

THE WALL STREET JOURNAL.

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What's News

Business & Finance

Trump proposed deep cuts in business tax rates, with the top corporate rate dropping to 15%, and major changes to the individual tax system. A1, A4, A6

◆ U.S. stocks gave up early gains, closing slightly lower after the announcement of the tax plan. The Dow eased 21.03 points to 20975.09. B12

◆ P&G and PepsiCo posted lackluster sales, as producers of some of America's biggest brands struggle to give shoppers what they want. A1

◆ A United report said failures in customer service, training and technology contributed to the forcible removal of a passenger. B1

◆ The FCC's chief proposed rolling back rules that govern how broadband firms treat traffic on their networks. B1

◆ Some currency traders could be trading with advance knowledge of U.K. economic statistics, a data analysis suggests. B1

◆ Samsung notched its highest quarterly profit in over three years, helped by its components business. B3

◆ Twitter said revenue fell for the first time since its IPO despite the firm's gain of nine million monthly users. B4

◆ U.S. Steel shares sank 27% on a surprise quarterly loss and plans to overhaul mills at the expense of profit. B3

◆ State bank regulators sued the OCC to prevent it from issuing banking licenses to fintech firms. B10

◆ Disney's ESPN is laying off about 100 employees, including on-air talent. B5

World-Wide

◆ House Republicans are moving closer to agreement on a health-care bill but face the task of persuading centrists on provisions that could raise costs for people with pre-existing conditions. A1

◆ The administration said it would maintain critical funding for health plans, a pledge that reduced the chances of a government shutdown. A6

◆ The White House said it was no longer considering pulling out of Nafta, after business leaders and lawmakers lobbied to quash discussion of the prospect. A3

◆ The administration said it is launching an urgent push on North Korea, combining diplomatic pressure and the threat of military action. A7

◆ China unveiled its second aircraft carrier, the country's latest stride in expanding and modernizing its navy. A8

◆ France said samples from a sarin attack in northern Syria bear "the signature" of the Assad regime's chemical-weapons program. A8

◆ Pentagon leaders are calling for faster development of space weapons, in a break with longtime U.S. policy. A6

◆ The new Justice deputy will face scrutiny on how he runs a probe of alleged Russian election meddling. A6

◆ The pope will pursue efforts to reach out to Muslims during a visit to Egypt. A9

◆ Venezuela said it would begin a two-year process to withdraw from the OAS. A9

◆ Died: Jonathan Demme, 73, Oscar-winning director. A13

CONTENTS Opinion A15-17

Business News, B3-B5 Sports A14

Capital Account A2 Technology B4

Crossword A14 Trump Tax Plan, A4

Head on Street, B12 U.S. News A2-6

Life & Arts A11-13 Weather A14

Markets B12 World News A7-9

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U.S. NEWS

U.S. WATCH

CALIFORNIA

Coulter Won't Speak At UC Berkeley

Conservative speaker Ann Coulter said she won't speak at the University of California, Berkeley, on Thursday after losing support from a conservative group that had been seeking to bring her there.

The cancellation comes after nearly a week's worth of high drama about whether Ms. Coulter would address students at the liberal campus and home of the Free Speech Movement.

The Young America's Foundation, a national organization that promotes conservative causes, said it withdrew its support of Ms. Coulter's appearance on Thursday because, without the school's cooperation, it didn't want to "jeopardize the safety of its staff or students."

On Twitter, Ms. Coulter blamed both Berkeley officials and the national student group for having "acquiesced" to the university.

University officials said the school welcomes speakers of all political viewpoints, but had been taking its cues from police.

—Alejandro Lazo and Douglas Belkin

TRUMP ADMINISTRATION

Office to Aid Victims Of Immigrant Crimes

The Department of Homeland Security announced the creation of a new office aimed at supporting victims of crime perpetrated by immigrants, part of the Trump administration's effort to highlight what it characterizes as harm caused by illegal immigration.

The office itself, though, will offer little that is not already available to crime victims.

The office does, however, have a new name, with the resources available now rebranded as the Victims of Immigration Crime Engagement Office, which the department calls Voice.

One service offered will be to keep crime victims up-to-date on the status of deportation proceedings against their offender.

President Donald Trump and his aides have highlighted particular cases of immigrant crime, but officials said they were not able to quantify the scope of the problem.

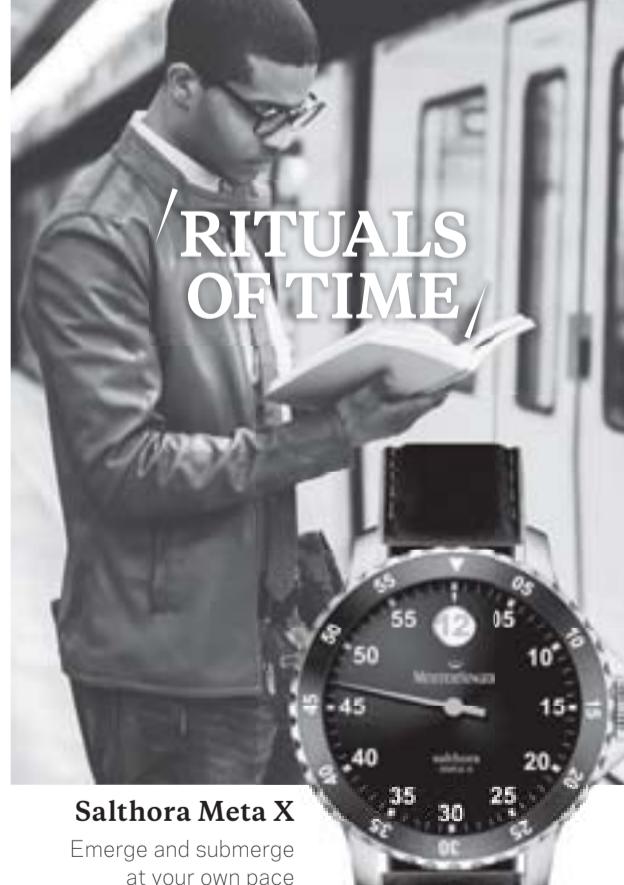
Democrats and immigration-rights advocates have called the new office a political stunt and wasted resources.

—Laura Meckler

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CAPITAL ACCOUNT | By Greg Ip

Separating Trade and Security



The day after the Trump administration announced a 20% tariff on lumber imports from Canada, Commerce Secretary Wilbur Ross was asked if he was comfortable taking action against "an extremely close ally and neighbor."

"They're an important ally. They're generally a good neighbor," Mr. Ross responded. Dumping lumber, he said, "I don't regard as being a good neighbor."

Mr. Ross's response was a useful reminder that allies can have arguments and remain allies. Indeed, President Donald Trump's more hardheaded approach to trade could catalyze a useful re-examination of the assumption that trade must always be tied to broader geopolitical goals. That served the U.S. and Western Europe well for most of the postwar period, but in recent decades it has also contributed to a backlash against globalization whose repercussions are still being felt.

The trade wars of the 1930s led Congress to give most authority over trade to the president on the theory he would balance parochial commercial considerations with the broader national interest. After World War II, the U.S. saw commercial and military ties as essential for strengthening its allies against the Soviet Union. It opened its market to West Germany and Japan despite their own barriers to U.S. exports.

To differing degrees, this has remained the preferred U.S. approach ever since. A major rationale for the North American Free Trade Agreement was to turn Mexico into a reliable, democratic partner.

Yet the logic that trade can always and everywhere advance a geopolitical agenda has sometimes been pushed

too far. In 2000, Bill Clinton reasoned that admitting China to the World Trade Organization would hasten political liberalization internally. He was wrong. In subsequent years, the combination of China's WTO membership and artificially low currency led to ever-larger trade surpluses, displacing millions of U.S. workers, yet China's domestic politics have hardly liberalized.

Other U.S. interests have been elevated over confronting China on trade. When George W. Bush was president, officials debated whether to designate China a currency manipulator. But the currency was a lower priority than getting China's help curbing North Korea's nuclear program, and the administration withheld the designation. In the end, the U.S. got a backlash against trade and a nuclear-armed North Korea.

A similar logic has long driven European integration. A handful of Western European nations formed the core of the European Union in the 1950s in part to put an end to war, and expanded to Spain, Greece and Portugal to keep them from reverting to military dictatorship.

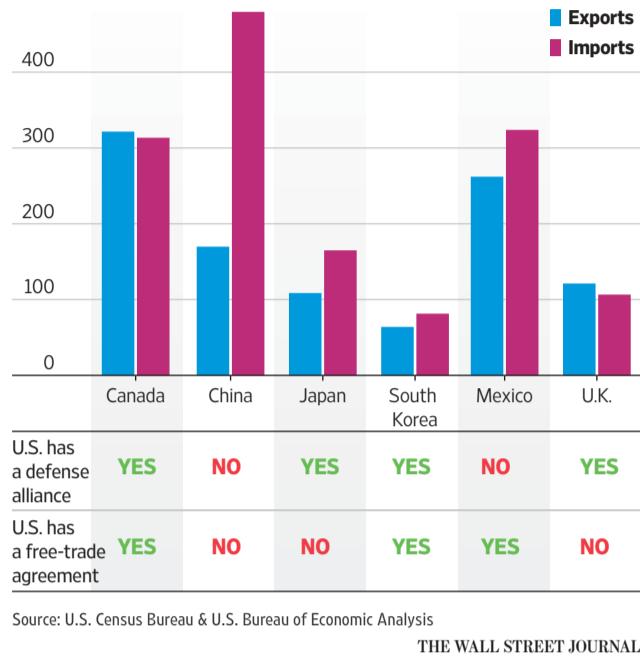
When the Berlin Wall fell, the EU offered membership to Russia's former Eastern European satellites as a way of permanently drawing them out of its orbit. This expansion, though, strained the bloc's cohesion. An influx of lower-paid Eastern European migrants eventually fueled a backlash by aggrieved native-born workers, a major element in Britain's vote to leave the EU, and bolstered support for France's anti-EU National Front. Yet Hungary has drifted into autocracy despite membership, as has Turkey, which has long pursued membership.

There's no simple formula for when trade and national-security policy should be

Sometimes an Ally, Sometimes a Customer

Washington's trade relations aren't necessarily dependent on security arrangements.

U.S. trade of goods and services with major partners, 2016



Source: U.S. Census Bureau & U.S. Bureau of Economic Analysis

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linked, but it helps when both make sense on their own. Ronald Reagan took sweeping protectionist steps against Japan in the 1980s, but neither country let that affect their security alliance, which was simply too vital to both.

What can Mr. Trump learn from this?

On China, Mr. Trump's original instinct was to go after its systematic discrimination against U.S. companies through currency and business policies. Yet, like his predecessors, he has since concluded that China's cooperation on North Korea is more important and for now has held his fire on trade. Whether it succeeds remains to be seen; so far, North Korea has only grown more bellicose.

Yet nearby, the Far East provided a potentially more

important example of how to balance competing national-security and economic priorities. When Vice President Mike Pence visited South Korea last week, he reiterated the U.S.'s "unwavering" commitment to its defense while calling for "reform" of their free-trade pact, which, he says, leaves too many barriers to U.S. firms. Mr. Pence thus kept trade spats and strategic priorities on separate tracks, as Mr. Reagan did with Japan.

Like Mr. Ross's remarks on Canada, Mr. Pence's comments signaled that just because the U.S. doesn't like how a country trades, that doesn't mean the two can't be friends. Conversely, as the experience thus far with China and North Korea demonstrates, the Trump team should be under no illusions that holding fire on trade will sway its adversaries.

SHOP

Continued from Page One

growth of 2.4%, Nielsen says.

There are "probably more sources of volatility today than at any other time in history," P&G Chief Financial Officer Jon Moeller said Wednesday in a call with reporters.

U.S. economic growth slowed in the fourth quarter, and experts say the sluggishness continued into the start of this year. Economists surveyed by The Wall Street Journal are forecasting that gross domestic product, a broad measure of the goods and services produced across the economy, advanced by a tepid 1% in the first quarter from the previous three months.

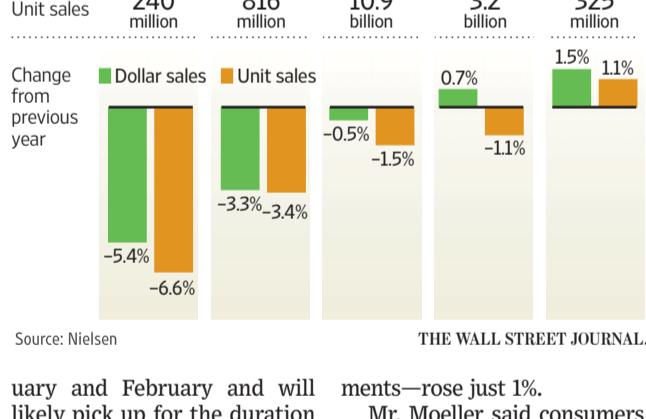
That would mark a slowdown from the roughly 2% trend that has prevailed through most of the current expansion and which President Donald Trump is seeking to double. The U.S. Commerce Department releases its first read on first-quarter GDP on Friday.

Household spending has been healthy since the 2009 recession, helped by rising wages and falling gas and consumer prices. But much of the spending has been focused on home improvements, automobiles and entertainment.

Overall consumer spending in the first quarter was stymied by higher inflation in Jan-

Spending Freeze

U.S. sales in the first quarter in selected categories of consumer packaged goods.



Source: Nielsen

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uary and February and will likely pick up for the duration of the year, said Chris Christopher, director of consumer economics for IHS Markit.

But he said companies that sell household staples face longer-term challenges. "There are some behavioral changes: A lot more is going online, people are not getting married, they're living in smaller spaces and they aren't having as many children," he said. "That's not going to turn around very fast."

P&G's latest quarter was its weakest of the fiscal year as organic sales—a closely watched metric that strips out currency moves, acquisitions and divest-

ments—rose just 1%.

Mr. Moeller said consumers are cutting back purchases, aggressively seeking deals and drawing down supplies at home. At the same time, he said, a growing affinity for beards has played a big part in driving down razor sales, which contributed to a 6% organic sales decline for P&G's grooming unit.

Although pricing increases helped PepsiCo post growth in its beverage and snacks businesses in its latest quarter, sales declined in its Quaker Foods North America unit, which sells grocery staples such as Aunt Jemima and its namesake oatmeal.

PepsiCo, like big food rivals

Kraft Heinz Co. and Nestlé SA, is struggling as consumers shift away from diet sodas and processed foods to fresher and healthier options. It has launched new products, such as a premium bottled water brand, to adjust to the shift.

Anna Kunz, a 42-year-old painter, said she has started shopping for fresh produce and meat instead of canned or boxed food in recent years, because she wants her 13-year-old daughter to eat healthy.

"Clean eating. That's what it's all about," she said at a grocery store in Chicago, with sugar snap peas and strawberries in her cart.

Hershey Co., which reported lower-than-expected sales growth Wednesday, said people are snacking more often, but U.S. food retail trends are "choppy" overall, perhaps exacerbated by more online shopping. The chocolate giant lowered its sales forecast for the year "given the uncertainty regarding overall U.S. brick-and-mortar retail trends."

Wal-Mart Stores Inc. has been reducing inventories and slashing prices as it fights to compete with Amazon.com Inc. and European discounters moving into the U.S. Those cuts are eating into Wal-Mart's own profit and, in turn, leading the world's biggest retailer to put pressure on its vendors.

Kimberly-Clark Corp. this week reported its first quarterly organic sales decline in 13 years, driven largely by falling demand in North America. The maker of Kleenex tissues and Huggies diapers lowered its forecast for the year but said it expects better performance as the year progresses.

Nestlé Chief Executive Mark Schneider said weak U.S. demand isn't an issue isolated to Nestlé and that it reflects a breakdown in the usual relationship between economic growth and consumer spending. At the same time, he said, intense competition is making it harder to push through price increases.

"In spite of good economic data, we are seeing a large amount of uncertainty" in the U.S., Mr. Schneider said last week. "When that uncertainty subsides it will be good news."

Jennifer Maloney and Brian Blackstone contributed to this article.

CORRECTIONS & AMPLIFICATIONS

China's retail investors can't easily buy bonds directly. A Credit Markets article Wednesday about China's bond market incorrectly said that investors can't buy bonds directly.

The Digit savings app effectively pays users interest of 1% a year on their savings. A Future of Finance report article on Tuesday about financial apps incorrectly said the interest rate was 0.2% a year.

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U.S. NEWS

Trump Vows Not To Pull Out Of Nafta

BY JACOB M. SCHLESINGER AND PETER NICHOLAS

WASHINGTON—The Trump administration said it was no longer considering pulling out of the North American Free Trade Agreement, following a day of intensive lobbying from business leaders and lawmakers who rallied to quash internal White House discussion of the prospect.

The White House said in a statement issued late Wednesday night that President Donald Trump had called his Mexican and Canadian counterparts following widespread reports he was mulling pulling out of the 23-year-old pact that stitches the three economies tightly together. In the calls, "President Trump agreed not to terminate Nafta at this time," the statement said, adding that three countries would proceed soon, as expected, to begin talks over renegotiating the agreement.

The daylong public zig-zag over trade illustrated both the

White House quashes talk of leaving trade pact after business, Congress backlash

confusion that often marks Trump administration policy making, as well as the battles inside his administration pitting economic nationalists against top business leaders he has tapped to run his economic team. The former faction had been pushing for the Nafta withdrawal threat as a big hammer to force concessions from the two trading partners, while the latter has tried to temper Mr. Trump's periodic attempts to pick fights with allies over trade.

Multiple White House aides said the idea of a Nafta withdrawal statement was under consideration, and that it was to be discussed at a Wednesday evening meeting of the National Economic Council.

The White House statement said that Mr. Trump spoke with Mexican President Enrique Peña Nieto and Canadian Prime Minister Justin Trudeau and that "both conversations were pleasant and productive."

Mr. Trump has vowed since taking office to renegotiate the deal that he has branded a "disaster," and the statement made clear he was sticking with that plan, albeit without the threat of pulling out of the pact altogether.

Cities Go Tiny to Help Homeless

Small houses seen as fast, low-cost solution for short term; 8 feet by 12 feet in Seattle

BY ZUSHA ELINSON

SEATTLE—During this past winter, which was the coldest here since 1985 and unusually wet, Kirei Mei Johnson slept most nights in a tent in city parks.

"You're shivering and freezing and you can't warm up," Ms. Johnson said. "There's no insulation in tents."

In early April, the 24-year-old moved into a house for the first time in years. It measures 8 feet by 12 feet and sits on cinder blocks near 24 other brand-new tiny houses on a vacant lot off a busy street in northern Seattle.

As homeless populations have soared across the Western U.S., cities that once resisted constructing tiny houses to address homelessness are now embracing the trend—and in some cases even paying for it.

In Portland, Ore., homeless families will soon be moving into tiny homes in the backyards of willing residents in a test program. The 320-square-foot units will be provided by a government-funded nonprofit. After five years, the homeowners can rent the units out.

Berkeley, Calif., is moving forward with a plan to build stackable microapartments for the homeless, and Denver this month approved plans for a village of tiny homes.

Going small is a "low-cost and quick" way to put a short-term roof over people's heads, especially in cities where rents are high and affordable housing takes a long time to build, said Sharon Lee, executive director of the nonprofit Low Income Housing Institute, which manages five sites in Seattle with a total of 120 tiny houses.

Some homeless advocates are wary of this approach. "I would say let's just move them into housing—let's skip the step of living in a tiny house," said Barbara Poppe, who led federal efforts to fight homelessness under former President Barack Obama. Ms. Poppe said she worries the tiny-house movement opens the door for cities to offer substandard housing to the homeless.

A better use of money is to subsidize rent for homeless people until they can get on their feet, said Ms. Poppe, who was hired as a consultant by Seattle.

Against Ms. Poppe's recommendations, Seattle has authorized six homeless encampments, including the ones with tiny houses. "The sanctioned encampments offer a really important emergency response and yet should not be the permanent option," said Catherine Lester, Seattle's human



Seattle is turning to tiny houses as a way to help its homeless population. Kirei Mei Johnson, below, recently moved into one.



'Cute' Houses Woo Wary Neighbors

Neighbors and businesses have fought previous tiny-house villages, saying they attract crime and blight.

However, Bruce Hoff, owner of a construction equipment rental business in northern Seattle, is cautiously welcoming the newest village. "It's better than them sleeping under my eaves," Mr. Hoff said.

Mr. Hoff said he spent at least \$30,000 to install cameras and move a fence closer to the street to keep the homeless from living near his business. Every morning, he would have to clean up feces, needles and other garbage that was left behind, he said.

Sharon Lee, executive director of the nonprofit Low Income Housing Institute, which manages tiny-house sites in Seattle, said business owners and residents are more receptive when they see "a bunch of cute tiny houses."

Residents don't pay rent, but must help out with chores like cleaning or organizing donations and adhere to a code of conduct.

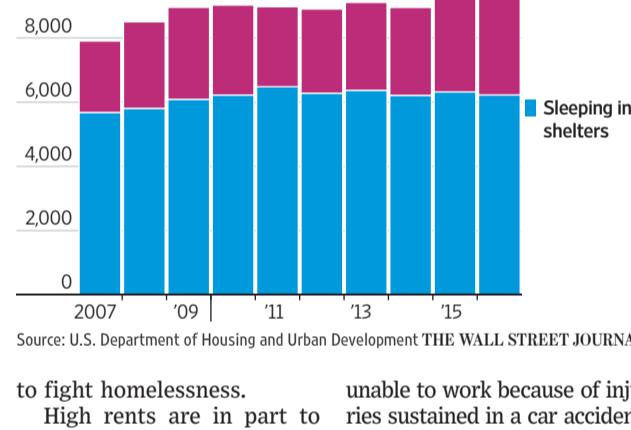
The tiny-house trend represents a shift for cities: In 2015, Denver police arrested 10 people for building microhomes on city land. Last year, Los Angeles seized tiny houses with wheels from homeless people. The city eventually returned them to their builder but told him to find private land for them.

Seattle Mayor Ed Murray declared a homeless state of emergency in 2015 and last year cleared out a sprawling encampment known as the Jungle after five people were shot there. Police later arrested three teen suspects.

—Zusha Elinson

Homeless in Seattle

Homeless population in the Seattle-King County area



Source: U.S. Department of Housing and Urban Development THE WALL STREET JOURNAL.

to fight homelessness.

High rents are in part to blame for homelessness here and in other West Coast cities, Ms. Lester said. Rents in the Seattle metro area jumped 25% over the past three years, the third-largest increase among the 50 biggest housing markets, according to Axometrix, a unit of RealPage, a real-estate-data firm. The average monthly rent for the Seattle area now stands at \$1,819.

Ms. Johnson, who said she is

unable to work because of injuries sustained in a car accident, moved with her fiancé into a blue house with nautical décor. She fiddled with the lock on the door on a recent gray, drizzly morning and said she was relieved to be off the streets.

"I don't like having to watch my back and not being able to sleep because I'm scared someone's going to come up on me," she said. "That's just one of the things that I do not like about being homeless at all."

Earlier North America Migration Suggested

BY ROBERT LEE HOTZ

Fractured mastodon bones and stone tools unearthed in Southern California offer evidence that people first inhabited North America more than 130,000 years ago, substantially earlier than archaeologists have long believed, according to a new report in *Nature*.

The unexpected antiquity of the remains, based on new measurements of radioactive decay in the bones, has startled many archaeologists not involved in the project and is stirring arguments over how early humankind reached the New World. University of Oregon archaeologist Dennis Jenkins called the claim, made public Wednesday, "mind-boggling," while Vanderbilt University archaeologist Tom Dillehay dismissed the evidence as "highly dubious."

The controversy centers on discoveries during freeway construction in the heart of San Diego, where paleontologists from the San Diego Natural History Museum found splintered mastodon bones and the heavy stones likely used to crack them open. The site was first excavated in 1992, but until now scientists had been unable to date the age of the bones accurately.

"I know people will be skeptical of this because it is so surprising," said archaeologist Steven Holen, director of research at the Center for American Pa-



A paleontologist, left, in the area where mastodon bones, right, were found in California.

leolithic Research in South Dakota, who led the international research team. "We've made a very good case for it."

If confirmed by discoveries at other sites, the finding promises to overturn the prehistoric narrative of the New World, experts said.

"The date is extraordinary—and it's puzzling," said archaeologist Ariane Burke at the University of Montreal, who earlier this year reported evidence of human settlement 24,000 years ago in Canada's northern Yukon.

For 80 years, scholars were convinced that the people known as the Clovis colonized

the Americas via a land bridge from Siberia about 13,000 years ago, leaving a trail of delicate spear points from New Mexico to Venezuela. More recently, researchers discovered sites suggesting there may have been several waves of migration, commencing 30,000 years ago, when Ice Age immigrants could have crossed the sea from Asia and traveled down the coast of California by boat.

In the new report, the scientists argue that people first reached North America 100,000 years earlier. By their calculations, the timing of that first migration reaches so far

back in evolutionary history that any one of several different early human species, including Neanderthals, could have been the trailblazer.

"We don't know who these people might have been," said Richard Fullagar at the University of Wollongong in Australia, an authority on stone tools who studied the artifacts. "There are no human remains found at the site."

With no direct evidence of humans there, the scientists analyzed impact marks on bones belonging to a single mastodon and five "hammer stones" uncovered with them.



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THE TRUMP TAX PLAN

Companies Dig Into Details of Proposal

By THEO FRANCIS
AND RICHARD RUBIN

Now that the Trump administration has made its broad-brush tax proposal, companies are likely to line up in support—and start sweating the details.

For many companies, and especially large ones, those details may prove far more important than the headline proposal to cut the top business-income tax rate to 15% from 35%.

And their priorities may well conflict. Big tech firms, drugmakers and multinational manufacturers, among others, like a measure slashing taxes on foreign profits by imposing a "territorial" tax system. Wal-Mart Stores Inc. and other retailers, among those that stand to gain the most from the rate cut, are

eager to head off a congressional border-adjustment proposal to tax imports—an idea on which the Trump plan is silent. Oil-and-gas companies hope to preserve rules speeding up deductions for drilling expenses. Pipeline companies and utilities fear losing valuable interest deductions.

The stakes are high and some measures are almost universally popular among big companies—even if the priority order may differ from firm to firm.

Bank of America Merrill Lynch estimated earlier in the year that S&P 500 companies would see their per-share earnings increase 12% in 2018, all else equal, if the U.S. moved to a territorial tax system of no longer taxing foreign profits and also lowered the statutory tax

rate to 20%, 5 percentage points higher than the administration's proposal.

On its own, the broad outline put forward on Wednesday is unlikely to ruffle many corporate feathers, says Robert Willens, a New York City tax consultant. "Everyone would benefit," Mr. Willens said. "Some a little more than others, but not enough to warrant a battle between companies or industries."

That could well change, however, as the White House and congressional Republicans seek to hammer out the details, and in particular determine how tax cuts will be paid for. Passing a tax bill without Democratic support would require that the bill avoid increasing budget deficits beyond what is typically a 10-year window. That means tough

trade-offs, making tax-rule changes temporary, or both.

And some key elements of the administration's business-tax plan remain unclear. House Republicans have proposed ending deductions for business-in-

directly address either point. Treasury Secretary Steven Mnuchin said the administration favors some form of immediate write-off but didn't commit to any details. He also recognized that real-estate and utility companies, among others, are worried about losing the interest deduction.

"We want to make sure that we don't do anything that creates uncertainty in the economy," Mr. Mnuchin said.

Big industrial firms are among the companies rooting for Mr. Trump's proposal to implement a territorial tax system, in which the U.S. only taxes profits generated in the country, leaving overseas profits untouched except by those countries. Currently, the U.S. is unusual in taxing firms' overseas

profits if the proceeds are brought to the U.S., a system that has encouraged U.S. companies to book profits in low-tax foreign jurisdictions and leave them there. (Companies typically must pay the difference between what they already paid in foreign tax jurisdictions and the full U.S. tax bill for the repatriated profits.)

About one in five companies in the Russell 1000 index generate a majority of their sales outside the U.S., and more than half receive at least some revenue from abroad, according to Bespoke Investment Group data. U.S. firms hold about \$2.6 trillion overseas, the nonpartisan congressional Joint Committee on Taxation estimates.

—Ben Eisen
contributed to this article.

'Pass-Through' Tax-Cut Measure Spurs Debate

By LAURA SAUNDERS

President Donald Trump's plan to cut the tax rate to 15% for so-called pass-through businesses could create many opportunities—and leave plenty of room for abuse.

Advocates say lowering the tax rate for the business income of partnerships, S Corporations and limited-liability companies would spur U.S. business growth and job creation.

"This is an incentive for business owners like my wife and me to reinvest in our own firms rather than pay the government," said James Jungbauer, president of Hollstadt Consulting, a firm in Mendota Heights, Minn., with 200 employees that specializes in business analysis.

Critics said the measure creates an incentive to minimize compensation as a way of avoiding higher income and payroll taxes, among other issues.

Lawrence Gibbs, a former IRS commissioner under Ronald Reagan who is now with Miller & Chevalier in Washington, said if this measure becomes law, "you will have scams coming out of the woodwork."

"Large tax-rate differentials encourage abusive tax planning," he added.

As he unveiled the measure on Wednesday, Treasury Secretary Steven Mnuchin said the administration would work

on protections to ensure that a tax cut for pass-through businesses wouldn't be abused.

The rate-cut proposal still lacks important details, but it would apply to business income from many small firms as well as large global law firms, hedge funds and Mr. Trump's own real-estate and branding businesses.

All of these firms are partnerships, S corporations and limited liability companies that "pass through" to their owners a proportional share of income, losses, and other tax items. Currently the top rate on such income is 39.6%, but Mr. Trump's proposal would cut it to 15%.

More than half of all business income is now earned by pass-through entities, which have surged in popularity in recent decades.

Of all pass-through income, more than half is earned by top-bracket taxpayers, according to estimates by the Tax Policy Center in Washington. The top brackets begin at \$470,700 for married couples filing jointly and \$418,400 for singles.

Under current law, pass-through owners have little income-tax incentive to distinguish between business income and compensation, although some have tried to minimize compensation in order to lower Medicare and Social Security taxes.

If this proposal becomes law, owners will likely try to



Steven Mnuchin said the aim is to ensure a tax cut for pass-through businesses wouldn't be abused.

reduce their compensation in order to save income taxes as well, says Troy Lewis, a certified public accountant in Draper, Utah, who advises wealthy clients. "People try to structure their affairs to achieve lower rates."

For example, say a pass-through owner has \$200,000 of net income currently taxed at the top 39.6% marginal rate. Under the proposal, the part that is compensation would be taxed at a 35% rate, and the portion that is business income would be taxed at a 15% rate.

So taking wages of \$50,000 instead of \$150,000 could save \$20,000 in income taxes, plus any additional payroll-tax savings. While there are laws defining "reasonable" compensation, they are cumbersome for the IRS to enforce because each case is different.

It is still unclear whether

Business Break

Many businesses "pass through" income to their owners, and over half of it goes to top-bracket taxpayers. The current 39.6% top rate on such income could drop to 15% under President Trump's proposal.

Individual income-tax rate	Tax returns reporting pass-through entities	Net income	Share
0% to 15%	25.5 million	\$104.4B	10.8%
25% to 28%	11.2 million	\$330.4B	34.1%
33% to 35%	300,000	\$35.7B	3.7%
39.6%	670,000	\$499.0B	51.5%

Source: Tax Policy Center

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the proposal would apply to self-employed workers and how much wealthy owners of hedge funds and private-equity firms would benefit, if at all.

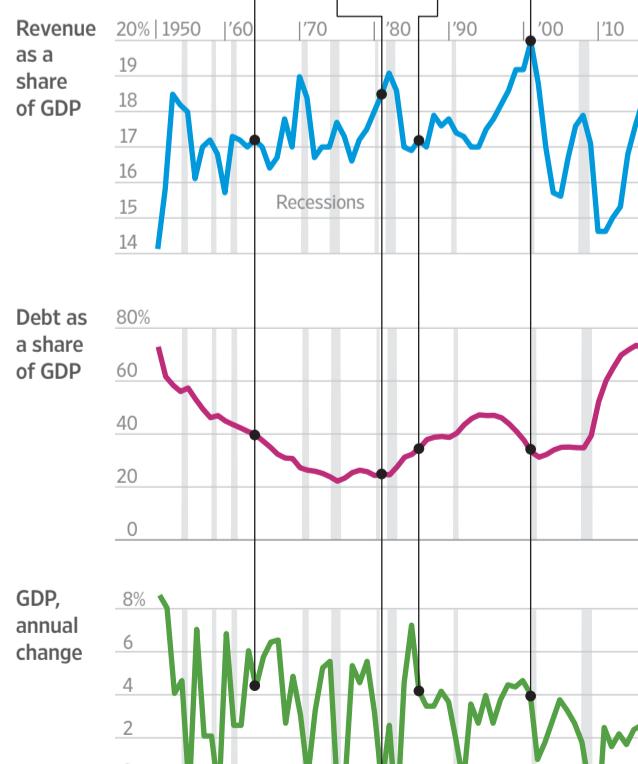
Gregg Polksy, a tax-law professor at the University of Georgia, said the proposal

wouldn't immediately affect private-equity partners because much of their income is taxed already at lower capital-gains rates.

—Rob Copeland
and Mark Maremont
contributed to this article.

A Matter of Circumstance

Recent major tax cuts have often occurred in periods when the national debt was, relative to GDP, lower than it is at present, and when GDP was growing more rapidly.



*President Johnson signed President Kennedy's proposed tax cuts into law

Sources: Tax Foundation (cut size); Office of Management and Budget (revenue and debt); Commerce Department (GDP)

pear optimistic.

Asked if he could promise his tax plan wouldn't balloon the deficit, Mr. Trump said: "It's a great plan. It's going to put people back to work."

Mr. Trump's plan leaves several crucial issues unresolved. They include how to treat business deductions for capital expenses; what happens to personal exemptions; how to tax the earnings of U.S. companies stockpiled overseas; how a break for child care would be structured; and where the tax brackets for individuals would be set.

Because of those omissions, it is difficult, if not impossible, to calculate the fiscal impact of the plan and how it would affect individual households.

Despite their broad support for the plan, Republicans caucused differences remained to be worked through, and they have little margin to lose members of their own party. Republicans are split on how big a tax cut they think is feasible and what breaks should go away, and there are plenty of details that may divide lawmakers along regional lines.

Sen. Richard Shelby (R., Ala.) said he would remain wary until he saw what it would cost and how it would be paid for. "If it's not paid for, we're going to run a huge deficit, and we don't want to do that," Mr. Shelby said.

Democrats said the plan appeared heavily tilted toward high-income households. They pointed in particular to lower rates on individuals and a new 15% rate for income created in sole proprietorships, partnerships and other "pass-through" companies. These include many small businesses,

law firms, hedge funds and the president's own real estate and branding businesses.

Cutting the pass-through tax rate to 15% while keeping top tax rates above 30% could put firms in the unusual position of having firm owners, such as law-firm partners and hedge-fund owners, paying much lower tax rates than their employees. Averting such distortions would require complex new rules in the tax code.

Mr. Cohn said the goal of the plan isn't to deliver tax cuts to upper-income households. Cutting some deductions would keep the tax code fair, he said. "What we're doing is we're just broadening the base of taxable income," he said. "Their effective rate is what you have to look at."

Democratic objections will force Republicans to find near-unanimity. "We're in agreement on 80%, and then that 20%, we're in the same ballpark," House Speaker Paul Ryan (R., Wis.) said.

Mr. Mnuchin said the administration's proposal won't endorse the border-adjustment feature that is central to the House GOP plan. The provision attempts to raise revenue by taxing imports, but not exports. Mr. Mnuchin said, "We don't think it works in its current form."

Mr. Ryan hasn't backed down on the border-adjustment idea, but he said Wednesday that he knows the proposal needs modifications in response to criticism from retailers and others. "We don't want to have severe disruptions," Mr. Ryan said.

—Nick Timiraos, Will Mauldin and Carol E. Lee contributed to this article.

Standard deduction

As part of the simplified brackets, Mr. Trump has also proposed doubling the standard deduction for individuals. That change would increase the deduction from the 2016 levels of \$6,300 for single filers and \$12,600 for married couples filing jointly.

But the plan is silent on personal exemptions, which were \$4,050 for 2016. Repealing those, a part of Mr. Trump's campaign-trail plan, would remove much or all of the benefit of the higher standard deduction for households.

Other deductions

Under the plan, deductions for mortgage interest and charitable contributions would be protected. The two deductions are among the most popular for individual U.S. taxpayers, making them two of the most costly for the federal government.

But the proposal aims to cut other individual deductions, including a commonly used provision that allows state and local taxes to be deducted from reportable income.

That would be a large tax hit for some of those "who live in high-tax states, such as California, Illinois, Massachusetts and New York," said Robert Willens, an independent tax expert.

Estate tax

Under current law, for 2017, the estate and gift-tax exemption is \$5.49 million per individual, up from \$5.45 million in 2016. That means an individual can leave \$5.49 million to heirs and pay no federal estate or gift tax.

Mr. Trump would repeal the estate tax entirely under his plan, as he vowed repeatedly on the campaign trail.

TAXES

Continued from page A1
states such as Mr. Trump's home state of New York, New Jersey and California, and is already spurring objections from Republican lawmakers in those largely Democratic states.

Such a repeal has the potential to raise more than \$1 trillion over a decade, which would help fund the reduction in rates and get the tax plan through Congress, which is focused on deficits in part because of budget rules.

Business groups and Republicans cheered the proposals as a confidence booster for the economy and a guidepost for what will be months of negotiations over details.

Democrats and budget hawks panned it as an unaffordable giveaway to the richest Americans that could add trillions of dollars in debt.

Unless Mr. Trump can attract votes from Democrats, the plan must comply with legislative procedures that allow for a party-line vote in the Senate, where Republicans have 52 seats out of 100.

The key to those procedures: Any tax plan can't increase budget deficits beyond a 10-year period. The Committee for a Responsible Federal Budget said Wednesday the plan would cost about \$5.5 trillion in lost revenue over a decade. Those limitations could lead Republicans to make some or all of the tax cuts temporary to limit the long-run fiscal effect.

Mr. Trump's team intends to argue that his tax cuts will



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THE TRUMP TAX PLAN

Wall Street Impact

By WSJ STAFF

President Donald Trump unveiled a proposal to cut corporate taxes and reduce the top tax rate on pass-through businesses, including many owner-operated companies, to 15% from 39.6%.

Here's what the change would mean for Wall Street:

Earnings

The tax plan could potentially provide a big lift to corporate earnings for publicly traded companies.

Every one-percentage-point cut in the effective tax rate—what companies actually pay—could increase expected earnings for S&P 500 companies by \$1.34 a share, according to calculations by S&P Global Market Intelligence. That might breathe new life into a long stock-market rally. Many investors have become worried that stocks are starting to look expensive, and tax cuts "would alleviate much of the concern about valuations," said Bruce Bittles, chief investment strategist at Robert W. Baird.

—Aaron Kuriloff

Dollar

Dollar bulls are cautiously optimistic about the tax plan. Even though an outline released Wednesday lacked elements that were expected to boost the dollar directly, some still believe the plan would be broadly positive for the dollar. A big corporate-tax cut could boost the dollar by heating up the nation's economy, investors said. Stronger growth could lead the Fed to raise rates at a faster pace, making the dollar more attractive to yield-seeking investors.

—Ira Iosebashvili

Foreign earnings

The White House's plan for a territorial tax system could be a boon to companies with large international operations.

U.S. companies would pay little or no tax on future foreign earnings under the proposed territorial system. The current rules tax all corporate profits regardless of where they are earned.

Together with other tax overhauls, a territorial system could boost earnings for multinational companies.

Bank of America Merrill

Lynch estimated earlier in the year that if the U.S. moved to a territorial tax system of no longer taxing foreign profits and the statutory tax rate were lowered to 20% from 35%, S&P 500 companies would see their per-share earnings rise 12% in 2018, all else equal.

—Ben Eisen

Master-limited partnerships

Master-limited partnerships stand to benefit under the Trump tax plan because investors holding these publicly traded shares could get a lower tax bill. MLPs, which are often associated with oil-and-gas companies, pay periodic distributions to their shareholders. They don't pay any corporate-income taxes themselves.

Shareholders of MLPs pay taxes on the income they receive at a rate of up to 39.6%, though they can defer paying taxes until they sell their shares. Because MLPs are pass-through businesses, shareholders' tax rate could fall to 15% under the tax proposal.

—Corrie Driebusch

Comparing Tax Plans

How Trump's proposal compares to House Speaker Paul Ryan's earlier plan

	CURRENT LAW	TRUMP PLAN	RYAN PLAN	WHAT IT MEANS
One-time tax on stockpiled foreign profits	Not applicable	No rate set	8.75%: cash; 3.5%: other assets	This is a one-time pot of money.
Tax rate on partnerships and other 'pass through' business income	Taxed as individual income up to 39.6%	15%	25%	Either plan requires rules to prevent gaming the system.
Estate tax	\$5.49 million per-person exemption; 40% top rate	Repeal	Repeal	Republicans agree but this is a barrier to Democratic cooperation.
Border adjustment	Not applicable	Silent	Tax imports; exemption for exports	This is a major point of contention.
Business breaks	Capital expenses deducted over time; interest deductible	Some support for writing off capital investments	Immediate capital writeoffs; no interest deduction	The administration is concerned about how limits on business interest affect real estate and utility companies.
Itemized deductions	Mortgage, charity and state and local taxes deductible	Both plans would preserve mortgage and charitable deductions, but repeal state and local tax deductions		Repealing state and local deductions would cause blowback in New York and other states.
Alternative minimum tax	Parallel tax system on high-income people	Repeal	Repeal	This reduces complexity but could open avenues for tax avoidance.
Corporate tax rate	35%	15%	20%	Mr. Trump's plan adds about \$500 billion to the price tag over a decade.
Individual tax rates	39.6%, 35%, 33%, 28%, 25%, 15%, 10%	35% 25% 10%	33% 25% 12%	The administration hasn't said where the income thresholds would be.

Sources: Tax Policy Center; Trump and Ryan tax plans

THE WALL STREET JOURNAL.

U.S. NEWS

Deal on Health Payments Removes Spending Hurdle

WASHINGTON—President Donald Trump's administration said Wednesday he would maintain critical funding for health plans, a pledge that reduced the chances of a government shutdown but left un-

By Louise Radnofsky,
Kristina Peterson
and Anna Wilde
Mathews

certainty in the already fragile insurance markets.

White House Chief of Staff Reince Priebus told House Minority Leader Nancy Pelosi (D., Calif.) Wednesday that the administration would keep making "cost-sharing reduction" payments to insurers despite the lack of a formal appropriation for them in the spending bill, a Pelosi aide said.

Coupled with the administration walking back its pursuit of funding for a wall along the Mexican border, the com-

mitment removed two major hurdles to Democrats agreeing to legislation to keep the government operating until Oct. 1.

"Our major concerns in these negotiations have been about funding for the wall and uncertainty about the CSR payments crucial to the stability of the marketplaces under the Affordable Care Act. We've now made progress on both of these fronts," Mrs. Pelosi said in a statement.

A White House budget official confirmed the commitment. "Although a final decision for how long has not yet been made, the administration will continue to pay CSRs," the official said.

"Separately, the administration is committed to working with Congress to complete a FY2017 spending package providing major increases in defense and border security funding," he added.

House Speaker Paul Ryan had said earlier Wednesday

that Republicans wouldn't include an appropriation for the cost-sharing reduction payments in the spending bill.

"Obviously, CSRs—we're not doing that. That is not in an appropriation bill. That's something separate that the administration does," Mr.

Ryan (R., Wis.) told reporters. "We're very close in everything else" on the spending bill.

Doubt over the future of the payments has been a major factor as insurers mull whether to sell coverage in 2018, a decision they now have only a few

more weeks to finalize. The political horse-trading in Congress did little to abate those concerns Wednesday.

The payments reimburse insurers for lowering the deductibles, copayments and coinsurance for about six million people who obtain insurance

under the Affordable Care Act. They are controversial because many Republicans contend the Obama administration made them without an explicit authorization from Congress. In 2014, House Republicans initiated a lawsuit to block them.

A U.S. district-court judge has sided with Republicans' argument, and Mr. Trump had told The Wall Street Journal in an interview two weeks ago that he wanted Congress to make the decision over the payments' future and that if it were left to him, he would consider cutting them off.

Anthem Inc., a major health plan selling individual insurance under the law, said if payments are cut off, premiums would need to go up 20% or more.

Speaking on a call with analysts, Anthem said it would submit initial rate filings for 2018 individual plans that assumed the continuation of the federal payments.



Rep. Nancy Pelosi was told that the administration would keep making payments to insurers.

BILL

Continued from Page One
because of a compromise crafted by Rep. Tom MacArthur (R., N.J.), a co-chairman of a centrist-leaning coalition of lawmakers called the Tuesday Group. His amendment would let states pursue federal waivers to opt out of some of the law's insurance provisions.

The measure retains a key provision in the law requiring health insurers to sell plans to people with pre-existing medical conditions. But it would permit states to remove several protections aimed at keeping those plans affordable.

With federal waivers, states

could let insurers charge higher premiums to some people with pre-existing conditions. That would only apply to people who had let their coverage lapse, a measure that aims to ensure people stay insured.

And the higher premiums would generally only last for about 12 months before decreasing. States that received the waivers would also have to set aside funding to help people with high-cost health conditions obtain coverage.

Conservatives applauded the changes, saying they would lower premium costs by reducing regulations on insurers. The Club for Growth, Freedom Partners and Heritage Action, three conservative groups which had initially drummed

up right-wing resistance to the bill, dropped their opposition on Wednesday.

Some health-policy analysts said the changes would undermine consumer protections.

"Insurers would charge astronomically high premiums to people with pre-existing conditions who they will want to avoid covering at all costs," said Larry Levitt, a senior vice president at the Kaiser Family Foundation, a nonprofit that focuses on health care.

States could also use waivers to opt out of the law's essential health benefits, a suite of coverage areas required for all plans that include doctor visits, hospital stays and prescription drugs, as well as specialty areas like maternity

care. The change could affect all consumers with ACA-compliant insurance plans.

That provision is also intended to lower premium costs, supporters said. Critics said the likely result would be less robust plans with fewer services covered.

People with pre-existing coverage, for example, could find it hard to find plans that cover specific drugs now mandated under the health law.

States with waivers also could eliminate the annual limits on out-of-pocket costs that are now in the law for ACA-compliant individual and small-group plans. The change would apply only to benefits the state determines are no

longer an essential health benefit. If a state said maternity care was no longer an essential benefit, for example, the ACA limit on out-of-pocket costs would no longer apply, health analysts said.

With Democrats firmly opposed to the legislation, pressure to support the bill is now on Republican centrists.

Rep. Mike Coffman (R., Colo.), who had previously backed the bill, said he was now undecided.

"What I've got to do is to make sure people are protected in terms of pre-existing conditions and I'm not there yet," he said.

The bill in its current form is unlikely to survive the Senate, said Rep. Charlie Dent (R., Pa.), a co-chairman of the centrist Tuesday Group, where Republicans have raised concerns about other parts of the bill, including its Medicaid cuts.

Critics of the GOP health plan said the proposed changes would effectively price people out of the market.

"Under the Republican plan, families will be slammed with brutal premium increases and massive surcharges for the health coverage their loved ones desperately need," said Rep. Nancy Pelosi, the House Democratic leader, in a statement.

"Many would lose access to affordable health coverage entirely."

—Natalie Andrews contributed to this article.

Military Warns of Need for Weapons in Space

BY ANDY PASZTOR

COLORADO SPRINGS, Colo.—The Pentagon is getting serious about gearing up for potential space combat.

Breaking with a decades-long policy that stopped short of publicly advocating putting arms in orbit, U.S. Defense Department leaders are calling for faster development of offensive weapons and combat tactics for space, initially to protect the biggest, most expensive U.S. spy satellites from potential attacks.

The extent of the shift was evident at a recent space symposium here, with one senior general after another calling for more-advanced weaponry and updated rules of engagement that—for the first time—specifically would be designed to counter moves by hostile space-craft beyond the atmosphere.

"We will be threatened in space, and we need to be prepared for that," said Brig. Gen. John Shaw, deputy director of global operations at Strategic Command, the De-



Gen. John Hyten, head of U.S. Strategic Command

fense Department unit in charge of nuclear and other long-range weapons. "There isn't something special as a space war," he told the confer-

ence, that ought to be considered separately from naval or land combat.

The Air Force is working closely with the National Reconnaissance Office to devise offensive strategies against weapons or satellites of other nations that could blind, jam or destroy in-orbit spy satellites, according to several of the symposium's speakers.

Issues related to space weaponry, especially technology that can disrupt hostile spacecraft, are among the Pentagon's most closely guarded secrets.

Though research has been under way quietly for decades and military leaders in the past few years targeted billions of extra dollars to ensure space superiority, details are highly classified and companies involved in the effort aren't public.

Recent comments by Pentagon leaders underscore the growing importance of the topic. Throughout the speeches and panels earlier this month, space was described as requiring major investments to ensure that the U.S. military will be ready to execute the full range of defensive and offensive operations. Traditionally, civilian leaders as

Donald Trump's First 100 Days

The administration's latest actions and agenda at a glance

WEDNESDAY

◆ **Tax overhaul:** President Donald Trump called for deep reductions in business tax rates and major changes to the individual tax system in a bid to revitalize his economic and legislative agenda as he nears the 100-day mark of his presidency.

◆ **National monuments:** Mr. Trump signed an executive order instructing the head of the Interior Department to review the designations of dozens of national monuments since January 1996. The president's move could upend protections of federal lands.

◆ **Education:** Mr. Trump signed an executive order that seeks to reduce the federal government's role in K-12 education.

WORLD NEWS

U.S. Redoubles North Korea Push

Secretary of state to host a U.N. Security Council meeting to propose sanctions

WASHINGTON—The Trump administration said it is launching an urgent push, combining diplomatic pressure and the threat of military action in a bid to halt North Korea's advancing nuclear-weapons program.

By Ben Kesling, Felicia Schwartz, Byron Tau and Carol E. Lee

Secretary of State Rex Tillerson, one of those who briefed senators at a classified briefing hosted by the White House on Wednesday, also plans to host a special meeting of the United Nations Security Council on Friday, where he will propose international officials redouble efforts to enforce economic sanctions and isolate North Korea.

The State Department said Mr. Tillerson is considering harsh measures such as asking other countries to shut down North Korea's embassies and other diplomatic facilities.

Meanwhile, the top U.S. military commander for Asia said in testimony before a House committee that while the U.S. was amassing naval military force near the Korean Peninsula, a diplomatic outcome was the administration's preference.

"We want to bring Kim Jong Un to his senses, not to his knees," Adm. Harry Harris, head of the U.S. military's Pacific Command, told the House Armed Services Committee at a hearing. "I do think the State Department has a key role."

A senior administration official said the U.S. soon will adopt new economic penalties against North Korea and is preparing for a potential military confrontation. The eco-



Above, an undated photo released Wednesday by Pyongyang's KCNA news agency showed the combined fire demonstrations of the North Korean army. Below, Joint Chiefs Chairman Gen. Joseph Dunford, right, with Defense Secretary Jim Mattis after a briefing.

nomic measures are aimed at stopping the flow of materials and technologies that bolster North Korea's nuclear and ballistic missile programs, the official said.

The White House also is looking at relisting North Korea as a state sponsor of terrorism, the official said. North Korea was removed from the list under the George W. Bush administration as part of a deal for nuclear talks that later collapsed. Asked what the military preparations entail, the official said, "I don't think we're going to describe those in any detail."

However, there was no indication from either administration officials or senators that U.S. military action is imminent. All 100 senators were invited to the classified briefing to allow President Donald



Trump to "communicate the seriousness of the threat from North Korea," including the increasingly "erratic and unlawful behavior" from Mr. Kim, the North Korean leader, the administration official said.

An administration state-

ment released after the meeting said the briefing was held to update senators on a review of North Korea ordered by Mr. Trump after he assumed office. The official said the U.S. has seen a willingness from China to take the North Korea

threat more aggressively than it has in the past, but will see how it unfolds in coming days and months.

Adm. Harris said the U.S. has multiple options for military action in North Korea, pre-emptively, if necessary, which would have devastating consequences for the regime.

But he also testified, when asked about the matter, that military action is likely to result in a North Korean strike on South Korean and U.S. troops near the border and on Seoul. The steady rise in tensions on the peninsula has been accompanied by a buildup of U.S. military forces, including the expected arrival of U.S. aircraft carrier Carl Vinson and its strike group, which is now "in striking range" of North Korea, according to Adm. Harris.

Migration Policies Stir New Zealand

BY BEN COLLINS

WELLINGTON, New Zealand—The picturesque nation of less than five million people is rethinking its open-door policies amid a global backlash against immigration.

New Zealand experienced its strongest migration ever in the year through March, official data published on Wednesday show. While credited by lawmakers for keeping the country from recession, the flow of new arrivals is putting a strain on infrastructure, schools and a frothy real-estate market.

The ruling center-right National government this month unveiled new curbs on migration, including pay thresholds designed to keep out unskilled migrants who compete with locals for lower-paid jobs. "The government has a 'Kiwis first' approach to immigration," Immigration Minister Michael Woodhouse said.

The opposition party is promising to cut immigration by tens of thousands of people if it wins office in a general election in September. Recent polls suggest the government will win a fourth term, but with a reduced majority and possibly even in a minority coalition with the populist New Zealand First party, which takes a tough line on immigration.

Migration has become a hot-button issue in many developed economies where mainstream political parties face a populist backlash.

The debate is relatively recent in New Zealand, which for years had experienced a brain drain as college graduates and laborers moved overseas for better pay and opportunities. Lately, interest in New Zealand has been spurred in part by global political upsets.

A large advertisement for Hilton. It features a smiling Black man in a military uniform (camouflage) on the left and a young Black girl in a pink jacket on the right. The background is a blurred outdoor scene. The text "HIRING heroes" is written in large, bold, white and blue letters across the middle. Below it, in smaller white text, is "30,000 veterans and their family members are joining Hilton by 2020".

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WORLD NEWS

China Beef Up Its Naval Fleet

Launch of second aircraft carrier reflects Beijing's aim to boost scope of its sea power

BY JEREMY PAGE

BEIJING—China launched its second aircraft carrier—and the first one entirely home-built—taking another stride in its quest for a world-class navy that can protect Chinese economic and security interests far from its shores.

The new carrier slid from a dry dock into the water in a shipyard ceremony in the northeastern port city of Dalian on Wednesday, state media reported. About two years of sea trials are expected before the still-unnamed ship becomes fully operational, Chinese and Western military experts say.

"We aim to safeguard our sovereignty and state interests and world peace by developing our military forces including maritime forces," a Chinese Foreign Ministry spokesman said.

China has been rapidly modernizing and expanding its naval operations over the past two decades, partly to ensure military superiority over Asian neighbors, some of which contest Chinese territorial claims, and to prevent the U.S. from intervening in regional conflicts.

China has also been sending ships and submarines deep into the Indian and Pacific oceans in recent years. That is part of a longer-term strategy to establish itself as a global military power capable of protecting its overseas economic interests, especially oil and gas supplies, as well as its expatriate citizens, military experts say.

China's first two carriers are both conventionally powered and significantly smaller than the U.S. Navy's 10 nuclear-powered Nimitz class carriers, which can sail for far longer without refueling and each handle about double the number of aircraft.

The U.S. has decades of experience of operating carriers, whereas Chinese pilots began learning to take off and land at sea only five years ago and their capabilities remain unclear. Still, China's carriers significantly boost its efforts to build a blue-water navy, capable of conducting combat and other missions far from its shores.

"China wants to put an emerging trickle of aircraft carriers at the center of basic blue-water operations: dazzling with naval diplomacy, strengthening influence across strategic sea lanes, and responding to emergencies that don't require fighting other great powers," said Andrew Erickson, an expert on China's military at the U.S. Naval War College.

He said other evidence of China's long-term plans in-

cluded constructing a new class of supply vessels modeled on leading U.S. counterparts, a new class of cruisers designed in part to protect carriers, and its first overseas naval facility, in the East African nation of Djibouti.

Adm. Harry Harris, head of the U.S. military's Pacific Command, said Wednesday that China remains far behind the U.S. in its technological capability. The difference between Chinese and U.S. submarines is like "comparing a Model T with a Corvette," he said in testimony before the House Armed Services Committee.

But Adm. Harris said that advantage could erode. "If we don't continue to resource our submarine fleets and our military in general, then they will be

able to close that gap," he said.

China ultimately needs at least three aircraft carriers to have one conducting operations, one undergoing repairs and one being used for training, at all times, military experts said.

Rear Adm. Zhang Zhaozhong, a professor at China's National Defense University, was quoted in state media predicting that over the next 20 years, China would produce two larger conventionally powered carriers, with steam-powered catapult systems, and two even bigger nuclear-powered ones with electromagnetic catapult systems.

The U.S. Department of Defense said in an annual report on China's military last year that "China's current aircraft

carrier and planned follow-on carriers will extend air-defense umbrellas beyond the range of coastal systems and help enable task group operations in 'far seas.'

It said China's next generation of carriers would probably be able to sail for longer and launch more-varied types of aircraft, including early warning and electronic warfare, "thus increasing the potential striking power" of a Chinese carrier group "beyond its immediate periphery."

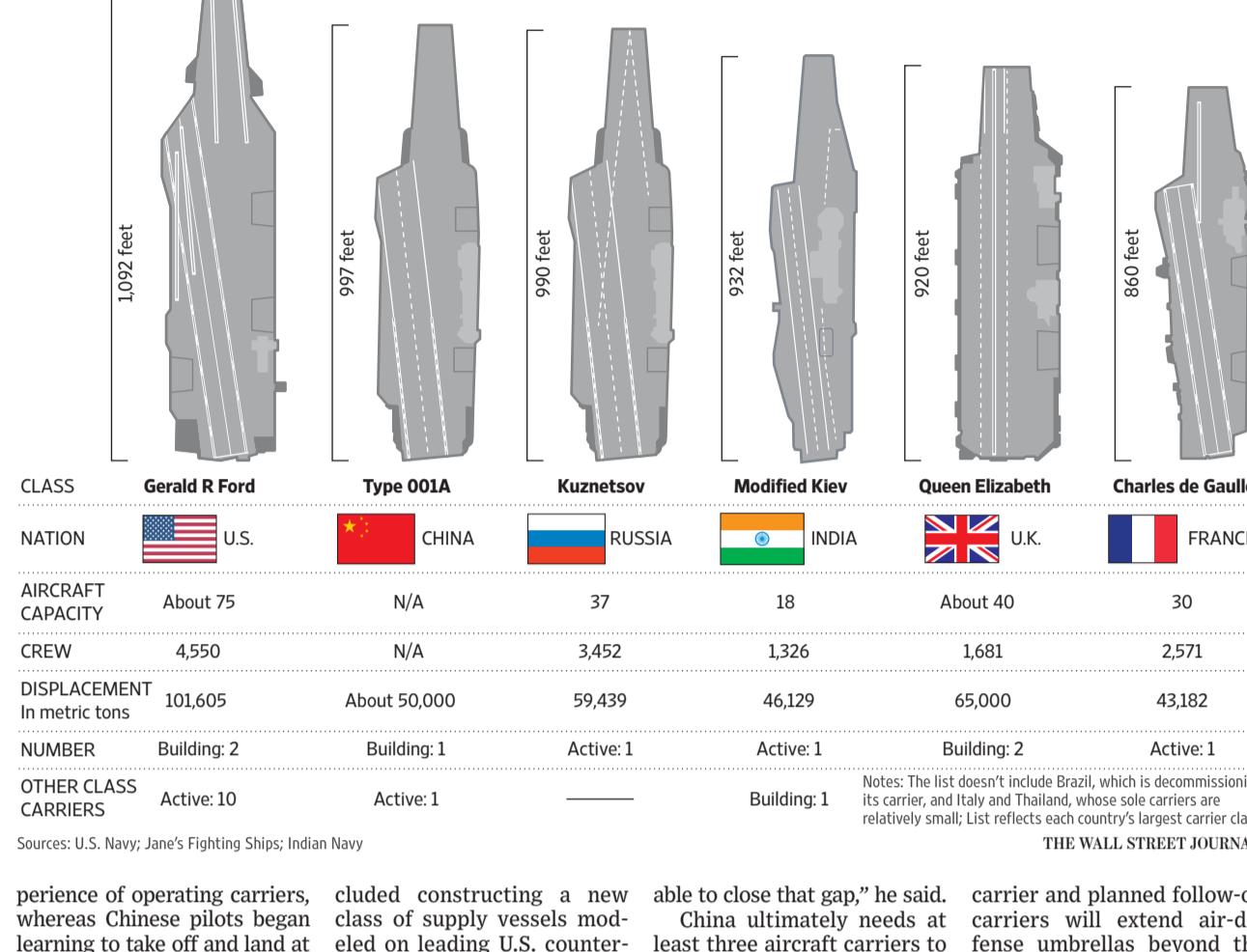
The widely anticipated launch comes six years after China dispatched its first carrier, the Liaoning, which is based on the refurbished hull of an old Soviet model.

—Ben Kesling

contributed to this article.

Rulers of the Waves

As China begins trials of its second aircraft carrier, provisionally known as Type 001A, the U.S. still dominates the world's oceans. Here are the countries with the biggest aircraft carriers.



Sources: U.S. Navy; Jane's Fighting Ships; Indian Navy

Notes: The list doesn't include Brazil, which is decommissioning its carrier, and Italy and Thailand, whose sole carriers are relatively small; List reflects each country's largest carrier class

THE WALL STREET JOURNAL.

France Ties Syria To Sarin Attack

Samples from a deadly sarin attack in northern Syria bear "the signature" of the Assad regime's chemical-weapons program and demonstrate its responsibility for the assault, France's foreign minister said.

By Sam Schechner
in Paris and Raja
Abdulrahim in Beirut

The disclosure by Jean-Marc Ayrault on Wednesday, based on a French intelligence report, is the strongest proof yet that the Assad government carried out the April 4 attack on the rebel-held town of Khan Sheikhoun in northern Idlib province that killed more than 80 people, according to the White Helmets, a civil defense organization.

The French government's findings support previous assertions by Turkey, along with the U.S. and other Western countries, that the Syrian regime was behind the strike against the town.

They also back suggestions by the Trump administration that the Syrian government has retained chemical weapons, despite President Bashar al-Assad's repeated insistence that his government relinquished all of its chemical weapons following a deal brokered by the U.S. and Russia in 2013.

Turkey and the Organization for the Prohibition of Chemical Weapons, have said sarin was used in the April attack. The Turkish finding was based on blood and urine samples of victims who received medical treatment or were autopsied in Turkey.

The Syrian government had no immediate response to the French findings. Mr. Assad has denied his forces were behind the attack and has called the evidence of the regime's use of sarin fabricated.

Brazil's High Court Backlog Slows Graft Prosecutions

BY PAULO TREVISANI
AND SAMANTHA PEARSON

BRASÍLIA—Brazil's Supreme Court recently gave its approval to prosecutors to investigate scores of senior political figures for alleged corruption, but the court itself will have to overcome some unusual challenges to put them on trial. Not least is its backlog—as of Tuesday—of 54,951 cases.

Just last week, the court ruled on the long-running dispute about which soccer team deserved the right to claim the 1987 championship.

"We can't go on like this," an exasperated Chief Justice Carmen Lúcia Rocha said in a rare interview.

Chief Justice Rocha said it would likely take years to wrap up the trials of any sitting politicians that may result from the current "Car Wash" probe into bribery and kickbacks at state-run oil company Petrobras.

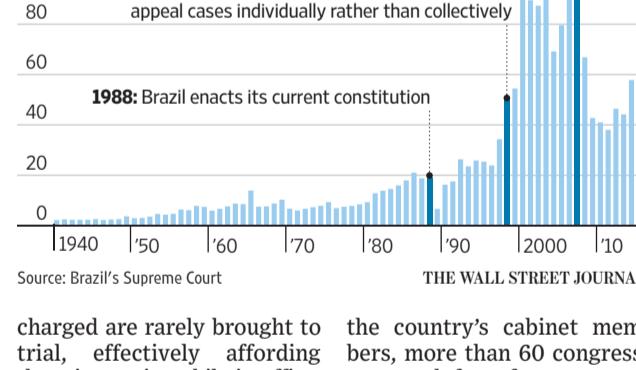
Brazil's constitution makes the Supreme Court the venue for final appeal in virtually any criminal or civil case, from divorces to stolen cellphone batteries.

Only the Supreme Court is allowed to try high-ranking political figures. Given the caseload, politicians who are

On the Docket

Brazil has taken steps to reduce the Supreme Court's caseload but it still faces a huge influx of cases each year.

Number of new cases accepted



Source: Brazil's Supreme Court

Nation Tries to Trim Its Labor Laws—But Only a Little

Brazil is moving to simplify some of the most complex labor regulations of any major economy, but many of them are likely to remain intact.

The lower house of Congress voted 296 to 177 on Wednesday to overhaul the country's arcane, 1940s-era labor code as policy makers seek to kindle a recovery from Brazil's worst recession on record. The bill still needs to clear the

Senate to become law.

Included in the bill are proposals designed to reduce or scrap mandatory union dues, make it harder for workers to sue their employers and expand the scope for flexible work arrangements and temporary employment contracts.

"It will be the first major overhaul of the labor code in decades," said Eurasia Group's João Augusto de Castro Neves, who sees the bill as the second-most-important economic measure being championed by President Michel Temer, after a planned overhaul of Brazil's social-security system that is ex-

pected to be voted in the lower house early next month.

It isn't clear, however, whether the proposed changes would substantially improve Brazil's cumbersome labor system. The bill only partially changes Brazil's massive labor code, which has more than 900 articles, and workers' rights enshrined in the constitution will remain untouched.

"The volume of regulation remains very high," said Flávio Castelo Branco, an economist at the manufacturing trade group National Confederation of Industry, or CNI, who supports the bill.

—Paulo Trevisani

charged are rarely brought to trial, effectively affording them immunity while in office. In recent years, Brazil's congress has included lawmakers accused of murder, rape and involvement in drug trafficking as well as white-collar crimes.

That has many Brazilians concerned that the Car Wash probe—the biggest of its kind in the country's history—will fizzle when it comes to putting top politicians behind bars, despite the Supreme Court authorization to prosecute this month to open investigations into one-third of

the country's cabinet members, more than 60 congressmen and four former presidents.

Since the probe began in 2014, around 90 people—mostly businessmen, lawyers, bankers and black-market money dealers—have been convicted. The few politicians brought to trial, including former house speaker Eduardo Cunha, had been booted out of Congress, allowing them to be tried as ordinary citizens. To make that happen in more cases would require significant political momentum.

With so many businessmen

convicted in Car Wash, the Supreme Court is under pressure to make sure guilty politicians meet the same fate, said Matthew Taylor, a professor who specializes in Brazil's legal system at American University in Washington.

"This is a troubling two-track system," he said. "The [faster-moving lower] courts are generating a great deal of public angst about corruption in Brazil while the high court is unable to deal with even the most basic and straightforward cases."

Chief Justice Rocha said she supports moves to restrict

politicians' legal privileges, allowing for lower courts to determine their fates in some cases. Substantial change, however, could come only through legislation passed by lawmakers themselves.

Brazil's high court likely has the highest caseload in the world as a proportion of the country's population, a problem that is true of the country's entire judiciary, said Ivar Hartmann, a constitutional scholar at Brazil's Getulio Vargas Foundation.

The Supreme Court's 11 justices manage to process roughly as many cases as they

accept, checking off around 30,000 so far this year. They don't tackle the docket in chronological order, and the backlog includes cases that entered the court system decades ago.

That means the court could make Car Wash cases a priority. But while appeal cases tend to flow more quickly because much work has already been done in lower courts, those involving sitting politicians start at the Supreme Court, setting up a much greater logistical challenge for a staff already juggling thousands of appeals.

WORLD WATCH



Sixtus Leung and Yau Wai-ching, left and second from left, leave a Hong Kong police station.

HONG KONG

Two Lawmakers Arrested Over Oaths

Police arrested two pro-independence lawmakers who were disqualified in a dispute over their oaths last year, in the latest round of legal action against activists involved in Hong Kong's pro-democracy movement.

Sixtus Leung and Yau Wai-ching were arrested and questioned for several hours before being released on bail.

They told reporters they were charged with unlawful assembly and attempted forcible entry and must report to court on Friday.

The two activists angered Hong Kong's Beijing-backed gov-

ernment when they used their swearing-in ceremony in October to stage an apparent protest by inserting anti-China insults into their oaths.

Mr. Leung and Ms. Yau were among a new wave of lawmakers advocating greater separation from the mainland who were newly elected to office last year amid a rising anti-China sentiment in Hong Kong.

—Associated Press

NIGERIA

Meningitis Outbreak Kills More Than 800

A meningitis outbreak in Nigeria has killed 813 people so far this year, the country's health

minister said, as Africa's most populous country and aid organizations attempt to tackle the surge in infections.

The government on Wednesday approved a house-to-house search in northern Nigeria to identify those afflicted with meningitis for vaccination and treatment, said Isaac Adewole after a cabinet meeting under Vice President Yemi Osinbajo.

The West African nation in April launched a mass vaccination campaign as part of its emergency response to the outbreak in its northwestern states, the Nigeria Center for Disease Control has said.

The NCDC said the infection killed 33 people in 2016.

—Reuters

WORLD NEWS

EU Struggles to Reset Ties With Turkey

Stalled membership talks and mutual recriminations imperil relationship

By EMRE PEKER

BRUSSELS—European Union officials are struggling to figure out how to improve vital economic and security cooperation with Turkey amid a widening political rupture that threatens the fraught relationship.

After Turkish President Recep Tayyip Erdogan won a referendum this month on constitutional amendments that will expand the power of his office, European officials said the changes to Turkey's democracy would make it incompatible with EU standards.

That brings Brussels and Ankara to a crossroads they have tried to avoid for at least half a decade: deciding the fate of Turkey's all-but-dead talks to join the EU.

"There's an obvious crisis in EU-Turkey relations," European Parliament member Kati Piri, who handles relations with Turkey, said Wednesday. "The EU should officially suspend the accession talks if the constitutional changes are implemented."

EU officials have signaled, however, that they wouldn't unilaterally end Turkey's aspiration to join the bloc.

"It is for Turkey to clarify its intentions toward the EU," European Commission Vice President Valdis Dombrovskis said Wednesday after a meeting of the bloc's executive body.

For many officials in Brussels, a move by Ankara to drop its bid for EU accession would helpfully eliminate what has



Police on Wednesday detained more than 1,000 people suspected of links to a network Ankara blames for a failed coup last July.

been a venue for mutual recriminations and mistrust.

Although Ankara says joining the EU remains a strategic objective, Mr. Erdogan has called for a referendum on the issue. He has also said he would back reinstating the death penalty, which was abolished to secure membership talks and has been called a red line by EU officials.

Mr. Erdogan's political sur-

vival depends in part on the support of Turkish nationalists, whom he wooed in the referendum by bashing Europe with accusations of anti-Muslim views, fascism and Nazi practices. He faces re-election in two years, when the enhanced executive powers will kick in, and is therefore unlikely to abandon the rhetoric, an EU official said.

Such disagreements illus-

trate how far apart Turkey and the EU have drifted in recent years after seeking closer relations for more than half a century. A failed coup in Turkey in mid-July accelerated the deterioration. Mr. Erdogan placed Turkey under a state of emergency and has presided over the arrests or detentions of more than 100,000 civil servants—more than 1,000 people were detained nationwide on

Wednesday—in an effort to root out supporters of the alleged coup plotters.

The developments make it harder for policy makers to find common ground. At stake is close cooperation on global issues such as fighting Islamic State, ending the Syrian war and addressing the refugee crisis, which destabilized Europe until Brussels struck a deal with Turkey to curb ille-

Brussels Takes On Hungary's Leader, Backlash Against EU

BRUSSELS—The European Union's executive branch is ramping up its defense against critics, taking a firm stand against Hungarian Prime Minister Viktor Orban over his "Stop Brussels" campaign and moves against foreign-funded universities and nongovernmental organizations.

The European Commission on Wednesday took legal action against Hungary's recently adopted law targeting the U.S.-funded Central European University in Budapest. The commission said the law, which obliges CEU to obtain permission from the government to continue operations, contravenes the bloc's rules on freedom to provide services, academic freedom, the right to education and international obligations under trade law.

Mr. Orban brushed off criticism during a European Parliament debate, saying his government's commitment to the EU is "unquestionable," but that "in many aspects we are unhappy with how the EU works."

—Valentina Pop

gal immigration.

Updating the customs union and broadening its scope could help start mutually beneficial cooperation, the EU's enlargement chief, Johannes Hahn, said. Mr. Hahn will seek a mandate Friday from EU foreign ministers to revamp Turkey ties based on a transactional relationship that both sides privately recognize as a good way forward.

Pope to Visit Egypt in Wake of Church Attacks

Pope Francis will pursue efforts to reach out to Muslims during a visit to Egypt this week that comes as rampant Islamist terrorism is posing

By Francis X. Rocca
in Vatican City and
Dahlia Khlaif in Cairo

the greatest test to dialogue between the faiths since the Vatican made it a priority a half-century ago.

The pope has earned approval in the Muslim world for his attempts to improve relations. He has washed the feet of Muslims during Holy Week liturgies and, when he brought a dozen Syrians back with him from a Greek refugee center last year, all were Muslims.

He condemned the 2015 massacre in Paris of the staff of Charlie Hebdo after it mocked the Prophet Muhammad, but also said those who deride other faiths can expect a strong response.

Yet some Catholics also want the pope to challenge Muslims more vigorously to repudiate religiously inspired violence

and intolerance, amid continuing Islamist terrorism and persecution of Christians in some Muslim-majority countries—including church bombings in Egypt on Palm Sunday that killed more than 40 people.

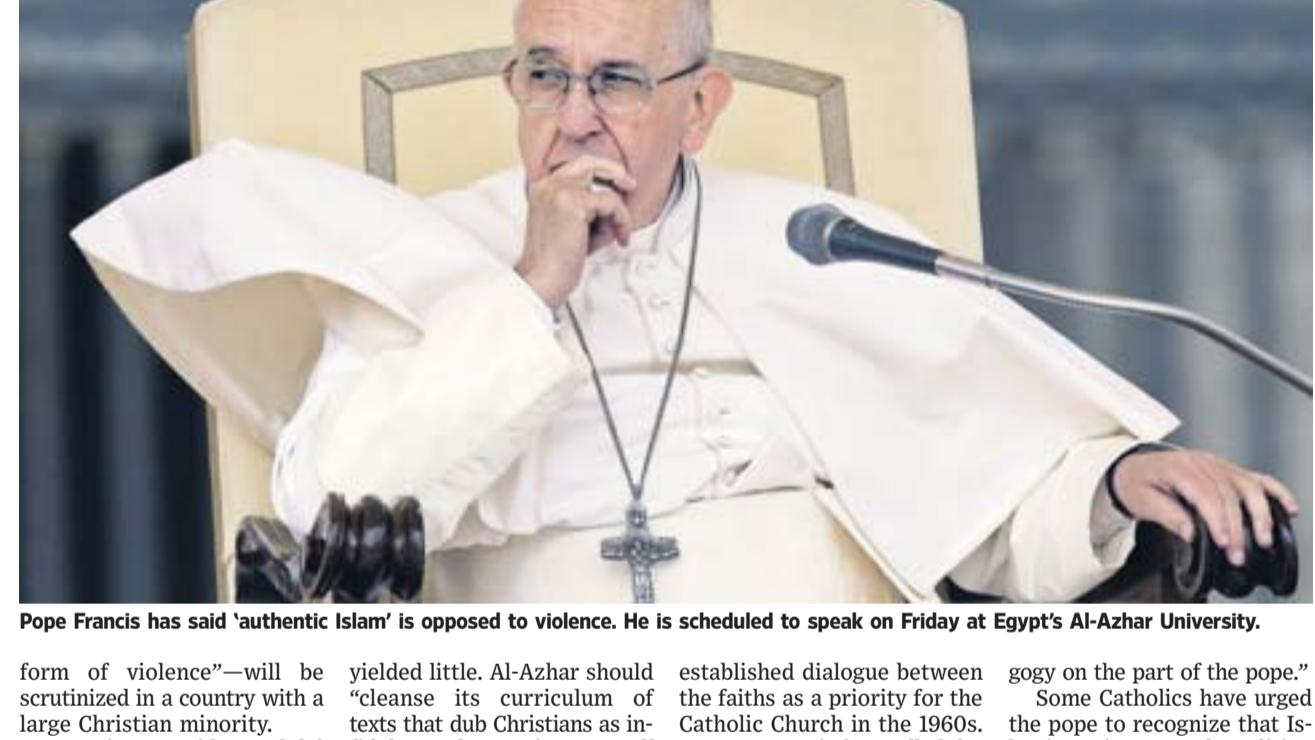
The pope should call on Muslim leaders "to reinterpret the Quran for today in a way that fosters peace," said the Rev. Samir Khalil Samir,

an Egyptian Catholic priest and professor at the Pontifical Oriental Institute in Rome, who said he raised the subject with the pope in June 2016.

The Vatican spokesman, Greg Burke, said the "pope is constantly condemning those who kill in God's name. What he doesn't want to do is encourage a clash of civilizations."

Such concerns could come to the fore when Pope Francis arrives on Friday in Egypt, where he will speak that day at Al-Azhar University, considered the most authoritative religious institution in the Sunni Muslim world.

The words of the pope—who has said "authentic Islam" is "opposed to every



Pope Francis has said 'authentic Islam' is opposed to violence. He is scheduled to speak on Friday at Egypt's Al-Azhar University.

form of violence"—will be scrutinized in a country with a large Christian minority.

Egyptian President Abdel Fattah Al Sisi has in the past blamed intolerant interpretations of Islam for the "violence and terror and killing and destruction that we witness all around us today," and called on Al-Azhar to "revolutionize our religion" by rejecting "extremism and its erroneous understanding of Islam."

But some say the call has

yielded little. Al-Azhar should "cleanse its curriculum of texts that dub Christians as infidels and terminate staff members who promote that," said Michael Armanious, 26, an Orthodox Coptic Christian teacher in Cairo.

Al-Azhar has rejected such criticisms, saying in a statement last week that its instruction promotes "peace and stability among Muslims themselves and between Muslims and others."

The Second Vatican Council

established dialogue between the faiths as a priority for the Catholic Church in the 1960s.

Pope Francis has called for better protection of Christians and other religious minorities. But the same action that gratified many Muslims last year—bringing only Muslim refugees back with him from Greece-troubled Christians in the Middle East, said the Rev. Henri Boulad, a former head of the Jesuit order in Egypt, who called the gesture an act of "dema-

gogy on the part of the pope."

Some Catholics have urged the pope to recognize that Islamic scripture and tradition offer justifications for violence, and to distinguish among traditions within Islam that are more or less open to peaceful coexistence with other faiths.

Church authorities argue for patience. "Gradually, the impact will be reflected on the whole of society," said the Rev. Rafic Greiche, a spokesman for the Catholic Church in Egypt.

Venezuela To Withdraw From OAS

By KEJAL VYAS

CARACAS—Venezuela said it would begin a two-year process to pull out of a regional diplomatic body, in a move that is likely to heighten tensions with its neighbors over President Nicolás Maduro's authoritarian rule.

Foreign Minister Delcy Rodriguez said Wednesday that Mr. Maduro ordered the withdrawal from the Organization of American States after 19 of the group's 34 members agreed on a resolution to discuss the precarious situation in Venezuela, where at least 29 people have died in civil unrest.

OAS Secretary-General Luis Almagro has led an aggressive campaign to suspend Venezuela from the diplomatic body.

AMIENS, France—French presidential candidates turned a Whirlpool Corp. factory slated for closure here into an impromptu stage for an ideological battle over how to revive the country's declining industrial might.

Far-right candidate Marine Le Pen has made the plant's looming closure a national rallying point for her antiglobalist, euroskeptic campaign. The Michigan-based appliance maker announced in January it would close the plant and move production to Poland, a European Union country where wages are a fraction what they are in France.

Her rival, centrist candidate Emmanuel Macron, held a scheduled meeting on Wednesday with Whirlpool union delegates in the center of Amiens. For 45 minutes he argued for

his economic program, preaching the importance of free trade and of guarding France's place in the EU.

Shortly before his meeting ended, Ms. Le Pen showed up

in a surprise visit 2 miles away at the Whirlpool plant and criticized Mr. Macron for not being there with the workers.

"I'm here exactly where I belong, among Whirlpool

workers who are resisting wild globalization," she said in the plant's parking lot.

In a last-minute decision, Mr. Macron's team took him to the factory, where he made his

way through a crowd chanting "Marine for president" to present his case to workers.

"After the closure of borders, what is there? The destruction of thousands of jobs that need them open," Mr. Macron shouted over jeers as black smoke from tires set alight by the workers enveloped the parking lot.

Polls show Ms. Le Pen's candidacy facing long odds. With less than two weeks until second-round balloting on May 7, an Opinion Way survey published Wednesday showed she would lose 40% to 60%.

The anger against the political establishment in industrial areas like Amiens is one result of France's industrial decline, which governments of the left and the right have been powerless to stop. French industrial production is 10% lower than it was when France adopted the euro in 1999.

French Candidates Clash at Closing Whirlpool Factory

By MATTHEW DALTON



Presidential contender Emmanuel Macron arriving Wednesday to meet workers at the Amiens plant.

PASCAL ROSSIGNOL/REUTERS

his economic program, preaching the importance of free trade and of guarding France's place in the EU.

Shortly before his meeting ended, Ms. Le Pen showed up

in a surprise visit 2 miles away at the Whirlpool plant and criticized Mr. Macron for not being there with the workers.

"I'm here exactly where I belong, among Whirlpool

workers who are resisting wild globalization," she said in the plant's parking lot.

In a last-minute decision,

IN DEPTH

SIDE

Continued from Page One
hazards.

"It's a distraction at best and a conflict at worst," said Jonathan Grabel, chief investment officer of the \$50 billion Los Angeles County Employees Retirement Association. "To the extent we entrust a firm with retirement savings for a large pool of people, it's not consistent with their fiduciary duty to us as an investor."

The personal investments can also entangle hedge funds or private-equity firms in sticky situations, such as one involving Fortress Investment Group LLC and the Milwaukee Bucks basketball team, which sparked a protest over taxpayer-funded arena financing.

Blackstone said its transactions involving Mr. James's family investment firm were cleared by Blackstone's conflicts committee, and he wasn't involved in the decisions. He declined to be interviewed.

Family offices are used more and more by clans with fortunes of \$250 million and up for personal investing. They are largely unregulated, providing both secrecy and flexibility. Increasingly, they invest directly in companies.

At least 20 founders or top executives of prominent U.S. hedge funds and private-equity firms have set up family offices or similar private investing ventures, according to a Wall Street Journal tally. Among these executives are the three co-founders of Apollo Global Management LLC, one of the world's largest private-equity firms; David Bonderman, a founding partner and chairman of another such firm, TPG; and Paul Tudor Jones of the hedge-fund firm Tudor Investment Corp. Some family offices are evolving into full-fledged businesses that share staff, offices

with Mr. Harris's business said he spends 85% of his time on Apollo.

Apollo's regulatory filings say executives' family offices may not "usurp opportunities for Apollo's clients" and must clear stock trades of a certain size with the compliance division.

Some clients of hedge and private-equity funds say they don't understand why asset managers don't have all of their own money in funds they charge hefty fees to manage. Other clients say diversification can make sense for the managers and don't mind as long as their funds perform.

"We want to make sure the fund is always the primary beneficiary of investment ideas and the primary beneficiary of the portfolio manager's time," said Michelle Knudsen of London-based Partners Capital Investment Group LLP, which advises clients on the investment of about \$18 billion. On occasion, Partners has pulled out money when it felt a fund manager's focus was wandering, she said.

Managers of investment funds for clients are legally bound to act in the best interest of those funds. Their specific duties are set by contracts with clients. These sometimes require managers to commit substantial time and a certain portion of their own money to their funds.

To minimize conflicts, some fund firms have their compliance departments clear any private investing by fund executives. Family offices, for their part, sometimes steer clear of an industry that is a focus of the owner's fund for clients, or they stick to a different corner of the industry.

Pershing Square

William Ackman's Pershing Square Capital Management LP lets its employees invest in private companies, real estate and other assets because Pershing Square invests only in public companies. The hedge fund's employees have to run their investments by the firm's chief compliance officer.

Even so, things can get complicated. In 2015, Mr. Ackman personally spent \$7 million for about a 1.5% stake in Sprout Pharmaceuticals Inc., the maker of a female libido drug. One of Pershing Square's biggest positions at the time was in Valeant Pharmaceuticals International Inc.

Valeant and Sprout began discussing a breakup later that year. Sprout sought Mr. Ackman's input on Valeant's management team and he vouched for it, said a person familiar with the transaction. Valeant acquired Sprout for \$1 billion.

That was good for Sprout shareholders, who roughly doubled their money, but less so for Valeant. Safety and effectiveness concerns hobbled sales of the libido pill, Addyi, and marketing plans for it were slowed by a slate of problems that arose at Valeant, including a controversy over its ties to a mail-order pharmacy.

Mr. Ackman told Pershing Square shareholders he had played no role in Valeant's decision to acquire Sprout. His economic interest in Pershing Square was larger than his interest in Sprout, said a person



Fortress Co-Chairman Wes Edens joined with others to buy the Milwaukee Bucks basketball team.

\$2.4 million in 2016 and \$5.2 million in 2015.

Fortress said employees are barred from any activity or personal interest that could conflict with the interests of clients. Senior executives' personal investments get additional scrutiny from the compliance department to make sure they don't impinge on the main business, a spokesman said.

The precautions didn't prevent a tangled situation in Milwaukee from developing. A public Fortress unit pledged a multimillion-dollar donation to help city residents at a time when the city was pondering a move that could benefit a Fortress executive.

Wesley Edens, a Fortress co-founder and co-chairman, was part of a group that bought the Milwaukee Bucks for \$550 million in 2014. The group sought public financing from the city and elsewhere to partially finance a new arena with a zinc exterior that would evoke Wisconsin's forests and rivers.

The proposed use of taxpayer money ignited protests, and it didn't take long for Fortress to become enmeshed in the financing fight.

Public Protest

A community organizer called Common Ground discovered Mr. Edens was the chairman of Nationstar Mortgage Holdings Inc., a publicly traded company majority-owned by Fortress. Nationstar serviced mortgages for thousands of Milwaukee homes, some of which had been foreclosed on and were in disrepair. Common Ground campaigned against the stadium financing, labeling Mr. Edens a "slumlord."

A few weeks before Milwaukee officials were to vote on the arena deal, Nationstar agreed to donate \$30 million to help distressed homeowners in the city.

A spokeswoman for Nationstar said the move was unrelated to the city's approval of a new Bucks arena, which soon followed. She said Nationstar works with government agencies and nonprofits to find solutions for struggling homeowners, and the relationship with Milwaukee was no different.

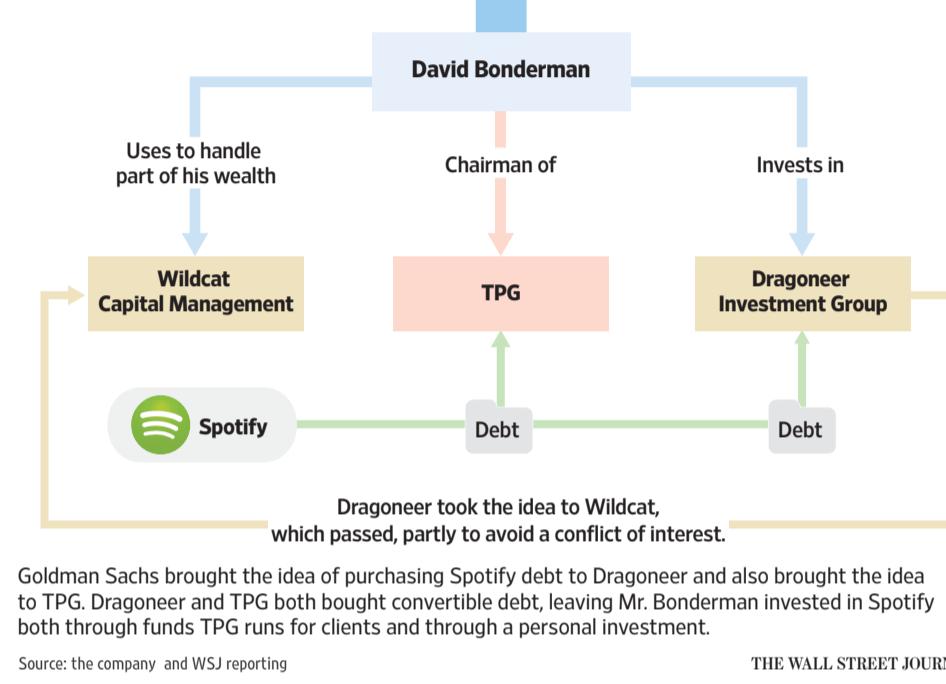
Mr. Edens, who has since stepped down as Nationstar chairman, declined to be interviewed. A spokesman for Fortress, Gordon Runté, said, "The notion that the city had special leverage in its negotiations with Nationstar is ridiculous," adding: "Wes had nothing to do with the negotiations between the city and Nationstar and never addressed the matter with management."

Michael Murphy, a former president of Milwaukee's legislative body who met with Mr. Edens and was involved in negotiations with Nationstar, said Mr. Edens's dual role with the Bucks and with Fortress was an important factor in the city's extracting \$30 million from Nationstar.

"Certainly the timing was right for us to say, 'You're going to do all this new development around Milwaukee...[so] take into consideration the city's neighborhoods,'" Mr. Murphy said. "If they had not made a contribution, what would the vote have been on the council? I'm not sure."

Overlap

One fund executive's side investing



Goldman Sachs brought the idea of purchasing Spotify debt to Dragoneer and also brought the idea to TPG. Dragoneer and TPG both bought convertible debt, leaving Mr. Bonderman invested in Spotify both through funds TPG runs for clients and through a personal investment.

Source: the company and WSJ reporting

THE WALL STREET JOURNAL.

familiar with his holdings. Valeant spokeswoman Lainie Keller said Addyi is FDA-approved "with a well-documented safety and efficacy profile."

At Blackstone, regulatory filings have described two potential conflicts linked to Swift River, the firm investing money in private-equity deals for Blackstone's president, Mr. James.

One involved software developer iLevel Solutions LLC, which Blackstone built and then sold part of seven years ago.

Swift River invested just under \$7 million in iLevel and came to own around a quarter of it.

Then in 2015, a company Blackstone co-owned acquired iLevel. The price was at least \$75 million, said people familiar with the purchase, enabling Swift River to more than double its money.

Blackstone said in regulatory filings that it had talked to about 20 potential investors before selecting Swift River as one of the primary 2010 buyers. It said negotiations were led by an outside investor not linked to the James family.

In the other potential conflict cited in filings as linked to Swift River, a Blackstone business-development affiliate provided financing to an oil-field-services company in which

Swift River indirectly owned a stake. Blackstone filings said Mr. James didn't work on the financing for the oilfield company, Allied-Horizontal Wireline Services LLC.

"All of our people are required to clear personal outside investments," said a Blackstone spokeswoman, Christine Anderson. "We have strict policies and procedures around conflicts and we follow them. Rare conflicts are subject to extensive approvals and disclosure."

The brother of Tony James who runs Swift River, David James, said it is no longer as active as before. Last year Tony James started a new firm called Jefferson River Capital LLC—named for a river that runs through his family's Montana ranch—to invest in small private-equity deals, according to people familiar with the matter.

Bonderman Deal

Mr. Bonderman of TPG invests his wealth through a firm called Wildcat Capital Management LLC. He is also an investor in a firm called Dragoneer Investment Group LLC, run by a TPG alumnus, whose investments in technology companies have at times overlapped with those of TPG. Dragoneer and TPG invested together in Airbnb Inc. and Spotify AB.

Goldman Sachs Group Inc. brought a deal to purchase Spotify convertible debt to Dragoneer and also brought the deal to TPG.

Dragoneer took the idea to Wildcat, which passed, partly to avoid a conflict of interest. But Dragoneer and TPG both bought debt last year, leaving Mr. Bonderman invested in Spotify both through funds that TPG manages for clients and through Dragoneer.

Wildcat executives run their potential investments by TPG's compliance department. In some cases, Dragoneer has restructured deals so Mr. Bonderman wasn't part of an investment in a company where TPG was also an investor. TPG, which isn't publicly held, tells clients Mr. Bonderman may have investments outside TPG but doesn't disclose his affiliations with Wildcat and Dragoneer, a person familiar with the matter said.

"TPG funds are always given the first opportunity to invest," said a TPG spokesman, Luke Barrett. Mr. Bonderman declined to comment.

At Fortress, a handful of employees work solely on the personal financial matters of co-founders, who reimburse Fortress. It discloses the arrangement in its filings. Fortress said the expenses came to

and ideas with their owners' main funds.

Apollo co-founder Joshua Harris's family office, called HRS Management LLC, includes a team that pursues private-equity transactions. It and Apollo have sometimes looked at some of the same potential deals, although HRS generally focuses on smaller transactions and Apollo gets first dibs on any project, said people close to Apollo.

Through his family office, Mr. Harris also co-owns and helps manage three sports teams, including the Philadelphia 76ers. A person familiar

The New York Public Library is hosting its annual free "Anti-Prom" in New York City in June. Above, the 2016 event.

bidden. And two-piece dresses have come with strict guidelines, or have been banned, as showing midriff is a concern.

When Dominique Davis learned that a rule at Danville High School in Illinois would forbid students with three or more unexcused-absence days since the winter break from going to prom, she talked to peers to gauge support for an alternative prom. Now, she and 11 other students are holding that event on May 20, the same day as the official prom.

Administrators say that prom rules can be added annually to address new trends and safety concerns. But students say it has gotten worse in the last couple of years, as multi-page prom guidelines become more popular.

Some administrators have banned canes, mouth grills and saggy pants, as well as

dresses with mesh cutouts to give the illusion of bare skin. Shawls, coats and sweaters used to cover dresses not in compliance are sometimes for-

bidden. And two-piece dresses have come with strict guidelines, or have been banned, as showing midriff is a concern.

Danville principal Kimberly Norton said the unexcused-absence rule is in place "to make sure that students are focused on learning."

Students at Boylan Catholic are also organizing their own prom after concerns that the 21-page dress code contributed to body shaming.

A rule in the document, which includes pages of pictures of what's acceptable and not, states: "Some girls may wear the same dress, but due to body types, one dress may be acceptable while the other is not."

Mitzi Clayton, a spokeswoman for Eufaula City Schools, said Ms. Maine attending the prom could have prompted other students to invite older relatives—people who would be old enough to consume alcohol and present a safety issue. "It just causes

problems," Ms. Clayton said. "Where do you draw the line?"

After the issue got public attention, the school district joined with a senior center to host an annual prom for senior citizens. This year it shared a theme with the high-school prom—"A Night to Remember."

Many schools use committees made up of staff members, and sometimes students, to recommend rules, with final approval by the principal.

At Glenbard East High School in Illinois, students must arrive by 8 p.m. and can't leave before 10 p.m., which is 30 minutes before prom ends. That way parents know their children are safe until the designated end time, said Antoine Anderson, an assistant principal at Glenbard.

"We are concerned and looking out for our students from a safety standpoint," he said.

Students in New York can skip the prom rules and contracts altogether. The New York Public Library is hosting its annual free "Anti-Prom" event in New York City in June for students 12 to 18 to attend no matter what they wear.

All 17 high schools in the Archdiocese of Philadelphia system, which includes Archbishop Ryan, require students to bring a date of the opposite

sex. Spokesman Kenneth Gavin said the rule exists because the schools are Catholic and its activities are meant to "contribute to the holistic formation of young Christian men and women."

At most schools, dates aren't required, but can be difficult to change. "Date request" forms for non-enrolled guests are becoming standard. The forms usually require signed verification that the guest is in "good standing" at school or validation by an employer if the guest isn't in school. The Sanger school district in Texas conducts criminal-background checks on guests. "We used to let everyone in the door, but unfortunately circumstances change," said Rhonda Bilbrey, the district's assistant superintendent.

Principal Mick Cochran requires students to take Breathalyzers before entering prom at Joshua High School in Texas. But when it comes to prom-wear, he relaxes dress-code rules, saying students have earned it.

"Where we have no cleavage normally, they might get away with just a little bit," he said. "And our boys can't have ponytails, but we let them put it in a man bun."

Blackstone dealt with a firm that invests wealth of President Tony James.

and ideas with their owners' main funds.

Apollo co-founder Joshua Harris's family office, called HRS Management LLC, includes a team that pursues private-equity transactions. It and Apollo have sometimes looked at some of the same potential deals, although HRS generally focuses on smaller transactions and Apollo gets first dibs on any project, said people close to Apollo.

Through his family office, Mr. Harris also co-owns and helps manage three sports teams, including the Philadelphia 76ers. A person familiar

The New York Public Library is hosting its annual free "Anti-Prom" in New York City in June. Above, the 2016 event.

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GREATER NEW YORK

City Budget Hedges Against Trump

Mayor cites uncertainty over potential cuts from Washington in offering \$84.86 billion proposal

By MARA GAY

New York Mayor Bill de Blasio rolled out his executive budget Wednesday, an \$84.86 billion proposal that comes at a time when city officials are bracing for potential cuts from the Trump administration.

The mayor's budget would add hundreds of millions to the city's reserves and increase overall spending by more than \$2.7 billion from this year's adopted budget of \$82.12 billion, which subsequently grew.

"There is a deep uncertainty," Mr. de Blasio said at City Hall on Wednesday. "Our job is to be vigilant. Our job is to work with members of Congress and with mayors...to protect the interests of cities."

Some budget experts said city spending under the plan is too high.

Carol Kellermann, president of the Citizens Budget Com-

mission, a nonpartisan watchdog group, said in a statement Wednesday that "in an atmosphere of political and economic uncertainty," the budget "should have exhibited more spending restraint."

The executive budget proposal is for fiscal 2018, which begins July 1, and must be approved by the City Council.

Even after it is adopted, the city's budget generally is readjusted several times throughout the year. This year's budget has increased \$3.4 billion from its initial level to \$85.5 billion.

Mr. de Blasio's plan is nearly \$200 million higher than the preliminary budget he proposed in January.

City officials said the increase largely is driven by federal funds allocated under the administration of President Barack Obama but only recently received. It also includes new initiatives the mayor has proposed such as \$36 million toward a plan to expand the city's free prekindergarten program to 3-year-olds.

The city's budget has steadily grown during Mr. de Blasio's first term. It is up

about \$15 billion from almost \$70 billion in fiscal 2014, the last year it was negotiated under former Mayor Michael Bloomberg.

Mr. de Blasio, a Democrat, has used revenue from a strong economy to invest heavily in programs to fight homelessness and poverty. He also has increased the size of the city's workforce. The number of full-time and full-time equivalent

"We are in a situation that requires sustained vigilance," he said.

About 10% of the city's budget comes from federal funding. In one example of the potential impact on New York City, budget experts and city officials have said the city could lose billions of dollars in the event of the repeal of the Affordable Care Act.

Mr. de Blasio said it didn't make sense to "sit around dead in the water" waiting to see how the Trump administration and Congress would act. "We're not going to let the uncertainty in Washington stop us from doing some smart and targeted investments," he said.

The mayor also proposed a \$95.9 billion 10-year capital plan, up from \$83.8 billion two years ago. The capital plan, which funds infrastructure, includes investments such as \$355 million to replace building facades in the city's aging public-housing system, which is home to more than 400,000 New Yorkers.

The mayor's proposal must be approved by the City Council by June 30.

\$200M

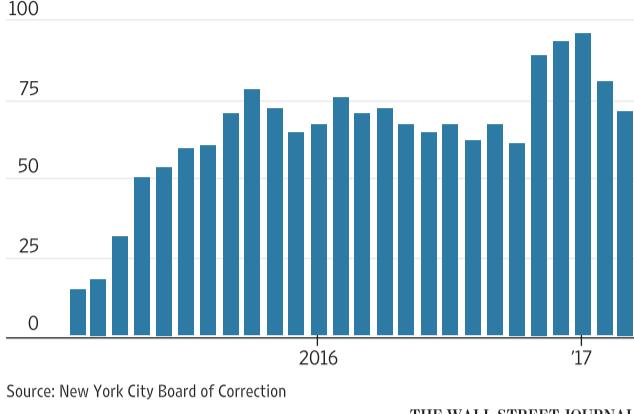
Increase in the mayor's budget plan over his January proposal

city employees reached 313,092 last year, up from 297,349 under Mr. Bloomberg.

On Wednesday, the mayor said he planned to institute a partial hiring freeze, a measure he said would help protect the city's fiscal standing. The freeze, he said, primarily would affect managerial and administrative positions.

Inmate Count

Average daily population of adult inmates in Enhanced Supervision Housing, which holds some of the most dangerous individuals in New York City jails



Source: New York City Board of Correction

THE WALL STREET JOURNAL.

Fewer Inmates Held in Solitary, But Flaws Cited

By CORINNE RAMEY

New York City jails have drastically reduced the number of inmates in solitary confinement. But problems remain with the way some of the most dangerous inmates are housed, according to a report released Wednesday by the jails' watchdog agency.

At the Rikers Island jail complex, about 100 inmates are held in solitary confinement, which officials call punitive segregation, down from an average of some 800 in 2013. Once, inmates as young as 16 were held in solitary; today there are no inmates 21 or younger, according to the Department of Correction.

The jails now house some dangerous adult inmates in other ways, particularly in a program the correction department calls Enhanced Supervision Housing. Inmates, who are housed alone, are supposed to get at least seven hours each day outside their cells.

Some advocates have criticized this supervised housing as another form of solitary confinement.

The correction department, in response to the report, said the enhanced housing is necessary. "Enhanced Supervision Housing enables the department to safely manage the most dangerous individuals in its custody—those who have slashed or stabbed others or

assaulted jail staff—by keeping these individuals out of the general population," said a spokesman for the department.

The city's Board of Correction, the watchdog agency, set specific standards for the housing before it was created in 2015. Overall, the report found, the department largely met these standards. But still, it said, problems with the program remained.

"Operationally, the department has space and opportunities for improvement, especially around making the process more fair and more transparent," Martha King, the board's executive director, said in an interview. For example, inmates didn't understand why they were in Enhanced Supervision Housing.

Board member Stanley Richards said examining this sort of housing was important because city officials have said that in order to shut down the Rikers complex, the city's total inmate population of some 9,000 would need to be significantly reduced.

"As we start closing Rikers, the only ones who will be incarcerated will be those who cannot be supervised safely in the community," said Mr. Richards, a former Rikers inmate who is now executive vice president of the Fortune Society, a re-entry organization. "It's critically important to get that model right now."

Details Imminent on Penn Station Upgrades



WAITING GAME: Workers walked along tracks used by NJ Transit and Amtrak trains at New York Penn Station on Wednesday. Amtrak is set to announce plans Thursday for replacing tracks and equipment, which is likely to result in further service disruptions.

State Police Set Up Unit To Go After MS-13 Gang

By JOSEPH DE AVILA

New York State Police are forming a new unit to take on MS-13, the gang that has been linked to several recent homicides on Long Island, Gov. Andrew Cuomo said Wednesday.

The state unit will share intelligence, surveillance equipment and vehicles with local law-enforcement officials, Mr. Cuomo said.

Law-enforcement officials say MS-13 has been recruiting minors from Central America who are new to the U.S.

New York State Police will also send 25 additional troopers to patrol the Long Island communities of Brentwood and Central Islip, which officials say have been the center of gang violence tied to MS-13.

"MS-13 are thugs," said Mr. Cuomo, a Democrat. "Their calling card is fear and intimidation. And they prey on the

working families of Brentwood and Central Islip."

Four young men were found murdered by sharp-edged instruments in a park in Central Islip earlier this month. Suffolk County Police have said the slayings were linked to MS-13.

Suffolk County Police also say the gang is responsible for seven other homicides in 2016 in Brentwood and Central Islip. More than a dozen alleged MS-13 gang members were charged in March in connection to three of the murders.

The announcement of the new state gang unit follows a proposal Monday by Suffolk County Executive Steve Bellone to thwart MS-13's recruitment of young immigrants. A system would be set up for county officials, school districts and local law enforcement to be alerted when an unaccompanied immigrating minor settles in the jurisdiction.

CUNY Stirs Controversy With Activist Invite

By MIKE VILENSKY

Ms. Sarsour has a host of supporters, including Councilman Brad Lander, who wrote a letter to CUNY this week, and U.S. Sen. Kirsten Gillibrand.

"Not every student at the commencement speech will agree with every word she says," Mr. Lander wrote. "But

the speaker, Linda Sarsour,

an ally of New York City Mayor Bill de Blasio, helped organize the women's march in Washington following President Donald Trump's inauguration.

Ms. Sarsour also is a Palestinian organizer and a supporter of efforts to boycott, divest from, and sanction the Israeli government, or "BDS," a tactic New York Gov. Andrew Cuomo has condemned.

"CUNY is implicitly placing a seal of approval on Jewish exclusion," said CUNY student Heather Alper. "CUNY should be honoring an activist who champions equality for all marginalized people."

I am confident they will all...be inspired by her.

Mr. Cuomo, a Democrat, issued an executive order last year saying New York would divest state funds from and boycott supporters of "BDS." Critics said selecting Ms. Sarsour to speak at CUNY, a school system

run by the state and city, may violate the order.

"The order pertains exclusively to investments of state funds and procurement with companies that support the BDS movement," said Mr. Cuomo's counsel, Alphonso David.

A CUNY spokeswoman said Ms. Sarsour isn't being paid, and her selection was made by the Dean of the CUNY School of Public Health, where she is speaking on June 1.

James Milliken, CUNY chancellor, said in a statement Wednesday that while one might disagree with the decision, "taking action because critics object to the content of speech would conflict with the First Amendment and the principles of academic freedom."

In an email, Ms. Sarsour said: "I am honored to be invited to speak...to an audience of mostly New Yorkers and majority women. I hope to inspire them to a life of activism that uplifts the most marginalized among us."

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LIFE & ARTS

FASHION MEN STRETCH TO BE IN STYLE

PHOTO ILLUSTRATION BY C.J. BURTON (PHOTO: BROOKS BROTHERS); DOCKERS; J.CREW

BY RAY A. SMITH

CLOTHING RETAILERS used to whisper about the stretch in their men's clothing, out of fear of scaring away men.

This spring, the whisper is becoming a shout.

Men finally seem OK with fabrics with elasticity—a staple in women's fashion for decades. Technology has made stretchy material less boingy and thus less noticeable, which appeals to men who previously saw even 2% spandex in a suit and thought cycling shorts.

Tighter-fitting styles for suits and casual wear also make a little give appealing, or even feel like a necessity. Men say they want some leeway around the shoulders, elbows, thighs and knees.

"We've embraced stretch and we're proud of it," says online retailer Bonobos' chief creative officer Dwight Fenton. "We let everybody know that it's our thing."

Bonobos, which is in talks to be acquired by Wal-Mart Stores Inc., last month introduced a line of pants: Stretch Weekday Warriors. The company also didn't shy away from the word in promoting them



Dockers Smart 360 Flex khakis use a four-way stretch fabric.
Above right, J.Crew's 9" short.

with the tagline, "Stretch your weekday further with extra comfort." Mr. Fenton says, "Not long ago we would have told mills not to show us stretch fabrics."

Dustin Godsey, chief marketing officer for the Milwaukee Bucks, had never purchased pants with stretch until a couple of months ago, when they arrived as part of a clothing subscription service.

Had it not been for the service, the 38-year-old wouldn't have bought pants with stretch, he says. He has long thought clothes with stretch "almost seem not appropriate for work or business attire," he says. "I don't want to wear sweatpants to work."

But he liked the way the stretch made the new pants feel and they were comfortable. "It's the same

look, [as jeans and dress pants] but it feels like your sweatpants," he says. Earlier this week, he tweeted: "I resisted for a long time, but let me tell you folks...getting pants with just a little bit of stretch in them is life altering." Regarding the tweet, he says, "I'm a fairly recent convert and I just felt like people should know."

J.Crew in February posted a video to reassure men that a little stretch is OK. In the 30-second clip, models wear stretch jeans while they pop wheelies on a motorbike, play tennis in a suit made with stretch, and slide on a wet plastic Slip 'N Slide style tarp in a pair of stretch chinos. J.Crew

posted it on its website and YouTube channel, where it has gotten 617,277 views since February.

In a new J.Crew campaign on its website, men can click on a tab that says "Shop all stretch." There was no such thing two years ago, when J.Crew first started adding stretch to men's clothes. That's a change from the past. Often "when a guy thinks stretch, he thinks running leggings" or something clingy, says Frank Muytjens, the former head of men's design at J.Crew, who left the company



on Tuesday amid a raft of changes.

"We introduced stretch in a small way, in a garment-dyed short, just to test, to see how our guy would react," Mr. Muytjens says. Now there is a bigger variety. Over the past year the company has launched a version of its top-selling cotton 9" shorts with stretch, stretch dock shorts, stretch chinos, and a line of its Ludlow and Crosby suits in a new stretch fabric.

Dockers plans to highlight stretch "very loud and proud for him" with in-store packaging and at cash registers when it launches this fall a new line of khakis with twice as much stretch as its other khakis, says Robert Dellaporte, a Dockers spokesman.

The clothes don't look stretchy, unlike those seen on disco dance floors in the 1970s. Advances in weaving technology have reduced the much-disliked shiny effect and made blending stretch with natural fabrics more seamless.

Some companies have been putting stretch in men's clothes for many years but staying away from using the word, opting for more masculine, muscular terms like "flex."

The brand Theory was considered groundbreaking when it launched in 1997 for using Lycra in its office-friendly womenswear. Theory debuted menswear two years later and added stretch there too, but never really talked about it. When the company promoted its new Neoteris pant, made with 5% elastane, a type of stretch, and 95% polyamide, a synthetic fiber, it used technological-breakthrough terms. The company has since launched two new styles of the pants and for fall, will introduce a technical tailored wool suit with 7% elastane.

Theory's levels of stretch are higher than some other companies. Bonobos' Stretch Weekday Warrior pants include 2% elastane and Ralph Lauren's knit oxfords in stretch cotton, launched in 2015, contain 2% elastane. Dockers' new Smart 360 Flex khaki pants use 4% stretch, up from 2% in prior versions. The new line uses four-way stretch, meaning the stretch fabric extends sideways and up and down. The four-way fabric extends to the waistband too, so it expands and snaps back into place.

Brooks Brothers recently started adding stretch to some shirts and trousers after walking away from the idea a few years ago because "men just weren't interested in it," says Guy Voglino, vice president and global brand manager of men's. The company has stretch in almost all its products, he says. "Your stride becomes easier. Sitting down becomes less noticeable because the pant is moving with your body. Even shirts, when you're sitting at your computer, driving your car, there's just no resistance when there's stretch."

THE MIDDLE SEAT | By Scott McCartney

THE PAPARAZZI-PROOF AIRLINE TERMINAL

Los Angeles
THE NEXT BIG Hollywood premiere will be at the airport, and it likely will reduce some of the chaos and clog at Los Angeles International.

The Private Suite, a remote terminal for VIPs, celebrities, CEOs and anyone willing to pay \$1,500 to \$4,000 for privacy and pampering at one of the world's busiest airports, will officially open May 15. It's already handling some clients as it works out operations with airlines, the Transportation Security Administration and Customs and Border Protection.

Luxury terminals for first- and business-class passengers have been growing around the world and are now found in at least a dozen major cities. They are proving to be both profitable and efficient, operators say, segregating passengers and crew who can slow security lines. They also foil paparazzi scrums that can injure bystanders and create



traffic jams. Customers get driven in luxury cars to and from planes, as some airlines do now for top customers, too. At London's Heathrow Airport, 60,000 people a year use the VIP terminal, an airport spokeswoman says. The Private Suite is the first in the U.S.

Belinda Carlisle, lead singer of the Go-Go's, was one of the first to sign up and tweeted thanks to TSA after using the terminal last week on her way to China. (TSA's

Please see PAPARAZZI page A12



The Private Suite, right, offers travelers a private room. It was built to lessen paparazzi airport scrums like this 2015 appearance by Kim Kardashian, above.

LIFE & ARTS

The gallery of
Tiffany lamps at
the newly
renovated New-York
Historical Society



CORRADO SERRA (2)

BY JAMES PANERO

New York

'OBJECTS TELL STORIES' is the message that flashes across the video monitors of the new permanent-collection galleries of the New-York Historical Society. The phrase might serve as a mantra for what the museum and library is describing as the "transformation" and "reimagined installation" of its fourth floor, which opens to the public this Saturday, April 29, after a \$35 million overhaul.

Less discussed, however, is what has been transformed: A museum once defined by its singular holdings and their mode of display has now turned its collection into a sizzle reel of teachable moments.

For starters, tens of thousands of objects that had been on permanent view—treasures that have defined and described local history—have been taken down, with many of them shipped offsite to storage in New Jersey.

But there's more: The society has chosen to destroy its fourth-floor display of "visible storage"—the unmediated assembly of its trove of objects—which had made a majority of its collection of 70,000 objects publicly available.

Known as the Henry Luce III Center for the Study of American Culture, this award-winning, floor-wide installation, completed in 2000, was a place to become lost in the rich material of New York's history. All this has been reduced to a single gallery, with only a fraction of the collection left on view.

The old Luce Center was a "sentence with a lot of nouns and no verbs," Louise Mirrer, president and CEO, noted on a recent tour.

In its place, the society has chosen curatorial interpretation through immersive and interactive technologies. Or as Ms. Mirrer, who has overseen many prior successes at the society, puts it, the new installation is designed "to dazzle our multiple and varied audiences" with the stories behind the objects.

And so, as the 4,800-square-foot centerpiece of the floor, the museum's encyclopedic collection of 100 Tiffany lamps has been set in a new "dramatically lit jewel-like space." The multilevel gallery has been curated by Margaret K. Hofer, the museum's director, along with Rebecca Klassen, the assistant curator of material culture, and designed by the Czech architect Eva Jiřičná. Its curving cases and glass staircase—inspired by Ms. Jiřičná's work for the Victoria and Albert Museum and for high-end retail—make visiting the museum more like browsing a Mac store. The space includes a "hands-on 'Design-a-Lamp' experience,"

where visitors can design a virtual Dragonfly shade and see the results on an illuminated model.

Despite the changes, the fourth floor retains the Luce name. It divides a small selection of objects from the permanent collection into 15 "themed niches" on topics ranging from infrastructure to slavery. Also included are 10 historical artifacts "that chart key moments in history," all supplemented by interactive media. These range from the Civil War draft wheel that sparked the New York riots of 1863 to a graffiti-covered door from the 1970s.

The most radical—and political—transformation, however, is

the new Center for Women's History. "A lot of history is male-centric history," explained Valerie Paley, the director of the center and the society's chief historian, on another tour. "Infusing any narrative of the past with race, class and gender is important."

This mandate now colors the entire floor. The new Tiffany gallery, for example,

focuses on the "hidden history" of Clara Driscoll and her design team of "Tiffany Girls." There is a section dedicated to tennis pioneer Billie Jean King. The new Joyce B. Cowin Women's History Gallery hosts rotating exhibitions starting with "Saving Washington," which focuses on Dolley Madison and the women of the early republic, with an immersive space featuring digital tables and life-size cutout photographs of historical re-enactors.

Meanwhile, an interactive video wall called "Women's Voices" broadcasts at the entrance. These nine 50-inch touchscreens draw connections between Seneca Falls,

the meeting of the landmark women's rights convention of 1848, and such figures as Madonna and the "Women of SNL."

"So many of our objects in our Luce Center looked like one big attic," says Ms. Paley of the old installation. "We needed a narrative."

But "attic" was the point. A truly radical approach to museum presentation, visible storage emerged in the 1970s as an effort to open museum collections to a broader public. The idea was championed by Henry Luce III, the heir to the Time Inc. fortune who, before his death at age 80 in 2005, had funded similar centers at the Metropolitan and Brooklyn museums, and the Smithsonian.

Its destruction here represents a signal event in museum culture. Since the 19th century, museums have been dedicated to preserving and presenting the objects of our cultural patrimony. Visual storage represents the apogee of this object-oriented approach. In its place we now have tutorials that "will challenge conventional wisdom," in Ms. Mirrer's words, "and inspire us in new thought and action."

By contemporary standards, the new installation may be considered a great success—hectoring and seducing at once, with technologies that have the power to engage the public as never before. But such engagement, informed by a mixture of ideological and commercial concerns, also leads museums away from the primacy of art and artifacts. The society's new floor certainly has a lot to say. It also has far fewer nouns through which to speak.

Mr. Panero is the executive editor of the *New Criterion*.

MUSEUMS

New York History Goes Into Hiding



PAPARAZZI

Continued from page A11
crack social media desk tweeted back that the agency was "head over heels" with the kudos, referring to one of her hit songs.)

"I've used this kind of service overseas and I'm so grateful it's now in the U.S.," Ms. Carlisle said by email after her flight. "It's a game-changer."

Los Angeles' airport operator, TSA and CBP are supporting the private terminal because the daily stream of celebrities creates mob scenes. Airport police get tied up working celebrity crowd control, and security lines come to a standstill as travelers snap photos and videos.

In exchange for staffing the private terminal, TSA negotiated to move other snarls out of main terminals. International flight crews, which can number more than 30 people and often march to the front of lines, will be screened at the new terminal to keep officers there busier and shorten main-terminal lines.

A Private Suite membership costs \$7,500 a year. Then each trip through costs \$2,700 for a group of up to four people traveling domestically or \$3,000 for international flights. That's one way. Without a membership, prices are \$800 to \$1,000 higher, with fewer benefits. Shared space in a group lounge costs \$1,500 for members; nonmembers pay more.

Heathrow's VIP terminal charges about \$3,500 for up to three people in a private suite.

So far, Private Suite has sold 1,200 memberships, many of them bought at a discount by corporations for top executives or clients, says security consultant Gavin de Becker, who operates the terminal. The company's management expects it to be



Private Suite has a rolling cart of free emergency items, including extra shoes and shirts.

profitable by its third year.

Mr. de Becker, a well-known protector of celebrities, developed the facility with investors including David Bonderman's TPG Capital. (Mr. Bonderman is a former chairman of two airlines.)

The terminal has 13 private suites, including a room for infants with a changing table and bottle warmer, one for young children with a play yard and games, and one for Middle Eastern clients with prayer mats, a Quran and medjool dates.

Each private suite has a bathroom, a stocked refrigerator and snacks galore, from wall-mounted dispensers with nuts,

jelly beans and chocolate-covered almonds to bags of treats fit for a star: roasted seaweed and tortilla chips cooked in rice bran oil. Meals are available. Just about anything forgotten will be provided free: headphones, dress shirts and blouses, ties, socks, belts and shoes, dress hem tape, cuff links and raincoats.

"They can have sex in here, change clothes, have arguments—we never come in and never knock on the door without a phone call first to the room," says Mr. de Becker. The suites, he says, "give people the one thing they never get at an airport: peace."

The terminal is out of the main LAX traffic flow, avoiding the potential 45-minute slowdown for a pickup or drop-off because of traffic in the horseshoe roadway fronting major terminals. And it's deliberately hard to spot—an unmarked gray fence and lone guard shack. Once inside, you may park next to a Bentley or Lamborghini available for rental.

The Private Suite has an airline bag-tag printer and carriers have agreed to send a representative to the terminal to verify ID and haul off checked luggage. Since passengers are on first- or business-class tickets, airlines are willing to go to lengths to win them over from private jets or rival carriers. Upon landing, a Private Suite worker goes to baggage claim and waits to retrieve bags while customers are in their suites.

The largest client group will be international arriving passengers, Mr. de Becker says, since they get the advantage of personal CBP inspection.

Passengers get greeted by a man in a black suit either at the top of the jet bridge or right by the airplane door, depending on the airline setup. From there, it's stairs or elevator down to the busy ramp area where a BMW 7-series is waiting. It's about a 10-minute ride from most gates.

The staff can check in outbound passengers and print boarding passes. First stop after the suite is a TSA screening room. TSA has designated the facility an innovation site, which not only lets the agency try out new equipment but also creates a regulatory mechanism for Private Suite to pay for it all. The company also paid for CBP's facility.

Once screened, customers are driven to their aircraft, ushered either up the jetway stairs right to their seats or taken in through the terminal onto the plane. It's an airport experience without ever really going through an airport.

LIFE & ARTS

FOOD

If You'll Shop, Stores Will Chop

BY ANNE MARIE CHAKER

GETTING US TO COOK at home more may come down to chopping vegetables.

The task is just-time-consuming and just-messy enough that it sends people who are on the fence to takeout at the witching hour of 5 p.m.

Supermarkets, in their continuing efforts to win back shoppers who increasingly turn to takeout, restaurants and meal kits, are trying more services that sell chopped vegetables and other short-cuts. They appeal to people's preference for choosing their own food in person.

Hy-Vee Inc., a chain of 244 Midwestern supermarkets, has begun a meal-preparation program that runs similarly to a book club. A group of five to 12 customers schedule a time to gather in a separate room in the store that may have large working tables, a stove and a dishwasher. Each group member selects one recipe. The group prepares and divides up the meals for everyone to take home.

Store staff does all the chopping and cleanup. Customers can sip wine while assembling ingredients. Cost is about \$10 a person plus the grocery bill, divided evenly among participants.

Brianna Lane, a 36-year old stay-at-home mom in Davenport, Iowa, and 11 of her friends meet every six weeks in the "club room" of their Bettendorf, Iowa, Hy-Vee store. Last week the group prepared recipes including sweet-and-sour meatballs and Monterey chicken. They split portions into freezer bags to take home. Ms. Lane says she stacks hers in the freezer and uses them over the next several weeks to feed her family of nine.

"The convenience of knowing exactly what you're going to make at 5 o'clock is awesome," she says.

Schenectady, N.Y.-based PriceChopper/Market 32 stores, a regional chain of 137 stores in the northeast, has launched a choose-your-own-adventure case in the



A Hy-Vee store in Savage, Minn., hosts book club-like gatherings, above, where friends can prepare meals. Store employees chop and clean up. Price Chopper/Market 32 stores organize meat, sauces and sides in one display case, left. A Coborn's store in Sartell, Minn., has employees who dice produce for customers, inset.

meat department. Customers start with a sauce, such as lemon-garlic or Marsala mushroom, and select their meat, which is prepared and cut. Then, they are led to prepared and packaged vegetable mixes, such as Brussels sprouts, onion and apple, or squash and onions for \$2.99. Then, the starch: Packages of lime-cilantro rice or mashed sweet potatoes for \$4.49. Below are recipe cards with preparation suggestions. Customers can select a seasoning mix. The recipes take 15 minutes to prepare, says Mona Golub, a vice president for

the supermarket chain, serve four and cost \$20 to \$25.

Julia De Marco, a 25-year-old pet-store manager and yoga teacher, says that the "easy gourmet meals" case has become part of her weekly routine. Unlike takeout, "you can see the ingredients. You know where it's coming from," she says. She also likes that she can go to one location in the store, grab what she needs and be home in 10 minutes without spending any time roaming through aisles.

Grocery stores have pulled out many other tricks, but without

much success. Some opened drive-through windows. Some launched full-service restaurants, says supermarket analyst David Livingston in Waukesha, Wis. Until five years ago, nine of 11 California-based Bristol Farms Inc. stores had sit-down restaurants with waiters and waitresses. Today, only two stores have them. "There's such a variety of grab-and-go food that it was redundant," says Bristol Farms chief executive Kevin Davis.

Supermarkets are constantly trying to adapt to the changing way people shop. People's food standards—from wanting to know which farm the lettuce is from, to how it is grown—are higher than ever, and their time increasingly limited. Grocery stores are also feeling pressure from online sales, subscription meal-kit services and restaurants. In a study conducted by Harris Poll for Nielsen last December, 25% of 2,015 adults surveyed said they purchased a meal

kit in the past year.

"If someone goes to Chipotle for lunch, that's still a customer we didn't get," Mr. Davis says.

But grocers' big advantage is that most people still like to shop in person, wooed by smells and textures, squeezing avocados and turning over apples before bagging.

Coborn's, a Minnesota chain of supermarkets, redesigned certain stores to include a "chop shop" area, where shoppers can bring produce to be chopped for them.

Other grocery stores are eliminating less-frequented center aisles that carry things like dog food and diapers. "They're not coming to the grocery store to get that. They're going to Diapers.com and getting them delivered," says Molly Devaney a vice president at Highland Park Markets in the Hartford, Conn., area. In its Manchester, Conn., store, it has replaced two center aisles with refrigerated cases that contain heat-and-eat meals.

"Our customers don't shop the big orders every week," says Ms. Devaney. "They are using us as their pantry."



He directed films as varied as 'The Silence of the Lambs' and 'Stop Making Sense'

AN APPRECIATION | Jonathan Demme 1944-2017

Picture-Making Polymath

BY JOHN ANDERSON

JONATHAN DEMME will be remembered by those who knew him with a great big smile on his face, which will seem odd to those best acquainted with his most famous film, "The Silence of the Lambs"—that skin-crawling journey into homicidal misogyny and the blood-red mind of Hannibal Lecter. But Mr. Demme, who died Wednesday at age 73, was nothing if not a motion-picture-making polymath who not only had a gift for bringing suspense and weirdness to the screen, but a way of sweeping a viewer up in his infectious enthusiasms.

One of the biggest was music, and during a career that produced such well-tempered emotional ballads as "Melvin and Howard" (1980) and the much more unhinged "Something Wild" (1986), Mr. Demme made one of the best concert films ever—"Stop Making Sense," his Talking Heads documentary of 1984. It's a great film partly because of the music, but partly because everything is choreographed within an inch of its life and yet you're never made

aware of the director's hand. That Mr. Demme had such an instinct for putting music on film in a natural, organic fashion made successes of his other collaborations—most notably with Neil Young, with whom he made three feature documentaries between 2006 and 2011 ("Neil Young: Heart of Gold," "Neil Young: Trunk Show" and "Neil Young: Journeys"). One of his final efforts was last year's "Justin Timberlake + The Tennessee Kids," which if nothing else indicates his musical taste, like his cameras, was always moving.

He had a passion for Haiti, where he made one of his better documentaries, "The Agronomist" (2003). "Swimming to Cambodia" (1987) managed to be cinematic despite its monologuical subject, Spalding Gray. Mr. Demme's nonfiction filmmaking was less celebrated than his narrative movies, not without some reason—"Silence of the Lambs" (1991) is one of only three films to win the "Big Five" Academy Awards (actor, actress, director, picture and screenplay). But just before making "Philadelphia" (1993), which won Tom

Hanks his first Oscar—and was the first studio film to address the AIDS crisis head on—he made "Cousin Bobby," a portrait of his cousin Robert Castle, an Episcopalian minister based in Harlem. It's a lovely film, a poem, and not the work of a director fast-tracking himself through Hollywood.

During my involvement with the New York Film Critics Circle and its annual dinner, Mr. Demme never turned down a request to come into Manhattan from his home in Nyack and present an award—usually to some lesser-known talent whose work he always, somehow, knew. On those occasions, he exhibited the same generosity of spirit that found its way into his music films, and into the complexity and humanity of a Clarice Starling, or in the damaged soul of Anne Hathaway's character in "Rachel Getting Married" (2008). And while it's a question whether a director should be judged on how often one can watch his films, I, for one, can watch "Stop Making Sense" all day long.

Mr. Anderson is a television critic for the Journal.



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SPORTS

HEARD ON THE FIELD



It's a Winning Return For Maria Sharapova

Maria Sharapova came back to tennis on Wednesday after a 15-month suspension, and performed as she usual does: hitting hard, screaming during every swing and grinding out a win.

Sharapova, who turned 30 last week, beat Roberta Vinci 7-5, 6-3 at a clay court tournament in Stuttgart, Germany. She pumped her fists and yelled after the victory. "It's the best feeling in the world," Sharapova said. "I've been waiting for this moment for a long time."

Sharapova hadn't played a match since last year's Australian Open. She soon revealed that she had tested positive for meldonium, a cardiac supplement that was banned to start the season. Her punishment was originally two years but was later reduced to 15 months.

Sharapova said she didn't play much tennis during her suspension. She went to school and worked on a business. Then in January she started to train full time.

Rival players have mostly spoken out against her immediate appearance at top tournaments like the Stuttgart Open that have offered her wild cards. Caroline Wozniacki, a former No. 1, and many others said that Sharapova should have to begin at the bottom and rise on her own, rather than receive free spots.

Sharapova could have an entry in the French Open's qualifying tournament, the Grand Slam that begins in May. No decision has been announced. Sharapova has won that event twice and won the other three Grand Slam titles once each. She could have an easier time increasing that total this season as Serena Williams, the sport's best player, is pregnant and not planning to compete for the rest of the year. Williams has beaten Sharapova 18 consecutive times and has a 19-2 career record against her.

Sharapova's strokes looked the same as usual against Vinci. She served 11 aces, double faulted three times, clubbed 39 winners and made 21 unforced errors. Her time off didn't make her look out of sorts. "It's a journey, it starts today," she said. "I'm looking forward to playing as many matches as I can," she said.

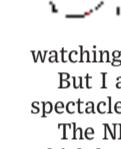
—Tom Perrotta



MATT ROURKE/ASSOCIATED PRESS

NFL | By Jason Gay

Is the NFL Draft Must-See?



Look: this is just me, but I would rather feed a bucket of sugar cookies to my 4-year-old son at bedtime than spend hours watching the NFL Draft.

But I admire the NFL Draft spectacle, I really do.

The NFL's annual selection show, which begins Thursday night in Philadelphia, with coverage on ESPN and the NFL Network, is the apogee of the non-sporting event sporting event—after all, it's nothing, really, but a series of phone calls between franchises, agents and players, artfully packaged and be-dazzled into several days' worth of television theater. When ESPN first proposed televising the draft decades ago, the NFL was like: *Huh? Why would anyone watch that?* And yet the network had a vision which became both a business success and a cultural phenomenon, to the point there are months of Oscar-like buildup, satellite shows (the best: "Jon Gruden's QB Camp," in which the blue-eyed ex-NFL coach simply sits across a desk and piercingly stares at prospects) and the league schleps it on the road from New York to Chicago to Philly, like a Pink Floyd laser show.

Again, do I want to watch it? Nah. Here are just a few things I believe are more exciting than watching the NFL Draft.

1. Falling asleep on an airplane.

2. Taking a cat to the vet.

3. Heating up mac and cheese in your room at a Courtyard by Marriott.

4. Most Sunday morning political chat shows. Not all of them—*most*.

5. Shopping for pants.

All of these things are indeed more exciting than watching the NFL Draft, and if you don't believe me, I'll take you pants shopping at the mall of your choice.

My aversion doesn't diminish my respect for what the draft has become, and a sincere tip of the cap to all of the parties involved for the idea and the execution. They built something giant out of nothing. As TV concepts go, it is nothing short of Hall of Fame brilliant.

I do wonder, however, if the NFL Draft will soon peak—or has peaked—as a cultural moment. The TV numbers are still solid—last year's opening night wobbled a bit as America didn't seem to care too much about where Jared Goff would be throwing incomplete passes for money—but it's a pretty big and bloated production which seems out of sync with the habits of modern media consumption.

Those evolving habits, of course, have created turbulence for many media companies, including newspapers like the Journal, as well as ESPN, the latter of which laid off 100 staffers on Wednesday.

I'll never dispute the must-see TV of live action like a Super Bowl or Steph Curry. But in 2017, does anyone need to be butt-bound on the

couch to take in the draft? Anyone with a smartphone has access to instant bulletins of what happens, along with a personally-curated avalanche of expert commentary and Statler and Waldorf-style derision.

A smartphone, in fact, might be the perfect vessel for draft night: you can go about your ordinary business and still be in touch, in case, say, the Cleveland Browns accidentally pick a hockey goaltender. You can go outside and absorb the fresh air! You can even go...pants shopping.

It isn't like TV people don't know this—they're fully aware audiences are migrating across platforms, and they're working hard to go exactly where the audience goes. But the draft's diffuseness and real-timeliness—the very things that made it a strange TV product—makes it ripe for disruption. It's become fascinating to watch the drama of the NBA Draft annually semi-sabotaged by Yahoo basketball savant Adrian Wojnarowski, who can work the phones and break selections on Twitter before network talking heads can. (Woj and Yahoo even streamed their own draft show last year.) The NFL isn't immune from those kinds of Woj-like media insurgents, either, and now it looks like the players are joining in, too. In this year's NFL Draft, projected No. 1 pick Myles Garrett won't even be in Philly, but back home in Texas with his own, remote special-within-a-special produced in conjunction

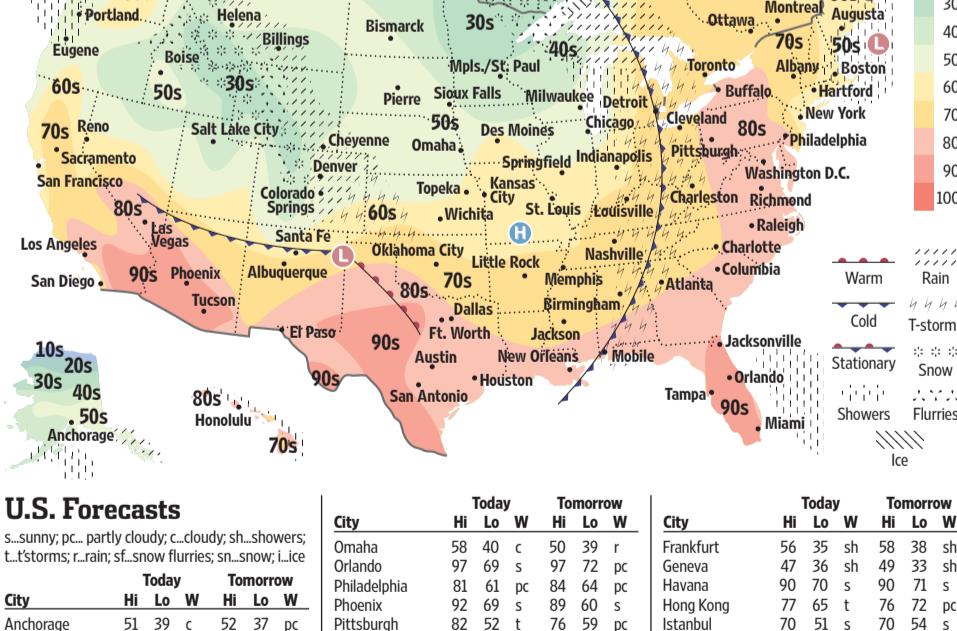
with the NFL Players Association. If Garrett goes first, this will be the second time in three years the No. 1 pick wasn't at the big show.

If the No. 1 pick doesn't have to be there, does anyone? There are other intriguing elements to Garrett's choice—it's a way for him to make money, something he currently can't, and controlling the media environment protects a player from the harsh spotlight of an embarrassing slide. (The moment TV decided to make a big deal out of draft-day sadness—Sad Aaron Rodgers, Sad Brady Quinn and the like—this sort of thing was bound to happen.) Maybe moves like Garrett's will push the league and its partners toward some kind of draft compensation plan with players to ensure that everyone is there. How much disruption can happen before it diminishes the event?

We all know there's some lovely human theater on draft night—players and families celebrating the realization of a dream after years of hard work. Likewise, there will always be passionate football followers who watch every second, even down to the Davy Jones's Locker of the low rounds. One can only pray there will always be draft-day Jets fans, wailing from the rafters like injured coyotes when their tormented franchise makes another misguided pick. But the environment is changing. The rest of us can simply check in, which seems just about right.

MICHAEL PROBST/ASSOCIATED PRESS

Weather



U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

t,tstorms; r...rain; sf...snow flurries; sn...snow; l...ice

City Today Hi Lo W Tomorrow Hi Lo W

Anchorage 51 39 c 52 37 pc

Atlanta 79 64 t 87 68 pc

Austin 87 67 s 94 74 pc

Baltimore 80 62 pc 82 65 pc

Boise 50 34 pc 55 34 c

Boston 60 52 c 73 57 pc

Burlington 74 59 pc 76 52 c

Charlotte 78 62 pc 85 67 pc

Chicago 53 43 sh 63 41 r

Cleveland 77 49 t 73 58 pc

Dallas 82 67 s 89 73 t

Denver 55 30 r 51 27 sh

Detroit 72 47 t 67 50 pc

Honolulu 85 69 pc 83 69 pc

Houston 84 69 s 91 76 pc

Indianapolis 62 50 c 70 56 sh

Kansas City 62 49 pc 63 44 c

Las Vegas 84 62 pc 74 55 s

Little Rock 71 55 pc 81 68 t

Los Angeles 82 61 pc 82 62 s

Miami 90 78 s 88 78 pc

Milwaukee 51 40 sh 58 39 c

Minneapolis 43 33 c 52 34 c

Nashville 72 52 c 85 67 pc

New Orleans 83 70 pc 74 67 pc

New York City 68 58 pc 80 62 pc

Oklahoma City 71 54 pc 77 54 t

International

Today Hi Lo W Tomorrow Hi Lo W

Amsterdam 50 40 sh 52 40 c

Athens 76 58 s 77 59 pc

Baghdad 90 62 s 95 68 pc

Bangkok 96 80 p 94 79 pc

Beijing 83 53 s 89 57 pc

Berlin 53 35 sh 55 37 pc

Brussels 61 57 s 52 35 sh

Buenos Aires 69 51 s 73 46 s

Dubai 95 79 s 99 81 s

Dublin 51 36 c 52 41 c

Edinburgh 57 38 c 54 40 c

The WSJ Daily Crossword | Edited by Mike Shenk



ONE OR TWO THINGS | By Alice Long

- Across**
- 1 "Hell's Kitchen" host
 - 7 Dad's daughter
 - 10 Insubstantial
 - 14 Panini cheese
 - 15 Wine flavorer
 - 16 What to do while it counts
 - 17 Circus vehicle that mows down pedestrians in its way?
 - 20 Rest-of-the-team stand-in
 - 21 Bird specialty
 - 22 Ready for a heist, say
 - 23 Unguarded on the field
 - 25 Exodus leader
 - 26 Oyster with a childproof shell?
 - 30 Elevator setting
 - 31 Strong heart
 - 32 Till bill
 - 33 Start of many rap monikers
 - 34 "London Fields" writer
 - 35 Sellers of movies
 - 37 Loft bundle
 - 38 "James Dean's "East of Eden" role
 - 40 Orinoco, por ejemplo
 - 41 Market optimists
 - 43 Oddballs of the mythical animal world?
 - 47 Young MC's "Bust ___"
 - 48 Island that hosts a state capital
 - 49 Have high hopes
 - 51 Celestial body
 - 52 Wooden strip
 - 56 Shape and arrangement of a Sopwith Camel's parts?
 - 59 James Dean's "East of Eden" role
 - 60 Switch magazines, say

► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

- 62 Iowa State setting
63 Summer by the Somme
64 Unforested plain
Down
1 Electronica party
2 "___ happens..."
3 Shiny mineral
4 Head for distant ports
5 Back
6 "Absolutely!"
7 Stock offering?
8 Anderson of Jethro Tull
9 Review hastily
10 Person to know, per Plato
11 Backwater place
12 Like loafers
13 Hardship
18 PlayStation producer
19 Durango dwelling
24 Darling
25 Office clickers
26 Former SeaWorld performer

- 27 Speller's clarification
28 Leading indicator?
29 Pandora released them
30 Resort amenity
33 Golfer Ernie
35 Nice surroundings
36 Cork country
39 Comparative phrases
41 Derisive snort
42 It's picked in Hawaii
44 Uncas's love
45 Driver's warning
46 Herculean dozen
49 "Waterloo" group
50 Where Anna taught
51 Eye amorously
53 Standing on
54 Pipe bend
55 Murderous alter ego
57 "Dig in!"
49 HAMM RICA AMASS
OREO ERINIAACAIN
NEWSROOM CLINTONIA
KASTING ZOHONIA
POWER FORWARD
JUDITH GREAT
ONITE EACHFRUMP
SIS CEREALES RIO
EXCIA RENO LAND
OLLIE STALKS
TABLEMANIERS
OVAL BRAE JAMB
SILICA BLOGGERS
CALVED OLD NAIL
ANSEL BYE ANTE

Previous Puzzle's Solution

H	A	M	M	R	C	A	I	A	M	A	S	S
O	R	E	O	E	R	I	N	I	A	C	A	I
N	E	W	S	R	O	O	M	A	T	B	E	N
K	A	S	T	I	N	T	O	H	N	O	A	I
P	O	W	E	F	O	R	D	W	O	R	D	E

OPINION

Mark Meadows's First 100 Days



WONDER LAND
By Daniel Henninger

Mark Meadows is a congressman from North Carolina and the titular head of the House Freedom Caucus. Because of Mr. Meadows and the 35 or so members of his caucus, the word appearing everywhere to describe President Trump's first hundred days was "stumbling."

The relevant question surrounding this faux event is whether as a result of the Freedom Caucus's derailment of the ObamaCare reform bill, the Trump presidency will stumble toward its 200th or even 300th day in office.

Let us posit that the first Trump travel ban, which released armies of political fugitives days into the new presidency, was a self-inflicted wound. What came next was something no one in politics would inflict on themselves.

Back in 2016, Speaker Paul Ryan and the House leadership held public hearings, conducted negotiations inside the House conference, and published texts of the proposed legislation to repeal and reform ObamaCare. The American Health Care Act that emerged from this process had both a political and policy purpose.

Its political purpose was to create a bill that could survive the House, survive the Senate, survive a conference and make it to Mr. Trump's desk to fulfill one of his and the party's biggest political promises.

The policy purpose was to lay a foundation on which Health and Human Services Secretary Tom Price and his SWAT team of reformers, such as Indiana Medicaid specialist Seema Verma, could help Congress clean up the rest of ObamaCare over the next two years—moving away from the 2010 law's 2,000 pages of legal babel and toward a market-based system.

With momentum from that accomplishment, the Trump White House and the Republican-controlled Congress would roll forward into the next item on the ambitious, first-year Trumpian agenda: an historic tax-reform bill to clean up the tax code and restore growth of the kind last seen in the 1980s and '90s.

From there, Congress would move on to the other pieces—infrastructure, the funding needs of the military, and cleaning out the sludge in the financial system produced by Dodd-Frank.

Never forget Congress is not a normal workplace. All this has to be done inside the confines of the congressional calendar. Anything rolled into 2018, including tax reform, was at risk of members turning toward their re-election interests and away from the president's agenda.

It was a high-risk, high-reward scenario. Its biggest risk appeared to be a Democratic Party racing rapidly leftward after Hillary Clinton's loss, pulling its members out of negotiating range.

But no. The Freedom Caucus rose to say none of these

pieces of the president's legislative agenda could move forward until it got what it wanted: elimination of ObamaCare's 10 essential health benefits.

The Freedom Caucus's dramatic stoppage of the health bill made Mr. Trump vulnerable on the issue most central to American politics over the past year, the desire for change, especially change in the economic status quo.

The Freedom Caucus broke the momentum of the presidency and fractured the party.

Control of government gave Republicans that opportunity. Instead, the Freedom Caucus broke the momentum of the young presidency and created multiple hairline fractures in the GOP's unity. Politically at-risk Republican moderates suddenly found themselves under fairness attacks from Democrats who'd been looking for something to criticize other than "Trump." This affair gave them a new point of attack, and they'll use it every day of the tax debate.

The episode created a needless wedge between the White House and House Republicans. Conservative donors also have taken to wondering privately about how their money is being used.

There have been early accomplishments—the successful Gorsuch nomination, a strong

deregulatory offensive and intimations of restored U.S. leadership in the world. Still, the Freedom Caucus's health-care fiasco sits in public view of the Trump presidency's first months like, well, a smoking swamp.

There have been reports the past few days that the Freedom Caucus has worked out a compromise on health care led by moderate Reps. Tom MacArthur of New Jersey and Greg Walden of Oregon. That would be good. Friendly fire incidents are rarely productive.

Mr. Trump doesn't lack for critics, but one difference between this presidency and his predecessor's deserves positive mention.

Barack Obama didn't listen to much of anyone other than himself. His governing style, especially in the second term was: "I know what's good for you, and I am going to impose it on you." Indeed, the Freedom Caucus was born of a rebellion against that constant imposition.

Mr. Trump listens. Has any modern president spent as much time soliciting others' views? He and his presidency are being shaped, inexorably, by all the forces of the American system. How novel.

Politics remains a partisan contact sport. A successful president needs the reasonably functioning unity of his party. That includes the errant knights of the Freedom Caucus and their enablers tilting at their opponents, rather than their own side.

Write henninger@wsj.com.

BOOKSHELF | By Wesley Stace

A Monkee's Lament

Infinite Tuesday

By Michael Nesmith
(Crown, 306 pages, \$28)

The most famous thing about "Mike Nesmith" is that he was in the Monkees, the groundbreaking 1960s TV show and the band, remembered universally with almost unmitigated joy. The most famous thing about Michael Nesmith is that he has spent the rest of his life distancing himself from Monkee Mike, which has left him in the unenviable position of seeming to sneer at the one thing most people like about him.

Other things that people may know about either Nesmith: his mother invented Liquid Paper, which netted her \$48 million when she sold to Gillette in 1979; his post-Monkees solo career, which began in 1970 with his "Magnetic South" album, placed him in the vanguard of the country-rock genre with a series of excellent yet not greatly successful records; and he wrote the song "Different Drum" as recorded by Linda Ronstadt and the Stone Poneys. Some may remember that he has a claim to have also been a pioneer of rock videos (if not to have "invented" MTV, a myth he feeds by modestly going out of his way to deny it).

In his memoir, "Infinite Tuesday," the highlights of his career speak for themselves, even as the author struggles to find pleasure in any of them. In fact, his sense of himself as an embattled figure seems to have hardened during years of hand-to-hand combat with his most die-hard adversary: himself.

Jimi Hendrix, who supported the Monkees on their first tour, got the Monkees; John Lennon got the Monkees; Zappa did too. These countercultural icons understood the genius of its premise—simultaneously celebrating and satirizing popular culture, fabricating a faux-Beatlemania to rival Beatlemania itself—and recognized its brilliant execution: the perfection of Tommy Boyce and Bobby Hart's tunes (including the TV show's theme song and "Last Train to Clarksville"); and the inspired "Hard Day's Night"-derived zaniness of the comedy. The Monkees were "a transparent concoction," Mr. Nesmith explains, "unoriginal by every account. There was no effort to hide this artificiality, because it was a feature not a fault."

But not for Mr. Nesmith. He complains that critics "called it bubblegum music and banished it as illegitimate and, furthermore, as dangerous, disrupting their new-music taxonomy." Yet this seems to more truly reflect his own feelings. He is astute enough to put other musicians in sympathetic perspective but unable to give himself or the Monkees a break. Of the folkie Bob Dylan he notes: "He may have been a copy himself, but in those times it was hard to tell and it didn't matter anyway"; yet he cannot apply that unworried critique to his own band.

Mr. Nesmith concludes that the Monkees, who take up too little of this "autobiographical riff" (as the subtitle has it), were "a gift . . . with a deep message for me that I am still parsing and for which I am never less than thankful." But even this faint praise seems disingenuous. If he meant it, he would have given any other Monkee a life on or off set, a character of their own, even an anecdote.

The band was an ersatz Beatles, celebrating and sending up pop culture simultaneously. Jimi Hendrix got the joke. Mike Nesmith never did.

Mr. Nesmith has an uncanny ability to find the downer in every possible moment of happiness. Much of the book is spent listening to a passive hero rehearse his mantra of defeat: "I was disappointed at the way the records came out, but I did nothing to change any of it." Even his successes, one of which might be counted as helping to convert the Monkees from a fictional band into an actual band that toured and wrote many of its own songs, are failures: "Making our own record was the only idea I ever had for the TV show, and it would prove to be fatal to the whole enterprise."

In one anecdote that provides the title for this book, the author Douglas Adams and Mr. Nesmith bond over a surreal 1937 Paul Crum cartoon from *Punch*, in which two hippos stand in a river surrounded by a vast expanse of nothing and one says to the other: "I keep thinking it's Tuesday." In Adams's reaction, a "slight smile," Mr. Nesmith glimpses the "shared life of the secret society—of a satisfied and slightly smart-aleck family."

The joke is good enough, but the admission of a deep desire to belong to an elite or esoteric club is unintentionally revealing. His touchstones include Elon Musk, Marshall McLuhan, Timothy Leary, Walt Disney is an inspiration; Steve Jobs lurks; visionaries abound. Mr. Nesmith has met some of the masters of the universe, rich men worried by two things only: that they will be found out as frauds and that they will lose their riches. As so often happens while reading the book, you realize he's talking about himself.

While Mr. Nesmith's intelligence is not in dispute, he is an autodidact who, though he has satisfactorily explained a matter to himself, is often unable to explain it to the reader, a trait he perhaps inherited from his Christian Scientist mother, who was, he says, "inarticulate to a fault." Much of the book reads like an airy TED talk, sprinkled with invented catch-phrases (such as "Celebrity Psychosis," of which he had a bad case, or "The Hollywood Mind"). His philosophizing about the concept of the "Band" (a term used of any bunch of business people working together, not necessarily musicians) seems intended to compensate for the unnecessary shame of the pre-fabricated band that brought him fame.

Even when it comes to hard facts, this account can be difficult to follow. In Lennon's house, Mr. Nesmith plays the Frank Ifield hit "I Remember You" on a piano that Lennon has newly painted: "John remarked on the first chord change, from C major to B-flat minor, and he played along a bit. The original circus poster for Mr. Kite was on the wall in back of us. . . . I didn't use that chord change in my song, but John did in his." Evocative. But those aren't the opening chords to "I Remember You," and in what song did John use either that or the correct chord change? Not "Being for the Benefit of Mr. Kite!" to which he alludes. What's even happening here?

"Infinite Tuesday" deals honestly with the haphazardness of Mr. Nesmith's artistic path, his personal life and the brutality of growing older. But there's precious little Monkeeing around. I remain an enormous fan of the Monkees and of Mr. Nesmith's solo work. I wish they gave him the same pleasure they give me.

Mr. Stace is an author and musician who has also recorded under the name John Wesley Harding.

By Karl Rove

Only one president in the past century had a first 100 days of any consequence. That was Franklin Delano Roosevelt, who enjoyed advantages no other commander in chief had.

The former New York governor entered office with a huge mandate, having won 57% of the popular vote and nearly 90% of the Electoral College. In addition to carrying 42 of 48 states, FDR's Democrats had a 59-36 advantage over Republicans in the Senate and a 313-seat majority in the House. The urgency of the Great Depression also gave Roosevelt extraordinary leverage to pass legislation.

Comparisons between Roosevelt's historic opening and any other president's first months are strained and artificial, but the press is obsessed with the milestone. Donald Trump contributed to their mania late in the campaign by offering a 100-day plan to make America secure and prosperous.

Much of this plan has yet to be passed into law or even introduced, but Mr. Trump has nonetheless compiled some respectable achievements. He recruited an impressive cabinet, especially in the foreign-policy and national-security areas. His spectacular Supreme Court nominee was confirmed, and Mr. Trump greenlighted the Keystone XL and Dakota Access pipelines. He took action

against Syria, adopted a surprisingly tough line on Russia, and held positive meetings with world leaders.

Mr. Trump froze hiring of many federal workers, required rescinding two regulations of equal cost for every new rule created, and signed laws repealing last-minute Obama regulations that cost the economy billions. The stock market is up around 14% since Election Day and consumers are more confident than they've been in years.

As the media obsesses

over a fake milestone,

Trump should take a

minute to recalibrate.

Mr. Trump also points to nixing the Trans-Pacific Partnership, issuing dozens of executive orders, browbeating Ford and Carrier to keep jobs in America, and slowing illegal immigration. Not all the executive orders needed to be executive orders, but that's unimportant to voters, who want to see action, strength, and promises being kept.

On the down side, the president's poorly drafted travel ban blew up and his sanctuary-city executive order could too. Worse, House Freedom Caucus members stymied ObamaCare's repeal and replacement, slowing the administration's overall momentum. Tax reform will take

until the fall—it always would—and remains a heavy lift. The administration seems more ragged, unfocused, understaffed and disorganized than any other in modern times, prone to overpromising and under-delivering.

This all leaves Mr. Trump with only 42% of Americans approving his performance, according to the RealClear-Politics average. With a 53% disapproval, the president easily earns the worst numbers ever recorded at this point. The Gallup average for modern presidents around this time is 61% approval. Mr. Trump had no honeymoon as president.

Yet 96% of his 2016 supporters would vote for him again, according to an April 17-20 ABC/Washington Post survey. Matched against Hillary Clinton in the poll, Mr. Trump turns a two-point deficit in last fall's popular vote into a 43% to 40% advantage. This is good news for Mr. Trump, but he can't rely on Democrats again nominating someone as immensely unlikely and deeply flawed as Mrs. Clinton. Nor can Team Trump count on a left-wing lunatic as the Democratic 2020 standard-bearer, which would result in a GOP romp to victory.

Another troubling sign: While Mr. Trump is seen as "a strong leader" by 53% in the ABC/Washington Post survey, a majority thinks he "lacks the judgment and the temperament it takes to serve effectively." Meantime, about

50, on crutches," Mr. Eckenhoff said.

"Shouldn't you wait until you're off crutches?" Mr. Herrick asked.

"I don't think that day will ever arrive," he replied, explaining that he was paralyzed from the waist down. Mr. Herrick worked with him on the technique he uses today.

Nelson Long, longtime pro at the Century Country Club in Harrison, N.Y., picked up from there. He calls Mr. Eckenhoff his most successful teaching experience, comparing his determination to that of Ben Hogan. Hogan said the secret to his success was 'in the dirt,' on the practice range. Ed would spend three to six hours on the range between lessons."

Before his accident, Mr. Eckenhoff was a competitive athlete in football, shot put, discus, tennis, snow skiing and water skiing. But he never played golf until a hospital therapist put a club in his hand. "Darn if I didn't hit a great ball," he says. "The next 1,000 were worm burners, but at least I knew I could do it!"

With that encouragement, he made an appointment for lessons. Hill Herrick, the pro at the Greenbrier resort in West Virginia, asked who he should look out for.

"A good-looking man, about

happens to have a disability. In 1986 he founded the National Rehabilitation Hospital Network in Washington, which he led for 30 years. Now president emeritus, he loves playing at Georgia's Augusta National. "Coming down Magnolia Lane with crutches," he says. "What a treat!"

Before his accident, Mr. Eckenhoff was a competitive athlete in football, shot put, discus, tennis, snow skiing and water skiing. But he never played golf until a hospital therapist put a club in his hand. "Darn if I didn't hit a great ball," he says. "The next 1,000 were worm burners, but at least I knew I could do it!"

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"A good-looking man, about

graduated, he'd made it onto the other dean's list, "the good one." Then came two master's degrees and an administrative residency at Northwestern University Hospital. He left an executive position in Chicago to found what would become one of the 10 hospitals in the Medstar Network.

His greatest concern these days is jobs for the disabled.

"The cost of carrying me on welfare rolls," he says, "is significantly greater than making me a productive working person who's going to pay taxes and carry my own weight."

Asked about progress in treating spinal-cord injuries and whether he'll ever walk again, he replies with his usual élan: "Then I'd have to give up my handicap parking spot."

Mr. Roman, a former advertising executive, is trustee

emeritus of the National Organization on Disability.

OPINION

REVIEW & OUTLOOK

Trump's Tax Principles

The White House rolled out its tax principles on Tuesday, investing new energy in the first serious reform debate in 30 years. While the details are sparse and will have to be filled in by Congress, President Trump's outline resembles the supply-side principles he campaigned on and is an ambitious and necessary economic course correction that would help restore broad-based U.S. prosperity.

Many voters heard Mr. Trump's make-America-great-again slogan as a promise to raise their incomes and improve economic opportunities after a long stagnation. Eight years of 2% growth since the recession ended in 2009 is the weakest recovery in the postwar era, and the result has been rising anxiety and diminished expectations for millions of Americans.

Faster growth of 3% a year or more is possible, but it will take better policies, and tax reform is an indispensable lever. Mr. Trump's modernization would be a huge improvement on the current tax code that would give the economy a big lift, especially on the corporate side. The reform would sharply cut the business income rate to 15% from 35%, while simplifying the code for individuals and cutting some marginal rates.

Though Mr. Trump's proposal dabbles in some politically fashionable tax redistribution, at its core it is an exercise in growth economics. The cuts would be permanent and immediate, and the rates are low enough to enhance the incentives to work and invest.

* * *

The plan also fits the economic moment, because a main source of U.S. malaise is poor business investment. Spending on the likes of new factories, equipment and software is soft, which in turn has undermined the productivity gains that produce more jobs, higher wages and higher living standards. Productivity growth in the 2000s and 2010s is only about half the average of the 1980s and 1990s.

One reason for this underinvestment—even though corporations have about \$2.5 trillion parked overseas—is the uncompetitive and complex American tax system. The 35% statutory rate is the developed world's highest, and an archipelago of credits, exclusions and deductions means the tax collects only about 11% of federal revenue, or roughly a meager 2% of GDP.

Slashing the headline rate to 15% would instantly lead to a surge in capital investment. Mr. Trump would make small businesses like S corporations and other pass-throughs that now pay through the individual tax code eligible for the 15% rate. Tax parity among all companies is a useful goal, not least because owner-operated companies are an engine of hiring and growth.

Increasing the capital stock will raise productivity. The economic literature conservatively suggests that about half of the corporate tax burden is carried by workers in the form of lower wages. In other words, moving to 15% is a national pay raise.

Another benefit is that the Trump plan would move to a territorial tax system, where U.S. companies pay taxes on income only in countries where it is earned. Businesses are now taxed on world-wide profits (less certain credits), which is why so many have moved headquarters overseas. The White House also endorsed a one-time required tax on profits earned abroad, the rate to be determined. A single-digit rate would be best and voluntary would be better.

On the personal side, the Trump plan would make the code more efficient by collapsing the current seven brackets down to three of 10%, 25% and 35%. The White House is still debating at which income levels these rates would apply. The plan would also double the standard deduction to \$24,000, so fewer taxpayers would need to itemize.

A top marginal rate of 35% is progress over

A pro-growth outline that focuses on weak capital investment.

the status quo of well above 40% (including surcharges and phase-outs), though above the 33% rate that Mr. Trump proposed during the campaign. The President's economic advisers are sensitive to the "tax cuts for the rich" label, though they'll be pilloried for that no matter what they propose.

The Trump plan eliminates all deductions except for home mortgages and charitable donations. This killing spree includes political favorites like the write-off for state and local tax payments. This is a federal subsidy for high-tax New York, New Jersey, Oregon and California, but about 90% of these tax expenditures flow to taxpayers with adjusted gross income over \$100,000. Depending on the specifics, the affluent could pay more.

But the economic evidence is substantial that lower marginal tax rates provide the biggest growth bang for the buck. The 1986 Reagan reform—the last major reform—cut the top rate to 28% from 50%, which sustained the 1980s boom. Growth averaged 4.8% in the six years after the 1981-82 recession and the growth effects continued to pay dividends into the 1990s. These have since dissipated as the tax code has been riddled with more and more rent-seeking dispensations.

Speaking of which, the White House affirmed new tax credits for families with children, and perhaps this is the price of fulfilling an Ivanka Trump-brand campaign promise. But such credits are expensive and do nothing for growth.

The Trump plan is silent on the House's controversial 20% border adjustment tax, and perhaps that is more than the political bandwidth could bear. Retailers and other importers oppose a tax on imports, and the transition in practice—such as a rapidly appreciating dollar—could be rougher than economic theory suggests. But this means losing revenue of about \$1 trillion that was supposed to offset the lost revenue from tax-rate cuts. Without border adjustment, or some other tax increase or budget cuts, the Trump plan will increase the deficit.

Thus the blueprint is being assailed from both the left and the balanced-budget right. The Trump economic team acknowledges that their plan would mean less federal revenue than current law under conventional Beltway scorekeeping that assumes no increase in economic growth. But unlike in Washington, in the real world people and companies will change their behavior in response to better incentives, the economy will grow faster, and over time revenues will grow faster than without reform.

* * *

We've been somewhat skeptical of Mr. Trump's economic team, but Treasury Secretary Steven Mnuchin and National Economic Council chief Gary Cohn have delivered a supply-side outline that will unleash the pent-up productive capacity of U.S. workers and businesses. Credit is also due House Speaker Paul Ryan and Ways and Means Chairman Kevin Brady, whose "Better Way" platform made tax reform a priority.

Mr. Trump's plan is an opening bid to frame negotiations in Congress, and there are plenty of bargaining chips. Perhaps the corporate rate will rise to 20%, or maybe the House will include a more modest border adjustment. Budget rules and Democratic opposition could force Republicans to limit the reform to 10 years. But better to start with a big pro-growth offer rather than preemptively lower aspirations. Republicans won't get another opportunity like this to reshape the tax code for a generation.

The Trump principles show the President has made growth his highest priority, and they are a rebuke to the Washington consensus that 1% or 2% growth is the best America can do. Now Mr. Trump has to show results. If anything close to his this reform can survive the political maelstrom, it will go a long way toward returning to the abundance of the 1980s and 1990s.

Springtime Out of Paris

President Trump and his advisers are debating whether to withdraw the U.S. from the Paris Climate Accords, and the issue is coming to a head. If he doesn't want to topple his own economic agenda, Mr. Trump's wisest course is to walk away from a pact that President Obama never put before the U.S. Senate.

Mr. Trump wants to revive growth and lift wages (see above), and a large part of that project is a bet on liberating U.S. energy production, notably natural gas and oil. Toward this end Mr. Trump issued an executive order in late March asking the Environmental Protection Agency to unwind Mr. Obama's Clean Power Plan.

The Obama team finalized CPP in late 2015, and the rule was immediately challenged in court by 28 states. Notable among the Obama Administration's legal defenses is that CPP is essential to fulfill the U.S. commitments to reduce carbon emissions under Paris. By the end the White House cited Paris as the legal justification for all its climate policies.

EPA Administrator Scott Pruitt is moving to repeal CPP and other Obama climate rules. Environmental groups will inevitably sue. If the U.S. remains in Paris, Mr. Pruitt will have to explain to the many Obama appointees on the federal bench that gutting CPP is a reasonable exercise of administrative power in light of the Administration's continued fealty to Paris carbon reductions. This is the sort of logical inconsistency that a creative judge might seize on to

justify blocking Mr. Trump's EPA rules. By staying in Paris Mr. Trump may hand opponents a sword to kill his agenda.

The left is also pointing to Section 115 of the Clean Air Act, which gives EPA a mandate to regulate emissions that "may reasonably be anticipated to endanger public health or welfare in a foreign country." The catch is that EPA can only act if there is regulatory "reciprocity" among the nations involved. Such as the Paris accords.

Mr. Obama knew he was setting these carbon political traps as he rushed to commit the U.S. to Paris. His bet was that even a future GOP President would be reluctant to endure the international criticism that would follow withdrawal. And sure enough, Secretary of State Rex Tillerson and National Economic Council director Gary Cohn are making precisely this argument for staying in Paris.

Then again, Candidate Trump promised to withdraw, and he can't possibly be vilified for Paris more than he already has for everything else. His advisers have presented a way to short-circuit the supposed four-year process for withdrawing, which involves U.S. resignation from the U.N. Framework Convention on Climate Change.

This isn't a question of science or diplomacy.

For Mr. Trump, the question is whether he wants to put his economic agenda at the mercy of anticarbon warriors and federal judges.

Staying in Obama's climate accord risks Trump's energy plans.

LETTERS TO THE EDITOR

Maybe It's Time to Review the EPA's Finding

Regarding your editorial "Highway From the Endangerment Zone" (April 19): Many compelling reasons exist for revisiting the EPA's endangerment finding for greenhouse gases.

Based on email obtained through the Freedom of Information Act and other evidence, the Obama EPA may have improperly predetermined the outcome of the "endangerment finding" (EF) rule-making. This evidence reveals a disturbing practice of EPA staff working covertly with green activist groups to shape major climate regulatory efforts.

The EF was issued in the wake of the November 2009 Climategate revelations. Climategate validated suspicions that climate scientists manipulated science, worked to cover up their high jinks and tried to silence critics. Although the EF (as well as the climate hysteria amid which *Masachusetts v. EPA* (2007) was decided) relied in great part on the controversial science giving rise to Climategate, the EPA refused to reopen the public comment period for the EF to explore its ramifications.

The EF is also scientifically suspect. It ignored the global-warming pause for starters. According to NASA satellite data (the most reliable temperature data), 2016 wasn't warmer than 1998, despite there being 10% more carbon dioxide and 4.5% more methane (reputed to have 20 times the warming potential of carbon dioxide) in the atmosphere. We've also experienced a hurricane drought, fewer tornadoes and declines in other extreme weather events and disasters despite the aforementioned significant increases in atmospheric greenhouse gas levels.

The EF also relies on non-EPA scientific assessments that don't meet the standards of the Information Quality Act.

STEVE MILLROY
Potomac, Md.

government agencies and the political summary conclusions of the U.N. Intergovernmental Panel on Climate Change (versus the underlying science of the IPCC). That the finding rather than being based on welfare was also based on an imminent risk to health and was a very controversial one is reflected by the fact that every single affected agency and department in the U.S. government—

save the EPA—strongly opposed the EF. The review should be conducted as an evidentiary-type hearing process, with an A-Team that believes updated science supports modification and a B-Team arguing against, with the merits of various scientific assumptions, finding and reports thoroughly examined.

What has changed in eight years? It is confirmed that large swings in temperatures over centuries aren't unusual. There has been no statistically significant change in atmospheric warming in 18 years, despite fiddling by NASA and the National Oceanic and Atmospheric Administration with temperature records. Computer models don't agree with observed temperatures. There is a significant divergence between historic observations and model projections, entirely undermining the validity of the computer models.

We have strong evidence climate change is far less sensitive to CO₂ than first assumed. Observed science shows no statistically significant changes in droughts, flooding, hurricanes or rise in sea levels.

The goal of a review should not be to eliminate the EF but rather to check its early assumptions. Any adjustment in the EF could then be reflected in changes in policy.

HILARY SILLS
Washington

Carbon dioxide is far different from traditional hazards; CO₂ is plant food. Recent testimony to Congress has presented new evidence that negates the EPA's three lines of evidence presented in 2009. Contrary to what we were told by the previous administration, climate science is by no means settled. America deserves the truth.

RAY WALLACE
Vonore, Tenn.

The Long and Short of Tesla's Business Model

"Tesla Bulls Are Betting on Musk, Not the Car Business" (Business World, April 15), Holman Jenkins wonders if Tesla's massive market cap may perhaps be justified by its batteries becoming a "near-monopoly standard." In fact, Tesla's battery cells are made by Panasonic (within a roof and four walls known as the Gigafactory 1 provided by Tesla). Tesla just assembles them into packs, a business which in Q4 of 2016 (the most recent financial statement available) brought Tesla a double-digit negative gross margin. Storage batteries are in fact a near commodity produced by scores of Tesla competitors, many of which are much

deeper-pocketed than Tesla (albeit nowhere near as dominant in the hype department). There will never be a "near-monopoly standard" because a kilowatt-hour of electricity is a kilowatt-hour of electricity.

This is one of myriad reasons why I'm short Tesla's stock, with the primary one being the massive amount of automotive competition the company will soon face. Yet even before that competition arrives, Tesla will have seen four consecutive quarters (Q3 of 2016 through Q2 of 2017) of zero growth in its money-losing automotive business.

MARK SPIEGEL
New York

In Divesting From Corporate Stock, Is Portland Divesting From Employers (Jobs) Too?

I, for one, applaud the Portland, Ore., City Council's brave decision to divest from all corporate securities (Notable & Quotable: "Divesting From Everything," April 18). While it may have been easy for the progressive city to choose not to fund "prisons, pipelines and the occupation of Palestine," it took real guts to explicitly commit to supporting the Trump administration by buying federal government debt.

ERIC WINIG
Potomac, Md.

Portland, Ore., has stopped investing in corporations because it is not able to properly vet them for acceptable behavior and compatible cultural values. This sounds suspiciously familiar to problems with immigration.

To attract the right kind of business to Portland, the following could be part of a city mission statement: "Open your business in anti-corporation Portland. We know how you should run your company and pay your employees. When the gray skies here rain on you, we will reign over you."

KERRY SMITH
Woodbury, Minn.

Pepper ... And Salt

THE WALL STREET JOURNAL



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OPINION

Balancing Lost Tax Revenue the Reagan Way

By Martin Feldstein

Treasury Secretary Steven Mnuchin calls the Trump administration's tax proposal "the largest tax reform in the history of our country." The plan would slash corporate tax rates from 35% to 15% and roll back increases in individual rates that occurred under Presidents Clinton and Obama.

The announcement represents a first step toward a White House budget proposal that combines the president's fiscal plans with reforms to defense spending and domestic policies including ObamaCare. If such a budget is passed, it would stimulate business investment, boost productivity and improve real wages. It would also reverse the decline in military preparedness by raising defense outlays from a projected 2.6% of gross domestic product back to at least 4%.

The challenge will be to do all of this without increasing long-run fiscal problems. The federal government's debt has already more than doubled in the past decade, reaching upward of 75% of GDP. The Congressional Budget Office projects that the debt will grow to more than 100% of GDP in the next 15 years even without a reduction in tax revenue or an increase in defense outlays.

Higher projected budget deficits could raise long-term interest rates,

potentially triggering failures in the fragile financial markets and a serious economic downturn. The markets' current fragility reflects overpriced assets—the S&P price/earnings ratio is now 70% above its historical average—after a decade of excessively low long-term interest rates engineered by the Federal Reserve.

Republicans expect to pass their tax plan through the Senate's reconciliation process, but there are strings attached. If the bill causes deficits beyond the decadelong forecast horizon, a sunset rule kicks in and ends the tax cuts in the 10th year. To prevent this, congressional Republicans propose to balance revenue losses from the personal tax changes by eliminating all tax deductions other than those for charitable contributions and mortgage interest. That means the new revenue would come from the one-third of taxpayers who itemize deductions, households that tend to have higher incomes, supporting Mr. Mnuchin's promise that the tax plan will not be a gift to the rich.

In addition to cutting corporate rates, President Trump proposes a similar tax cut for partnerships and other unincorporated pass-through businesses. House Republicans have also promised to allow American companies to repatriate after-tax profits earned abroad without penalty.

Preventing the business tax cuts from increasing the budget deficit will not be easy. The corporate tax raises revenue equal to about 2% of GDP. Cutting the rate in half will increase the annual deficit by about 1% of GDP, or nearly \$200 billion. Faster economic growth due to increased investment would bring in some extra tax revenue, but probably only about \$50 billion per year.

Gradually increasing the Social Security eligibility age can offset revenue loss from Trump's tax cuts.

Congressional Republicans propose to offset the other \$150 billion by enacting their border-adjustment tax: a 20% levy on imports combined with a 20% subsidy for exports. That should raise about \$120 billion or so a year, enough to offset most of the net cost of the corporate tax cut.

Textbook economics implies that a border-adjustment tax, or BAT, would push up the value of the dollar, reducing the price of imports by enough to offset the 20% tax. Americans would therefore see no change in the prices they pay for imported goods. The stronger dollar would also have no effect on the net prices

American exporters receive for goods sold overseas. A BAT is thus a pure revenue raiser, with the tax falling on foreign firms that export to the U.S.

But the dollar's value may not rise as much as theory implies, so American importers and retailers are lobbying against a BAT while major exporters are lobbying for it. Without the BAT, however, the corporate rate cut would add more than \$1 trillion to the national debt during the coming decade, weakening the favorable effects of tax reform on capital formation and threatening higher interest rates.

There is no way to shrink the deficit other than by slowing the growth of Medicaid, Medicare and Social Security. Outlays for these programs are now 10.4% of GDP and projected under current law to rise to 12.9% over a decade. ObamaCare's insurance subsidies and Medicaid expansion now cost the federal government more than \$200 billion a year. Reform could contribute significantly to reducing the deficit, although not by enough to balance out everything Mr. Trump is proposing.

The bipartisan Social Security legislation enacted during the Reagan administration provides a useful history lesson for how to offset deficit increases. The 1983 law raised the

age of eligibility for full Social Security benefits from 65 to 67 while still allowing actuarially equivalent benefits at earlier ages. The increased age was phased in gradually and began only after a substantial delay.

In the intervening decades life expectancy at 67 has increased by three years. Repeating the Reagan reform by gradually raising the age for full benefits from 67 to 70 for those now under the age of 55 would reduce the annual cost of Social Security by about 15%, or 1% of GDP. Together with reforms of federal health-care spending, that should be enough to close the budget gap created by tax reform and increased defense outlays.

Raising the age for full Social Security benefits would also prevent the crisis in the program that is projected to occur in 2029. That's when the Social Security trust fund will be exhausted, requiring either an immediate 30% cut in benefits or a sharp tax increase. A gradual rise in the age for full benefits would be the best way to prevent that crisis as well as to reduce the projected fiscal deficit.

Mr. Feldstein, chairman of the Council of Economic Advisers under President Reagan, is a professor at Harvard and a member of the Journal's board of contributors.

Why Does Alec Baldwin Hate Science?

By Robert P. Crease

The month after President Trump's inauguration, a Facebook post with a lighthearted take ricocheted around the internet—including into my email inbox. Think of all the great things that have happened since the election, it said. Sales of George Orwell's "1984" have soared. Millions of Americans have learned the names of their state and federal representatives. People can now spell "emoluments."

But No. 4 on the list stuck in my craw: "Alec Baldwin is great again. Everyone's forgotten he's kind of a jerk." I haven't forgotten. Sure, I've enjoyed Mr. Baldwin's "Saturday Night Live" impersonations of the

findings to repeated checks. Surviving these checks is what makes a finding a fact. The system is not perfect, but constant scientific scrutiny is the principal reason we can trust its conclusions (though many people, including congressmen, sometimes still do not). Apart from this scrutiny, a claim may seem believable and fit some ideological picture, but it's still only a claim, not a fact.

Back to the summer of 1997. There was no scientific evidence of an unusual surge in rhabdomyosarcoma near Brookhaven. A task force convened by Suffolk County found the disease less common there than elsewhere on Long Island and in the rest of New York state. But don't trust me: Please check the report yourself. Further, there's no scientific consensus about the cause of rhabdomyosarcoma. "Researchers now understand many of the gene changes" that can lead to the disease, says the American Cancer Society, "but it's still not clear what causes these changes."

Never mind that: Mr. Baldwin and his group of activists were certain—absolutely certain—that Brookhaven was to blame. Mr. Baldwin used his show-biz contacts to promote that claim. He brought an 8-year-old boy with the disease onto an episode of "The Montel Williams Show" that aired Jan. 9, 1998. Mr. Baldwin falsely asserted that "the rates of cancer are 200 to 300 times the national average in this area on Long Island."

The sick child was then used to deliver a powerful emotional punch. Mr. Williams gave the prompt: "Why do you think you have cancer?" The boy obediently answered: "Brookhaven Lab."

Mr. Williams promised the boy that he could star in a public-service video. Mr. Baldwin added excitedly: "You know the way this works. We'll give you your own trailer." Williams followed up: "And your agent can negotiate the fees."

Don't get me wrong, my heart bleeds for that child, and for anyone, with rhabdomyosarcoma. But effective treatment starts with using the scientific infrastructure to check and recheck findings about causes and incidences. Brookhaven, the lab Mr. Baldwin unsuccessfully tried to close, was part of this infrastructure.

True believers who want to bypass the scientific infrastructure insist that their beliefs justify their actions. But any cause with a scientific

dimension must constantly check the connection between its goals and the facts. Otherwise it isn't a genuine cause but political theater. Sound public policy is built on the scientific infrastructure, not the claims of politicians or celebrities.

Sorry, I still think that anyone who promotes fake facts and accuses reputable scientific institutions of conspiracy is a jerk—no matter how well he can impersonate Donald Trump.

Mr. Crease is a professor at Stony Brook University and the author of "Making Physics: A Biography of Brookhaven National Laboratory" (University of Chicago, 1999).

Notable & Quotable: Control

Scott Adams writing at his Dilbert.com blog, April 25:

Everyone observing politics seems to agree on two things about a president's first 100 days in office:

1. 100 days is a meaningless, arbitrary marker for a president's performance that is likely to be more misleading than useful. . . .

2. Let's treat it like it is important! Reeeeeeee!

The thing that fascinates me the most about this situation is that the so-called "pro-science" people are giving Trump low grades for his first 100 days.

Allow me to connect some dots.

In science, you don't have much of an experiment unless you have a control case for comparison. For example, you can't know if a drug helped

with a particular disease unless you study the people who didn't take the drug at the same time as those who did.

But the pro-science people forget this concept when thinking about politics. Where is the control case for Trump's first 100 days?

Is it George Washington's first 100 days?

Is it Jimmy Carter's first 100 days?

And which prior president came to office in 2017 with identical problems and the most polarized political environment in history?

And just how long is it supposed to take to revise Obamacare? Do we compare it to the time Abe Lincoln repealed and replaced Obamacare? Or how about the time those other presidents repealed and replaced Obamacare in the year 2017?

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CEO, United Airlines

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THE WALL STREET JOURNAL.

Thursday, April 27, 2017 | B1

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United Cites Litany of Failures

Airline's report offers details in incident in which customer was dragged from plane

BY SUSAN CAREY

A new report by United Airlines has concluded that a litany of failures in customer service, training and technology contributed to the forcible removal of a paying passenger earlier this month.

In an 11-page report, United

Continental Holdings Inc. sought to give a more complete account of the events—including previously unreported details—that led to the April 9 dragging by aviation police of Dr. David Dao from a commuter flight. It said the incident, which sparked international outrage, exposed key gaps in various areas of customer service that the company promises to address this year.

It was "a failure of epic proportions that's grown to this breach of public trust. We get

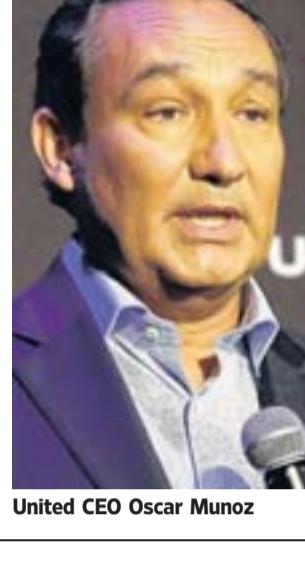
that," said United's chief executive, Oscar Munoz, in an interview. "We let our policies and procedures get in the way of doing the right thing."

The comments come nearly a week after United said Mr. Munoz will no longer be taking on the chairman role next year so he can focus on the top job. "It's better for me to focus on the task at hand and continue to be the CEO," he said, adding that there wasn't a specific timeline spelled out by the board to measure success.

United said a new rule, to take effect Friday, will increase compensation to up to \$10,000 for customers willing to volunteer to take a later flight.

Later this year, United said it would install an automated check-in process to gauge a customer's interest in giving up his or her seat on an overbooked flight in exchange for compensation. The airline also said it would give more discretion to its employees to issue mileage vouchers for future flights and other compensation when bad service occurs—things that some of its rivals already do.

United said it will reduce overbookings on flights that historically haven't generated a lot of volunteers when oversold, particularly on smaller planes and the last flights of the day to a destination. The airline will start a new program to find "creative solutions" for agents to use to help overbooked passengers, such as turning to other airlines or even ground transportation to get customers to Please see UNITED page B2



United CEO Oscar Munoz



Hedge Fund Chief Shorts the Malls

BY SERENA NG AND ESTHER FUNG

BURLINGTON, N.J.—As a youth Eric Yip spent weekends working in a small shop at the bustling **Burlington Center Mall**, where his parents sold housewares and rock band T-shirts. That has given Mr. Yip the insight to make one of the most talked-about trades on Wall Street: a "short" wagering that many malls across America are doomed.

These days, Burlington Center is a silent place. Of around 100 stores, only about a dozen remain open. Macy's and J.C. Penney are gone, leaving Sears as the last anchor tenant. Vacant properties surround a dry fountain whose centerpiece, a life-size bronze elephant, used to spout water onto its back.

The mall's ghostly presence has spurred a financial wager

that Mr. Yip, now a New York hedge-fund manager, is pitching to investors many times his size. Starting in late 2015, he began visiting shopping centers across the U.S. to take their vital signs. Concluding that dozens faced a fate akin to Burlington Center's, as internet shopping becomes more dominant, he placed a bearish bet on an obscure index linked to the performance of bonds that are backed by commercial mortgages.

So far, so good. A slice of the index, which Wall Street calls the "CMBX 6," has tumbled 6.3% since the start of this year, according to **IHS Markit**. The decline is good news for anyone shorting the index, or betting on it to fall.

Mr. Yip's hedge fund, **Alder Hill Management LP**, gained 8% in the first quarter of 2017, said people familiar with its performance, fueled in part by short bets on two index slices.

Mr. Yip has been pitching his idea to other investors. Earlier this year, he circulated a

The daring trade, potential payoff and Mr. Yip's aggressive marketing have drawn comparisons to the way a few canny traders and hedge funds bet against an index tied to sub-prime mortgages during the housing bubble. That proved lucrative when housing went into a deep swoon.

Corvex Management LP, **Aurelius Capital Partners LP** and **Gratia Capital LLC** have all made negative bets on the index similar to Mr. Yip's, according to people familiar with the funds. The volume of outstanding bets on the index has swelled by more than \$2 billion since Mr. Yip began shopping his trade around.

While many people are bearish, Please see MALLS page B2

◆ S&P lists 10 retailers it considers at risk..... B3

12

The rough number of Burlington Center Mall stores still open.

58-page report that mapped out a dire outlook for regional shopping centers and said more than two dozen whose debt was reflected in the index were likely to default. He presented his thesis to a group of investment firms at a lunch in Midtown Manhattan.

While many people are bearish, Please see MALLS page B2

While many people are bearish, Please see MALLS page B2

◆ S&P lists 10 retailers it considers at risk..... B3

INSIDE



U.S. STEEL LOSS DRIVES STOCK DOWN 27%

EARNINGS, B3



ESPN LAYOFFS CLAIM ON-AIR TALENT

MEDIA, B5

PERSONAL TECHNOLOGY | By Geoffrey A. Fowler

How Evil Is Silicon Valley?

Our creepy times now have their own creepy movie.

I normally review tech products, most of which make our lives better. But "The Circle" film that debuts this week—about a privacy-flouting version of Google, Apple and Facebook wrapped into one—makes you want to move to the woods. Is surveillance a worthwhile trade-off for any digital service? And is Silicon Valley prepared for the evils its technologies unleash?

In the film, a CEO played by Tom Hanks holds a Steve Jobs-style product launch that fills the globe with tiny constantly broadcasting webcams. His Orwellian mission statement: "If it happens, we'll know."

The satire is having a hard time keeping up with reality. In the past two

FRANK MASI/STX ENTERTAINMENT

weeks, Facebook's camera apps have become the go-to tech to broadcast killing: A man posted a video of himself shooting someone as if to brag; a 13-year-old accidentally shot himself live on Instagram; and in another live stream, a man killed his 11-month-old daughter.

I reached out to "The Circle" director and screenwriter James Ponsoldt, who showed me an advance screening and sat down for a chat in San Francisco. A self-described early adopter, Mr. Ponsoldt says it would be "naive propaganda" to suggest Please see FOWLER page B4

Emma Watson stars in 'The Circle,' a film about a surveillance society.

I reached out to "The Circle" director and screenwriter James Ponsoldt, who showed me an advance screening and sat down for a chat in San Francisco. A self-described early adopter, Mr. Ponsoldt says it would be "naive propaganda" to suggest Please see FOWLER page B4

FCC Chief Rails At Net Neutrality

BY JOHN D. MCKINNON
AND DREW FITZGERALD

WASHINGTON—A top federal regulator proposed to roll back Obama-era rules governing how broadband providers treat traffic on their networks, touching off a fierce political fight with far-reaching implications for tech and telecommunications companies and internet users.

In a speech on Wednesday, Federal Communications Commission Chairman Ajit Pai said he is proposing to reverse a core element of the 2015 net-neutrality rules that potentially would subject internet providers to utility-style oversight. "Going forward, we cannot stick with regulations from the Great Depression meant to micromanage Ma Bell," Mr. Pai said. "Instead, we need rules that focus on growth and infrastructure investment, rules that expand high-speed internet access everywhere and give Americans more online choice, faster

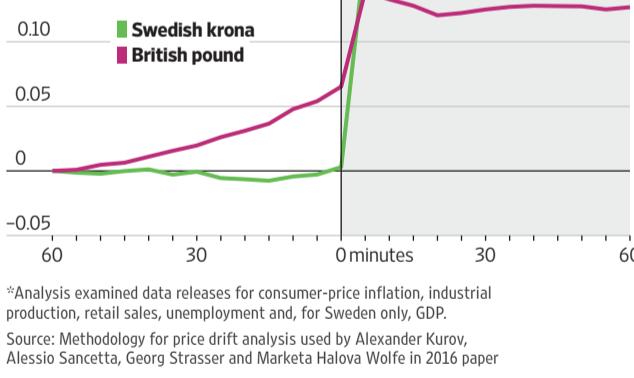
speeds and more innovation."

Critics said Mr. Pai's changes could damage the internet ecosystem, however, by opening the door to paid fast lanes for some services and relegating others to slower speeds. That could increase costs for some big internet companies and their customers, and hurt small businesses that can't afford to pay, critics added. "Consumers pay for access to the entire internet free from blocking, throttling or paid prioritization," said Michael Beckerman, president of the Internet Association, a trade group representing big online firms such as **Netflix Inc.**, **Facebook Inc.** and **Alphabet Inc.**'s Google.

But supporters of Mr. Pai said those risks are being exaggerated and ignore the realities of the current marketplace. "Far from banning all so-called 'fast lanes,' the [Obama-era] commission sanctioned a system of good fast Please see NET page B2

Shifting Sterling

Average change in exchange rates with the dollar before and after key economic data releases, normalized to show all moves as rises*



*Analysis examined data releases for consumer-price inflation, industrial production, retail sales, unemployment and, for Sweden only, GDP.

Source: Methodology for price drift analysis used by Alexander Kurov, Alessio Sancetta, Georg Strasser and Marketa Halova Wolfe in 2016 paper

Currency Trading Data Hint at Leaks in U.K.

BY MIKE BIRD

Some investors could be trading with knowledge of U.K. official statistics before they are published, according to a comparison of currency trading data for the Swedish krona and British pound.

Sweden and Britain, two European countries with widely traded currencies, have very different approaches when it comes to policy on who sees official economic data before they go out.

In Sweden, nobody outside the statistics office, not even the prime minister, is allowed to see sensitive data before release, according to Statistics Sweden, the country's official data provider. In Britain, over 100 lawmakers, advisers and press officers get to see some numbers up to a day before it comes out.

The British pound often moves sharply in the hour before data are released, but the krona shows no signs of moving ahead of Swedish numbers, an analysis of trading data between January 2011 and March 2017 suggests.

During the hour before unexpectedly strong or weak U.K. Please see LEAKS page B2

data are made public, the pound moved 0.065% versus the dollar on average in the same direction it subsequently did after those numbers came out, according to an analysis prepared for The Wall Street Journal by Alexander Kurov, associate professor of finance at West Virginia University.

It showed that the average change in the pound's value one hour before and after such economic data announcements is 0.127%, meaning around half of the shift associated with the statistics came ahead of their official release.

The Swedish krona moved by an average of 0.163% versus the dollar over the same period before and after unexpectedly strong and weak data releases, according to the analysis. But in the hour ahead of public dissemination, the krona drifted only 0.003% in the direction it would end up going after publication.

"The evidence of informed trading before U.K. macroeconomic news is very strong," said Prof. Kurov. "The data offers no indication that informed trading is taking place before comparable Swedish Please see LEAKS page B2

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	
Adidas	B11
Airbus	B3
Alder Hill Management	B1
Alphabet	B1, B4, B12
Amazon.com	A2, B4, B12
Anthem	A6
Apollo Global Management	A10
Apple	B3
AT&T	B2
B	
Bank of America	B10
Barnes & Noble	B5
Bitfinex	B11
Blackstone	A1
Bloomberg Beta	B11
Boeing	B3
Bridgewater Associates	B11
BTC-e	B11
Burlington Center	B11
C	
Capital One Financial	B12
Chipotle Mexican Grill	B12
Citigroup	B10
Coatue Management	B11
Comcast	B2
Credit Suisse Group	B11
D	
Discover Financial	
E	
Domino Data Lab	B11
DuPont	B12
F	
Eli Lilly	B12
ESPN	B5
G	
Facebook	B1, B4, B12
Fortress Investment Group	A10
H	
Hershey	A2
I	
IHS Markit	A2
K	
Kansas City Southern	B12
Kimberly-Clark	A2
Kraft Heinz	A2
L	
Limited Stores	B3
N	
Nestle	A2
Netflix	B1
Nike	B11
Northrop Grumman	B3
Novartis	B3
O - P	
OKCoin International	B11
Services	B12
PepsiCo	A1, B12
Pershing Square Capital Management	A10
Petrobras	A8
Pimco	B2
Procter & Gamble	A1
R	
RadioShack	B3
Raiffeisen Schweiz	B10
S	
Samsung Electronics	B3
Schweizerische Nationalbank	B10
Snap	B4, B5
Sony	B5
Standard Chartered	B11
Staples	B5
Suniva	B3
T	
TPG Capital	A10
Twitter	B4, B12
Tyson Foods	B3
U	
Under Armour	B11
United Continental Holdings	B1
United Technologies	B3
V	
U.S. Steel	B3
W	
Wal-Mart Stores	A2
Walt Disney	B5
Wells Fargo	B11
Whirlpool	A9

INDEX TO PEOPLE

B	
Boire, Ronald	B5
C	
Christopher, Chris	A2
D	
Delston, Ross	B11
Doll, Bob	B12
E	
Elprin, Nick	B11
F	
Fairbank, Richard	B12
G	
Gersbach, John	B10
H	
Halford, Andy	B11
Hanlon, Michelle	B10
K	
Harajli, Sireen	B12
Hayes, Greg	B3
M	
Koch, Alexander	B10
Koh, D.J.	B3
Kramer, Susan	B2
N	
Lynton, Michael	B5
P	
Pai, Ajit	B1
Parneros, Demos	B5
Potter, Philip	B11
Q	
Quinlan, Benjamin	B11
R	
Riggio, Leonard	B5
Ryan, John	B10
S	
Sercel, Joel	A6
Sheridan, Eric	B12
T	
Thiam, Tidjane	B11
V	
Vincierra, Tony	B5
W	
Walmsley, Emma	B5
Winters, Bill	B11
Witty, Andrew	B3

MALLS

Continued from the prior page

ish on the future of malls, there is little consensus about how an investor might successfully bet against them. Any downturn in commercial real-estate debt is thought unlikely to be as brutal as the housing meltdown. Most of the bonds are backed not just by malls but by a wide variety of properties.

The index Mr. Yip is betting against has a higher concentration of shopping centers than similar instruments, but still only around 40 of the roughly 1,500 loans underpinning the index's performance are mall debt. Debt of weaker malls is less than 15% of the index, according to Bank of America Merrill Lynch.

Many of the loans would have to default, and their properties be liquidated, before investors with bearish bets could collect a windfall.

"The CMBX is a very blunt tool" for betting against malls, said Alan Todd, head of commercial mortgage research at **Bank of America** Merrill Lynch. While retailers are downsizing at a faster clip, not every mall will be similarly affected, and the time between store closures and ultimate mall failures can vary significantly, he added.

AllianceBernstein LP and Pacific Investment Management Co., or **Pimco**, have taken the opposite side of the mall-debt trade, with bullish positions on the CMBX 6, according to people familiar with their positions. "We think the negative view is overstated," said Brian Phillips, who oversees commercial real-estate investments at AllianceBernstein.

Mr. Yip, 42, declined to be interviewed. He confirmed

some facts about his background through a spokesman.

Born in Hong Kong to a working-class family, he moved at age 5 with his parents to a New Jersey suburb of Philadelphia. His parents took over a shop called East in the Burlington Center Mall, selling candles, novelty items and imported goods. They closed it in the 1990s, then later opened three shops in the region, including one back in the Burlington mall. By the mid-2000s, all had closed.

After studying accounting at Villanova, Mr. Yip worked for the billionaire investors Carl Icahn and David Tepper. Mr. Tepper declined to comment, and Mr. Icahn didn't reply to a comment request.

In 2014 Mr. Yip started Alder Hill, with Mr. Tepper as an investor. Mr. Yip's mall bet makes up more than half the assets of Alder Hill, which manages about \$200 million, said people familiar with his fund.

Mr. Yip visited malls while on work trips and vacations, sometimes taking his family along with him. He would walk three times around, studying the mix of stores and chatting with store owners, workers and shoppers.

Burlington Center Mall isn't in the CMBX index. It doesn't have any debt for the index to reflect. The New Jersey mall is owned by a private-equity firm, **Moonbeam Capital Investments** LLC, that specializes in distressed assets.

Moonbeam thinks it has a way for Burlington Center to work out. The firm has plans to turn it into a mixed-use retail and small-business park.

The space once occupied by the Yip family's store sits empty.

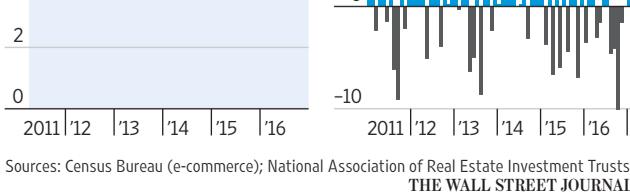
—Rob Copeland

contributed to this article.

Staying Home

As people turn to the internet more often for shopping...

E-commerce as a percentage of all commerce



Sources: Census Bureau (e-commerce); National Association of Real Estate Investment Trusts

THE WALL STREET JOURNAL.

...real-estate investment trusts that own malls have sagged.

Total monthly returns for mall REITs

...real-estate investment trusts that own malls have sagged.

Total monthly returns for mall REITs

BUSINESS NEWS



The company's modernization plan is expected to take three years and could cost \$1 billion. Above, a U.S. Steel plant in Illinois in 2015.

U.S. Steel Loss Is Surprise

Shares sink 27% on \$180 million deficit in quarter and plans to spend heavily on mills

BY BOB TITA

U.S. Steel Corp.'s shares plunged on a surprise quarterly loss and plans to overhaul mills at the expense of profit this year.

"We needed to get our assets up to a better condition," Chief Executive Mario Longhi said Wednesday of a maintenance and expansion plan he said had been delayed for

years by dismal market conditions.

The company said the plan could shave 51% off its previous profit forecast for the year but would help make U.S. Steel more competitive.

U.S. Steel's stock sank 27%, to \$22.78, on Wednesday.

"This is a year of investment," said Chief Operating Officer David Burritt. "We're going to give up some volumes, but we need to do it now." The plan is expected to take about three years to complete and could cost about \$1 billion.

Steel prices are rebounding and demand is improving. But those higher prices and the

Trump administration's renewed commitment to using tariffs to block cut-rate foreign steel imports failed to lift U.S. Steel's first-quarter profit. The company said mill outages kept it from benefiting.

Most of U.S. Steel's production lines and equipment are decades old, while many of its competitors run newer mills.

"This company has really undermaintained its facilities," said Charles Bradford, a steel industry analyst. "What I have trouble with is that it's going to take three or four years to fix. It should be a lot faster."

U.S. Steel's performance in

the first quarter reflected the effects of the overhaul strategy. The Pittsburgh-based company late Tuesday reported a surprise loss of \$180 million stemming from maintenance and mill outage costs and other expenses that offset a 16% increase in sales during the quarter to \$2.73 billion. Excluding the items, the company lost 83 cents a share, while analysts were expecting per-share profit of 35 cents.

The company expects net earnings of about \$260 million this year, or \$1.50 a share, down from its January forecast of \$535 million and \$3.08 a share.

Samsung Notches Highest Net in Years

BY TIMOTHY W. MARTIN
AND EUN-YOUNG JEONG

SEOUL—Samsung Electronics Co.'s flourishing components business helped the South Korean technology giant notch its highest quarterly profit in more than three years, as the company said that it wouldn't adopt a holding-company structure after a monthslong internal review.

Samsung, the world's largest smartphone maker by revenue, said net profit rose sharply to 7.68 trillion South Korean won (\$6.8 billion) in the first three months of 2017, a 46% increase from 5.25 trillion won a year earlier.

Revenue edged up to 50.55 trillion won for the first quarter. Operating profit rose to 9.90 trillion won, up 48% from 6.68 trillion won a year earlier.

Separately on Thursday, Samsung said it wouldn't adopt a holding-company structure. Investors and South Korean lawmakers have criticized the company's structure for allowing the controlling family to exert outsize influence over South Korea's largest conglomerate, despite a relatively modest shareholding. But Samsung said restructuring would hurt its competitiveness.

Samsung's statement came alongside its quarterly earnings report, the second-highest quarter of operating profit in its history.

Unrelenting demand for Samsung's semiconductors and flexible display panels—notably from smartphone rivals like **Apple** Inc.—has lifted its bottom line, offering the conglomerate a cushion against

the brand damage inflicted during last year's Galaxy Note 7 fiasco, which was caused by overheating batteries.

Operating profit for Samsung's semiconductor division soared to a record of 6.31 trillion won in the quarter, more than double that of the period a year earlier, and operating profit margins for the division widened to more than 40%—another record. Semiconductors accounted for almost two-thirds of the company's overall operating profit.

In contrast, the company's once-dominant mobile division played a relatively small role.

46%

How much Samsung's quarterly profit rose from a year earlier.

Samsung released its new flagship phone, the Galaxy S8, for sale in the U.S. last week—to late for the first quarter.

The mobile division's operating profit margins were squeezed to 8.8% from 14% a year earlier. The division accounted for one-fifth of overall operating earnings, compared with 58% a year ago.

The firm is counting on the Galaxy S8. Samsung's mobile chief, D.J. Koh, said earlier this month that preorders in the U.S. and South Korea for the Galaxy S8 were higher than for the Galaxy S7, which remains the company's all-time best-selling device, with around 50 million shipments.

New Glaxo CEO Seeks Tighter Drug Focus

BY DENISE ROLAND

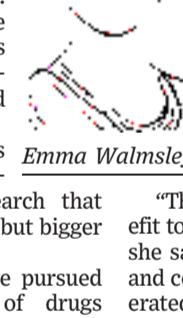
GlaxoSmithKline PLC's new boss, Emma Walmsley, said Wednesday that she plans to narrow the company's drug research to focus only on the biggest opportunities.

Ms. Walmsley, who became chief executive April 1, faces a late-stage pipeline thinned out by several recent drug launches. It falls to her to place big bets on the drugs in earlier-stage development that hold most promise.

She said she wants "more focused priorities" in drug research that would lead to fewer but bigger launches.

"Perhaps we have pursued the development of drugs which may be interesting, but in the competitive environment and versus other options we [do not have] scale opportunities we would like, so we will be stopping some of those," Ms. Walmsley said.

Glaxo's low research productivity is viewed as a fundamental problem by investors, who have been stung by some high-profile failures in recent years. Ms. Walmsley said the company would provide more details on its plans when it announces



second-quarter results in July. Ms. Walmsley said she supports the strategy of her predecessor, Andrew Witty, of lowering the company's reliance on the company's risk-laden pharmaceutical business, where success depends on the outcome of uncertain, and expensive, clinical trials. Mr. Witty expanded Glaxo's presence in vaccines and consumer health care—a term for drug-store staples such as toothpaste and over-the-counter painkillers—largely through a \$20 billion deal with **Novartis** AG.

"There is both logic and benefit to having three businesses," she said, adding that vaccines and consumer health care generated more reliable cash flow for Glaxo.

Ms. Walmsley's remarks came as Glaxo posted solid revenue and earnings growth for the first quarter on strong sales of newer drugs like HIV pill Tivicay, and a boost from the weakness of the pound.

Adjusted operating profit, a measure that strips out one-time items, rose 30% to £1.98 billion (\$2.54 billion), while revenue climbed 19% to £7.38 billion. Net income nearly quadrupled to £1.05 billion.

S&P: 10 Retailers at Risk of Default

BY KHADEEJA SAFDAR

Retail bankruptcies have set a record pace this year. The number of bankruptcies has already come close to the total in 2016, with 14 retailers filing. **Payless** Inc., **RadioShack** Corp. and **Limited Stores** Co. have sought relief from creditors.

S&P Global Market Intelligence last week released a list of 10 publicly traded retailers they consider most at risk of default within the next 12 months. Some disputed S&P's analysis; the rest pointed to previous statements or didn't respond to requests for comment. Here is S&P's ranking:

1. Sears Holdings Corp.

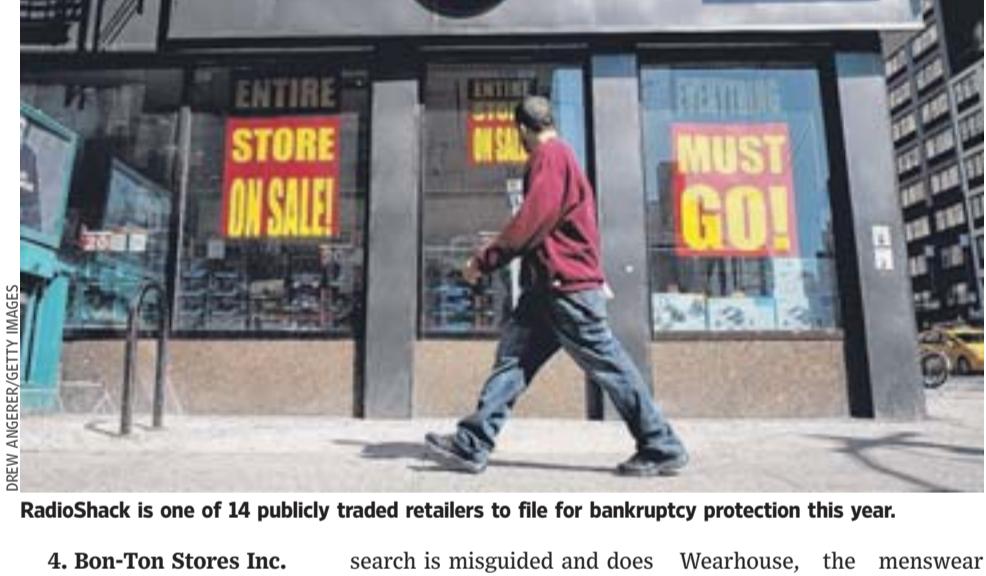
Sears has been making cost-saving maneuvers that include the closure of 150 stores. Sears "is determined to remain a viable competitor in retail and we are taking all necessary actions to improve our performance," said a spokesman.

2. DGSE Cos. Inc.

Following a leadership change in December, the seller of precious metals and jewelry said it "eschewed the unsuccessful strategies of recent years" and expects to post a profit in the first quarter.

3. Appliance Recycling Center of America Inc.

The recycler and seller of appliances has a market value of less than \$10 million.



RadioShack is one of 14 publicly traded retailers to file for bankruptcy protection this year.

4. Bon-Ton Stores Inc.

The department-store chain reported a \$63 million loss in 2016 and expects comparable sales to decline in 2017. It operates about 263 stores.

5. Bebe Stores Inc.

Last week, the mall-based women's apparel chain said it would close its remaining 168 locations and only sell online.

6. Destination XL Group Inc.

The seller of men's big-and-tall apparel expects a net loss for 2017. "We strongly believe the analysis by S&P Global Re-

search is misguided and does not in any way, shape, or form fairly represent our company's current financial position," said CEO David Levin.

7. Perfumania Holdings Inc.

The fragrances retailer has been facing dwindling foot traffic to its stores.

8. Fenix Parts Inc.

A small reseller of automotive parts reclaimed from damaged vehicles. It has a market value of less than \$25 million.

9. Tailored Brands Inc.

Comparable sales at Men's

Warehouse, the menswear seller's largest brand, fell 2.2% in the fourth quarter.

The S&P's analysis is "extremely misleading" because it "does not take into account debt maturities and our first debt maturity is not until 2021," a company spokesman said.

10. Sears Hometown and Outlet Stores Inc.

The retailer, spun off from Sears Holdings in 2012, closed 160 stores in fiscal 2016. It has lost money for three years.

BUSINESS WATCH

BOEING

Aerospace Giant Studies Supply Chain

Boeing Co. could bring more work in-house as part of an effort to reduce the cost of building jetliners that also includes introducing more automation and job cuts.

The aerospace giant buys between 60% and 70% of the parts for its commercial and military products from external suppliers that have been pressured to reduce prices and boost efficiency, often in return for a greater volume of work as Boeing boosts jetliner production.

"We are thinking through future supply-chain architecture," Chief Executive Dennis Muilenburg said on an investor call after Boeing reported quarterly earnings that beat forecasts.

His comments came as Boeing reported a net profit of \$1.45 billion for the quarter compared with \$1.22 billion a year earlier, even as sales dropped 7% to \$21 billion.

—Doug Cameron



tion and reduce injuries in notoriously tough jobs.

The meat company said Wednesday it also plans to publish regular audits of its operations conducted by external groups, and to include employees in evaluations of plant performance and worker treatment.

U.S. meatpackers are fighting a tightening labor market that has made it hard to fully staff some processing plants. Tyson's commitment also follows criticism from groups including Oxfam International and the Animal Legal Defense Fund, which have alleged workplace safety violations and poor treatment of slaughterhouse workers.

Tyson estimated its worker retention rate at 72% for 2015, the last full year for which the company published data. The company employs about 114,000 people across about 100 processing plants.

The United Food and Commercial Workers Union, which represents a quarter of Tyson's U.S. workforce, supported Tyson's move, as did Oxfam.

—Jacob Bunge

SUNIVA

Solar-Panel Maker Seeks Trade Tariffs

In a last-ditch effort to survive, bankrupt U.S. solar-panel maker **Suniva** Inc. asked the Trump administration Wednesday to impose trade tariffs on all foreign-made solar cells.

A lawyer for the company said Suniva filed a petition Wednesday morning with the U.S. International Trade Commission that seeks a four-year tariff of 40 cents a watt on all solar cells made outside the U.S.

Low-cost solar panels, mostly manufactured in Asia, have glutted the global market and pushed down panel prices by roughly 30% in 2016.

The International Trade Commission declined to comment on the petition, but a spokeswoman said the agency would review it and decide whether to institute an investigation, which would precede any action.

Suniva filed for chapter 11 bankruptcy protection last week.

—Cassandra Sweet

EARNINGS

UTC and Northrop Beat Expectations

United Technologies Corp. reported a strong first quarter, beating earnings and sales expectations.

Operating profit and margins took a fall at Pratt & Whitney and the Otis elevator division.

For its closely watched

geared turbofan jet engine, Chief Executive Greg Hayes expects carbon seal issues to be fixed by the end of May. UTC is on track to meet its delivery requirement of 350 to 400 engines this year to **Airbus** SE.

Separately, **Northrop Grumman** Corp.'s share count fell 4% year-over-year after a \$229 million buyback. The lower share count sent first-quarter earnings per share far above expectations and

boosted fiscal 2017 earnings-per-share guidance by 50 cents.

—Thomas Gryta and Imani Moise

TYSON FOODS

Meatpacker to Lift Pay to Keep Workers

Tyson Foods Inc. plans to pay more at some meat plants and expand training to boost retention

TECHNOLOGY

WSJ.com/Tech

Amazon Is Now Looking at You

Echo device can take videos, photos of outfits and compare them via algorithms

BY LAURA STEVENS

Amazon.com Inc., seeking a bigger slice of the clothing market, is casting itself as a style adviser.

The Seattle-based online retailer on Wednesday introduced the Echo Look, a new version of its artificial-intelligence-powered speakers that includes a camera. The company said the \$200 device, which is only available via an invitation for now, will enable consumers to take videos and photos of their outfits and compare them via algorithms.

But Amazon's plans are likely much broader than offering fashion advice, experts say. Potential applications range from becoming a virtual home-fitting room to a communications and security system for companies—all ways to more deeply integrate the company into consumers' lives.



The \$200 Echo Look likely will have broader consumer applications.

When the original Echo was first released in 2014, it was marketed as a "glorified MP3 player," said Werner Goertz, an analyst at technology research firm Gartner Inc. In the years since, Amazon has added thousands of new functions, from ordering pizza to turning on the lights.

The design of the Echo Look

"opens it up to many more use cases beyond just fashion and apparel sales," he adds. An Amazon spokeswoman declined to comment on other potential uses for the device.

Still, consumers may have privacy concerns about a video camera in the home. Amazon's commercial shows the device in the bedroom as women try on

outfits for a critique.

"I think there would be some concerns to a large piece of the public" regarding an always-on device that could be recording video, said Mark Elfenbein, chief revenue officer at artificial intelligence firm **Sentient Technologies**, which works with retailers to personalize their e-commerce sites.

Amazon is in a broader race against other tech companies to create and install digital assistants in everything from cars to homes, including Alphabet Inc.'s Google and Apple Inc.'s Siri. Consumers can already use their voices to control lights, thermostats and garage doors, and to order online.

The Seattle-based retailer has a head start, thanks in part to the early launch of its Echo speaker device, which is powered by artificial-intelligence assistant Alexa. Morgan Stanley estimates the company sold more than 11 million devices through late last year. The Echo Look would be a natural next step for the evolution of Amazon's devices, ex-

perts said.

In addition, the company has been using its massive cloud business, Amazon Web Services, to make available a number of algorithms to customers that may help its digital assistant learn faster. That includes Amazon Rekognition, which uses technology to detect objects, scenes and faces, and to identify inappropriate content in images.

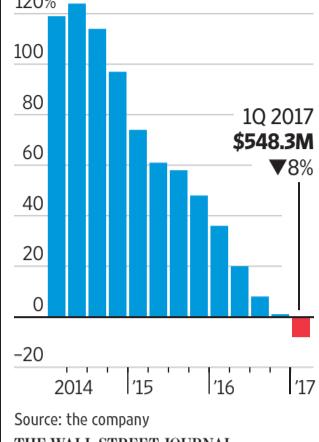
Amazon has also been looking to grab a bigger piece of the apparel market, creating its own private-label brands and making inroads into fashion at the expense of department stores and some specialty retailers.

Initially, the Echo Look could help Amazon make a bigger splash on social media as consumers share photos of themselves, said Mr. Elfenbein. But eventually, it could lead to automating some aspects of online shopping, allowing Amazon to recommend clothing to purchase or virtually try on.

"This is where shopping is certainly moving to: [artificial intelligence] being able to recommend complete outfits," he said.

Grounded

Twitter's revenue, change from a year earlier



Source: the company
THE WALL STREET JOURNAL.

Twitter Posts Revenue Decline

BY GEORGIA WELLS

For social-media companies, popularity doesn't always pay off, as **Twitter** Inc.'s sinking revenue shows.

Twitter on Wednesday said nine million new monthly users joined its social network in the first quarter—the most in two years—but revenue fell for the first time since going public, raising questions about how the company is going to hit its goal of becoming profitable this year.

"We're moving in the right direction, but it just takes a while," Twitter's chief financial and operating officer, Anthony Noto, said on an earnings call.

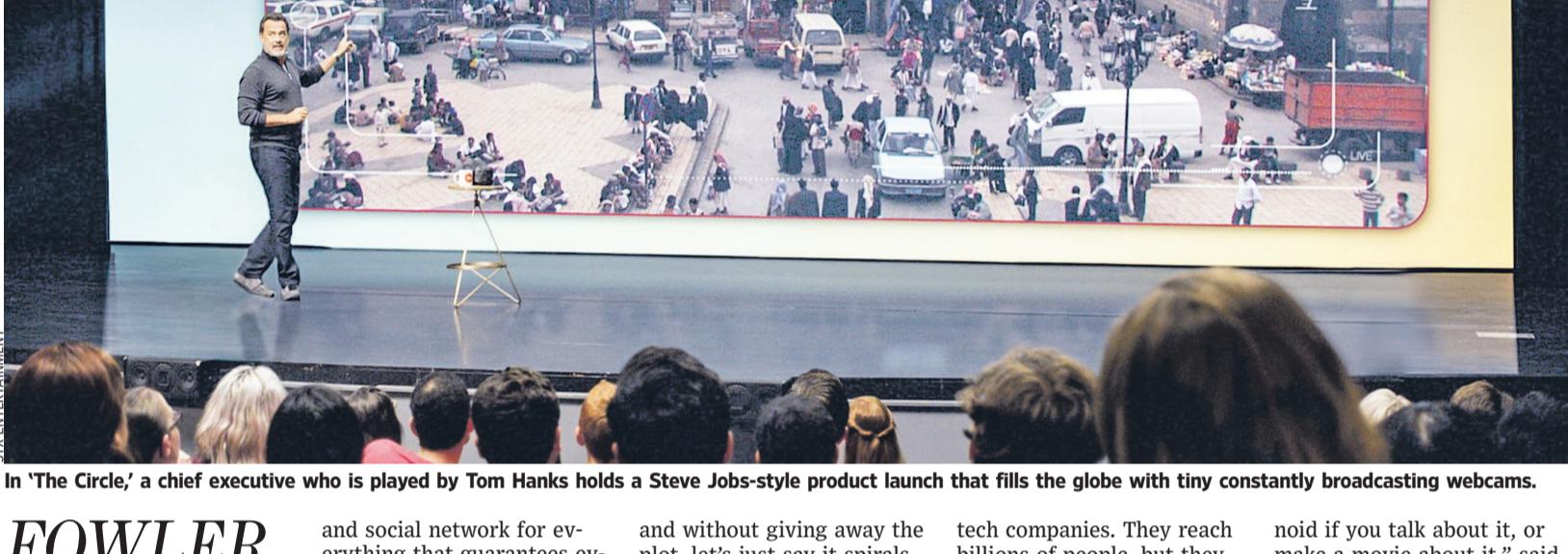
Twitter, which has posted net losses for every quarter since going public in late 2013, posted a loss of \$61.6 million for the first quarter, compared with a loss of \$79.7 million a year earlier.

Twitter's struggles reflect the challenge of its industry: how to turn eyeballs into dollars. Twitter and its rivals—**Facebook** Inc. and Snapchat parent **Snap Inc.**—make money mostly through advertising.

But competition for ad dollars is fierce. Facebook and Google, part of **Alphabet** Inc., dominate digital advertising. Snapchat, which listed its ability to attract new advertisers as a risk factor in its public filing document this year, is carving out a niche by focusing on high-production ads, such as full-screen videos of new cars. Meanwhile, Twitter's share of world-wide digital ad spending is expected to shrink slightly to 1% this year, according to data firm eMarketer.

Twitter's global ad revenue in the first quarter fell 11% from a year earlier, a steeper slide than its 8% drop in overall revenue to \$548.3 million.

—Deepa Seetharaman contributed to this article.



In 'The Circle,' a chief executive who is played by Tom Hanks holds a Steve Jobs-style product launch that fills the globe with tiny constantly broadcasting webcams.

FOWLER

Continued from page B1

gest we should all just unplug. "But I don't think that means we shouldn't be asking questions," he said.

"The Circle," based on the 2013 Dave Eggers novel, lacks the shock value to become the "Soylent Green" of the millennial generation. In some respects, it isn't even fair to Silicon Valley. But it rightly zeroes in on some of the tech industry's worst tendencies.

The evil in this morality play hides in the seeming innocence of the fictional Circle company and its technologies, which sound useful and reasonable at first. The Circle's main product is TruYou, a digital passport

and social network for everyone that guarantees everyone is really who they say they are. "Sharing is caring," is a company slogan.

The tiny, always-streaming cameras bring more of the world to light, to improve safety or document abuse. Under surveillance, a lot of bad behavior goes away. "Knowing is good. Knowing everything is better," goes another slogan.

Emma Watson plays Mae Holland, a wide-eyed new employee who drinks the Kool-Aid—and finds that mediating life through the TruYou social network starts to distance her from her family and real relationships.

The proliferation of cameras makes Mae feel like she's always performing. All that self-broadcasting fuels a form of internet lynching,

and without giving away the plot, let's just say it spirals into something akin to the East German Stasi.

Privacy is fundamental to humanity, says Mr. Ponsoldt. "If you're being watched, you're not really free."

Our reality is scarier. People use Facebook, Google and Twitter in ways their creators never expected and don't know how to control. In the 2016 election, social networks fueled division instead of creating empathy. Facebook's year-old live broadcast tech has spawned so much crime that Chicago officials last week asked the company to shut it down for 30 days while they try to figure out how to stop bad behavior from going viral.

The world's five most valuable corporations are all

tech companies. They reach billions of people, but they want more. Facebook chief executive Mark Zuckerberg in February published a manifesto saying his social network wants to do more than connect friends. It wants to become "social infrastructure."

No single real company is as powerful as the Circle (yet), but privacy intrusions accumulate. Check your phone settings: You might be surprised by how many apps are slurping up location and activity data, even when you aren't using them.

There's an often-unspoken business imperative driving tech products: collecting data to sell and target marketing. As the saying goes: When the product is free, you're the product.

"You sound really para-

noid if you talk about it, or make a movie about it," said Mr. Ponsoldt. "But I am shocked that people don't talk about it more."

That insatiable hunger for data is perhaps the most disturbing parallel between the fictional Circle and Silicon Valley. The goal really is to index reality, with live data from your messages, photos, body, car, oven and lightbulbs. This is why Facebook got into live video and Snapchat's creator started putting cameras into glasses. The static images on Google Earth today will undoubtedly seem quaint in a few years when it's populated with live 360-degree videos of every street corner.

Even Hollywood couldn't make up some of this stuff.

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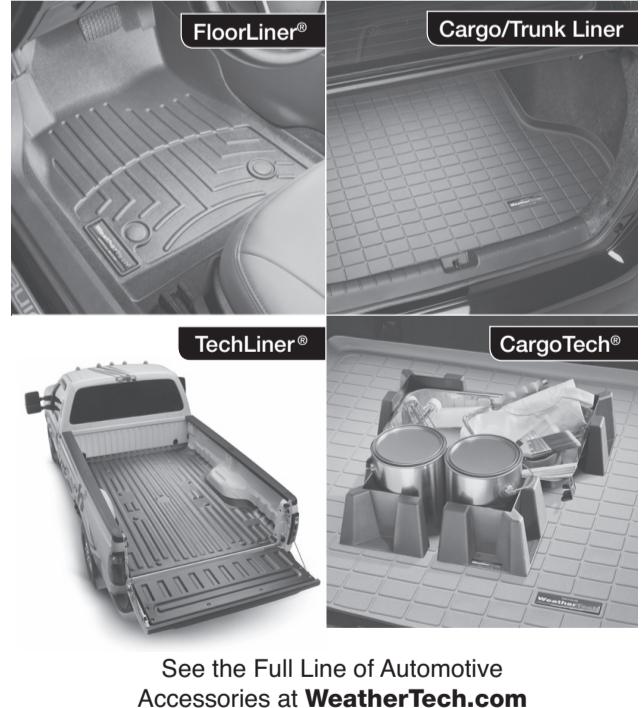
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BUSINESS NEWS



ESPN has been hit by cancellations of monthly pay-TV packages.

Layoffs at ESPN Include Familiar On-Air Talent

BY SHALINI RAMACHANDRAN
AND JOE FLINT

Walt Disney Co.'s ESPN is laying off about 100 employees, including on-air talent, a person familiar with the matter said, as it further looks to cut costs amid challenging times in pay-TV.

The layoffs are expected this week and will affect a range of roles, from anchors to analysts, the company said. A handful of new jobs will be posted. ESPN has approximately 8,000 employ-

ees, including 1,000 in editorial roles.

Some familiar faces are among those being let go. Ed Werder, a longtime National Football League reporter for ESPN, tweeted: "After 17 years reporting on #NFL, I've been informed that I'm being laid off by ESPN effective immediately. I have no plans to retire."

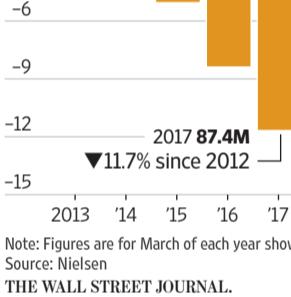
Other on-air personalities also took to social media to announce they had been laid off, including "SportsCenter" anchor Jay Crawford, NFL analyst and former pro quarterback Trent Dilfer, Big Ten college sports reporter Brian Bennett and baseball analyst Jim Bowden.

"Dynamic change demands an increased focus on versatility and value, and as a result, we have been engaged in the challenging process of determining the talent—anchors, analysts, reporters, writers and those who handle play-by-play—necessary to meet those demands," wrote ESPN President John Skipper in a blog post Wednesday.

Like many cable networks, ESPN has been hit by consumers canceling expensive monthly pay-TV packages in favor of smaller packages or streaming services.

Declining Reach

Cumulative change since 2012 in U.S. pay-TV households whose packages include ESPN.



Note: Figures are for March of each year shown

Source: Nielsen

THE WALL STREET JOURNAL.

Fox TV Veteran Leads Field for Sony Film Post

BY BEN FRITZ AND JOE FLINT

Sony Corp. is narrowing its focus on former Fox television chief Tony Vinciguerra as the next head of its film and television studio, people with knowledge of the talks said.

Mr. Vinciguerra, 62 years old, has moved to the head of the pack as other potential candidates have fallen by the wayside, including **Walt Disney Co.** International Chairman Andy Bird, former Disney Chief Operating Officer Tom Staggs and former Fox film studio chief Jim Gianopoulos, who now runs Viacom Inc.'s Paramount Pictures.

He would succeed Michael Lynton, who has led Sony Pictures Entertainment since 2004 and is leaving to focus on his position as chairman of tech company **Snap Inc.**, in which he was an early investor.

Mr. Vinciguerra recently traveled to Tokyo to meet with top Sony executives. The search for a new studio chief is being led by Mr. Lynton and Sony Chief Executive Kazuo Hirai, who has this year been

spending more time on the studio's Culver City, Calif., lot.

A veteran television executive known for being a shrewd deal maker and strong operator, Mr. Vinciguerra was chairman and chief executive of the Fox Television Networks Group for about a decade, overseeing its cable, broadcast and sports operations. Before that, Mr. Vinciguerra ran Hearst-Argyle Television, a large owner of local TV stations.

Mr. Vinciguerra still has "several hurdles" to overcome and it isn't yet a sure thing he will get the job, according to one of the people familiar with the matter.

One of the first priorities for Mr. Lynton's successor will be to retain the management of the television unit, the main profit engine for the studio. The contracts of Sony Pictures Television Presidents Zack Van Amburg and Jamie Erlicht expire at the end of August, and renewal talks have been delayed because of the search for a successor to Mr. Lynton, who is 57 years old.

Barnes & Noble Names CEO

BY JEFFREY A. TRACHTENBERG

Barnes & Noble Inc. named Demos Parneros as its new chief executive, making him the fifth leader in four years to be tasked with turning around the bookseller's fortunes.

Mr. Parneros is being elevated from chief operating officer, a position he had assumed at Barnes & Noble in November. A veteran retailer who previously spent nearly 30 years at **Staples Inc.**, he faces numerous challenges at the bookstore chain.

In March, the company reported a disappointing holiday quarter in which same-store sales fell 8.3%, and the Nook tablet and e-book business continued to lose money. Like many

retailers these days, Barnes & Noble is grappling with declining store traffic as consumers embrace shopping online.

During an interview, Mr. Parneros, 55 years old, said attracting customers to Barnes & Noble's 634 bookstores is his priority. He expressed confidence that the bookseller can compete effectively if it offers "something unique and different. Everything is on the table."

Mr. Parneros succeeds Leonard Riggio, the chain's largest private shareholder with an 18% stake. Mr. Riggio, 76 years old, had intended to retire in 2016 but instead took the reins as acting CEO after Ronald Boire was dismissed as chief executive in August.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares (as defined below). The Offer (as defined below) is made solely by the Offer to Purchase dated April 27, 2017 and the related Letter of Transmittal, as they may be amended or supplemented from time to time. The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Shares in any jurisdiction in which the making or acceptance of offers to sell Shares would not be in compliance with the laws of that jurisdiction.

Notice of Offer to Purchase for Cash by



Up to \$2,750,000,000 of Shares of Its Common Stock At a Purchase Price Not Greater Than \$48.00 Per Share And Not Less Than \$43.00 Per Share

CIT Group Inc., a Delaware corporation ("CIT"), is offering to purchase shares of its common stock, par value \$0.01 per share (the "Shares"), for cash up to an aggregate purchase price of \$2,750,000,000, at a per Share price not greater than \$48.00 and not less than \$43.00, net to the tendering stockholder in cash, less any applicable withholding taxes and without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated April 27, 2017 (the "Offer to Purchase"), and in the related Letter of Transmittal (which together, as they may be amended or supplemented from time to time, constitute the "Offer").

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 11:59 P.M., NEW YORK CITY TIME, ON MAY 24, 2017, UNLESS THE OFFER IS EXTENDED (SUCH DATE AND TIME, AS THEY MAY BE EXTENDED, THE "EXPIRATION DATE").

Upon the terms and subject to the conditions of the Offer, promptly after the Expiration Date, CIT will determine a single price per Share (the "Purchase Price"), which will be not greater than \$48.00 and not less than \$43.00 per Share, that CIT will pay, subject to "odd lot" priority, proration and conditional tender provisions described in the Offer to Purchase, for Shares properly tendered in the Offer and not properly withdrawn, and accepted for payment, taking into account the number of Shares tendered pursuant to the Offer and the prices specified by the tendering stockholders. The Purchase Price will be the lowest price per Share (in increments of \$0.25) of not greater than \$48.00 and not less than \$43.00 per Share, at which Shares have been properly tendered in the Offer and not properly withdrawn, that will enable CIT to purchase the maximum number of Shares properly tendered in the Offer and not properly withdrawn having an aggregate purchase price not exceeding \$2,750,000,000 (or, if the Offer is not fully subscribed, all Shares properly tendered and not properly withdrawn). All Shares purchased in the Offer will be purchased at the same Purchase Price regardless of whether the stockholder tendered at a lower price. However, because of the "odd lot" priority, proration and conditional tender provisions described in the Offer to Purchase, it is possible that not all of the Shares tendered at or below the Purchase Price will be purchased if Shares having an aggregate purchase price in excess of \$2,750,000,000 are properly tendered and not properly withdrawn. Shares tendered but not purchased in the Offer will be returned to the tendering stockholders at CIT's expense promptly after the Expiration Date.

The Offer is not conditioned on the receipt of financing or any minimum value of Shares being tendered. The Offer, however, is subject to other conditions set forth in the Offer to Purchase.

THE BOARD OF DIRECTORS OF CIT HAS AUTHORIZED THE OFFER. HOWEVER, NONE OF CIT, THE MEMBERS OF ITS BOARD OF DIRECTORS, J.P. MORGAN SECURITIES LLC, BARCLAYS CAPITAL INC. OR CITIGROUP GLOBAL MARKETS, INC. (THE "DEALER MANAGERS"), THE INFORMATION AGENT (AS DEFINED BELOW) OR THE DEPOSITORY (AS DEFINED BELOW) MAKES ANY RECOMMENDATION TO ANY STOCKHOLDER AS TO WHETHER TO TENDER OR REFRAIN FROM TENDERING THE STOCKHOLDER'S SHARES OR AS TO ANY PRICE AT WHICH THE STOCKHOLDER MIGHT TENDER SHARES. STOCKHOLDERS MUST MAKE THEIR OWN DECISION AS TO WHETHER TO TENDER THEIR SHARES AND, IF SO, HOW MANY SHARES TO TENDER AND AT WHAT PRICE OR PRICES TO TENDER. PRIOR TO MAKING ANY DECISION WITH RESPECT TO THE OFFER, STOCKHOLDERS SHOULD READ CAREFULLY THE INFORMATION IN THE OFFER TO PURCHASE AND IN THE RELATED LETTER OF TRANSMITTAL, INCLUDING THE PURPOSES AND EFFECTS OF THE OFFER. STOCKHOLDERS SHOULD DISCUSS WHETHER TO TENDER THEIR SHARES WITH THEIR BROKER, IF ANY, OR OTHER FINANCIAL OR TAX ADVISOR.

Upon the terms and subject to the conditions of the Offer, including the provisions relating to "odd lot" priority, proration and conditional tender described in the Offer to Purchase, CIT will purchase Shares properly tendered at or below the Purchase Price and not properly withdrawn on or before the Expiration Date having an aggregate purchase price of up to \$2,750,000,000 (or such greater amount as it may elect to purchase, subject to applicable law). If the number of Shares properly tendered at or below the Purchase Price and not properly withdrawn prior to the Expiration Date would result in an aggregate purchase price of more than \$2,750,000,000, CIT will purchase Shares in the following order of priority:

• first, CIT will purchase all odd lots of less than 100 Shares from stockholders who properly tender all of their Shares at or below the Purchase Price and who do not properly withdraw them before the Expiration Date (tenders of less than all of the Shares owned, beneficially or of record, by such Odd Lot Holder (as defined in the Offer to Purchase) will not qualify for this preference) ("Preferred Odd Lots");

• second, after purchasing all Preferred Odd Lots that were properly tendered at or below the Purchase Price and not properly withdrawn, CIT will purchase Shares from all other stockholders who properly tender Shares at or below the Purchase Price and who do not properly withdraw them before the Expiration Date (except for stockholders who tendered Shares conditionally for which the condition was not satisfied), on a *pro rata* basis, with appropriate adjustments to avoid purchases of fractional Shares, until CIT has acquired purchased Shares having an aggregate purchase price of \$2,750,000,000 (or such greater amount as CIT may elect to purchase, subject to applicable law); and

• third, only if necessary to permit CIT to purchase Shares having an aggregate purchase price of \$2,750,000,000 (or such greater amount as CIT may elect to purchase, subject to applicable law), CIT will purchase Shares from stockholders who have properly tendered Shares at or below the Purchase Price conditionally (for which the condition was not initially satisfied) by random lot, to the extent feasible. To be eligible for purchase by random lot, stockholders whose Shares are conditionally tendered must have properly tendered all of their Shares at or below the Purchase Price and not properly withdrawn them before the Expiration Date.

All Shares tendered and not purchased in the Offer will be returned to stockholders at CIT's expense promptly following the Expiration Date. CIT expressly reserves the right, in its sole discretion, at any time and from time to time, and regardless of whether or not any of the conditions set forth in the Offer to Purchase shall have occurred or shall be deemed by CIT to have occurred, to extend the period of time during which the Offer is open and delay acceptance for payment of, and payment for, any Shares by giving oral or written notice of such extension to the Depository and making a public announcement of such extension no later than 9:00 a.m., New York City time, on the next business day after the last previously scheduled or announced Expiration Date. During any such extension, all Shares previously tendered and not validly withdrawn will remain subject to the Offer and to the right of a tendering stockholder to withdraw such stockholder's Shares.

Shares tendered pursuant to the Offer may be withdrawn at any time before the Expiration Date. In addition, unless tendered Shares have already been accepted for payment, they may be withdrawn at any time after 11:59 p.m., New York City time, on June 22, 2017. For a withdrawal to be effective, a notice of withdrawal must be in writing, must be received in a timely manner by the Depository at one of its addresses set forth on the back cover of the Offer to Purchase and must specify the name of the person having tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of the Shares to be withdrawn, if different from the name of the person who tendered the Shares.

For purposes of the Offer, CIT will be deemed to have accepted for payment (and therefore purchased), subject to the "odd lot" priority, proration and conditional tender provisions of the Offer, Shares that are properly tendered at or below the Purchase Price and not properly withdrawn only when, and as if CIT gives oral or written notice to Computershare Trust Company, N.A., the depositary for the Offer (the "Depository"), of its acceptance of the Shares for payment in the Offer. Payment for Shares tendered and accepted for payment in the Offer will be promptly, subject to possible delay in the event of proration, but only after timely receipt by the Depository of certificates for Shares or confirmation of book-entry transfer of Shares into the Depository's account at DTC, a properly completed and duly executed Letter of Transmittal or an Agent's Message (as defined in the Offer to Purchase), in the case of a book-entry transfer, and any other documents required by the Letter of Transmittal.

Stockholders desiring to tender Shares under the Offer must follow the procedures set forth in the Offer to Purchase and in the Letter of Transmittal, including doing one of the following before 11:59 p.m., New York City time, on May 24, 2017, or any later time and date to which the Offer may be extended:

• If you hold your Shares in a brokerage account or otherwise through a broker, dealer, commercial bank, trust company or other nominee (*i.e.*, in "street name"), you must contact your broker, dealer, commercial bank, trust company or other nominee if you wish to tender your Shares (stockholders should note that if a broker, dealer, commercial bank, trust company or other nominee holds your Shares, it is likely that they have an earlier deadline for accepting the Offer and hence we urge you to contact the broker, dealer, commercial bank, trust company or other nominee holding your Shares to find out their deadline);

• If you hold your certificates registered in your own name, you must complete and sign a Letter of Transmittal according to the instructions to the Letter of Transmittal and deliver it, together with any required signature guarantees, the certificates for your Shares and any other documents required by the Letter of Transmittal, to the Depository before 11:59 p.m., New York City time, on May 24, 2017, or such later time and date to which we may extend the Offer; or

• If you are an institution participating in DTC, you must tender your Shares according to the procedure for book-entry transfer described in Section 3 of the Offer to Purchase.

Stockholders desiring to tender their Shares but whose certificates are not immediately available, or who are unable to complete the procedure for book-entry transfer or to make delivery of all required documents to the Depository before the Expiration Date, may tender their Shares by complying with the procedures for guaranteed delivery as provided for in the Offer to Purchase and Letter of Transmittal.

CIT will decide, in its reasonable discretion, all questions as to the number of Shares to be accepted, the Purchase Price to be paid for Shares to be accepted and the validity, form and eligibility, including time of receipt, and acceptance for payment of any tender of Shares, and such each decision will be final and binding on all persons participating in the Offer. None of CIT, the Dealer Managers, the Information Agent, the Depository or any other person will be obligated to give notice of any defects or irregularities in tenders, nor will any such person incur any liability for failure to give any notice.

If you are a U.S. Holder (as defined in the Offer to Purchase), the receipt of cash for your tendered Shares generally will be treated for United States federal income tax purposes either as (a) a sale or exchange eligible for capital gain or loss treatment or (b) a distribution. If you are a Non-U.S. Holder (as defined in the Offer to Purchase), the payment of cash for your tendered Shares may be subject to United States federal income tax withholding. Stockholders are strongly encouraged to read the Offer to Purchase for additional information regarding the United States federal income tax consequences of participating in the Offer and should consult their tax advisors.

The Offer to Purchase and the Letter of Transmittal contain important information that should be read before any decision is made with respect to the Offer.

CIT believes that the repurchase of Shares pursuant to the Offer is consistent with our long-term goal of maximizing stockholder value and our prior disclosures concerning potential uses for our excess capital and the proceeds from the sale of our commercial aircraft leasing business, which was completed on April 4, 2017 (the "Commercial Air Sale"). In particular, the Offer will enable us to return to our stockholders \$2,750,000,000 from the net proceeds of the Commercial Air Sale. This capital return is being made pursuant to our 2016 Amended Capital Plan, for which we have received a "non-objection" from the Federal Reserve Bank of New York, which authorizes us to return up to \$2.975 billion of common equity from the proceeds of the Commercial Air Sale and up to an additional \$325 million upon issuance of a like amount of Tier 1 qualifying preferred stock. We continue to explore options for returning the additional common equity to our shareholders, including any amounts not tendered in this Offer, through dividends and/or share repurchases, though the manner and timing of this capital return has not yet been determined. CIT will take into account our results of operations, financial position and capital requirements, general business conditions and other factors we deem relevant, in determining whether, when and how to make this capital return. In determining to proceed with the Offer, our executive management and our Board of Directors evaluated the Company's operations, financial condition, capital needs, regulatory requirements, strategy and expectations for the future and believe that the Offer is a prudent use of our financial resources.

Copies of the Offer to Purchase and the Letter of Transmittal are being mailed to record holders of Shares and will be furnished to brokers, dealers, commercial banks, trust companies and other nominee stockholders and similar persons whose names, or the names of whose nominees, appear on the stockholder list of CIT or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares. Additional copies of the Offer to Purchase and the Letter of Transmittal may be requested from Geogeson LLC, the information agent for the Offer (the "Information Agent"), at the expense of CIT at the address and telephone numbers set forth below. Questions or requests for assistance may be directed to the Information Agent or the Lead Dealer Manager at their respective telephone numbers and addresses set forth below. Stockholders may also contact their broker, dealer, commercial bank or trust company for assistance concerning the Offer. CIT also has filed a Tender Offer Statement on Schedule TO with the Securities and Exchange Commission that includes additional information relating to the Offer. The information required to be disclosed by Rule 13e-4(d)(1) under the Securities Act of 1934, as amended, is contained in the Offer to Purchase and is herein incorporated by reference.

The Information Agent for the Offer is:

Georges

1290 Avenue of the Americas, 9th Floor

New York, NY 10104

Banks, Brokers and Shareholders Call Toll-Free: (877) 278-4774

The Depository for the Offer is:

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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

20975.09 ▼21.03, or 0.10%
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

* P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2387.45 ▼1.16, or 0.05%
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Nasdaq Composite Index

6025.23 ▼0.27, or 0.004%
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Major U.S. Stock-Market Indexes

	Dow Jones		Latest		52-Week		YTD		% chg	
	High	Low	Close	Net chg	% chg	High	Low	% chg	YTD	3-yr. ann.
Industrial Average	21070.90	20972.27	20975.09	-21.03	-0.10	21115.55	17140.24	16.3	6.1	8.6
Transportation Avg	9275.35	9166.64	9167.74	-81.68	-0.88	9593.95	7093.40	13.3	1.4	6.5
Utility Average	710.75	704.94	705.17	-3.25	-0.46	720.45	625.44	7.9	6.9	8.5
Total Stock Market	24912.46	24794.22	24806.35	2.75	0.01	24868.78	20583.16	14.8	6.6	8.3
Barron's 400	645.25	640.38	642.82	2.27	0.35	642.82	491.89	20.7	6.8	8.1

Nasdaq Stock Market

	Nasdaq Composite	6040.89	6021.72	6025.23	-0.27	-0.004	6025.49	4594.44	23.9	11.9	13.9
Nasdaq 100	5563.97	5537.99	5541.09	-7.11	-0.13		5548.19	4201.05	25.5	13.9	16.2

Standard & Poor's

	500 Index	2398.16	2386.76	2387.45	-1.16	-0.05	2395.96	2000.54	14.0	6.6	8.6
MidCap 400	1756.39	1744.06	1748.36	0.52	0.03		1758.27	1416.66	17.5	5.3	9.1
SmallCap 600	866.81	856.14	863.08	5.87	0.68		863.08	670.90	21.9	3.0	9.9

Other Indexes

	Russell 2000	1425.70	1409.83	1419.43	8.35	0.59	1419.43	1089.65	23.0	4.6	8.1
NYSE Composite	11653.17	11590.32	11592.91	-10.37	-0.09		11661.22	9973.54	9.7	4.8	3.3
Value Line	530.83	526.57	528.75	1.69	0.32		529.13	435.06	12.7	4.5	3.1
NYSE Arca Biotech	3625.78	3595.27	3611.29	7.90	0.22		3642.30	2818.70	13.1	17.4	14.3
NYSE Arca Pharma	510.73	507.74	508.06	0.73	0.14		554.66	463.78	-1.8	5.5	0.3
KBW Bank	93.67	92.41	92.85	0.28	0.31		99.33	60.27	31.6	1.2	10.6
PHLX\$ Gold/Silver	83.34	80.87	83.31	0.93	1.13		112.86	73.03	-0.2	5.6	-3.7
PHLX\$ Oil Service	162.10	157.61	159.05	0.28	0.18		192.66	148.37	-11.3	-13.5	-18.7
PHLX\$ Semiconductor	1017.86	1005.83	1009.16	-8.65	-0.85		1017.81	630.77	48.1	11.3	20.8
CBOE Volatility	10.89	10.39	10.85	0.09	0.84		25.76	10.58	-21.2	-22.7	-8.3

\$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
SPDR S&P 500	SPY	12,899.8	238.31	-0.09	-0.04	238.88	238.18
Finl Select Sector SPDR	XLF	11,375.6	23.87	...	unch.	24.02	23.85
iShares MSCI Emg Markets	EEM	6,477.6	40.19	0.14	0.35	40.19	40.00
MGM Resorts Intl	MGM	6,400.3	29.96	0.17	0.57	29.96	29.72
Zynga	ZNGA	5,768.3	2.84	0.02	0.71	2.86	2.82
Bank of America	BAC	5,737.5	23.89	...	unch.	24.10	23.86
VanEck Vectors Jr Gold	GDXJ	5,001.9	32.38	0.12	0.37	32.43	32.26
Weyerhaeuser	WY	3,764.8	34.26	...	unch.	34.38	33.11

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Teradyne Inc	TER	354.9	37.50	3.73	11.05	38.20	33.71
Ultra Clean Holdings	UCTT	166.1	19.15	1.64	9.37	19.45	17.51
ShoreTel	SHOR	15.9	6.55	0.50	8.26	6.55	6.00
Intuit	INTU	88.9	124.30	8.49	7.33	124.50	115.81
Cryolife	CRY	7.5	17.90	1.15	6.87	18.00	16.75

...And losers

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
American Superconductor	AMSC	13.0	4.91	-2.79	-36.23	7.70	4.01
Pacific Biosciences CA	PACB	93.2	4.39	-0.79	-15.25	5.21	

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open	
Copper-High (CMX) -25,000 lbs.; \$ per lb.	2,5900	2,5900	2,5795	2,5910	0,0090	272	
April	2,6005	2,6085	2,5845	2,6005	0,0095	123,565	
Gold (CMX) -100 troy oz.; \$ per troy oz.	1,2666	1,2666	1,26240	1,26210	-3,50	142	
June	1,26550	1,27280	1,26070	1,26420	-3,00	340,091	
Aug	1,26850	1,27600	1,26430	1,26760	-3,00	50,404	
Oct	1,27120	1,27760	1,26980	1,27090	-3,00	7,670	
Dec	1,27590	1,28200	1,27150	1,27420	-3,10	51,531	
Feb'18	1,27700	1,28500	1,27570	1,27760	-3,10	7,781	
Palladium (NYM) -50 troy oz.; \$ per troy oz.	979,00	979,00	979,00	980,00	8,50	1	
May	818,20	818,20	818,20	818,20	8,50	1	
June	797,30	809,60	796,50	805,15	8,50	30,690	
Sept	798,10	809,30	796,25	804,95	8,45	3,277	
Platinum (NYM) -50 troy oz.; \$ per troy oz.	952,50	952,50	952,50	945,90	-8,70	3	
July	957,80	958,40	945,80	948,50	-9,10	58,855	
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	1,7575	1,7575	1,7560	1,7353	-0,228	36	
July	1,7650	1,7695	1,7355	1,7431	-0,228	145,285	
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.	49,36	50,20	48,94	49,62	0,06	607,386	
July	49,71	50,52	49,29	49,96	0,06	239,147	
Aug	50,00	50,76	49,56	50,21	0,04	104,893	
Sept	50,20	50,98	49,83	50,45	0,03	189,766	
Dec	50,79	51,44	50,38	50,98	0,03	281,202	
Dec'18	50,67	51,20	50,42	50,83	-0,06	134,631	
NY Harbor USLD (NYM) -42,000 gal.; \$ per gal.	1,5405	1,5452	1,5256	1,5367	-0,085	22,515	
June	1,5449	1,5518	1,5298	1,5417	-0,081	128,017	
Gasoline-NY ROB (NYM) -42,000 gal.; \$ per gal.	1,6045	1,6166	1,5780	1,5903	-0,037	20,127	
June	1,6050	1,6205	1,5820	1,5944	-0,031	141,222	
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.	3,052	3,170	3,031	3,142	0,09	5,951	
June	3,173	3,277	3,159	3,271	0,16	261,366	
July	3,258	3,355	3,244	3,350	0,10	209,840	
Sept	3,290	3,372	3,285	3,369	0,05	125,736	
Oct	3,291	3,387	3,288	3,385	0,01	153,473	
Jan'18	3,550	3,640	3,550	3,637	0,07	97,913	

Agriculture Futures

	Currency Futures						
Japanese Yen (CME) -\$12,500,000; \$ per 100%	May	.9000	.9024	.8952	.8985	-0,025	443
June	.9024	.9037	.8964	.8996	-0,025	200,817	
Canadian Dollar (CME) -CAD 100,000; \$ per CAD	May	.7373	.7385	.7343	.7346	-0,0021	294
June	.7371	.7390	.7346	.7350	-0,0021	160,279	
British Pound (CME) -\$6,250,000; \$ per £	May	1,2845	1,2868	1,2813	1,2850	0,0013	388
June	1,2853	1,2882	1,2824	1,2862	0,0013	259,594	
Swiss Franc (CME) -CHF 125,000; \$ per CHF	June	1,0097	1,0112	1,0061	1,0092	-0,0011	46,653
Sept	1,0136	1,0169	1,0122	1,0152	-0,0011	210	
Australian Dollar (CME) -AUD 100,000; \$ per AUD	May	.7532	.7561	.7454	.7464	-0,0070	274
June	.7528	.7559	.7447	.7460	-0,0069	106,783	
Sept	.7518	.7542	.7439	.7450	-0,0069	1,353	
Mexican Peso (CME) -MXN 500,000; \$ per MXN	June	.05254	.05257	.05137	.05159	-0,0089	177,151
Sept	.05254	.05257	.05137	.05159	-0,0089	177,151	
Euro (CME) -\$125,000; \$ per €	May	1,0938	1,0960	1,0866	1,0908	-0,0042	639
June	1,0956	1,0979	1,0884	1,0926	-0,0042	405,837	

Index Futures

	Interest Rate Futures						
Treasury Bonds (CBT) -\$100,000; pts 32nds of 100%	June	152-070	152-280	151-300	152-210	8,0	640,258
Sept	151-010	151-200	150-000	151-150	9,0	491	
Treasury Notes (CBT) -\$100,000; pts 32nds of 100%	June	125-150	125-200	125-170	125-180	5,0	3,179,398
Sept	125-010	125-090	124-300	125-075	5,0	9,019	
5 Yr. Treasury Notes (CBT) -\$100,000; pts 32nds of 100%	June	118-070	118-115	118-037	118-102	2,5	3,170,939
Sept	117-210	117-250	117-197	117-240	2,7	8,012	
2 Yr. Treasury Notes (CBT) -\$200,000; pts 32nds of 100%	June	108-085	108-100	108-077	108-095	1,0	1,394,158
Sept	108-020	108-020	108-020	108-040	1,2	1,662	
30 Day Federal Funds (CBT) -\$5,000,000; 100- daily avg.	April	99,108	99,108	99,105	99,105	-0,002	426,574
May	99,100	99,100	99,095	99,090	-0,005	482,541	
10 Yr. Del. Int. Rate Swaps (CBT) -\$100,000; pts 32nds of 100%	June	92,156	92,422	92,031	92,328	-0,156	31,357
Sept	92,156	92,422	92,031	92,328	-0,156	31,357	
1 Month Libor (CME) -\$3,000,000; pts of 100%	May	98,9800	98,9800	98,9800	98,9825	...	3,051
July	98,8000	98,8000	98,8000	98,8000	0,0025	3,095	
Eurodollar (CME) -\$1,000,000; pts of 100%	May	98,7850	98,7900	98,7850	98,7875	0,0025	153,109
June	98,6900	98,7050	98,6900	98,7000	0,0050	148,693	
Sept	98,4800	98,5050	98,4750	98,4950	0,0100	1,592,809	
Dec'18	98,0950	98,1350	98,0800	98,1200	0,0250	1,424,659	

Source: SIX Financial Information

Macroeconomics

Watching the Gauges: U.S. Supply and Demand

Inventories, imports and demand for the week ended April 21. Current figures are in thousands of barrels or thousands of gallons per day, except natural-gas figures, which are in billions of cubic feet. Natural-gas import Natural-gas import and demand data are available monthly only.

Inventories, 000s barrels

	Current	Expected change	Previous week	Year ago
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BANKING & FINANCE

A Stock for Safety Seekers

By BRIAN BLACKSTONE

ZURICH—Want a really, really safe asset? How about a slice of the Swiss central bank?

Shares in one of the world's few publicly traded central banks are up more than 50% in the last year. With a small, fixed dividend and limited supply, they trade more like a bond or a piece of memorabilia than a stock. This makes **Swiss National Bank's** stock a quirky though potentially enticing alternative to zero-yielding bank deposits or negative-yielding bonds.

A couple of forces are at work, analysts say. For one, negative rates have increased demand for other safe assets—the existence of SNB shares wasn't even that widely known in Switzerland—while SNB turned in a 21.3 billion franc (\$21.4 billion) profit for the first half of 2016. Since so few shares trade, it doesn't take much to move the price.

The central bank's money-printing powers make it basically impossible to go bankrupt, and it is able to charge commercial banks to store money there.

Yet it isn't a normal bank stock. The SNB's governing board doesn't own any shares. Its biggest single shareholder isn't even Swiss; he is German.

Some shareholders are clamoring for the first dividend increase in more than a century, at the SNB's annual shareholders meeting April 28.

Under current law, the maximum dividend is 15 francs a share for a total payout of 1.5 million francs. That is a tiny slice of SNB's 24.5 billion franc

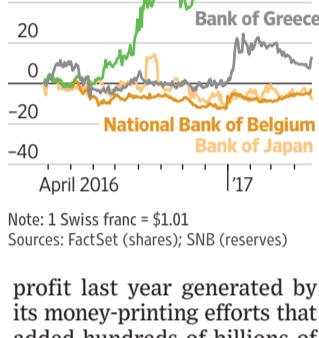


The headquarters of Swiss National Bank, a central bank.

Alpine Peak

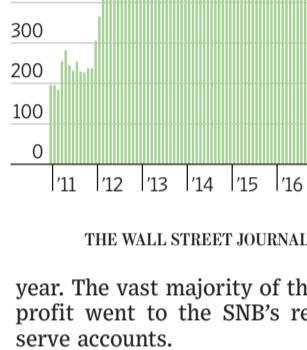
The Swiss National Bank's stock price has rallied over the past year while its money-printing efforts have turned the central bank into a major asset manager.

Share-price performance



profit last year generated by its money-printing efforts that added hundreds of billions of francs to its portfolio of foreign assets in recent years. The SNB paid 1.7 billion francs to federal and state governments, known as cantons, last

SNB's foreign-currency reserves



year. The vast majority of the profit went to the SNB's reserve accounts.

Even when it loses money, as it did in 2015, the central bank can always print more. The Swiss franc is among the strongest currencies in the

world, meaning the SNB has a monopoly on a coveted commodity. It charges commercial banks to deposit money. In short: a nice mix for any bank.

"It makes some sense to hold SNB shares," said Alexander Koch, an economist at **Raiffeisen Schweiz** and an SNB shareholder. "You don't look at them like usual equities with rights for shareholders. It's more like a debt security obligation."

The bank's status as a publicly traded stock will be on display Friday when top SNB officials meet shareholders. Around 30 small shareholders, under the umbrella group Collectif AAA+, say the SNB's dividend should be calculated at 6% of the year-end share price, not the 250-franc price that has been fixed for decades. SNB shares fetched 1,750 francs on Dec. 31, implying a dividend of 105 francs a share by that calculation. They ended at 1,760 francs Wednesday, up 2.4% on the day.

The SNB board opposes the measure and is certain to beat it back given tight limits on voting rights for private shareholders, which own 48% of SNB shares but only 25% of voting shares. The rest are held by Swiss cantons. The SNB's mandate is to keep inflation under 2%, not maximize shareholder value.

The SNB declined to comment on why it opposes the shareholder initiative. Even if it passes, parliament would have to change the law because rules on the dividend are set by federal law. This underscores one downside to owning SNB shares: stockholders' lack of influence over the bank.

For Banks, Tax Cut Has Minuses, Pluses

By MICHAEL RAPORT AND TELIS DEMOS

of the end of 2016, while Bank of America had \$19.2 billion.

The hit to earnings would be a one-time event, though. The offset is that the banks "are going to make more money for life," said John McDonald, a bank analyst at Sanford C. Bernstein. "What the market does care about is earnings, and their earnings would be permanently improved."

In fact, the gain to the banks' bottom lines from lower tax rates means they could potentially recoup the value of the write-downs in a year or two.

The banks "should be willing to make the trade-off," said Michelle Hanlon, an accounting professor at the Massachusetts Institute of Technology's Sloan School of Management.

What's more, deferred tax assets are complex and it will take time to gauge just how much of a write-down banks will have to take.

Much of Citigroup's net deferred tax assets, for example, consist of state or foreign deductions and credits or other assets that wouldn't be affected by a cut in the federal tax rate.

John Gersbach, the bank's chief financial officer, told analysts last November that a drop to a 25% corporate tax rate could translate into a charge of roughly \$6 billion.

A reduction in the rate to 15% could raise the write-down to \$10 billion, Bernstein analysts estimated.

States Sue U.S. Regulator Over Licenses for Fintech Firms

By RACHEL WITKOWSKI

WASHINGTON—State banking regulators sued a federal agency to prevent it from issuing specialty national banking licenses to financial-technology firms, a growing area of competition for traditional banks.

The Conference of State Bank Supervisors says the Office of the Comptroller of the Currency is reaching beyond

its jurisdiction with its plan to license fintech firms that make loans, take deposits or cash checks. The group, which represents bank regulators from all 50 states, argues the OCC only has the authority to license a narrower segment: nonbanks that take deposits. The complaint was filed Wednesday in the U.S. District Court for the District of Columbia.

Most fintech firms can't

hold deposits. Some consumer groups worry a specialty bank license would allow them to do so—and potentially bring into the banking system online lenders that charge high interest rates, putting consumers at greater risk. Officials at the OCC, the regulator of national banks, have said they wouldn't grant licenses to such firms.

The OCC announced late last year that it was considering a federal charter for fin-

tech firms and issued its final plan in March. Fintech firms currently have to get licensed by every state in which they operate, a process they say is costly and burdensome.

The state banking group has rarely gone to court against a federal regulator and hasn't done so with the OCC in decades.

"The OCC action, in redefining the national bank charter, is an unauthorized expansion

of the federal government," said John Ryan, president and chief executive of the group. The federal regulator is going "so broad that it's hard to define its limitation," he added.

The OCC declined to comment on the lawsuit. It has said the fintech charter falls within existing law and a specialty license would bring federal bank oversight to the emerging fintech industry, which covers everything from

online loans to digital payments.

Many state bank regulators have also been working on creating a more uniform approach to regulating fintech firms. State regulators license more than 20,000 financial firms that don't take deposits and the states often have stricter consumer-protection laws than what the OCC would have through a fintech license, according to the complaint.

Mutual Funds | WSJ.com/fundresearch

Explanatory Notes

Data provided by LIPPER. Top 250 mutual-funds listings for Nasdaq-published share classes with net assets of at least \$500 million each. NAV is net asset value. Percentage performance figures are total returns, assuming reinvestment of all distributions and after subtracting annual expenses. Figures don't reflect sales charges ("loads") or redemption fees. NET CHG is change in NAV from previous trading day. YTD%RET is year-to-date return. 3-YR%RET is trailing three-year return annualized.

e—Ex-distribution. f—Previous day's quotation. g—Footnotes x and s apply. j—Footnotes e and s apply. k—Calculated by Lipper, using updated data. p—Distribution costs apply. 12b-1. r—Redemption charge may apply. s—Stock split or dividend. t—Footnotes p and r apply. v—Footnotes x and e apply. x—Ex-dividend. z—Footnote x, e and s apply. NA—Not available due to incomplete price, performance or cost data. NE—Not released by Lipper, data under review. NN—Fund not tracked. NS—Fund didn't exist at start of period.

Wednesday, April 26, 2017

Fund Net NAV YTD Chg % Ret Fund Net NAV Chg % Ret

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Many state bank regulators have also been working on creating a more uniform approach to regulating fintech firms.

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MARKETS & FINANCE

Chucking Bricks

Share and index performance

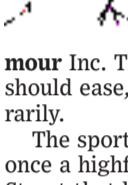


Source: WSJ Market Data Group

AHEAD OF THE TAPE

By Steven Russolillo

Can Under Armour Grab the Rebound?

 It has been a horrible, no good, very bad six months for Under Ar-

mour Inc. The misery should ease, at least temporarily.

The sportswear maker, once a highflier on Wall Street that benefited from strong and consistent growth, has fallen victim to new fashion trends and changing shopper habits. Two consecutive disappointing earnings reports have sapped analyst and investor sentiment. Its shares have lost one-third of their value this year making them the worst performer in the S&P 500. And that comes after they fell 28% in 2016.

All of this means the bar is set so low for its first-quarter earnings, due Thursday, that even the slightest beat could give the stock a much-needed lift.

Granted, the numbers aren't expected to be pretty. Analysts polled by FactSet anticipate Under Armour will report its first quarterly loss as a public company, swinging to a deficit of 4 cents a share, compared with per-share earnings of 4 cents a year earlier. Revenue is estimated to have increased 5.6% to \$1.1 billion.

22%

Percentage of analysts who have 'buy' ratings on Under Armour

Under Armour's vaunted streak of 26 consecutive quarters of at least 20% year-over-year revenue growth crashed to a halt in January, prompting the stock's biggest-ever drop. That has obstructed Under Armour's path to swiping market share from rivals Nike Inc. and Adidas AG.

While 20% growth isn't expected soon, growth rates in the teens should be registered starting in the third quarter.

To illustrate just how much analysts have soured on Under Armour, consider the full-year forecast: Analysts expect Under Armour to earn 42 cents a share, down from 58 cents a share in the prior year and its worst showing since 2013. But just 12 months ago, this full-year forecast was twice as high as it is today. The bar has been lowered significantly.

Meanwhile, only 22% of analysts have "buy" ratings on the stock, the lowest proportion since 2010. Whenever Wall Street makes such a sharp move in a herd-like development, taking a contrarian view can be beneficial. Under Armour may be no different.

For a historically pricey stock that has lost roughly two-thirds of its value since September 2015, a respite might be near. Under Armour's debt-adjusted market value of 1.8 times forward sales projections is at its lowest since 2010 and below both that of Adidas and Nike.

Under Armour can still dribble out of this mess.

Hedge Fund Bets on 'Big Data'

Coatue Management leads funding round for data-science startup Domino Data Lab

By BRADLEY HOPE

Data scientists at **Coatue Management** LLC spent the past few years digging into new data sets to gain an edge in investing. Now, the firm is betting on data science itself as hedge funds across Wall Street push into "big data" analysis to find trading opportunities.

The hedge fund led a \$27 million funding round for a company called **Domino Data Lab** Inc., a San Francisco startup founded by **Bridgewater Associates** LP alumni, the companies announced Wednesday. Other investors in the round include **Bloomberg Beta**, **Zetta Venture Partners** and Sequoia Capital, all three of which invested in earlier rounds.

Coatue, which has \$10.5 billion of assets under management, according to a person familiar with the company, is investing in Domino through a new fund dedicated to investments in private companies.

As more hedge funds dig into growing amounts of data

available that can give indications on revenues at companies ahead of quarterly announcements and hints at economic growth before government numbers are published, they are hiring more data scientists to do more intensive analysis than hedge funds are used to doing.

For example, a firm could dip into location data collected by a mobile-phone app to find out if more people are visiting Nordstrom Inc. than in previous quarters.

Getting the data into the right condition and running statistical analysis on it to find significant changes requires new skills.

The app likely only collects a small sample of overall visitors to the store, so without proper care a novice could find signals that aren't reliable for investing.

"The biggest challenge for hedge funds getting into these alternative data sets is analyzing the data," said Rado Lipus, founder of **Neudata** Ltd., which helps financial firms find new data sets to drive investments. "It's taken some firms years to get right."

Domino's software allows data scientists to run experiments and analyze data in a collaborative program, which helps analysts at Coatue dis-



Thomas Laffont wants to use data science to drive profits.

cover new trends and hand them to portfolio managers to act on.

Coatue is betting Domino can beat competitors such as Cloudera Inc. and **Ufora** Inc. to be for data science what **Microsoft Excel** is for financial analysts.

"Data science and artificial intelligence are the most important trends in technology today," said Thomas Laffont, senior managing director at Coatue. "But we realized in our own internal work that doing data science is very time consuming."

Mr. Laffont sees quantitative hedge funds such as **Renaissance Technologies** LLC and D.E. Shaw & Co. as the first wave of using data science to drive profits by finding hidden patterns in the markets.

Alphabet Inc.'s Google and Facebook Inc. followed next, using data to drive ad sales and engagement with their web offerings. The third wave, he said, is the rest of the corporate and financial world using the tool to drive their businesses.

Financial clients are a big and growing driver of Domino's business, as more investment firms delve into "alternative data," said Nick Elprin, the CEO and co-founder of Domino who previously spent seven years designing technology at Bridgewater—the largest hedge fund in the world. Everything from credit-card receipts to satellite images of corn crops are increasingly driving Wall Street investments in a major trend that is still in an early stage, industry observers say.

"At Bridgewater, I learned that the key to faster quantitative research and data science was to iterate on ideas more quickly," Mr. Elprin said. "Technology can allow for faster experimentation and move ideas from development into production quickly."

The other co-founders of Domino are Christopher Yang, a former Bridgewater software developer, and Matthew Granade, former head of research at Bridgewater.

Risk-Wary Banks Chill the Bitcoin Market

By GREGOR STUART HUNTER
AND JULIE STEINBERG

At least three bitcoin exchanges have said in recent weeks that they can't process transactions in dollars, as global banks pull back from sectors they deem too risky.

Hong Kong-based **Bitfinex**, the largest cryptocurrency exchange by market share, last week said its customers couldn't withdraw or deposit any currencies because the Taiwanese banks that handle its transactions were blocking all requests. **OKCoin International**, the Hong Kong-based arm of one of China's biggest bitcoin exchanges, and **BTCE** have warned users of disruptions in U.S.-dollar transactions.

Earlier this month, Bitfinex sued **Wells Fargo** & Co., alleging it had refused to process some bitcoin-related transactions through the Taiwanese banks.

A week later, Bitfinex withdrew the suit, acknowledging that Wells Fargo has no legal obligation to serve every customer, Philip Potter, the exchange's chief strategy officer, said in an interview.

Wells Fargo declined to comment.

Bitcoin, a digital currency launched in 2009, runs on a decentralized network of computers and isn't backed or controlled by any government. Users purchase bitcoin with U.S. dollars or other currencies.

Many bitcoin exchanges have accounts with local banks that rely on larger "correspondent banks" to facilitate wire transfers and process transactions that involve foreign currencies.

But global banks have long been wary of even indirect interactions with bitcoin exchanges,

for fear of being held liable if bitcoin users—who are difficult to identify—are involved in illegal or shady activities, said Ross Delston, a former U.S. banking regulator and anti-money-laundering consultant.

J.P. Morgan Chase & Co. prohibits banks it transacts with from dealing with virtual-currency exchanges, according to an internal document seen

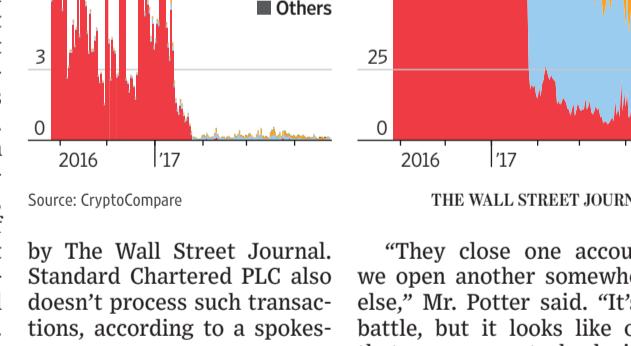


A bitcoin retail store in Hong Kong. Banks across the globe are refusing to process transactions that are tied to the cryptocurrency.

A Changed Market

Bitcoin trading has plummeted since Chinese regulators cracked down on that country's exchanges earlier this year.

Bitcoin daily trading



Source: CryptoCompare

THE WALL STREET JOURNAL

by The Wall Street Journal. Standard Chartered PLC also doesn't process such transactions, according to a spokesman.

To be able to transact with the wider financial system, bitcoin exchanges must play cat-and-mouse, said Bitfinex's Mr. Potter, continually switching bank accounts.

"They close one account, we open another somewhere else," Mr. Potter said. "It's a battle, but it looks like one that we appear to be losing, largely because we're the largest such exchange in the world and we've got the biggest target painted on our back."

Bitcoin is also drawing more regulatory scrutiny. The

U.S. Securities and Exchange Commission last month rejected two separate proposals for bitcoin-based exchange-traded funds, saying the lack of transparency could leave investors open to fraud and manipulation. The agency this week said it would review one of the rejections. China's central bank is considering requiring bitcoin exchanges to verify a client's identity and adhere to banking regulations, the Journal reported last month.

The market value of all cryptocurrencies this month hit a record \$30 billion, two-thirds in bitcoin, according to CoinMarketCap. But trading has plummeted this year as regulatory pressure has risen in China—which accounted for 90% of volume last year, according to research site CryptoCompare.

Over the past month, China's share of the much-diminished total has averaged just 11.2%, the site says.

In response to scrutiny from regulators, global banks over the past year to 18

months have ratcheted up their "know-your-customer" checks by re-examining existing clients, said Benjamin Quinlan, chief executive officer of Hong Kong-based financial services consultancy Quinlan & Associates.

Bitcoin exchanges barred from transacting in U.S. dollars or other currencies effectively forgo their most common function, as places to buy cryptocurrencies with money stored in the traditional financial system—though users can still convert bitcoin into other virtual currencies such as Monero or Zcash.

Bitfinex's difficulties in the past year include the loss of around 120,000 bitcoin, worth some \$65 million, to hackers last August.

The exchange has since reimbursed customers. It was also fined \$75,000 by the U.S. Commodity Futures Trading Commission last June after failing to register as a commodities exchange.

—Chao Deng and Suryatapa Bhattacharya contributed to this article.

FINANCE WATCH

CREDIT SUISSE

Bank Swings to Profit, Plans to Raise Capital

Credit Suisse Group AG said it plans to raise 4 billion Swiss francs (\$4.02 billion) of capital and abandon plans for a partial sale of its Swiss unit as the bank swung to a first-quarter profit.

The upbeat earnings report comes as a welcome reprieve for the bank, which has been beset by steep losses and uncertainties over its longer-term strategy as it scales back from volatile, but sometimes profitable,

investment banking and moves toward the more predictable business of managing money for wealthy clients.

Net income totaled 596 million francs, compared with a year-earlier net loss of 302 million francs, on a strong performance in its wealth-management and global-markets divisions. Revenue rose 19% to 5.5 billion francs, in line with expectations. Credit Suisse also said it would retain full ownership of its Swiss banking unit. It had planned to partially float the unit through an initial public offering in the second half.

Still, the bank faces chal-

lenges amid political uncertainties that it said "weighed somewhat on client volumes in the first few weeks of April."

In a move to bolster its finances, Credit Suisse said it would sell 4 billion francs of new shares, boosting its core capital ratio to 13.4%.

"I think this does take the capital issue off the table for Credit Suisse," Chief Financial Officer David Mathers said. The bank raised 6 billion francs in 2015, and Chief Executive Tidjane Thiam said a second capital increase was always in its plans.

—Brian Blackstone

STANDARD CHARTERED

Earnings Double As Bad Loans Drop

Standard Chartered PLC said its restructuring strategy is paying off, raising expectations the bank will start paying dividends again soon.

The Asia-focused bank said first-quarter profit before tax was \$990 million, almost double the \$500 million the bank made in the first quarter of 2016, mainly because of a sharp drop in bad loans. Revenue rose 8% to \$3.6 billion.

Standard Chartered is reposi-

titioning its business after overexpansion in the last decade gave way to increasing bad loans and a struggle to keep up with rising regulatory demands. Chief Executive Bill Winters took over in June 2015 and has been shedding assets and business units.

The bank is shutting down its principal finance business, which holds private-equity stakes in expanding companies, following hefty losses in that unit.

Chief Financial Officer Andy Halford said the board will consider dividend payments this year after payouts were put on hold in 2016.

—Margot Patrick

MARKETS

Stocks Edge Down After Tax-Plan Details

Little that wasn't already anticipated is seen and legislative hurdles are expected

By RIVA GOLD
AND AARON KURLOFF

U.S. stocks gave up their gains late in Wednesday's session, closing slightly lower after the Trump administration outlined its tax plan.

Expectations for lower business-tax rates have helped U.S. stocks climb since November. Some investors and analysts said the plan, which calls for reductions in business-tax rates and major changes to the individual-tax system, offered little new information and would likely face legislative hurdles.

A fresh slate of corporate earnings also drove some of the day's moves. Signs of earnings growth from several large U.S. corporations have helped power broad gains in recent sessions.

"It's going to take months to work this out," Bob Doll, senior portfolio manager at Nuveen Asset Management, said of the tax plan. "What we've seen since the inauguration is an unbelievable earnings quarter, and that's what's been driving the market."

Stocks held their gains after the tax announcement, then slipped heading into the close. The Dow Jones Industrial Average fell 21.03 points, or 0.1%, to 20975.09. The S&P 500 lost 1.16 points, or less than 0.1%, to 2387.45, and the Nasdaq Composite declined 0.27 point, or less than 0.1%, to 6025.23.

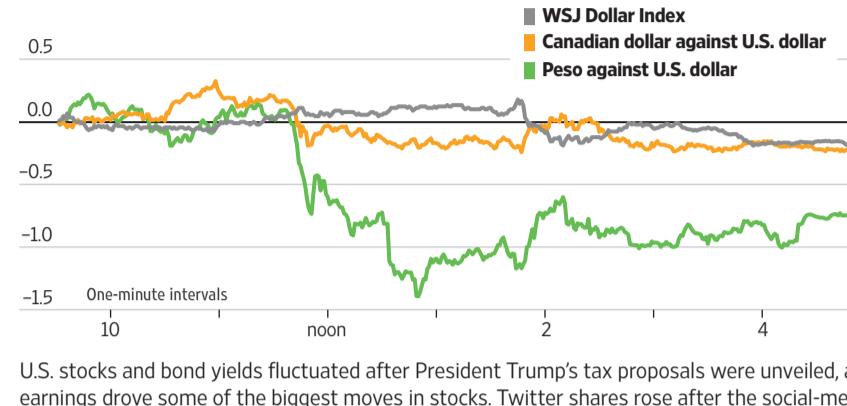
Twitter jumped \$1.16, or 7.9%, to \$15.82, after the company reported its first quarterly decline in revenue since going public but said nine million new monthly active users joined its social network during the period.

Chipotle Mexican Grill added 11.23, or 2.4%, to

Choppy

The Mexican peso, the Canadian dollar and transportation stocks slid Wednesday after a report said the White House was considering an order to pull out of the North American Free Trade Agreement.

Change in value



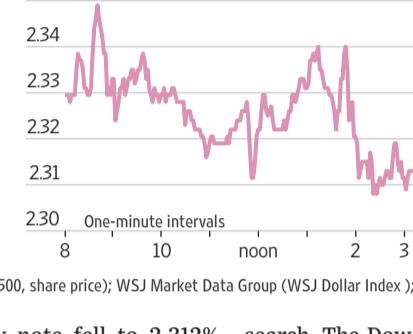
U.S. stocks and bond yields fluctuated after President Trump's tax proposals were unveiled, and ended the day slightly lower. Corporate earnings drove some of the biggest moves in stocks. Twitter shares rose after the social-media company said usage jumped but revenue fell.

S&P 500



Sources: FactSet (currencies, DJ Transportation Average, S&P 500, share price); WSJ Market Data Group (WSJ Dollar Index); Tradeweb (yields)

Yield on the 10-year Treasury note



Twitter's share price



TUESDAY'S CLOSE

THE WALL STREET JOURNAL.

482.99, after reporting its first increase in a key sales metric in more than a year, while **PepsiCo** fell 83 cents, or 0.7%, to 113.33, following its results.

U.S. stocks had climbed Tuesday amid upbeat earnings reports, helping the Nasdaq Composite reach 6000 for the first time.

"We're moderately optimistic on U.S. stocks, but we're not euphoric, in part given where valuations are and how significant this bull market has already been," said Holly MacDonald, chief investment strategist and portfolio manager at Bessemer Trust.

The yield on the 10-year

Treasury note fell to 2.312% from 2.330% Tuesday. Yields fall as prices rise.

The WSJ Dollar Index, which tracks the U.S. currency against 16 others, rose 0.2%.

The Mexican peso slid after Politico reported the White House was considering an order to pull out of the North American Free Trade Agreement.

Kansas City Southern fell 3.58, or 4%, to 86.78, erasing an opening gain abruptly after the report. The company's major rail network runs through the central U.S. and Mexico and it has a subsidiary based in Mexico City, according to Citi Re-

search. The Dow Jones Transportation Average, which includes several railroads and freight carriers, fell 0.9%.

The Stoxx Europe 600 rose 0.5% for a sixth straight session of advances. European shares were at their highest since 2015 amid optimism following Sunday's first round of French presidential elections.

Stocks in Asia extended this week's gains. India's S&P BSE Sensex index ended at a record as an expanding economy lifted corporate earnings. Early Thursday, Japan's Nikkei Stock Average was down 0.2% ahead of the Bank of Japan policy decision.

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That is one question to take away from the first-quarter earnings season.

The pharmaceuticals giant

Eli Lilly raised its full-year

sales outlook Tuesday, citing

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dollar.

This comes after **DuPont**

boosted its 2016 profitability

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same reason.

The extended bull market

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The Wall Street Journal Dollar Index, which measures the

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That strengthening tends

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dropped by about 4.5% so far

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hopes that some relief is in

sight.

AUCTION RESULTS

Here are the results of Wednesday's Treasury auctions. All bids are awarded at a single price at the difference between that price and the face value.

TWO-YEARFRNS

Applications	\$52,265,124,300
Accepted bids	\$17,047,347,300
"noncompetitively	\$20,297,700
Spread	0.070%
Bids at clearing yield accepted	97.71%
Cusip number	91282X54

The floating-rate notes, dated May 1, 2017, mature on April 30, 2019.

FIVE-YEARNOTES

Applications	\$84,072,217,800
Accepted bids	\$38,640,885,200
"noncompetitively	\$37,002,500
"foreign noncompetitively	\$0
Auction price (rate)	99.999953 (1.875%)

Interest rate
Bids at clearing yield accepted
Cusip number

91282X47

The notes, dated May 1, 2017, mature on April 30, 2022.

Talk of U.S. Exiting Nafta Dents Peso

The Mexican peso posted its biggest loss in three months amid reports the Trump administration is debating a formal threat to withdraw from the North American Free Trade Agreement.

The peso fell more than 2% against the dollar on Wednesday after Politico reported the plans, which were later confirmed to The Wall Street Journal.

The Mexican currency pared losses later in the day to end down 1.7%, while the Canadian dollar edged 0.3% lower against the greenback.

President Donald Trump criticized Nafta throughout his campaign and pledged to overhaul the agreement.

The administration appeared to have softened its tone in recent months, helping the peso rally nearly 20% from a low set in January.

In March, Commerce Secretary Wilbur Ross said the peso could recover "quite a lot" if they reach a "sensible" agreement on Nafta.

Later that month, a top trade adviser said the U.S. wanted to create a trade "powerhouse" with Mexico and Canada.

Sireen Harajli, a foreign-exchange strategist at Mizuho Bank, said the peso could remain under pressure as trade talks between the U.S. and Mexico begin, but she doesn't expect another big selloff.

"There is awareness on part of the U.S. administration that too much negative talk will make [the peso] weaken, which is counterproductive in trying to maintain a fair trade relationship," she said.

—Chelsey Dulaney

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

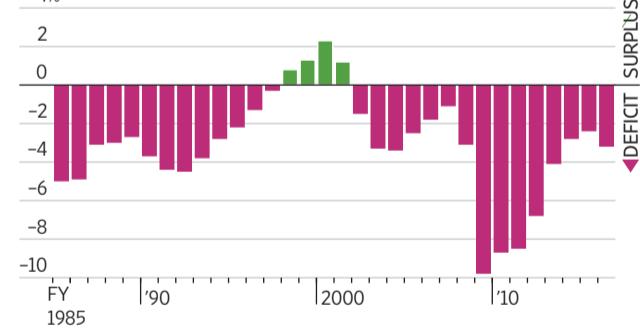
WSJ.com/Heard

Email: heard@wsj.com

Tax Cut: Don't Forget the Deficit

In the Red

Federal budget surplus/deficit as a share of gross domestic product



Source: Congressional Budget Office

nearly everyone comes out a winner. Domestically focused companies such as retailers and construction firms, which have among the highest effective tax rates, get a nice break. And many companies that do a substantial amount of business overseas (and tend to have lower effective rates) get to bring money earned overseas back home at a lower cost. So earnings would be higher.

The bond market would find less to love. Larger budget deficits would increase Treasury issuance. And, insofar as the plan might boost growth, it could prompt the

Federal Reserve to raise rates more quickly and begin reducing the size of its Treasury holdings sooner. The combination of more Treasurys on the market and tighter monetary policy

would push long-term rates higher. That could be bad for the bond market—and cut equities' attractiveness.

There is no such thing as free lunch and no such thing as a free tax cut, either.

—Justin Lahart

OVERHEARD

Could the dollar start solving problems for U.S. multinationals instead of creating them?

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nearly one-third over the past

five years.

That strengthening tends to harm the results of companies that transact in foreign currencies but report results in dollars. The index has dropped by about 4.5% so far this year, however, raising hopes that some relief is in sight.

Capital One Has Trouble In Its Wallet

After the credit-card binge comes the reckoning, for borrowers and lenders alike.

Capital One Financial missed analyst estimates on its first-quarter earnings by a wide margin. The main culprit was provisions for loan losses in the company's U.S. credit-card business, which jumped by 33% from the previous quarter to \$1.64 billion.

The net charge-off rate in this business also rose, to 5.14% from 4.66%.

Rival card issuer **Discover Financial Services** also missed estimates, though more narrowly, as its provisions rose by 14%. Shares of both lenders fell by about 3% on Wednesday.

Credit-card lending has grown strongly in recent years, though losses have stayed relatively low and consumer balance sheets overall remained healthy. In February, the total amount of credit-card debt outstanding rose above \$1 trillion for the first time since 2009, according to Federal Reserve data.</