are unlikely to switch doctors to save small amounts of money. If there were no conse-

quences, of course they would choose convenience and peace of mind like they do in any other market.

But people are losing that luxury. The average employee deductible for self-coverage is soaring—to the point that many families are essentially paying all of their medical bills out of pocket. That means that people won't be able to avoid the incentive to shop around for care.

As for the argument that many Americans can't do simple shopping because they don't have access to a lot of providers, they can still ask their doctor about less-expensive treatments for their condition. And they can still pay the cash price for their service out-of-pocket, which is often less than their health plan's negotiated price. An hour's drive to a neighboring town for an MRI or CT scan could save hundreds, maybe a thousand dollars or two.

Acting like a prudent health-care consumer is not that hard. And consumerism spurs providers to act more like competitors.

## Shop No

Continued from the prior page

Finally, many Americans don't live in places with lots of providers and health-care choices. Transparency efforts centered on consumer shopping rest on the assumption that people have multiple options to choose from.

Some say people can avoid complexity entirely and take simple steps to save a lot of money—such as asking a doctor for generic drugs and paying cash for procedures, which can carry a lower price.

### No simple answers

But health-care prices are much more complex than those scenarios make them appear. Prices vary by procedure, provider, facility and negotiated insurance rate.

As for asking a doctor how to save on costs, we cannot expect doctors to be experts on everything. No health-care provider could

memorize the price of every service or drug, nor do most have access to a tool that provides this information. For most patients, their insurance determines their costs, and providers don't generally have access to all of the necessary information about a patient's insurance to give the advice people need about costs.

Even the seemingly simple switch from a brand prescription to a generic version might be complex. Some drugs don't have generic versions, some generics are as expensive as the brand versions, and some may not be covered—or be well-covered—by a specific insurance plan.

The estimated price and quality of a health-care service or provider should be available to anyone who wants it. But we should not expect people to make complex decisions about their health care using those abstract measures.

Smart shopping might work for some people. But for the vast majority of consumers, it isn't even a choice.

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◆ "Why Hospitals Need to Stop Boarding Patients in Emergency Rooms," by Dr. Howard Forman, a professor of public health and more at Yale University.

◆ "Cut This One Regulation—and Save \$500 Million in Health-Care Costs," by Dr. Peter Pronovost (@PeterPronovost), who directs the Johns Hopkins Armstrong Institute for Patient Safety and Quality.

◆ "What Being a Doctor Did—and Didn't—Teach Me About Leadership," by Dr. Lloyd B. Minor, dean of the Stanford University School of Medicine.

And on page R8 of this report, you can read excerpts of some earlier online discussions, including the impact of rudeness on medical staff and using telemedicine to reach young men.



The Journal Report welcomes your comments—by mail, fax or email. Letters should be addressed to Lawrence Rout, The Wall Street Journal, 4300 Route 1 North, South Brunswick, N.J. 08852. The fax number is 609-520-7256, and the email address is reports@wsj.com.

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# Should the FDA Relax Rules on Compassionate Access to New Drugs?

A patient faces a potentially fatal illness, and the treatments available just aren't working. Should he or she be allowed to turn to a drug that hasn't been approved? And if so, how easy should it be to obtain it?

It's an emotionally charged question that has swirled around the Food and Drug Ad-

ministration for years. Supporters of the agency argue that its "compassionate use" program for as-yet unapproved drugs can have delays. But they say that the FDA approves almost all requests, and quickly, and that delays are caused by drug companies.

Others argue the blame for delays rests

with the agency, and they have won big battles. They have gotten easier compassionate-use bills—called Right to Try—passed in more than 30 states that eliminate the requirement for an application to the FDA.

Now such legislation is in Congress and seems to have the ear of the White House.

Supporters have met with Vice President Mike Pence, and President Donald Trump has contended that too many FDA rules in general pose hurdles to drug approval. Among other things, the law would prevent the FDA from delaying or denying approval based on data from Right to Try patients.

## YES

### The Dying Deserve Easier Access to Possible Cures

BY DARCY OLSEN



BY THE TIME Jackson Silva was just 2 months old, his breathing was labored, and he wasn't moving his legs and arms as much as babies of that age should. Doctors found that he had spinal muscular atrophy

type 1, a disease that wastes a baby's muscles and kills almost all of its victims before their second birthday.

Spinal muscular atrophy is the No. 1 genetic killer of children. There is one treatment, and only a handful of children were chosen for the first phase of the trial.

Jackson was one of the lucky ones chosen for clinical trial. Because of the treatment he received, he celebrated his third birthday a few weeks ago.

Should mothers have to hear that their baby will die because the government has locked away the only known treatment?

#### Fatal red tape

For years, the Food and Drug Administration has had the authority to provide earlier access to promising treatments for those facing life-threatening illnesses. But the FDA largely has sat on its hands. It has done little to help the terminally ill since it created its compassionate-use program decades ago. With all the developments in medicine and technology since that time, it is not possible that a little-changed program is keeping pace with needs.

Indeed, a look at the numbers proves this point. Only 1,400 Americans a year are granted early access to promising treatments

through compassionate use. By contrast, a similar program in France helps 12,000 people each year. If a country one-fifth our size can help more than eight times as many people, then we clearly have a problem that needs to be addressed.

#### Misleading numbers

The core of the pro-FDA argument rests on one number: 99%. That's the percentage of compassionate-use requests the FDA grants.

But that figure is enormously deceptive. The truth is that the FDA grants such a high percentage of applications because it receives very few applications in the first place.

Why? Because the application criteria are almost impossible to meet. Does anyone really believe that of the millions of Americans dying of terminal illnesses each year, only 1,000 want the right to try to save their own lives with an innovative treatment?

The compassionate-use process is for patients who are being treated at major research hospitals that routinely conduct clinical trials and know how to use the FDA process.

Our research shows that those hospitals submit very few applications because they

Please see EASE YES page R4

## NO

### Delays Are Caused By Drugmakers, Not the FDA

BY ALISON BATEMAN-HOUSE



WHEN PATIENTS are seriously ill, and don't have any options left, the Food and Drug Administration gives them a chance to gamble on unapproved treatments. The compassionate-use program isn't perfect, but it helps many patients, and the stumbling blocks and delays that exist in the process come from other parties—not the agency.

Critics of the FDA say that the agency makes the application process so daunting that many people are dissuaded from pursuing it, and that leads to needless suffering

#### Understanding Compassionate Use

Compassionate use allows access to an experimental drug outside of a clinical trial to treat a patient with a serious disease or condition that has no other feasible treatment options. For the FDA to consider a request from a patient's doctor, the patient must meet these criteria:

THE DISEASE is serious or immediately life-threatening.

NO TREATMENT is available or the patient hasn't been helped by approved treatments for the disease.

THE PATIENT is not eligible for clinical trials of the experimental drug.

THE PHYSICIAN agrees that the patient has no other options and may benefit from the experimental treatment.

THE COMPANY that makes the drug agrees to provide it to the patient.

Source: Food and Drug Administration

#### Approval Rate

Compassionate-use requests and approvals by fiscal year at the FDA

■ Requests ■ Approvals



THE WALL STREET JOURNAL.

and deaths. But nothing could be further from the truth.

Let's consider what patients and doctors have to do to obtain permission under compassionate use. There are several stages to the process, and the early stages aren't under the jurisdiction of the FDA. A patient must first find a physician willing to treat him or her with the experimental drug. Next, this physician must request access to the drug from the company developing it. This can be time-consuming, and companies may deny requests.

The FDA becomes involved only if a company agrees to provide an experimental drug. The agency makes things as easy as possible for patients and doctors: The physician must fill out a seven-question form that takes approximately 45 minutes to complete. There is a designated FDA office that the physician can call if assistance is needed. Is that red tape?

#### A generous record

And almost all requests are approved. Each year, the FDA's Center for Drug Evaluation and Research receives more than 1,000 such requests. The vast majority (99.7% in the most recent reporting period) are allowed to proceed. And that number undercounts the actual total of patients who receive the go-ahead, since a request can cover many patients, not just one.

In emergencies, FDA review can take less than a day, while nonemergency review is normally completed within several days.

Some say those numbers are misleading because doctors think their chances for approval are so low they don't bother submitting requests.

But we have no idea how large or small that number is. Basing an argument for national policy on a scattering of anecdotes is irresponsible. What we do know is that the well-known cases over the past decade involved patients seeking experimental drugs from companies that refused to grant access. Drug companies are cautious when giving out their drugs-in-development: They have invested much time and money and are hoping their investments will pay off. This is the company's

Please see EASE NO page R4

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## JOURNAL REPORT | BIG ISSUES

# Should Medicaid Be Converted to a Block-Grant Program?

It costs a lot more to provide medical care to the country's poor today than it did when Medicaid was introduced: about \$554 billion in 2015, compared with about \$1 billion in 1966, the program's first full year.

The bulk of this increase was driven not by rising health-care costs as much as it was by vast increases in the number of people

covered by Medicaid, including millions more in the past few years alone under the Affordable Care Act.

Republicans in Congress say the program has become unsustainable. Medicaid's current funding, they say—a guaranteed federal matching rate based on what each state spends, with a slightly larger percentage of

costs matched in poorer states—should be replaced with a system that will cap, and in time reduce, the federal share of Medicaid costs. States would choose between a lump sum of money, called a block grant, or per capita funding tied to the number of people enrolled in their program.

With either choice, the federal share of

Medicaid spending would decline over time because the formula sets spending at a specific amount projected to grow at a slower rate than actual health spending.

Critics of cuts in Medicaid, including Democrats and some Republican governors, argue that it will lead to reduced service and eligibility for the people who need it most.

### YES

#### It Would Cut Costs And Provide Better Care for the Needy

BY HADLEY HEATH MANNING



SOME ARGUE THAT Medicaid reform would inevitably lead to unfavorable changes in eligibility or benefits. This defense of the status quo presumes that Medicaid is serving the right people, and serving them well.

But this is not the case. Medicaid today is dysfunctional, with its use of matching funds distorting budgets and encouraging wasteful practices. Its inadequate reimbursements to care providers, meanwhile, limit services for those who need them most.

By ending federal matching funds and shifting managerial responsibility to the states, Republicans propose to modernize Medicaid's funding and give local authorities greater flexibility to design program innovations that are more specific to each state's needs.

#### Coupon without value

Don't believe those who say Medicaid is efficient. The reason it costs less than private insurance is because it provides less. Medicaid provides "comprehensive coverage," but coverage isn't care. It is easy to write down a long list of services that are covered. Think of it as having a coupon for free health care—a coupon that is difficult, sometimes impossible, to redeem.

Even before the Affordable Care Act added millions more patients to the strained program, a study published by Health Affairs found that about one-third of doctors would not accept new Medicaid patients.

Indeed, Medicaid costs less than private health insurance because it pays health-care providers less than private insurance—and this is nothing to brag about. Medicaid's substandard reimbursement levels are directly responsible for the trouble its patients have in accessing high-quality and timely care. Many experience delayed care and inferior health outcomes as a result, according to a Heritage Foundation report. Similarly, research compiled by the Manhattan Institute found that Medicaid patients were more likely to die during surgery and less likely to be diagnosed with deadly cancers in earlier, more treatable phases.

This is a tragedy, especially given the tremendous spending on Medicaid each year. All Americans deserve to know that the dollars they are spending to help people in need are being used wisely and effectively. A recent study published by the National Bureau of Economic Research suggests that each dollar of Medicaid spending delivers only 20 to 40 cents of welfare benefit to recipients.

The truly needy sick, the population for whom Medicaid was created, bear the burden of the program's present brokenness.

States know their own needs best, and it's much easier for constituents to provide feedback to state lawmakers than to congressmen. But states are addicted to a federal funding mechanism that precludes real reform. The federal government matches each dollar of state

Medicaid outlays at a rate that varies from \$1 to \$3 by state, depending on need. States are thus effectively paid to spend on Medicaid, enticing them even to prioritize Medicaid over other state budget items, such as education.

The situation has become even worse under the ACA expansion, which pays states an enhanced rate for new enrollees in Medicaid. Many able-bodied adults have been spun into Medicaid's web. These people would be better served by health policies that are more affordable for them and offer a greater choice of private health insurance that suits their needs.

#### Original mission

State lawmakers need to refocus the Medicaid program on its original mission—serving the truly vulnerable poor. Reforms proposed by Republicans would also lead to reductions in administrative costs, waste, fraud and abuse. Year after year, the Government Accountability Office names Medicaid a "high-risk" program. And it's getting worse: The program's "improper payment rate" grew to 9.8% (\$29 billion) in 2015 from 6.7% (\$17.5 billion) in 2014, just on the federal side.

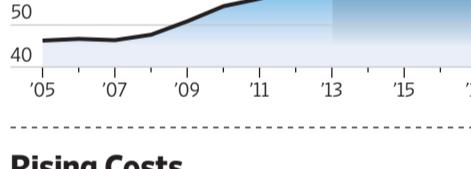
The ACA included about 20 tax increases to pay for its expansion of Medicaid. Undoing the law means undoing this new spending as well as undoing the tax increases (some of which affect low- and middle-income Americans as well as the wealthy).

Per capita allotments or block grants may result in reduced federal spending, but their primary purpose is to bring about reform of Medicaid. If the federal government's only goal in Medicaid was reduced spending, it could keep the current "matching" scheme and simply reduce the federal match rate for states, but this wouldn't be real reform.

*Ms. Manning is a senior policy analyst and director of health policy at the Independent Women's Forum, and a Tony Blankley Fellow at the Steamboat Institute. She can be reached at [reports@wsj.com](mailto:reports@wsj.com).*

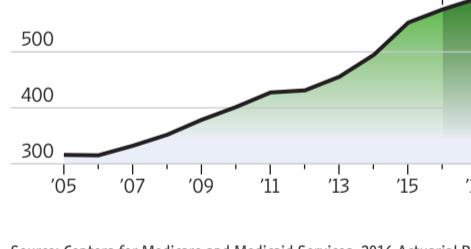
#### Growing Enrollment

The number of people with Medicaid coverage, in person-year equivalents by fiscal year



#### Rising Costs

Total federal and state Medicaid spending by fiscal year



Source: Centers for Medicare and Medicaid Services, 2016 Actuarial Report

### NO

#### It Would Force States To Cut Eligibility, Benefits and Payments

BY EDWIN PARK



CHANGING MEDICAID'S federal funding structure to a block grant or to a per capita cap would shift significant costs to states, and ultimately cause service cuts and harm to tens of millions of seniors, people with disabilities, and children and families who rely on the program.

Both kinds of caps are aimed not at preserving health-insurance coverage for millions of poor Americans, but instead at achieving significant federal savings to help offset other priorities. For example, the failed House Republican bill to repeal the Affordable Care Act would have cut \$839 billion from Medicaid over 10 years by capping funding through per-person caps or block grants and effectively ending the ACA's Medicaid expansion, according to the Congressional Budget Office. Together, that would have reduced Medicaid enrollment by 14 million by 2026. If the GOP tries again to repeal and "replace" the ACA, it will likely include similar proposals to radically restructure Medicaid financing.

#### Fixed amounts

Today, the federal government picks up a fixed percentage of states' Medicaid costs. In contrast, under a per-beneficiary cap, states would receive a fixed amount of federal Medicaid funding per beneficiary. Under a block grant, they would receive a fixed amount of fed-

eral funding for their entire Medicaid programs.

Either funding method would cut the federal share of costs—with the cuts growing over time. Both proposals set a cap based on the state's current or historical Medicaid spending, and future increases would be set at a rate slower than federal Medicaid spending is currently projected to grow. To make up for less federal aid, states would have to contribute much more of their own funding and cut other parts of their budgets, including education—or, far likelier, severely cut Medicaid eligibility, benefits and provider payments.

Under both proposals, states would be responsible for all costs above the cap on federal funds—which means a natural disaster, a breakthrough treatment or an epidemic would likely lead them to cut Medicaid even more deeply.

There would be no way to hold beneficiaries harmless from such cuts, because Medicaid is already highly efficient. The program provides more comprehensive benefits at significantly less cost than private insurance. Adults on Medicaid cost about 22% less than if they were covered by private insurance, Urban Institute research shows. Per-beneficiary costs on average have grown much more slowly over the past three decades than costs under private insurance, and are expected to continue growing more slowly, according to a study by the Medicaid and CHIP Payment and Access Commission, or Macpac.

#### Phony issue

The Urban Institute and Macpac, among others, find that Medicaid beneficiaries have comparable or better access to care than employer-sponsored insurance at lower out-of-pocket cost (and much greater access than the uninsured). That's despite critics' claims that a somewhat lower share of physicians accept new Medicaid patients than those in job-based coverage. But accepting new patients is a less reliable measure of access compared with the standard measures of having a usual source of care and forgoing care due to cost. Moreover, areas with a greater share of residents on Medicaid—like rural areas and areas with greater poverty—have a substantially higher share of physicians accepting new Medicaid patients. Most important, Medicaid caps would result in many beneficiaries ending up uninsured and provider rates slashed (which would in turn reduce provider participation), both of which would seriously limit access to needed care.

Capped funding also would stymie states' ongoing efforts to improve health-care delivery and generate long-term savings, because such reforms often require upfront investment that would be harder for states to make. Using existing flexibility, states are innovating. More than three-quarters of beneficiaries are now in managed care. States have established accountable-care organizations and health homes to better coordinate care for those with chronic conditions. States have also shifted much of their spending on long-term services and supports from nursing homes to home- and community-based services.

A per-person cap or block grant would thus leave states on the hook to absorb large and growing federal Medicaid funding cuts—and millions of the least fortunate residents in every state going without health insurance and access to needed care.

*Mr. Park is vice president for health policy at the Center on Budget and Policy Priorities. He can be reached at [reports@wsj.com](mailto:reports@wsj.com).*

## Ease Yes

Continued from page R3  
know so few will be approved.

And if doctors at major hospitals have that much trouble, what do you think that the chances are for a patient in rural Alaska, South

the FDA won't put a hold on a trial due to an adverse event happening in a compassionate-use setting. And if you're the company that it happens to, you could lose millions in investment and possibly years of time.

As for the argument that the FDA must balance risk with access, the calculation is

would stop the FDA from halting a trial or delaying or denying drug approval simply based on data collected from Right to Try patients.

#### No more uncertainty

This measure lifts the cloud of uncertainty that companies face if they want to help someone.

Congress also should pass an international reciprocity law so that medicines that are available abroad can be available to patients here. If a treatment cures breast cancer in Sweden, it will cure the same cancer in Florida. Americans should not have to face the huge hurdle of moving overseas to access lifesaving treatments.

Right to Try and international cooperation will make access to lifesaving advances the rule, not the exception. When you're fighting for your life, you shouldn't have to fight the government, too.

*Ms. Olsen is chief executive officer of the Goldwater Institute, an advocacy group focused on causes related to individual freedom and constitutional rights. She can be reached at [reports@wsj.com](mailto:reports@wsj.com).*

## The FDA grants such a high percentage of applications because it receives very few applications in the first place.

Dakota or Vermont seeing a community specialist who has never run a trial and never filled out one of these applications?

#### Discouraging process

Another contention from FDA supporters is that the blame lies with drug companies—they are the ones that cause delays and refuse to release drugs for desperate people to use.

As with doctors and research hospitals, companies are being discouraged by the FDA process. They have no guarantee, for instance, that

different for pimple cream than a terminal illness. The endgame for a patient with Lou Gehrig's disease is sure death. It is the right of any human being to try to fight to save his life.

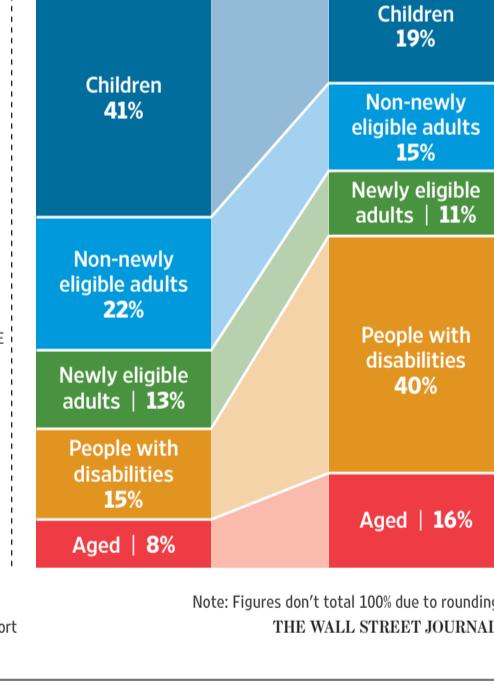
That's why my organization, the Goldwater Institute, initiated the Right to Try, a measure that allows doctors to prescribe promising experimental treatments to patients who have terminal illnesses.

To qualify, the treatments must have cleared basic safety tests, but may still be years away from pharmacy shelves. And the law

qualify, the treatments must have cleared basic safety tests, but may still be years away from pharmacy shelves. And the law

## Who's in the Program

Medicaid enrollment and spending by enrollment group, fiscal 2015



Note: Figures don't total 100% due to rounding

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it is reasonable to accept some risk, but it is also reasonable to have the most knowledgeable experts weigh in on the proposed treatment. This is what FDA review is—and this is what compassionate use bypasses.

Proponents of changing compassionate use also talk about critically ill patients who are forced to go overseas for treatments that haven't

moderate new drugs and treatments. The agency has sought to make drugs available without safety risks, while not disrupting the delicate ecosystem of drug development. The current rules should not be altered.

#### A better way

To truly help patients seeking access to unapproved drugs, we need efforts that

## The number of approvals for compassionate use undercounts the patients who get the go-ahead.

beyond the question of where the blame for delays rests, expanding compassionate use poses dangers to patients.

It may be easy to decide whether a drug that has almost concluded its testing and that shows both safety and efficacy should be made available, but what about a drug that has never before been used in humans? Or one that thus far has been tested only in healthy adults being requested for use in a critically ill baby?

In trying to help a patient, the FDA's rules have evolved over time to accom-

modate new drugs and treatments. The agency has sought to make drugs available without safety risks, while not disrupting the delicate ecosystem of drug development. The current rules should not be altered.

The FDA will be a valuable partner in these efforts. Focusing on relaxing its rules is misguided and counterproductive.

*Dr. Bateman-House is a bioethicist and public-health researcher at NYU Langone. Email [reports@wsj.com](mailto:reports@wsj.com).*

# Can Different Forms of Fasting Make You Healthier?

BY LAURA LANDRO

*When most people hear the word "fasting," they immediately think of going without food for a period of days. More recently, the definition has expanded to include restricting only certain foods, reducing total calorie intake or restricting when foods are consumed.*



Valter Longo



Richard Bloomer



Libby Mills

*combination with increased calorie expenditure for weight loss. Here are edited excerpts of their email discussion:*

## The major benefits

**WSJ:** What role can intermittent or occasional fasting play in a healthy weight-loss diet?

**MS. MILLS:** More research is needed before we give intermittent fasting the green light. But in general, restricting calories can be motivational to those interested in weight loss and health benefits. It can heighten their sense of focus, mindfulness, appreciation and physical awareness. For short periods, calorie restriction can be a tool for focusing on important foods often lacking in the American diet, like fruits, vegetables, whole grains and legumes. And the loss of weight from the short period of restriction can be a motivator for sticking with lifestyle changes that include portion moderation, eating whole foods and choosing fewer processed foods. But eating fewer calories can be effective when people simply eat 80% of their usual calories. For someone who regularly eats and gets full on 2,000 calories a day, [eating 20% fewer calories] can result in just under a pound of weight lost in a week. It's not necessary to go a day or two with as little as 500 calories or, worse, no food at all.

**DR. BLOOMER:** The 20% reduction in calories is the norm for most human caloric-restriction studies. It works well if people can maintain it. The intermittent model might work better for some individuals simply due to compliance. If compliance is poor using one plan, people need to seek another that can work for them.

Much like dietary-restriction and caloric-restriction regimens, intermittent fasting has proved to be effective for many individuals with regards to weight loss. Intermittent fasting includes programs that alternate between "fast" days in which very few calories are consumed and "feeding" days in which food is usually consumed without restriction. Other programs limit food intake to a small window of approximately six hours per day, known as time-restricted feeding.

Despite having similar overall weekly calorie intake, many individuals experience meaningful weight loss on these plans, in addition to improvements in other cardiometabolic health outcomes. The plan needs to be maintained if weight loss and health benefits are expected to persist. When individuals revert to their normal eating patterns, weight gain may occur.

Our Daniel Fast plan is vegan, but I would not say a vegan plan in general is best. Many diet plans are good, and it is not simply a matter of avoiding animal products. It's about minimizing processed food and not eating food in excess. The vegan plan works nicely because it typically contains a high fiber intake, and this allows for increased satiety, which decreases overall food intake. But you need to be careful, because vegan does not necessarily mean healthy. Most snack foods and candy are vegan. Our Daniel Fast approach works well because the quality of all food consumed is very high. We recommend that people adopt the dietary approach into their lifestyle nutrition plan and aim to consume a Daniel Fast-similar plan with the inclusion of small amounts of meat and dairy.

**DR. LONGO:** We know that permanent lowering of calorie intake does not work, since people eventually drop out and it causes loss of muscle mass as well as reduced levels of white blood cells. My lab works on the periodic Fasting Mimicking Diet, which calls for reducing caloric intake with a specially composed diet for five days every one to six months, eating 1,100 calories the first day and about 750 the next four days before returning to normal eating, but the composition of the diet is as important as the calorie restriction. The FMD does not require skipping meals, but in periods where you are not doing the diet and if you are obese, skipping lunch or dinner is actually a good idea as long as this is done all of the days. What is bad is to skip meals one day and not the other. Skipping meals is also a problem if you don't consume enough proteins, minerals and essential fats. The meal skipping in this case can cause further malnourishment.

This is not the case for the FMD, which contains essential fatty acids, minerals and vitamins and is only done periodically. It can be done once a month for obese subjects or those with multiple disease risk factors until they

## Fasting Options

Research has suggested that different versions of fasting diets, such as reducing caloric intake on certain days or at certain times, not only can help with weight loss, but also can extend longevity in animals and improve health in humans. Here are some different approaches under study:

### The Daniel Fast

A 21-day partial fast based on the Old Testament fasts recorded in Daniel 1 and Daniel 10. A vegan diet, with no additives, preservatives, sweeteners, caffeine, alcohol, white flour or processed foods. Can be modified to include some animal products.

### Fasting-Mimicking Diet (FMD)

Reduced caloric intake for five consecutive days, once a month for patients who are obese or have multiple disease risk factors, every three to four months for others. Starts at 1,100 calories the first day and about 750 calories each of the next four days, before returning to normal eating. Food choices are high in unsaturated fats and low in sugars and protein.

come back down to normal, but average people could do it every three to four months. The five days on the fast-mimicking diet can serve as a reset and regeneration period that our studies have shown can eliminate damaged cells.

It can have an important role in weight loss by activating the specific burning of visceral fat, with minimal or no loss of muscle mass. Most chronic diets, and I suspect intermittent fasting, also cause a reduction in lean body mass. During the FMD, muscle mass is temporarily reduced, but after refeeding it returns to normal levels but lost fat does not return.

Decades of studies in humans and monkeys that are 20% to 25% calorie-restricted show that this restriction in the long run brings little or no benefits. While it reduces risk factors for diseases, it appears to impair the ability of the body to fight other problems. We also know that almost no one who is overweight or obese will be able to stay on this restriction.

### Benefits for all?

**WSJ:** What about for those of normal weight who believe it may convey health benefits?

**MS. MILLS:** Some of these plans in general aren't good for people in good health. While it's natural to eat when we are hungry, we also eat to make sure our bodies are getting the nutrients it needs. Nutrients from whole grains, legumes, fruit, vegetables and low-fat dairy are necessary for bodies to make energy and function properly. Missing several consecutive meals is like not putting gas in your car. Without the right fuel, people can find it difficult to concentrate and perform well in their physical activities. They may be irritable or reactive or get a headache. With all the foods of low nutrient density in most people's daily eating, it's already challenging to meet the recommendations of the U.S. dietary guidelines. Skipping consecutive meals makes meeting nutritional needs that much harder.

**DR. LONGO:** The statement related to needing gas all of the time is simply wrong, since we have two to three months of energy reserves. You can think of the body as a hybrid electric car needing charges regularly but actually having a tank of gasoline—in humans, the fat—that allows it. So five days without a charge would not be an issue at all.

Most people of normal weight still have some risk factors such as cholesterol that are not in the ideal range. Eventually, these will increase disease incidence but also decrease quality of life. In a randomized clinical trial that we just published, we show that many subjects in the normal weight range benefited from the periodic FMD cycles by achieving reduced levels of risk factors for diabetes, cancer and cardiovascular disease.

**DR. BLOOMER:** In our society, many individuals believe that if a person is not overweight, they must be healthy. This is not true in all cases. Adopting a structured eating plan that involves restriction of calories or timing of food consumption may prove beneficial to those of normal weight. The benefits may include a lowering of blood pressure, lowering in blood fats like cholesterol and triglycerides, a lowering in systemic inflammation, improved blood glucose and insulin sensitivity, and a reduction in free-radical production—all of which can lead to improved cardiometabolic health. Waiting until you're obese to begin a dietary program aimed at improving your health is a mistake.

### Top diets and caveats

**WSJ:** What do your research and experience show is the best approach, and how does it help with weight issues and improve health?

**DR. BLOOMER:** The best approach is the one that people will be able to adhere to long term. Individuals should determine up front what they can realistically do based on their lifestyle, develop a specific plan of action and then stick to it. Very few studies have been conducted comparing different fasting methods, and it is difficult to state with confidence that one approach is better than another.

What we now know is that it is not simply about calories taken in but also about including periods of food restriction that might aid with altering the metabolism in such a way as to allow for weight loss and related benefits.

For example, our recent work in mice demonstrates that animals allowed to eat freely for 24 hours per day gained roughly three times more body weight as compared to animals who could eat only during a six-hour morning period, yet consumed a near-identical amount of food during the eight-week study. These findings highlight the idea that it's not simply about how many calories are consumed but also when those calories are consumed.

**DR. LONGO:** Dietary interventions that are done every day or every few days are not only extremely difficult on people but can also cause side effects in the long run. For these reasons, and based on molecular and animal studies, my laboratory developed periodic Fasting Mimicking Diets.

**MS. MILLS:** What we do know from human studies is that regularly eating a healthful diet that includes plenty of vegetables, fruits, whole grains, lean proteins like legumes, lean meats,

even for healthy people, it is best to check with a doctor or registered dietitian familiar with the FMD before starting.

**MS. MILLS:** Fasting may be potentially dangerous to people with multiple conditions or ailments, those on multiple medications, and pregnant or breast-feeding women. And fasting may suppress some of our natural ability to detoxify our bodies. With intermittent fasting, you don't eat on the days of your fast. There are no guidelines as to what to eat or drink on your eating days. This leaves a lot of room for foods that may not maximize the nutrient intake during this now-limited amount of eating time. Bingeing is a possibility following a fast.

During the fast, there may be a reliance on caffeinated beverages. This can cause feelings of agitation, reactivity, and jitteriness and may influence food choices—like sweets—that counter the effects of caffeine. Plus, for many people, deprivation is a stress to the body and can actually stimulate the production of a stress hormone that interferes with the body's ability to lose weight. This is the exact opposite of what we would expect. Fasting makes it difficult to do what we need and want to do.

**WSJ:** Who might benefit the most from fasting? Are there any special populations who may benefit, such as those with chronic illness?

**DR. BLOOMER:** If the goal is weight loss, those with more pounds to lose will likely see the greatest return on investment. Aside from body weight/fat, many other favorable outcomes can be realized, and occasional fasting may benefit the athlete or fitness enthusiast in terms of getting leaner, the diabetic or prediabetic in terms of blood-sugar control, the individual with cardiovascular disease in terms of blood pressure and cholesterol reduction, and the person with arthritis. Finally, many adopt a regimen of fasting for spiritual growth. Regardless of purpose, all who choose to adopt a fasting regimen should consult with their health-care provider prior to doing so.

**DR. LONGO:** I think the vast majority of people between the ages of 20 and 70, but particularly those who have high levels of risk factors for diseases. The FMD also has the potential to help those with diagnosed illnesses such as diabetes, cancer, multiple sclerosis, cognitive and cardiovascular diseases, but thus far its efficacy against those illnesses has been demonstrated only in animal studies or preliminary clinical studies.

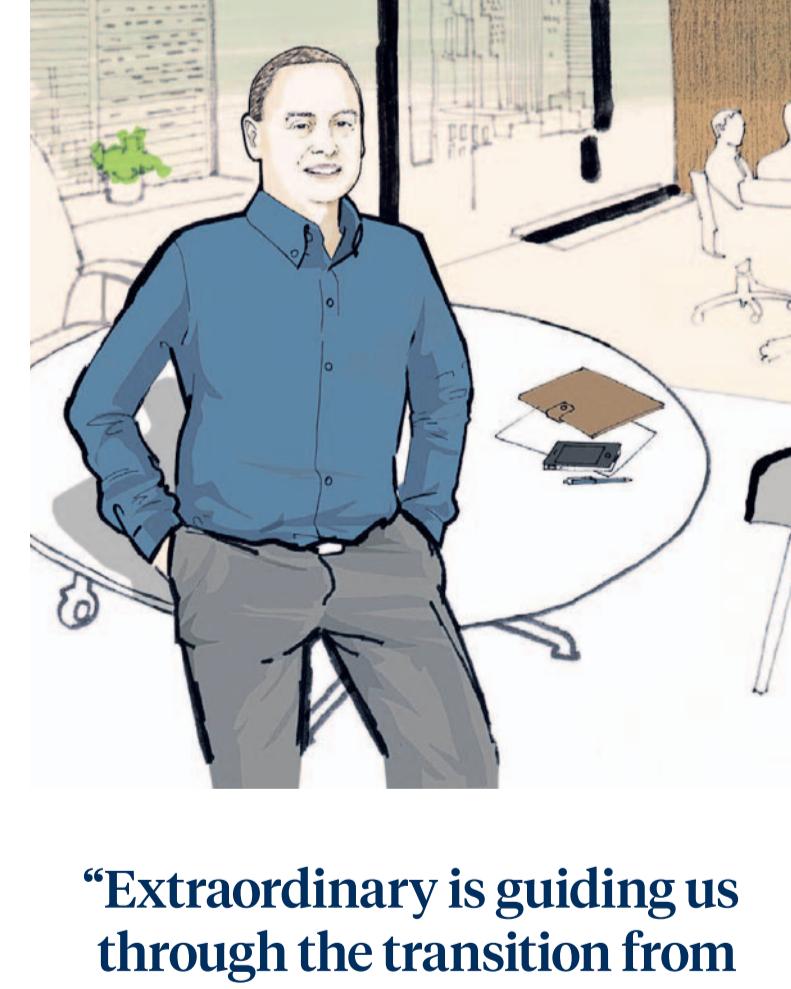
**MS. MILLS:** There has been some research showing increased effectiveness of chemotherapy treatment for those with cancer. But this may vary patient by patient and should require a conversation with the treating doctors before taking any action.

*Ms. Landro, a former Wall Street Journal assistant managing editor, can be reached at reports@wsj.com.*

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# Are Night Owls Better Off Changing Their Sleep Patterns to Be Healthier?

More than a third of American adults routinely fail to get the seven or more hours of nightly sleep that's generally recommended for optimal health, the Centers for Disease Control and Prevention said last year. In some cases, biology may be to blame.

Everyone has an internal clock, or circadian rhythm, that regulates feelings of sleepiness and wakefulness over a 24-hour cycle. These patterns vary from person to person, however, which is why some people function best in the morning and others seem to have more energy late at night.

Those who fall into the "night owl" category—almost 20% of Americans, by some estimates—have a problem in that their internal clocks are out of sync with society's external ones, which generally favor early start times for school and work. That mismatch can put them at higher risk for such health problems as obesity, diabetes and depression.

## YES

### 'Evening Types' Are Susceptible to a Host Of Serious Ailments

BY NATHANIEL F. WATSON

THE WELL-KNOWN proverb "Early to bed and early to rise makes a man healthy, wealthy and wise" appeared in Benjamin Franklin's annual almanac in the mid-1700s, a time when bloodletting was commonplace in medical practice and the discovery of penicillin was nearly two centuries away. Yet this quip provides insight that, nearly 300 years hence, is germane to our discussion of health and human circadian rhythms, which are biological processes, such as the sleep-wake cycle, that persist in approximately 24-hour periods. Their fluctuations can be synchronized to the 24-hour day by environmental stimuli such as light.

In humans there is a wide range of circadian functioning, which is expressed as your "chronotype." Evening types, or "night owls," prefer to stay up late and go to bed in the early morning hours, functioning best at later times in the day or evening.

We are beginning to understand that being an evening type is bad for your health. Evening types have poorer diets, reduced quality of life and more depression, and they consume more alcohol than morning types. They also take longer to fall asleep and, perhaps most important, they sleep less.

The harsh reality is that modern society is hard on evening types. The 8 a.m. workday requires an early wake time, which, in turn, requires an early bedtime to allow for the seven or more hours of nightly sleep that is generally necessary for optimal health. Evening types don't go to bed early; it isn't in their na-

ture. The end result is that evening types often end up chronically sleep-deprived, which is perilous to their health.

Chronic insufficient sleep is associated with cardiovascular disease, diabetes, obesity, impaired immunity, reduced performance, motor-vehicle accidents, poor mental health, pain and increased mortality. Clearly, we should strive to avoid these complications by prioritizing sleep in our lives, but simply ambling off to bed earlier isn't an easy solution for evening types.

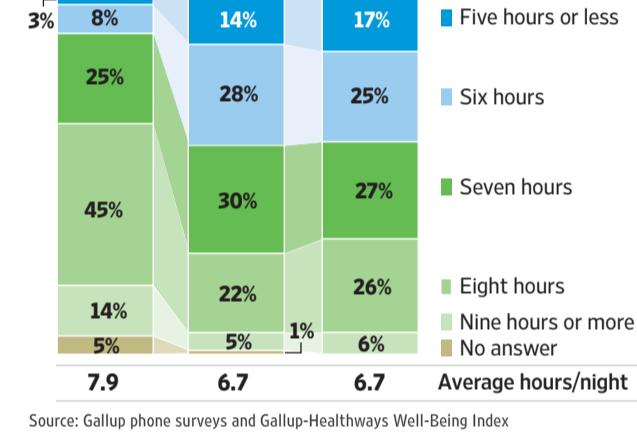
The most practical solution for evening types is to pursue careers with flexible hours. Evening types are only systematically sleep-deprived to the extent that they have an externally imposed early wake time. Left alone, evening types can have a happy and healthy "sleep life" with adequate nightly duration by just going to bed when tired and waking when rested, regardless of the time of day.

But for the majority of evening types who lack this flexibility, it is worth making changes to foster an earlier bedtime. While nearly half of what determines your chronotype is genetic

Please see NIGHT YES page R8

## A Nation of Night Owls

The amount of sleep that Americans get has declined by more than an hour a night since the 1940s. The percentage of people saying they usually get this much sleep nightly:



## NO

### Trying to Change Sleep Patterns Can Do More Harm Than Good

BY KATHERINE SHARKEY



SLEEP PATTERNS are determined mainly by core biological factors, and attempting to oppose the internal clock can increase health risks.

"Circadian rhythms" refer to the internal biological clocks that regulate our physiological processes (hormone release, kidney and liver function, etc.) and behaviors (things like sleeping and eating) to optimize living according to the 24-hour light-dark cycle here on

Considering the risks, should night owls try to adopt an earlier sleep pattern? Some say there is an environmental component involved, so night owls with no job flexibility should give it a try. Others say trying to override your natural tendencies is extremely difficult and could do more harm than good.

Earth.

Science has shown that each cell in our body has a clock mechanism that helps our various organs keep time, and that these "peripheral clocks" are governed by a master clock in the brain called the suprachiasmatic nucleus, or SCN for short. When things are working well, the SCN keeps all of the other body clocks synchronized. It responds precisely and predictably to the 24-hour patterns of light and dark to orchestrate the alignment of all of the downstream peripheral clocks.

The main sleep period of the day communicates potent information about the light-dark cycle to the SCN. The light at wake time helps synchronize circadian rhythms, including the timing of sleep on the subsequent night. From a health standpoint, the ideal time to sleep is during the "biological night," or when all of a person's clocks are coordinated and fulfilling their usual nighttime activities.

For night owls, this "sweet spot" for sleep occurs at a later time than for early birds, and this internal timing is mainly governed by biological factors that aren't modifiable.

Age is one of the best-characterized and strongest determinants of whether an individual's biology follows that of a morning lark or a night owl. Prof. Till Roenneberg of Ludwig-Maximilian University in Munich has shown a significant peak in night-owl tendencies during the teens and early 20s. A person's sex also plays a role—research shows men are more likely to be night owls than women—as do certain genes.

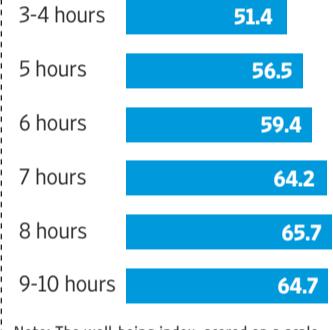
In contrast, sleep habits contribute less toward an individual's predisposition to being a night owl. Unfortunately, resetting our internal clocks isn't as easy as changing the time on a watch or the clock on a wall. And when sleep patterns and other light-dark cues don't occur at predictable/expected times, this leads to desynchronization of the body clocks.

Numerous studies have demonstrated that desynchronized rhythms are associated with negative health consequences, including disrupted and shortened sleep, problems with mood regulation, metabolic abnormalities that increase risk of obesity and diabetes, cognitive

Please see NIGHT NO page R8

## Sleep and Well-Being

How people scored on the Gallup-Healthways Well-Being Index, by nightly hours of sleep



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