

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

THURSDAY, APRIL 13, 2017 ~ VOL. CCLXIX NO. 85

WSJ.com

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DJIA 20591.86 ▼ 59.44 0.3% NASDAQ 5836.16 ▼ 0.5% STOXX 600 381.90 ▲ 0.2% 10-YR. TREAS. ▲ 1/32, yield 2.294% OIL \$53.11 ▼ \$0.29 GOLD \$1,275.30 ▲ \$4.10 EURO \$1.0668 YEN 109.03

What's News

Business & Finance

Most active stock funds were beaten by their market benchmarks over the past 15 years, a performance analysis found. **A1**

◆ Trump said the dollar was "getting too strong" and that he favors low rates. The dollar slumped in response to his remarks. **A4, B11**

◆ Einhorn ramped up pressure on GM to split its stock into two classes, as he proposed board candidates. **B1**

◆ United promised to reimburse the 70 passengers on the plane from which a man was forcibly removed. **B1**

◆ Web firms said they would oppose plans to roll back net-neutrality rules. **B4**

◆ Elliott called a meeting of Akzo shareholders to try to oust the chairman of the Dutch paint company. **B3**

◆ Western Digital told Toshiba it can block any sale affecting their chip-making joint venture. **B3**

◆ Protectionism poses a risk to global economic growth, the IMF warned. **A6**

◆ Berkshire is likely to vote in support of Wells Fargo directors in the bank's shareholder meeting. **B10**

◆ OPEC said oil output fell further in March as members complied with cuts. **B11**

◆ Saudi Arabia has raised \$9 billion in its first global sale of Islamic bonds. **B11**

◆ Stocks fell ahead of banks' earnings reports. The Dow lost 59.44 to 20591.86. **B11**

◆ CME will shut its European futures exchange and derivatives-clearing unit. **B11**

World-Wide

◆ Trump said he has offered Xi more favorable trade terms for China in exchange for help on confronting the threat of North Korea. **A1**

◆ The U.S. and Russia clashed over a range of issues, especially the future of Syria's Assad, during Tillerson's visit to Moscow. **A1**

◆ Trump voiced strong support for NATO amid tensions with Russia, declaring he no longer views the alliance as "obsolete." **A6**

◆ Russia vetoed a U.N. Security Council resolution condemning the latest chemical attacks in Syria. **A6**

◆ Trump dug back into the health-law battle, threatening to withhold payments to insurers to force Democrats to the negotiating table. **A4**

◆ Two firms are belatedly registering as agents of a foreign government in connection with a Manafort-linked lobbying effort. **A2**

◆ German authorities detained a suspected Islamist over Tuesday's blast that hit a soccer team's bus. **A7**

◆ Iran's Ahmadinejad filed to run in presidential elections next month, a surprise bid by the ex-president. **A7**

◆ German prosecutors linked Iran to spying that targeted a pro-Israeli politician and a Jewish newspaper. **A7**

◆ The EU threatened Hungary with legal action over its moves against a university and foreign-backed NGOs. **A7**

◆ Rising house prices are putting the largest metropolitan areas out of reach for slices of the U.S. workforce. **A2**

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JASON ANDREW FOR THE WALL STREET JOURNAL

President Trump discussed trade with China, tensions with North Korea and Russia, and the prospect of tax reform in an interview with The Wall Street Journal on Wednesday.

Trump Prods China's Xi on North Korea

WASHINGTON—President Donald Trump said Wednesday he has offered President Xi Jinping more favorable trade terms for Beijing in exchange for help on confronting the threat of North Korea, raising the prospect of a new pact that does less than Mr. Trump would otherwise like to address the U.S. trade deficit with China.

Mr. Trump, in a wide-ranging

By Gerard Baker,
Carol E. Lee
and Michael C. Bender

interview with The Wall Street Journal, said he told Mr. Xi when they met for the first time last week that his administration wouldn't accept a continued large trade deficit with China. He added that he told Mr. Xi: "But you want to make a great deal? Solve the problem in North Korea. That's worth having deficits. And that's worth having not as good a trade deal as I would normally be able to make."

Mr. Trump also said his administration won't label China a currency manipulator in a re-

port due this week, despite a promise he made on the campaign trail to do so. He said that China has stopped manipulating its currency, and that it was more important to focus on cooperation with Beijing on North Korea.

As he nears the 100-day mark in the White House, Mr. Trump talked during a 70-minute Oval Office interview about an array of issues facing his presidency. He is confronting some of the world's most intractable problems—North Korea and Syria—as well as deeply strained relations with Russia. At home, he noted the success of Neil Gorsuch's confirmation to the Supreme Court. But his legislative agenda is stalled and several high-level positions in government remain unfilled.

A week after he ordered the first American airstrikes against Please see TRUMP page A4

◆ Gerald F. Seib: China tensions turn into 'chemistry' A4
◆ President favors Fed keeping rates low A4
◆ IMF cautions tariffs may threaten growth A6

U.S., Russia Spar as Tillerson Meets Putin

By FELICIA SCHWARTZ

MOSCOW—The U.S. and Russia tried Wednesday to reduce rapidly rising tensions, but clashed over a range of issues, especially the future of Syrian President Bashar al-Assad, during a daylong visit by Secretary of State Rex Tillerson that included the Trump administration's first face-to-face talk with Russian leader Vladimir Putin.

Mr. Tillerson and his Russian counterpart, Sergei Lavrov, engaged in a lengthy, detailed and often blunt exchange of views at a Moscow news conference that veered across an array of thorny foreign policy questions and reinforced how deeply at odds the two governments stand at the start of the Trump administration.

The presidents of both countries personally waded into the

day's diplomatic efforts in an apparent bid to move past some of the divisions, with Mr. Putin meeting with Mr. Tillerson for about two hours. President Donald Trump at a news conference later spoke less-than-optimistically about whether the efforts would bear fruit.

"We may be at an all-time low" in relations, Mr. Trump said at a news conference at the White House following a visit

by the North Atlantic Treaty Organization's secretary-general. "We'll see what happens."

For the first high-level U.S. visit to Russia, it was a halting start in the relationship. After hours of meetings between Mr. Tillerson and Russia's leaders, for instance, Mr. Lavrov, Russia's foreign minister, criticized what he described as a Western "fixation" on removing dictators and authoritarian leaders.

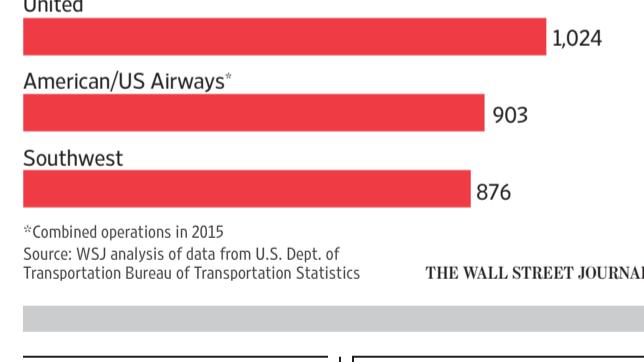
During a joint news conference, Mr. Lavrov said Russia isn't convinced that Mr. Assad's government carried out a chemical-weapons attack in Idlib on April 4 that killed at least 85 people and prompted the U.S. to strike a Syrian air base in response. Syria has denied using Please see RUSSIA page A6

◆ U.N. fails to enact measure on Syria..... A6

An Offer Passengers Can't Refuse

Outrage over United Airlines dragging a passenger from a plane has put a spotlight on airline policies. The Transportation Department sets rules for the compensation airlines have to pay to those involuntarily denied boarding; payouts vary with ticket price. **A11, B1**

Average compensation for involuntary boarding denials, 2015-16 for top five airlines by passenger count



*Combined operations in 2015

Source: WSJ analysis of data from U.S. Dept. of Transportation Bureau of Transportation Statistics

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WHOLE FOODS GIVES IN TO PRICE SENSITIVITY

BY HEATHER HADDON AND ANNIE GASPARRO

John Mackey won the battle for America's taste buds, but his victory is proving costly.

As co-founder of Whole Foods Market Inc., the 63-year-old Texan helped reshape how Americans approach eating, transforming health food from a niche market into a booming retail sector attracting millions of urbanites, soccer moms and baby boomers. Whole Foods became a Fortune 500 company, and Mr. Mackey, a wealthy, foodie celebrity.

Now competition has caught up to Whole Foods, and Mr. Mackey is being forced to try conventional grocery-store pricing and other supermarket tactics to reverse his company's flagging fortunes.

The pressure ratcheted up with the disclosure in a securities filing Monday that activist investor Jana Partners LLC and several allies had amassed an 8.8% stake in Whole Foods and want the company to accelerate its overhaul and explore a possible sale.

Jana said in its filing it wants Whole Foods to more quickly adopt standard grocery-industry practices it long had eschewed: loyalty cards that would allow it to target shoppers with coupons based on their buying habits; centralizing product purchasing to improve efficiency; and advertising sales and discounts.

"We are confident in the actions we are taking to position the company for continued growth," Please see FOODS page A9

Indexes Beat Stock Pickers Even Over 15 Years

By DAISY MAXEY
AND CHRIS DIETERICH

Most actively managed U.S. stock funds were beaten by their market benchmarks over the past decade and a half, a record of underperformance that helps explain why stock pickers are losing billions of dollars in assets each month to low-cost passive investments that track indexes.

Over the 15 years ended in December 2016, 82% of all U.S. funds trailed their respective benchmarks, according to the latest S&P Indices Versus Active funds scorecard. This was the first year that the analysis included 15 years of data, helping smooth out periods of volatility that can affect the performance of active managers.

The results coincide with Please see STOCKS page A8

Haze the Dead! Obit Writers Tell It Like It Was, Warts and All

Once reverent, remembrances now can be frank and funny; 'the biggest tightwad'

By JAMES R. HAGERTY

Regular readers of obituaries know the clichés—the departed were courageous, charitable, devoted to their families.

Then there was the death notice for Wayne Brockey, a retired wood-plant manager in Klamath Falls, Ore. The obituary, written by a grandson, opens by alluding to the deceased's penchant for ordering gadgets and clothing touted by TV pitchmen:

"QVC lost a loyal customer on Sept. 28, 2016."

It also noted that "in retirement, many could describe Wayne as an old grump."

An obituary for Allen Lee

Franklin, who died in a motorcycle accident in Virginia in February, said he was "genuine and kind" but also "probably the biggest tightwad in the mid-Atlantic region."

Most obituaries remain more somber, but funeral directors have noted an increase in those that are a bit playful—tributes acknowledging that people tend to be mixed bags and that few are candidates for sainthood.

Obituaries published by U.S. newspapers or websites over the past few years describe deceased relatives as "cantankerous," "grouchy," "demanding old fart," "sore loser" and

Please see OBIT page A9

Oracle #1 SaaS Enterprise Applications Revenue

1,000+ Employees Segment, 2015

#1
Oracle Cloud
14.5%

#2
Salesforce Cloud
12.4%

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oracle.com/applications

Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size" doc #US41913B16, Dec. 2016; Table 4. For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering, ERP, operations and manufacturing, and SCM.

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U.S. NEWS

States, Cities Joust Over Municipal Laws

BY JON KAMP
AND JOE PALAZZOLO

States are stepping up a push to rein in the power of local governments to make laws.

Politicians in Florida, Texas and Pennsylvania are backing broad-based approaches to block city ordinances, rather than fighting cities on specific issues like minimum-wage rules. Arizona passed such a law last year that is currently being tested in the courts.

Proponents say these wide-ranging bills are a way to get ahead of a flurry of local actions around the country, such as a plastic-bag levy in New York City, a paid sick-leave requirement in Philadelphia and ride-sharing regulations affecting companies such as Uber.

These municipal-level measures create a regulatory patchwork that can make it costlier to do business, hampering growth, according to state lawmakers seeking to override them.

But many mayors say the

lawmakers, usually Republicans, are simply waging an ever-more aggressive campaign to override local control of cities.

"We're elected by the people," said Carol McCormack, mayor of Palm Shores, Fla., a town of roughly 1,100 people, and president of the Florida League of Mayors. "Our residents expect us to create a safe and healthy environment for us to live in."

Republican Florida state Rep. Randy Fine, who proposed a broad-based law earlier this year, argues that the state is the nexus of government in Florida. Mr. Fine said he isn't targeting any specific issue with his bill, which would pre-empt and prohibit local business regulations that aren't authorized by state law.

"We're simply trying to rein in some of that regulatory abuse," said Mr. Fine. "We end up spending a lot of time in the Legislature dealing with these one-off issues."

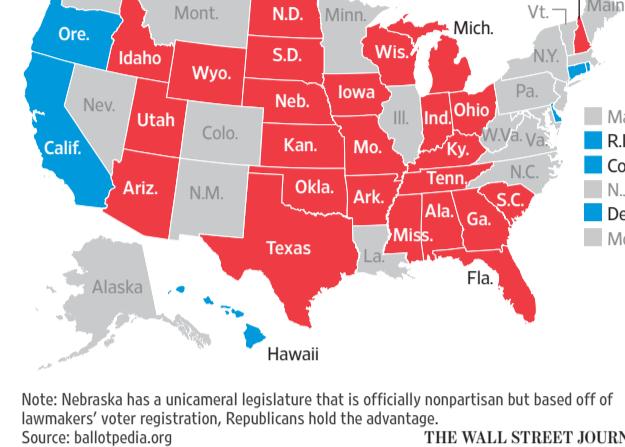
At its core, the debate—which stretches back to the 19th century—revolves around

One-Party Control

Republicans significantly outpace Democrats when it comes to single-party control of state governments.

One party controls governor's office, senate and house

■ Democratic control ■ Republican control



Note: Nebraska has a unicameral legislature that is officially nonpartisan but based off of lawmakers' voter registration, Republicans hold the advantage.

Source: ballotpedia.org

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whether states or cities ultimately control local governance. Legal experts say that while each situation is different, generally cities in most states can legislate only in the

gaps between state laws, and tend to lose when their policies are in direct conflict.

"State supreme courts are very reluctant to set aside state law in favor of local law,"

said Roderick Hills, a law professor at New York University who studies pre-emption.

The fault lines aren't always political: Lawmakers in New York, which has a Democratic governor and Democratic-led House, passed a bill in February to halt a planned five-cent fee on plastic shopping bags in New York City, which has a Democratic mayor.

But opposing politics are often in play. Republicans control both the legislatures and governors' offices in 25 states, compared with just six for Democrats. Democrats, however, remain dominant at the local level, with mayors from the party running two-thirds of the nation's 100 largest cities, according to nonpartisan Ballotpedia.

There is also rising tension between many Democratic-led cities and the Republican Trump administration, which is seeking to withhold funding to cities that protect undocumented immigrants from federal prosecution.

One of the biggest recent pre-emption showdowns took

place in North Carolina, where the Republican-led Legislature passed a law last year that overrode a Charlotte ordinance and said transgender people must use the public facility bathrooms associated with their birth sex. State lawmakers there recently repealed the measure, but with a block on local bathroom regulations until late 2020.

Supporters of state-level pre-emption measures say they are needed to assert states' authority and stop cities from creating uneven regulations.

In Texas, Republican Gov. Greg Abbott said local-level rules can raise costs while restraining growth for businesses and driving up prices for customers.

A number of bills in the Texas Legislature aim to override local rules on specific issues. But it would be simpler and easier for businesses if the state adopted "an overriding policy," Mr. Abbott said during a recent address at a Texas Conservative Coalition Research Institute event.

Budget Chief Seeks Deal on Funding

By NICK TIMIRAO
AND KRISTINA PETERSON

WASHINGTON—White House budget director Mick Mulvaney said Wednesday the Trump administration is looking to avoid a partial government shutdown in two weeks, but that the White House would insist on securing concessions from Congress on security funding and immigration policy.

Congressional leaders have so far shown little appetite for bargaining over those priorities, particularly after House Republicans last month were unable to forge consensus on plans to repeal and replace the Affordable Care Act, a top policy imperative.

In an interview, Mr. Mulvaney said the administration is looking to strike a deal to advance President Donald Trump's priorities when Congress passes bills that would fund the government beyond April 28, when current legislation expires.

Any bill to extend funding will need Democratic support to pass the Senate, where 60 votes are required to clear procedural hurdles. Republicans hold 52 of the seats.

Mr. Mulvaney said the Trump administration wants to secure some combination of four policy objectives: a boost in military spending by \$30 billion; an increase in funding for the Department of Homeland Security by \$3 billion, around half of which would fund construction of a wall on the U.S. border with Mexico; some \$15 billion in offsetting spending cuts to domestic programs; and greater flexibility to deny federal funds to so-called sanctuary cities that decline to cooperate with federal authorities enforcing policies on illegal immigration.

"I just hope everybody very much recognizes that elections have consequences," said Mr. Mulvaney, director of the White House Office of Management and Budget.

Senate Democrats have made clear that they won't support a spending package this month that includes funding for a wall along the southern border with Mexico.

Senate Minority Leader Chuck Schumer (D, N.Y.) told reporters Tuesday that he told Mr. Mulvaney in a meeting recently that the White House should defer to lawmakers on the appropriations committees in both chambers to reach an agreement. "We can get this done," Mr. Schumer said. "We hope our Republican colleagues won't insist on things that force a government shutdown."

—Peter Nicholas

contributed to this article.

Lobbyists With Manafort Ties Register

By BYRON TAU
AND PAUL SONNE

WASHINGTON—Two lobbying firms said Wednesday they were registering as agents of a foreign government in connection with a lobbying effort that President Donald Trump's former campaign chairman helped organize five years ago for the then-Ukrainian government, but never registered with the Justice Department.

The former campaign chairman, Paul Manafort, funneled work to the two Washington consulting firms that began a lobbying campaign in 2012 on behalf of the government of Ukrainian President Viktor

Yanukovych, who was seeking to burnish his image.

At the direction of Mr.

Manafort and his associates, a nonprofit called the European Centre for a Modern Ukraine hired the lobbying firms, the Podesta Group, a prominent Washington-based consulting firm, and another firm, Mercury. They weren't hired directly by the Ukrainian government or Mr. Yanukovych.

The Podesta Group filed paperwork with the Justice Department on Wednesday, saying the work it completed more than three years ago for the nonprofit group "could be interpreted as principally benefiting a foreign government,"

in this case Ukraine. Mercury said it planned to do the same in a "timely fashion."

Both firms said they were

registering at the recent behest of the Justice Department, which requires firms working for foreign governments to report their activities under the Foreign Agents Registration Act, or FARA. The firms had previously filed with the U.S. Congress under less restrictive rules for lobbyists working for nonprofit organizations or corporations.

The move comes as Mr. Manafort faces heightened scrutiny for his work for foreign interests in Ukraine, which was a battleground between

Russian and Western influence years before Russia seized the peninsula of Crimea in 2014.

Mr. Manafort was working for Mr. Yanukovych. The European Centre for a Modern Ukraine hired the lobbying firms at the direction of Mr. Manafort and his associates, according to people familiar with the matter. In 2014, Mr. Yanukovych was ousted from power.

It is unclear if Mr. Manafort is also preparing a FARA filing for the same work. His spokesman, Jason Maloni, said the former Trump campaign chairman has been in discussions with federal authorities about registering under FARA for past political work before the

2016 campaign.

"Mr. Manafort received formal guidance recently from the authorities and he is taking appropriate steps in response to the guidance," Mr. Maloni said. "The work in question was widely known, concluded before Mr. Manafort began working with the Trump campaign and was not conducted on behalf of the Russian government."

The White House declined to comment on the matter, saying Mr. Manafort was never a White House employee and the activities predicated his time on the Trump campaign.

—Shane Harris contributed to this article.

Teachers, Police Can't Afford Houses in Big Metro Markets

By LAURA KUSISTO

Rising house prices are putting America's largest metropolitan areas out of reach for teachers, police officers and other big slices of the U.S. workforce.

Teachers in the Austin, Texas, and Denver metro areas could afford just 13% of the homes for sale in those markets, according to a study released Wednesday by real-estate website Trulia. That is down from 20% and 16%, respectively, in 2014.

In all, teachers can afford less than 20% of the homes for sale in 11 of the 93 major U.S. metro areas studied.

The numbers underscore the challenges major metro regions face as home prices shoot beyond what workers in many industries can afford. It essentially leaves workers with a choice of leaving those areas or facing long commutes to work.

"People cannot afford to live where they serve their communities," said Cheryl Young, a senior economist at Trulia.

The Trulia study defines affordability as a household spending 31% of its monthly income on housing, assuming a 20% down payment and a 30-year fixed-rate mortgage at current interest rates. It looks at entire metro areas—not only at trendy downtowns but also at the surrounding sub-

Priced Out

The percentage of homes a typical teacher* can afford in each market:

Least affordable

Metro area	Median home price	Percent affordable
San Francisco	\$1,249,000	0.4%
San Jose, Calif.	\$917,903	2.0
Orange Co., Calif.	\$799,999	7.1
Oakland, Calif.	\$699,000	8.2
Ventura Co., Calif.	\$675,000	8.8
Austin, Texas	\$357,000	12.8
Denver	\$475,000	12.9
San Diego	\$640,000	14.2
Honolulu	\$680,000	16.7
Los Angeles	\$640,000	17.0

Most affordable

Dayton, Ohio	\$129,000	83.3%
Akron, Ohio	\$144,900	78.3
Camden, N.J.	\$178,000	78.3
Detroit	\$104,900	77.6
El Paso, Texas	\$162,000	77.0
Bakersfield, Calif.	\$241,950	76.5
Syracuse, N.Y.	\$144,900	76.0
Little Rock, Ark.	\$169,500	76.0
Toledo, Ohio	\$138,987	75.8
Cleveland	\$153,000	73.3

*Based on markets' median teacher salary

Source: Trulia

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for work on short notice, face significant housing challenges. That is true even in some of the country's more-affordable metro areas, because wages there are lower as well.

First responders could afford just 19% of homes in Madison, Wis., and Raleigh, N.C., and just 23% of homes in Salt Lake City, according to Trulia. In 2014, first responders could afford 32% of homes in Madison and 30% of homes in Raleigh.

In all, first responders can afford less than 20% of homes on the market in half-a-dozen major U.S. metropolitan areas, according to Trulia.

Food-service workers can afford less than 10% of the available homes in 56 of the 93 metro areas Trulia included in the study. Typical restaurant workers in Oakland, Calif., Los Angeles, Denver, Austin and Portland, Ore., could afford less than 1% of the available listings in those areas.

In contrast, restaurant workers in the Detroit metro area could afford about half of the homes on the market, while those in Dayton, Ohio, could afford about a third, according to Trulia.

The home-ownership rate in more-affordable metro areas tends to be higher. Some 70% of Detroit-area households own their home, while 65% of those in the Dayton metro area do.

The Trump administration has scrapped an Obama-era plan to set stringent new rules for companies that manage federal student loans, stirring a debate about how to stem a rise in Americans defaulting on student debt.

The Obama administration released a plan last year calling for tougher federal oversight and new rules for student-loan servicers. The plan would have altered financial incentives for the companies and led to new rules—covering everything from the operating hours of call centers to how many times a month servicers may call borrowers—designed to prevent defaults. The rules would have affected new contracts with servicers the government is expected to sign as early as this year.

President Donald Trump's new education secretary, Betsy DeVos, said Tuesday in a memo to one of her top deputies she was withdrawing the plan and that the agency would draft a new one. She suggested the Obama rules would have driven up taxpayer costs while providing limited benefits for borrower

—Josh Mitchell

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Federal Deficit Stays Near 3-Year High

The U.S. annual budget deficit remained near its highest level in three years during March amid

flat government revenues and higher federal spending.

Federal spending exceeded revenue by \$176.2 billion last month, the Treasury Department said Wednesday. The budget gap was about \$68.2 billion higher than a year ago.

Through the first six months of the fiscal year, the deficit was about 15% wider compared with the same period a year earlier.

More broadly, declining government revenue and long-term costs associated with an aging population are expected to continue pushing up the deficit.

Over the past 12 months, the deficit stood at \$651.5 billion, compared with \$460.6 billion a year ago.

—Kate Davidson

WISCONSIN

Manhunt in Gun Theft Continues

An intensive manhunt continued Wednesday for a Wisconsin man accused of robbing a gun shop after sending an antigovernment manifesto to the White House and making threats to carry out an unspecified attack.

A criminal complaint filed Tuesday in Rock County Circuit Court against Joseph

U.S. NEWS

Seven Face Execution in Arkansas

Scheduled deaths over 10 days draw attention to the task of the executioners

By JOE PALAZZOLO

Each state follows its own procedures for carrying out death sentences, but one rule seems to apply universally.

"If anyone ever comes to you and volunteers to be on the death team, that is the last person you want," said Ron McAndrew, a former warden of three Florida prisons.

Prison officials typically recruit executioners who have a reputation for treating inmates fairly and keeping a cool head—the ones least likely to want the job, former corrections officials said.

The scheduled executions of seven men over 10 days in Arkansas have drawn more attention than usual to the executioners, how they were selected and how they will cope with their grim task after the state's 12-year break from the death penalty.

About two dozen former corrections officials, including Mr. McAndrew, have asked Arkansas Gov. Asa Hutchinson to reconsider his decision to set the executions between April 17 and April 27, three days before the expiration date of the state's lethal injection drugs. A March 28 letter signed by the former officials says the execution schedule would "impose extraordinary and unnecessary stress and trauma on the staff."

Mr. Hutchinson said in a statement that the compressed schedule is necessary to carry out lawful death sentences and bring closure to the families of victims before the lethal injection drugs expire.

The membership of execution teams is typically a closely guarded secret. A spokesman for the Arkansas Department of Correction declined to comment on preparations for the seven executions or to say whether a single team or several teams of officers would participate.

Arkansas uses a three-drug cocktail that is intended to render inmates unconscious, paralyze them and stop their heart.

A federal appeals court blocked a similar protocol in Ohio last week in a challenge that focused on the first of the three drugs, midazolam, a sedative that corrections departments resorted to after drug companies stopped supplying them with barbiturates used by doctors to induce general anesthesia. Ohio officials late Tuesday asked the court to reconsider its ruling.

In Arkansas, where the supply of midazolam expires on April 30, the governor said in his statement that it is "uncertain as to whether another drug can be obtained."

Lawyers for the death-row inmates, who have asked a federal court to postpone the executions, said in court pa-



Arkansas prison officials sought out corrections officers with impeccable records to serve on the execution team, said a former official.

pers that Arkansas could acquire alternatives to midazolam, such as compounded pentobarbital, a barbiturate.

Arkansas prison officials sought out corrections officers who had impeccable records and an easy rapport with prisoners to serve on the state's execution team, said Clifford Terry, a retired Arkansas warden who participated in 21 executions before retiring in 2002.

"We wanted the process to be very quiet and professional," Mr. Terry said.

Stanford University researchers studying execution teams in Alabama, Louisiana and Mississippi found wardens recruited corrections officers who were "levelheaded, dependable, and have a record of managing inmates fairly," according to a 2005 study. Corrections officers seldom declined, and the composition of the teams remained "highly stable" over time, researchers found.

Training varies by state, but former wardens described intensive preparations, including frequent drills.

Michael Osofsky, co-author of the study, said corrections officers on execution teams weren't clinically depressed as a group, but they suffered severe bouts of worry and guilt.

Mr. Terry said Arkansas put three people to death in one day, without incident, on at least two occasions during his 28-year tenure. "I don't think it is any more stressful than the single," he said.

Mr. McAndrew said the Arkansas executions may happen successfully, but the mental costs would reveal themselves over time.

Decline in Capital Punishment

Death sentences and executions have been on a downward trend since peaking in the 1990s.

U.S. death sentences and executions



Note: There have been 6 executions in 2017 so far.

Source: Death Penalty Information Center

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Marathons Prove Hazardous For Cities, Health Providers

By MELANIE EVANS

Blisters and shin splints may not be the only health hazards of marathons—new research shows ambulances forced to navigate around road closures took longer to get to the hospital during U.S. marathons, and that some elderly patients hospitalized on marathon days had a higher risk of dying.

The research, published in the New England Journal of Medicine, found ambulances took 4.4 minutes longer, on average, to get elderly patients to the hospital before noon on marathon day during the 11 largest U.S. marathons, compared with travel times in the weeks before and after the races. Ambulances didn't experience similar delays on the evenings of marathon days, when roads typically reopen.

The study also found elderly Medicare patients who were hospitalized for a heart attack or cardiac arrest on marathon day—regardless of whether they arrived by ambulance or other means—had a 13% higher risk of dying within 30 days than similar patients hospitalized on other days. About one-quarter of patients in this

segment of the study didn't arrive by ambulance.

"Taken together, our findings suggest that road closures, diversion of ambulance resources, and ensuing delays in hospital care may explain the higher mortality" among hospitalized cardiac patients in the study, the authors wrote in the New England Journal of Medicine. They advise cities to consider this risk as they pre-

pare for large public events.

"That doesn't mean we shouldn't have marathons," said Anupam Jena, a physician and economist at Harvard Medical School and one of the researchers involved in the study, which is being published days ahead of the Boston Marathon, one of the races included in the study. Other cities included in the analysis were Chicago, Honolulu, Houston, Los Angeles,

Minneapolis, New York, Orlando, Fla., Philadelphia, Seattle and Washington, D.C.

A marathon "is a large public event, which brings joy to many people," said Dr. Jena. "Canceling that would not be the right idea. Our study is to raise awareness of this unintended consequence of these events that we should aim to remedy," he said.

The number of U.S. marathons has soared in recent years, from an estimated 850 of such 26.2 mile races in 2012 to 1,100 marathons in 2015, data from Running USA show.

The authors didn't know whether any patients included in the study were marathon participants. Patients in the study were age 76, on average, and many had multiple chronic conditions, making them unlikely to enter marathons, the authors said.

The study also found heart attack patients admitted to hospitals during marathons were more likely to suffer cardiac arrest. "Delays to treatment can be associated with higher rates of cardiac arrest," said Brahmajee Nallamothu, a professor of cardiology at the University of Michigan who wasn't involved in the study.

U.S. NEWS

Trump and Xi: Tensions Turn to 'Chemistry'



CAPITAL JOURNAL
GERALD F. SEIB

President Donald Trump was expansive on Wednesday about his relationship with a world leader he has gotten to know since taking office.

"We have a very good relationship," he said in a Wall

Street Journal interview. "We have a great chemistry together. We like each other. I like him a lot. I think his wife is terrific."

The leader who came in for those warm words? Chinese President Xi Jinping.

It's safe to say very few people saw that coming. China was, as much as any country, the target of Trump broadsides during the 2016 presidential campaign—for not playing fair in the world economy, for taking advantage of the U.S., for intimidating its neighbors.

Meantime, Russian President Vladimir Putin was the great-power leader who was supposed to emerge as the

Trump favorite, the one who would develop a close relationship and be forgiven for past transgressions.

Yet somehow in the five months or so since Mr. Trump's election victory, almost the reverse has happened. Now it appears the Trump-Xi relationship may be emerging as the world's most important.

As Mr. Trump recounted in the interview, he spent hours with Mr. Xi at his Mar-a-Lago resort last week, including long stretches minus their retinues. An opening discussion between the two "was scheduled for 10 to 15 minutes, and it lasted for three hours," Mr. Trump said. "And then the second day we had another 10-minute meeting and that lasted for two hours. We had just a very good chemistry."

Mr. Xi was the first world leader to learn of the American president's decision to launch 59 Tomahawk cruise missiles into Syria; Mr. Trump told him over dessert at Mar-a-Lago last Thursday.

Then the two talked by phone for another hour Tuesday night, specifically about the nuclear threat from North Korea, Mr. Trump said.

Asked whether he could have imagined that kind of relationship emerging from the smoke of campaign rhetoric, Mr. Trump replied sim-



Chinese President Xi Jinping, center, during a meeting at the Mar-a-Lago resort in West Palm Beach, Fla.

ply: "No."

He added: "He's so smart. It's to his advantage. I like to call it flexible."

Meantime, asked about the Xi relationship in contrast to the one with Mr. Putin, Mr. Trump recounted a nice call from the Russian leader after the election, and another phone conversation he initiated after the recent terror attack in Russia to offer American condolences and help.

He said: "Despite what you guys have been writing about, I don't know Putin. I don't know Putin."

Part of all this is expediency, of course. The gravest national-security problem Mr. Trump faces is the North Korean quest for more nuclear weapons and the missiles that could deliver them over long ranges. And China happens to be, far and away, the country best able to help stop that threat.

It's clear the North Korean problem occupies a huge spot in the middle of the burgeoning Trump-Xi dialogue. In fact, Mr. Trump said he has offered a kind of big deal to Mr. Xi: You help stop the

North Korean nuclear threat, and we'll give you a better deal in looming, and potentially tough, trade talks.

The message on North Korea, Mr. Trump said, is: "If you don't help us that will be absolutely fine. We will solve the problems by ourselves. But your trade deal will not be the same as if you helped us."

And, the president insisted, China may be starting to deliver. Mr. Xi told him in this week's phone call that China has in recent days turned away some North Korean ships bearing coal—per-

haps the most important North Korean export—as they were attempting to make deliveries to China.

At the same time, Mr. Trump said his administration won't formally accuse China of manipulating its currency to help improve its trade position, as promised during the campaign.

Meanwhile, distance from Mr. Putin is valuable when allegations of Russian interference in the 2016 campaign to benefit Mr. Trump are being investigated. Russia has denied those allegations.

Certainly there's a fair distance to travel between a few good conversations and some opening actions and a sturdy relationship with China. For one thing, Trump rhetoric still could inflame Chinese passions. Mr.

Trump, echoing campaign assertions, said he has told his Chinese counterpart that "we've rebuilt China with the money you've taken out of the United States."

And even cooperation on North Korea won't erase the other significant source of tension with Beijing, which is its claim to waters and islands in the South China Sea also claimed by America's friends in the region.

Still, the Trump-Xi relationship is, for now, emerging as one of the world's most surprising bromances.

White House Presses Democrats on Health-Care Deal

WASHINGTON—Nearly three weeks after Republican infighting sank an overhaul of the Affordable Care Act, President Donald Trump dug back into the battle on Wednesday, threatening to withhold payments to insurers to force Democrats to the negotiating table.

In an interview in the Oval Office, Mr. Trump said he was still considering what to do about the payments approved by his Democratic predecessor, President Barack Obama, which some Republicans contend are unconstitutional.

By Michael C. Bender,
Louise Radnofsky
and Peter Nicholas

Their abrupt disappearance could trigger an insurance meltdown that causes the collapse of the 2010 health law, forcing lawmakers to return to a bruising debate over its future.

Mr. Trump remained so focused on the health-care debate that when The Wall Street Journal asked if he would agree to release guidelines for lawmakers to write

tax legislation before a health-care deal was done, he said, simply, "No."

"I'm going to get health care done," he said.

Soon after, in a separate interview, Mr. Trump's budget director, Mick Mulvaney, sounded a different note.

Asked about the sequencing of a tax-code rewrite and the party's long-pledged move to repeal the law known as Obamacare, Mr. Mulvaney said: "They're certainly moving on parallel tracks now from a policy perspective. We're working on

putting together our own tax package."

In suggesting that he is not willing to proceed with changes to the tax code until health care was addressed, Mr. Trump sent a strong signal to members of his own party, though that message risks being muddled by Mr. Mulvaney's remarks.

Mr. Mulvaney said he expected the White House to complete its tax proposal in the next several weeks.

Mr. Trump said he had mixed feelings about creating turmoil in the insurance mar-

kets.

"Obamacare is dead next month if it doesn't get that money," Mr. Trump said. "I haven't made my viewpoint clear yet. I don't want people to get hurt....What I think should happen and will happen is the Democrats will start calling me and negotiating."

Sen. Chuck Schumer of New York, the chamber's Democratic leader, and Rep. Nancy Pelosi of California, the House Democratic leader, have said they are unwilling to discuss a deal with Mr. Trump while the prospect of undermining the

law remained on the table.

Mr. Trump said Mr. Schumer "should be calling me and begging me to help him save Obamacare, along with Nancy Pelosi."

Responding to Mr. Trump's comments, Mr. Schumer said the president was "threatening to hold hostage health care for millions of Americans...to achieve a political goal of repeal that would take health care away from millions more. This cynical strategy will fail."

—Nick Timiraos contributed to this article.

TRUMP

Continued from Page One
Syria's regime in response to its chemical weapons attack that killed at least 85 people, Mr. Trump said his administration's policy isn't to demand that Syrian President Bashar al-Assad step down as part of a peaceful resolution to the conflict.

"Are we insisting on it? No. But I do think it's going to happen at a certain point," Mr. Trump said. His comments contrasted with Secretary of State Rex Tillerson's position during a Wednesday visit to Moscow that Mr. Assad can't be part of a long-term government in Syria and could eventually be tried for war crimes.

Mr. Trump said he is seeking a vote on new health-care legislation to replace the Affordable Care Act before he puts forward any proposals to overhaul the tax code, though his budget director, Mick Mulvaney, in a separate interview, said the two issues were proceeding simultaneously.

The president also said that the dollar "is getting too strong," which will eventually hurt U.S. businesses and manufacturers. He left open the possibility of renominating Federal Reserve Chairwoman Janet Yellen once her tenure is up next year, a departure from his campaign pledge.

In another reversal from his campaign positions, Mr. Trump said he supports the U.S. Export-Import Bank, which he said helps small companies. He said he plans to fill two vacancies on the bank's board, which has been effectively paralyzed by three open seats.

Mr. Trump spoke to the Journal just before a meeting with NATO Secretary-General Jens Stoltenberg, after which he said he no longer believes the alliance is obsolete, as he had maintained previously.

Asked how he has changed since taking office, the former businessman—who as a candidate touted his ability to cut deals—said: "The magnitude of everything is so big, and also the decisions are so big. You know, you're talking about life



Trump on the dollar ...

I think our dollar is getting too strong, and partially that's my fault because people have confidence in me.'

On what he told Chinese President Xi Jinping last week ...

*"But you want to make a great deal?
Solve the problem in North Korea."
That's worth having deficits. And that's worth having not as good a trade deal as I would normally be able to make.'*

On whether Fed Chairwoman Janet Yellen was 'toast' when her term ends in 2018 ...

*'No, not toast....
I like her,
I respect her.'*

President Favors Fed Keeping Rates Low

BY CAROL E. LEE
AND MICHAEL C. BENDER

WASHINGTON—President Donald Trump said that the U.S. dollar "is getting too strong" and that he would prefer the Federal Reserve keep interest rates low.

Mr. Trump, in an interview with The Wall Street Journal on Wednesday, also said his administration won't label China a currency manipulator in a report due this week.

He left open the possibility of renominating Federal Reserve Chairwoman Janet Yellen once her tenure is up next year, a shift from his campaign when he said he would "most likely" not appoint her to another term.

"I do like a low-interest-rate policy, I must be honest with you," Mr. Trump said when asked about Ms. Yellen.

"I think our dollar is getting too strong, and partially that's my fault because people have confidence in me. But that's hurting—that will hurt ultimately," he said. "Look, there's some very good things about a strong dollar, but usually speaking the best thing about it is that it sounds good."

Mr. Trump said the reason he has changed his mind on one of his signature campaign promises is that China hasn't been manipulating its currency for months and because taking the step now could jeopardize his talks with Beijing on confronting the threat of North Korea.

"They're not currency manipulators," Mr. Trump said.

Asked if Ms. Yellen was "toast" when her term ends in 2018, he said, "No, not toast."

"I like her, I respect her," he said. "It's very early."

◆ Dollar falls after Trump says it is too strong B11

and death. You're not talking about 'you're going to make a good deal.'

Amid growing U.S. unease about North Korea's nuclear activities, Mr. Trump dispatched an aircraft carrier group toward the Korean Peninsula over the weekend.

Mr. Trump said the ships are meant to deter North Korea from taking further actions. Mr. Trump, who has criticized China for not using its influence with Pyongyang more aggressively, said that during an hour-long phone call with Mr. Xi on Tuesday, he told him he should let North Korean leader Kim Jong Un know the U.S. doesn't just have aircraft carriers, but also nuclear submarines.

"You cannot allow a country

like that to have nuclear power, nuclear weapons," Mr. Trump said. "That's mass destruction. He doesn't have the delivery systems yet, but he will."

Earlier in the day, China described the call somewhat differently and didn't link trade and North Korea as issues.

Mr. Trump said it isn't impossible to imagine a peaceful Syria with Mr. Assad still in power—unlike his ambassador to the United Nations, Nikki Haley. "I think the word impossible is not right. But it does seem like you certainly wouldn't be off to a good start," he said.

Mr. Trump said Mr. Assad's use of chemical weapons again would elicit another military response from him, and he didn't

rule out taking action in response to his use of barrel bombs. But he said he wouldn't intervene in depth in the Syrian conflict, which he said would take resources away from tackling his domestic agenda, such as trying to rebuild U.S. infrastructure.

"We have other fights that are fights that are more important as far as our nation's concerned," he said. "We don't need that quicksand."

Mr. Trump said his administration hasn't yet determined whether Russia knew in advance that the Assad regime planned to launch the chemical weapons attack that U.S. officials have said was sarin gas. "A lot of people would assume yes because they are there," he said

of Russian military forces.

Mr. Trump described his relationship with Russian President Vladimir Putin as nonexistent, but said he developed a warm rapport with Mr. Xi after their first meeting last week at his estate in south Florida.

He said they hit it off during their first discussion. Mr. Trump said he told his Chinese counterpart he believed Beijing could easily take care of the North Korea threat. Mr. Xi then explained the history of China and Korea, Mr. Trump said.

"After listening for 10 minutes, I realized it's not so easy," Mr. Trump recounted. "I felt pretty strongly that they had a tremendous power" over North Korea, he said. "But it's not what you would think."

◆ Dollar falls after Trump says it is too strong B11



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WORLD NEWS

Trump Voices NATO Commitment

By JAY SOLOMON

Skin in the Game

President Donald Trump wants all NATO member states to increase military spending to 2% of their economic output.

Estimated 2016 military spending*



[†]Expenditure does not include pensions
THE WALL STREET JOURNAL

WASHINGTON—President Donald Trump voiced strong support for the North Atlantic Treaty Organization as tensions with Russia dominate his first months in office, declaring he no longer views the alliance as “obsolete.”

Mr. Trump’s statement on Wednesday marked a sharp U-turn from his campaign rhetoric, in which he suggested his administration might diminish its support for NATO if its members don’t invest more in Europe’s collective security.

Appearing alongside NATO Secretary General Jens Stoltenberg at the White House, the president described the trans-Atlantic alliance as fundamental to the West’s security and crucial to checking increased Russian aggression.

At the same time, Mr. Trump and Mr. Stoltenberg both said they maintained hope that they could cooperate with Russian President Vladimir Putin in the fight against terrorism and efforts to end Europe’s migration crisis.

“It would be great if NATO and us could get along with Russia. We may be at an all-time low” in relations, Mr. Trump said. “We’ll see what happens.”

Secretary of State Rex Tillerson met with Mr. Putin in Moscow on Wednesday. Mr. Trump said his initial communications with his chief diplo-



U.S. soldiers are stationed in Poland, on NATO's eastern flank.

mat suggested the meeting went “better than anticipated.”

Mr. Stoltenberg said NATO is pursuing a dual-track strategy toward Russia: strengthening its collective security while keeping channels open for cooperation with the Kremlin.

“We don’t want a new cold war. We don’t want a new arms race,” Mr. Stoltenberg said.

Mr. Trump has sharply criticized NATO members for not spending enough on defense, something he said he believed was changing.

NATO’s chief thanked Mr. Trump for focusing on the matter. Mr. Stoltenberg said European members of NATO and Canada raised their defense spending by 3.8% last year.

“I thank you for your attention to this issue,” Mr. Stoltenberg told Mr. Trump during a press conference. “We are already seeing the effect of your strong focus.”

Mr. Trump also detailed his recent conversations with Chinese President Xi Jinping, particularly on North Korea. This included a Tuesday night phone call.

The president said he pressed the Chinese leader to do more to constrain North Korea and to cut off Pyongyang’s finances. Mr. Trump said he believed he got through to Mr. Xi.

“President Xi wants to do the right thing. I think he wants to help us with North Korea,” Mr. Trump said.

U.N. Fails To Enact Measure On Syria

By FARNAZ FASSIHI

UNITED NATIONS—The U.N. Security Council failed to bring about a resolution condemning the latest chemical attacks in Syria after Russia vetoed the measure, its eighth veto of proposed moves against Damascus since the conflict began six years ago.

The deadlock on Wednesday didn’t come as a surprise, as the Security Council has grown increasingly polarized over the conflict, leaving it unable to offer a feasible solution for ending it.

For the past eight days, since news of another chemical attack in Syria surfaced on April 4, the council has struggled over a seemingly simple diplomatic task: to issue a resolution that condemns the general use of chemical weapons in Syria; call for U.N. investigations; and call on Damascus to offer full access to investigators.

The resolution went through three rewrites. At one point, three competing texts—one from the U.S. and its allies, another from Russia and a third from the other 10 non-permanent members of the council—were circulated in a last-minute attempt to restore unity.

China abstained, declining to join Russia’s veto in a stand that drew praise in Washington from President Donald Trump. The U.S., together with France and the United Kingdom, and seven of their allies voted in favor.

The council debate followed what by now is a familiar pattern: Western powers expressed outrage and blamed Russia for being an obstacle to ending the Syria conflict. Russia accused the West of pre-judging the outcome.

U.S. Ambassador Nikki Haley had a message for Syria’s President Bashar al-Assad: “The U.S. is watching your actions very carefully. The days of your arrogance and disregard of humanity are over.”

To her Russian counterparts, Ms. Haley offered a carrot-and-stick approach. She condemned Russia’s veto as representing a “no to accountability” and a vote against the promotion of peace in Syria. “We urge Russia to join forces with the overwhelming number of countries pushing for a political solution,” she said.

Russia’s deputy ambassador, Vladimir Safronov, said to Ms. Haley: “Has this become a national sport to intentionally and unintentionally undermine council unity?”

Mr. Safronov said the resolution wouldn’t be “useful” because the Syrian government and Russia already had asked the Organization for the Prohibition of Chemical Weapons to travel to the site of the attack and to the military base in Syria hit by the U.S. in a retaliatory strike on Friday. “The draft resolution appointed the guilty party prior to the investigation,” said Mr. Safronov in explaining his country’s veto.

Syrian Ambassador Bashar Jaafari denied that his country possessed or had used chemical weapons. He said the incident was orchestrated by the West and the countries that have supported and armed opposition militia and terrorist groups in Syria as a pretext to attack his country.

RUSSIA

Continued from Page One
chemical weapons.

Mr. Tillerson, leveling U.S. charges that Syria planned and executed the attack, also said it was “fairly well established” that Russia interfered in the 2016 U.S. presidential election, another accusation Mr. Lavrov denied.

However, in one key moment, Mr. Tillerson refrained from accusing Russia of complicity in the chemical attack in Idlib province last week, tamping down criticism of Moscow.

The White House revved up that line of criticism as Mr. Tillerson made his way to Moscow earlier this week, accusing Russia during a White House news briefing of covering up Mr. Assad’s suspected use of sarin gas and saying Russia must face questions about what it knew about the attack in advance.

Given the opportunity to re-double that line of criticism at the news conference in Moscow, Mr. Tillerson demurred.

“With respect to Russia’s complicity or knowledge of the chemical weapons attack, we have no firm information to indicate that there was any involvement by Russia, Russian forces into this attack,” he said. “What we do know and have very firm and high confidence in our conclusions is that the attack was planned and carried out by regime forces at the direction of Bashar Al-Assad.”

In his news conference in Washington on Wednesday, Mr. Trump said it was “probably unlikely” that Russia didn’t know about the chemical attack in advance. “I would like to think that they didn’t know, but certainly they could have,” he said. “They were there. So we’ll find out.”

Mr. Tillerson also held talks about North Korea’s nuclear program, the situation in Ukraine, and the U.S. allegation that Russia meddled in the 2016 U.S. elections.



U.S. Secretary of State Rex Tillerson, left, with Russian Foreign Minister Sergei Lavrov in Moscow on Wednesday.

But other than a commitment to try to improve relations, the meetings generated little apparent progress.

On the chemical attack, Mr. Lavrov said Russia and Syria both want an investigation, although Russia’s United Nations representative vetoed a Security Council resolution that would have launched a probe, saying the resolution presented to diplomats presumed Syria’s guilt.

In the Security Council vote, China abstained. Mr. Trump, in a phone call on Tuesday night, had asked Chinese President Xi Jinping if his country would side with the United States, according to a person familiar with the conversation.

“I think it’s wonderful that they abstained,” Mr. Trump said

at his news conference. Although not siding with Russia, Chinese officials also criticized Western countries for pushing a divisive resolution.

One of the most difficult issues between the U.S. and Russia is the future of Mr. Assad. Mr. Tillerson repeated his view that Mr. Assad and his family can’t be part of a long-term government in Syria. He said the U.S. wants to see him depart in an orderly way and warned that he could eventually be tried for war crimes.

Mr. Lavrov delivered a lengthy critique of U.S. foreign involvements going back to Serbia in the 1990s and detailed events in Iraq, Libya and Sudan.

“So, this insistence on removing or ousting a dictator or totalitarian leader—we have al-

ready been through it,” he said. “We very well know only too well what happens when you do that. I don’t remember any case of a dictator being removed smoothly without violence.”

Mr. Trump has been less insistent than Mr. Tillerson on the eventual ouster of Mr. Assad. In an interview Wednesday with The Wall Street Journal, Mr. Trump said: “Are we insisting on it? No. But I do think it’s going to happen at a certain point.”

Still, Mr. Trump called the Syrian president “a butcher” and referred again to images of children killed and injured in last week’s chemical attack.

The two diplomats said they had agreed to appoint envoys to work through difficult U.S.-Russian issues. Among the issues

are the differing views of cybersecurity.

U.S. law enforcement and intelligence agencies concluded after an investigation that Russia engaged in cyberhacking directed at Democratic organizations and individuals in an attempt to help Mr. Trump’s campaign. U.S. agencies also are investigating whether associates of Mr. Trump colluded with the Russian government.

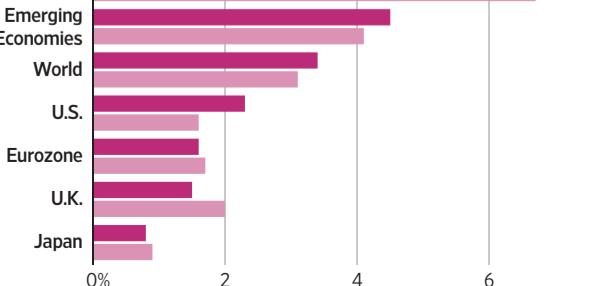
Mr. Lavrov said Wednesday there is no proof that Russia meddled in the U.S. election. And Mr. Trump has denied any collusion with the Russian government.

—Thomas Grove in Moscow, Jay Solomon in Washington and Farnaz Fassih at the United Nations contributed to this article.

Improved Outlook

Global economic growth is accelerating, driven in large part by a strengthening U.S. economy and recovering emerging markets.

Annual change in GDP:



Source: International Monetary Fund, January forecasts THE WALL STREET JOURNAL

IMF Cautions Tariffs May Threaten Growth

By IAN TALLEY

Global economic growth is accelerating, the head of the International Monetary Fund said, but rising protectionism risks steering the global economy back onto rocky terrain.

Wednesday’s warning from IMF Managing Director Christine Lagarde, a nod to the Trump administration’s threats to levy new tariffs against trade partners, comes against a backdrop of a strengthening U.S. economy and a rebound in emerging markets.

“After six years of disap-

pointing growth, the world economy is gaining momentum,” Ms. Lagarde said in a speech at the Bruegel think tank in Brussels, previewing a meeting of world finance chiefs next week in Washington.

“At the same time, there are clear downside risks: political uncertainty, including in Europe; the sword of protectionism hanging over global trade; and tighter global financial conditions that could trigger disruptive capital outflows from emerging and developing economies,” she said.

President Donald Trump’s

trade and other economic policies will be in the spotlight at the IMF’s semiannual meetings in Washington next week, when finance ministers and central bankers from the fund’s 189 member countries meet in an effort to steer the global economy toward stronger growth and away from approaching perils.

The Trump administration’s economic platform, including challenging the World Trade Organization, has spooked global finance leaders worried Washington might spark a trade war with China and other major economies.

So far, the administration has hewed to a more moderate line and eschewed its most aggressive campaign threats.

Market optimism has waned as the Trump administration faces the political challenges of pushing its agenda through Washington. Still, investors have shown broad enthusiasm for the prospect of U.S. tax cuts, infrastructure spending and signs of an improving economy.

In January, the IMF projected global economic growth would pick up to 3.4% this year and 3.6% in 2018, from 3.1% last year.

WORLD NEWS

Hungary Warned Over New Laws

By VALENTINA POP
AND DREW HINSHAW

BRUSSELS—The European Commission threatened Hungary with legal action over its moves against a university and foreign-sponsored nongovernmental organizations, among other measures, and questioned whether the country is still a democracy.

The commission's move Wednesday came after parliament approved new legislation on higher education championed by Prime Minister Viktor Orbán that provides grounds for the closure of the Central European University, founded by Hungarian-American billionaire George Soros.

Parliament voted last week that any university operating solely in Hungary but registered outside the European Union must secure an international agreement from both nations' governments to continue. Only the Central European University would be affected.

Mr. Soros has criticized Mr. Orbán's tough stance on migration and is a donor to Hungarian charities, including some that defend migrants in court.

Frans Timmermans, the Eu-

ropean Commission's vice president in charge of fundamental rights, said Wednesday that it would be a mistake to close the university, which has formed a new generation of Central European leaders who no longer believe in the Continent's East-West divide.

"This is of such great value it deserves to be protected," Mr. Timmermans said.

He said the commission is preparing legal cases against Hungary, not only over the higher education and aid laws, but also over legislation allowing asylum seekers to be detained in shipping containers and over discrimination against Roma children.

The most recent laws have hit tough resistance. In recent days, U.S. diplomats in Washington and Budapest have tried to persuade Mr. Orbán to reconsider the measures, a State Department official said.

Mr. Orbán says the university is operating at an unfair advantage because it issues American degrees and Hungarian universities can't. On Wednesday, he said the commission is threatening him as part of a broader plan to force Hungary to settle refugees.

Terror experts said the unusual sophistication of the attack, the preparation it would have required and the force of the explosives used would mark a significant step up for Islamist militants if they were indeed responsible.



A police dog sniffing for explosives at soccer team Borussia Dortmund's stadium Wednesday. Three bombs targeted the team Tuesday.

German Bomb Suspect Held

By RUTH BENDER

BERLIN—Authorities detained a suspected Islamist on Wednesday and were investigating another after the Tuesday bomb blast that hit a German soccer team's bus, leaving one player injured.

The arrest came after investigators found three identical letters near the scene that indicated an Islamist motive, said Frauke Köhler, spokeswoman of the federal prosecutor. Yet the Tuesday night attack in Dortmund bore few of the hallmarks of past Islamist attacks in the country, leaving investigators hesitant to attribute responsibility.

Terror experts said the unusual sophistication of the attack, the preparation it would have required and the force of the explosives used would mark a significant step up for Islamist militants if they were indeed responsible.

Ms. Köhler didn't publicly identify the detained suspect

or say why the second person hadn't been arrested. But a person close to the investigation said that both were from North Rhine-Westphalia, the western state where Dortmund is located, and that investigators were lacking evidence to arrest the second one.

The attack hit a bus that was ferrying Borussia Dortmund's soccer players to their stadium for a quarterfinal game in the most prestigious tournament in club soccer.

"It almost looks like a classical improvised explosive device as we see it in Iraq," said Stefan Hansen, managing director of the Center of Research on Terrorism and Radicalization at the University of Kiel.

The attack was aimed at a specific and prominent target—one of the country's most admired soccer teams. Other recent plots in Germany and Europe targeted mostly random members of the public or, more rarely, police officers.

In most cases, perpetrators



THE WALL STREET JOURNAL.

using mainly crude weapons acted in the knowledge that they would die in the attack or made little effort to cover their tracks. But in Dortmund, three powerful bombs went off just as the bus was driving by.

According to the federal prosecutor the bombs had a blast radius of more than 100 meters and were loaded with

metal sticks, one of which pierced a bus seat. It remained unclear how the bombs were detonated.

Officials and terrorism experts also noted that it would be the first time in memory Islamist attackers had left a letter claiming responsibility directly at the scene.

Security officials said the letter, written in German and mentioning Chancellor Angela Merkel by name, blamed Germany for participating in "killing Muslims in the Islamic State's caliphate." It demanded the country withdraw from an international coalition fighting the extremist group and close Ramstein Air Base, which serves as headquarters for the U.S. Air Force in Europe.

Germany joined the anti-ISIS coalition in 2015 but isn't involved in combat operations. Germany assists allied forces mainly by flying reconnaissance sorties with jets stationed on the Turkish air force base at Incirlik.

voter base, Ahmadinejad is in fact aiding Rouhani's reelection," said Ali Vaez, a senior Iran analyst at the International Crisis Group.

As president, Mr. Ahmadinejad became a lightning rod in the West, forging ahead with the country's nuclear program despite concerns Tehran was seeking to develop atomic weapons that could threaten Israel and the country's rivals in the Persian Gulf.

He also presided over a period of internal strife unprecedented since the Islamic Republic's founding in 1979. His election for a second term in 2009 was disputed, leading to massive protests that the authorities quashed, often violently.

Ahmadinejad Files Surprise Bid for Iranian Presidency

Former Iranian leader Mahmoud Ahmadinejad filed to run in presidential elections next month, a surprise bid by a longtime nemesis of the West to return to the forefront of the country's politics and back to the world stage.

By Aresu Egbali
in Tehran and Asa
Fitch in Dubai

The firebrand Mr. Ahmadinejad, who as Iran's president from 2005 to 2013 outraged the West with Holocaust denials and his determination to advance Iran's disputed nuclear program, said in September that he wouldn't run for office again after Iranian Supreme Leader Ayatollah Ali

Khamenei said such a move would divide the country and advised him against it.

After formally registering his candidacy at the interior ministry in Tehran on Wednesday, Mr. Ahmadinejad said the supreme leader, who

has a final say in most matters of state, hadn't prohibited him from running. "His recommendation didn't mean a ban on participation," Mr. Ahmadinejad said.

Whether Mr. Ahmadinejad's name actually appears on ballots next month is up to the Guardian Council, which is expected to decide this month on a final slate of candidates. Half of the 12-member council is appointed by Mr. Khamenei, who oversees its activities

closely.

Mr. Khamenei, in whose hands Mr. Ahmadinejad's political future rests, had no immediate reaction to the move by Mr. Ahmadinejad. The two have had frosty relations in the past.

Behnam Ben Taleblu, a senior Iran analyst at the Foundation for Defense of Democracies, said the supreme leader was unlikely to approve Mr. Ahmadinejad's candidacy. The ex-president probably will withdraw from the race, either as a result of conservative pressure or a deal with Iran's clerical leadership. "He's transgressed the supreme leader's edict, and if the supreme leader doesn't enforce it" by acting against Mr. Ahmadine-

jad, "it could backfire on him," Mr. Taleblu said.

Hassan Rouhani, Iran's current president and a relative moderate who negotiated the landmark 2015 nuclear deal with the U.S. and five other world powers, hasn't formally registered to run for re-election but is widely expected to.

Despite his hard-line views and occasional criticisms of Mr. Rouhani's management of

the economy, Mr. Khamenei has backed the president's main policy goals, notably the Iran nuclear deal, reached with the U.S. and five other world powers in 2015.

Mr. Ahmadinejad's announcement came three days after Ebrahim Raisi, a hard-line Iranian cleric, declared his candidacy for president.

Mr. Raisi is a close ally of the supreme leader.

If he is allowed to run, Mr. Ahmadinejad could split the hard-line vote with Mr. Raisi, making a victory more likely for Mr. Rouhani, who has sought to mend ties with the West.

"The irony is that by spoiling the conservatives' game and taking away from Raisi's

Berlin Links Tehran to Spying Operation

By ANDREA THOMAS

BERLIN—In mid-2015, German prosecutors say, Iran set in motion a spying operation that targeted a prominent pro-Israeli politician and a Jewish newspaper in Berlin.

Details of the alleged plot—which authorities said appeared aimed at gathering information for “possible attacks” on them—emerged during a trial in Berlin's highest court that ended late last month with the conviction of a 31-year-old Pakistani man, Syed Mustafa Haider, on espionage charges.

Prosecutors said Mr. Haider was guided by a person believed by German intelligence to be part of the Quds Force, an arm of Iran's Revolutionary Guard Corps. He spent months tracking Reinhold Robbe, a former lawmaker who was then chairman of the German-Israeli Society, they said.

Mr. Haider, who was sentenced to four years and three months in prison, denied the charges and has instructed his attorneys to appeal the verdict against him, his lawyers said. The lawyers declined to comment further.

The Iranian Embassy in Berlin said that Tehran “officially and categorically denied any link with this issue.” The embassy blamed “enemies of diplomacy” for “using any possibility and means to advance their bellicose goals.”



Syed Mustafa Haider covers his face on March 8 during his trial.

No attacks have taken place against the objects of Mr. Haider's surveillance.

The revelations come at an awkward time for German Chancellor Angela Merkel. Ms. Merkel, under pressure from German companies that want to do business in Iran, has been resisting President Donald Trump's tougher stance toward Tehran.

The government said it would wait until Mr. Haider's appeal has been heard before commenting.

Based on evidence gathered by Germany's police and domestic intelligence agency, prosecutors said Mr. Haider gathered 600 photos, 32 videos and other information detailing Mr. Robbe's movements in July to October 2015, prosecutors said.

In addition to his work on

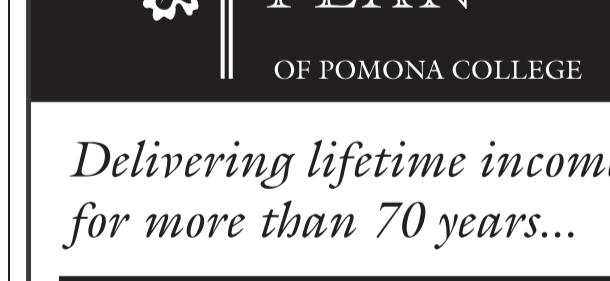
Mr. Robbe, he was asked to compile dossiers on the Berlin headquarters of Mr. Robbe's Social Democratic Party, the Jüdische Allgemeine newspaper in Paris, Daniel Rouach, they said.

Prosecutors alleged the material was “meant to enable his intelligence employer to establish a direct way to the person under observation as they prepared an attack.”

The court didn't publish a written verdict. A spokeswoman said it found prosecutors' case “fundamentally convincing.”

Mr. Haider, a student studying engineering in Germany, received instructions from his alleged Quds Force handler, identified only by the initial M, via WhatsApp in mid-2015, prosecutors said.

—Asa Fitch in Dubai contributed to this article.



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WORLD NEWS

Brazil's Probe Puts President in a Bind

Push for laws to lift recovery is at risk as graft investigation broadly targets backers

BY SAMANTHA PEARSON
AND LUCIANA MAGALHAES

SÃO PAULO—Brazil's embattled President Michel Temer is scrambling for political survival after the Supreme Court ordered investigations into a third of his cabinet as part of the vast Car Wash corruption probe.

Ignoring the deeply unpopular president's pleas, legislators in Brazil's Senate, where a third of legislators were also being investigated, canceled its final session on Wednesday before the Easter break, and along with lawmakers from the lower house of Congress began streaming out of Brasília to their home states.

Mr. Temer, who as president is immune from any investigation related to acts outside his current mandate, was



President Michel Temer on Wednesday asked legislators to keep working, but many left Brasilia.

one of Brazil's few major politicians not on the Supreme Court's list released late on Tuesday, which included eight of his ministers, 50 senators and federal deputies and four former presidents.

"The government was already extremely weak—what the list did was prove, document, materialize, and institutionalize the political and moral weakness of the government," said environmentalist

and former presidential candidate Marina Silva.

An outspoken critic of her country's beleaguered political establishment, Ms. Silva is one of several antiestablishment figures now seen as popular

potential candidates in the presidential elections next year.

Ms. Silva declined to comment on whether she would run in 2018 but didn't rule it out. "I have a responsibility to the 20 million Brazilians who continue to find value in the proposals I presented in 2010 and 2014," she said.

Jair Bolsonaro, a far-right-wing federal deputy who plans to run in 2018, also used the Supreme Court's announcement on Tuesday to criticize the government. "Congress was like a cemetery today," he said. "The feeling is that Brazil is done for and that we need to start from scratch."

The announcement from Brazil's high court, which must approve any investigations into sitting lawmakers, is the latest bombshell to hit the country as part of its three-year Car Wash probe into corruption at state-controlled oil company **Petróleo Brasileiro SA**. The probe has already led to more than 100 convictions.

The court's decision stems from a move by close to 80

current and former employees of **Odebrecht**, Latin America's largest construction company, to testify in exchange for lighter sentences after the firm admitted it paid hundreds of millions of dollars of bribes in the scheme. For months, Brazil's political establishment has been on tenterhooks waiting for the Supreme Court to act on what was dubbed in Brasília as the "end of the world" plea bargain.

Mr. Temer, who took over the country in August after President Dilma Rousseff's impeachment and conviction for breaking government accounting rules, now faces a race against time to push through changes to Brazil's insolvent pension system. Economists see that initiative as the country's best chance of reducing its budget deficit and emerging from its deep recession.

"We can never paralyze the government," Mr. Temer urged congressmen early Wednesday. "We have to keep the government and legislative activity moving."

Venezuela Leader's Top Critic Pledges To Mount Protests

BY JUAN FORERO
AND ANATOLY KURMANAEV

CARACAS, Venezuela—Henrique Capriles, a two-time candidate for president, said the Venezuelan government's recent prohibition on him running for office is central to President Nicolás Maduro's strategy of holding on to power by sidelining adversaries who could beat his ruling party at the polls.

"I don't accept being disqualified," Mr. Capriles said in an interview on Tuesday in which he pledged the opposition would intensify a series of

appealing to the comptroller while pressuring the government through street protests.

Mr. Maduro's government last year blocked a recall referendum on his rule, suspended elections for governors and hasn't set the date of a presidential election, which must take place by the end of next year.

While Mr. Capriles said he was optimistic that he would, one day, run against Mr. Maduro's government, he said he would support an independent candidate in preference to anyone from the opposition coalition seen as being too soft on Mr. Maduro. "I won't support any false candidates," he said.

Governments from Europe to the U.S. to Argentina have criticized Mr. Maduro's populist government for temporarily dissolving congress on March 29 and then barring Mr. Capriles from mounting a campaign for office.

The comptroller's office said it disqualified Mr. Capriles for allegedly breaking half a dozen minor contracting and transparency rules, alleged peccadilloes that merited a fine of just \$11.

Mr. Capriles, the governor of populous Miranda state, denies the accusations and argues that a government that suspends elections—as Mr. Maduro's did last year—and now tries to sideline opponents is acting from a position of weakness. "How long can a government last under these conditions?" he said. "I think, in the end, he's going to have to call elections."

Meanwhile, Mr. Capriles's \$11 fine remains unpaid.

"I have the means of paying it, but it's simply unjust," he said.

Two-time presidential candidate Henrique Capriles is barred from seeking office.

recent antigovernment protests.

Mr. Capriles, a 44-year-old state governor who is seen as the main contender to challenge the ruling party in a presidential race, was barred Friday by the comptroller general, a close ally of Mr. Maduro, from running for office for 15 years for alleged contracting irregularities.

Mr. Capriles had a 49% approval rating in a poll conducted in February by polling firm Datanálisis, compared with 27% for Mr. Maduro.

"The government just might permit elections but it's obvious they want to decide who is the candidate and the opposition they will face," Mr. Capriles said. He said he would fight the decision by

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STOCKS

Continued from Page One
the rise of passive investing and a growing view among investors and financial advisers that active managers can't pick stocks well enough to justify the fees they charge over extended periods and that even those managers who do outperform their passive counterparts can't sustain it year after year.

"We often hear from active managers, 'You need to measure us over a longer-term cycle,'" said Aye Soe, managing director of research and design at S&P Dow Jones Indices. "Even over a full market cycle, which includes peaks and troughs, we still see the majority of active managers performing unfavorably against their benchmarks."

The debate over whether passive management is as good or better than active management is a long-running and contentious one, but it has heated up in recent years. Active managers' struggles to beat the market over recent years amid a long-term bull market in stocks have resulted in fee pressure, fund closings, business overhauls and mergers.

Investors have spoken with their wallets, turning to index-tracking funds in droves. Some \$1.2 trillion has been withdrawn from actively managed U.S. stock funds since the start of 2007 through March, according to Morningstar Inc. Nearly the same amount, \$1.1 trillion, has

Lagging Behind

Few actively managed funds have kept pace with market indexes in recent years, new data show.

Percentage of U.S. equity funds outperformed by benchmark

Fund category	Comparison index	5-year	10-year	15-year
Large-Cap	S&P 500	88%	85%	92%
Mid-Cap	S&P MidCap 400	90%	96%	95%
Small-Cap	S&P SmallCap 600	97%	96%	93%

Note: Data as of Dec. 31, 2016
Source: S&P Dow Jones Indices

moved into passive U.S. stock funds over the same period.

Index giant Vanguard Group pulled in a net \$33 billion in February, \$29.6 billion of which went into index products, and \$40.5 billion in March, \$35.5 billion of which went into index products, a

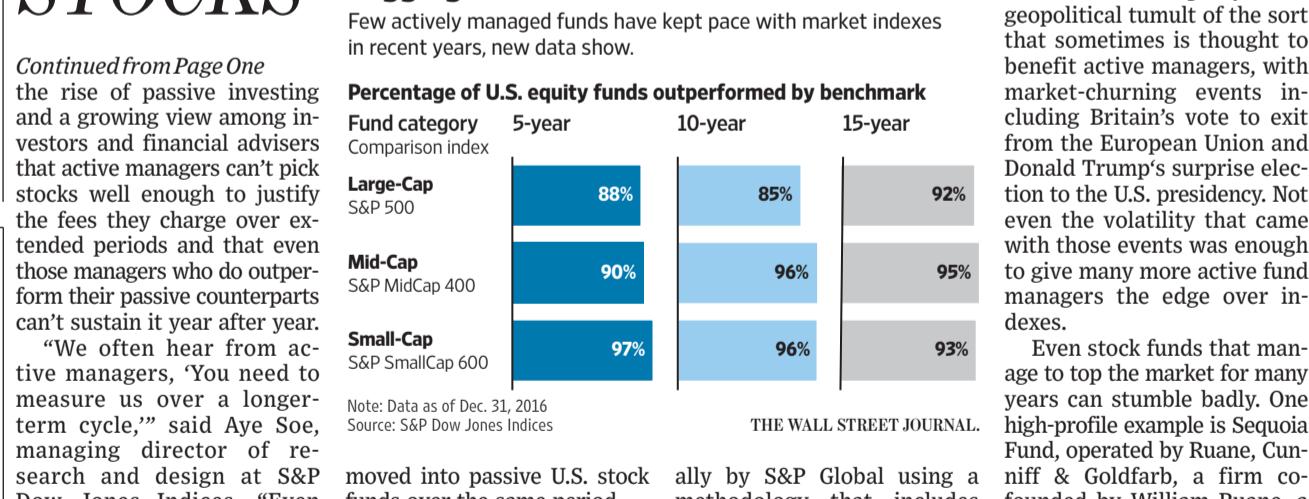
ally by S&P Global using a methodology that includes funds that have been liquidated or merged out of existence. S&P Dow Jones Indices is a joint venture of S&P Global and CME Group Inc. It is a major participant in the indexing business with more than \$2.1 trillion indexed to the S&P 500 index as of 2015.

A committee composed of three representatives of S&P Dow Jones Indices and two representatives of The Wall Street Journal determine the composition of the Dow Jones Industrial Average. Dow Jones & Co., a unit of News Corp., sold a majority stake in its index business in 2010 and sold the remaining stake in 2013.

S&P Dow Jones Indices pulls performance data on active funds from a database maintained by the Center for Research in Security Prices, a research and learning center at the University of Chicago Booth School of Business.

Steep losses in Valeant have left the fund near the bottom of all large-cap growth funds over the past one, three and five years. "We're working very hard to restore the track record that our investors have come to expect from us," said David Poppe, co-manager of the fund.

FROM PAGE ONE



GIANLUIGI GUERRA/AGENCE FRANCE PRESSE/GETTY IMAGES

military spokesman said.

The leader—Muammar Askali, also known as Abu Rami—was among the dead in the shootout that began Tuesday after about 10 armed men came ashore.

The tourist island is far from territory where insurgent groups normally operate and near Cebu, where thousands of foreign tourists visit every year.

—Jake Maxwell Watts

The latest Spiva survey period ended during a year of geopolitical tumult of the sort that sometimes is thought to benefit active managers, with market-churning events including Britain's vote to exit from the European Union and Donald Trump's surprise election to the U.S. presidency. Not even the volatility that came with those events was enough to give many more active fund managers the edge over index funds.

Even stock funds that manage to top the market for many years can stumble badly. One high-profile example is Sequoia Fund, operated by Ruane, Cunniff & Goldfarb, a firm founded by William Ruane, a value investor and friend and mentor to famed investor Warren Buffett.

Until the end of 2015, Sequoia Fund was the top performing large-cap growth mutual fund tracked by Morningstar over the previous 15 years, nearly doubling the annual performance of the S&P 500. But the fund was badly burned by a heavy position in Valeant Pharmaceuticals International Inc. Valeant's stock price has plunged 96% from its peak in August 2015 amid questions about its accounting practices.

Steep losses in Valeant have left the fund near the bottom of all large-cap growth funds over the past one, three and five years.

"We're working very hard to restore the track record that our investors have come to expect from us," said David Poppe, co-manager of the fund.

GREATER NEW YORK

NJ Transit Tests Only Some Staff For Sleep Apnea

BY MELANIE GRAYCE WEST

Months after the deadly September train crash inside Hoboken Terminal—in which the engineer responsible was found to have sleep apnea—less than half of NJ Transit's locomotive engineers and a small number of conductors and signalmen have been screened for the disorder.

Of its 397 engineers, 190 have been screened for sleep apnea, with 25 taken out of service and 18 of those engineers ultimately testing positive for sleep apnea, a NJ Transit spokeswoman said. All but one engineer is back at work after getting treatment, she said.

Moreover, 168 conductors of 1,051 have been screened, with 25 taken out of service pending a sleep study. Out of those 25, 23 tested positive, and five remain out of service, the spokeswoman said.

Additionally, seven signalmen out of a total 165 employed by the commuter-rail agency have been screened; three were taken out of service, but are back at work, according to the spokeswoman. Engineers and conductors get

work physicals annually; signalmen every three years.

Commuter-rail agencies across the region are taking different approaches to screening for obstructive sleep apnea, a chronic disorder where a person experiences temporary stoppages in breathing while sleeping, which typically causes a poor night's sleep and results in daytime sleepiness.

Lawmakers and safety experts have championed a federal rule that would require rail operators nationwide to test employees for sleep apnea. Currently, the Federal Railroad Administration doesn't have such a regulation.

The National Transportation Safety Board has highlighted the problem in recent years in its rail-accident probes, and all the major railroads are focused on the problem, according to Steven Dittmeyer, a former FRA official.

"It turns out sleep apnea is a more common ailment than had previously been recognized by railroad management and directly relates to collisions and major accidents," he said.

A spokeswoman for NJ



Wreckage in the September crash of an NJ Transit train at Hoboken Terminal, which killed one person.

Transit said sleep-apnea screenings for some rail employees were implemented after the Hoboken crash.

The NJ Transit spokeswoman says its sleep-apnea screening protocols are being implemented ahead of any formal FRA recommendations, and include taking an employee out of service if "suspected of having sleep apnea."

All NJ Transit employees covered under "hours-of-service" regulations—jobs that are considered safety sensitive—are screened during an annual physical. If a person has a neck greater than 17.5 inches or a high body-mass index, for example, that person is removed from service after

the initial screening and scheduled for an eight-hour sleep-clinic study, the NJ Transit spokeswoman said.

Stephen Burkert, general chairman of SMART-TD Local 60, a union representing some NJ Transit workers, said the agency has yet to issue a formal sleep-apnea policy, and that while a person is out of service pending a medical evaluation, they don't get paid, unlike employees working for other railroads that have implemented employee-screening programs.

"Sleep apnea is a medical condition," Mr. Burkert said. "NJ Transit's priority—their employees health is the number one safety concern."

The Metropolitan Transportation Authority said in January that it was expanding a pilot sleep-apnea screening program it started in 2015 for Metro-North Railroad train engineers to now include Metro-North conductors.

A spokesman for the MTA said all of its 438 locomotive engineers and trainees for Metro-North have been screened for sleep apnea; 51 tested positive and are undergoing treatment while on the job. Per the new MTA screening policy, Long Island Rail Road engineers and conductors, New York City Transit subway train operators and conductors, and bus operators will be checked.

Quarter of Men Over 40 Affected

Obstructive sleep apnea is a chronic disorder in which a person experiences fragmented nighttime sleep because their airway repeatedly is blocked. The temporary stoppages in breathing can cause a person to gasp for air or otherwise awaken frequently overnight. The result is daytime sleepiness and sometimes short bursts of sleep, experts say.

The disorder tends to strike men more than women, with an estimated one out of four men over the age of 40 having the disorder. Classic signs of sleep apnea include snoring, obesity, and high blood pressure, among other things, according to Sanjeev Kothare, a professor in the departments of neurology and pediatrics at the NYU Langone Comprehensive Epilepsy-Sleep Center.

Physical examinations to diagnose for sleep apnea usually include an examination of the neck, tongue, soft palate and tonsils to determine how tight the airway is, said Daniel Barone, an assistant professor of clinical neurology at Weill Cornell Medical College.

Treatment includes using either a dental device that pulls the jaw forward or a continuous positive airway pressure, or CPAP, machine to help breathing at night.

—Melanie Grayce West

Car Show Rolls Into Town



SNEAK PEEK: The New York International Auto Show, bringing the new and envisioning the future, opens Friday at the Javits Center.

Judge on State's Highest Court Dead in Hudson

BY ZOLAN KANNO-YOUNGS



Judge Sheila Abdus-Salaam was the first African-American on the state court of appeals.

A judge on New York state's highest court was found dead in the Hudson River in Manhattan on Wednesday, police said.

The body of Sheila Abdus-Salaam, a judge on the New York Court of Appeals, was discovered in the river near West 132nd Street around 1:35 p.m.

Ms. Abdus-Salaam, the first African-American woman to be appointed to the state court of appeals, was reported missing on Tuesday by her husband, according to the New York Police Department.

She was fully clothed and there were no obvious signs of trauma or foul play, police said. A medical examiner is expected to determine the cause of death.

Ms. Abdus-Salaam, 65 years old, was appointed to the court of appeals by Gov. Andrew

Cuomo and confirmed by the Senate in May 2013. She lived in New York City.

"Justice Sheila Abdus-Salaam was a trailblazing jurist whose life in public service was in pursuit of a more fair and more just New York for all," Mr. Cuomo said in a statement.

Janet DiFiore, chief judge of the court of appeals, said: "Her personal warmth, uncompromising sense of fairness, and bright legal mind were an inspiration to all of us who had the good fortune to know her."

Ms. Abdus-Salaam was born in Washington, D.C., in 1952.

She graduated from Barnard College in 1974 and Columbia Law School in 1977.

She served as assistant attorney general in the state department of law, civil rights and real estate financing bureaus. In 1991, she was elected to the civil court of New York City.

Ms. Abdus-Salaam was chosen as associate justice of the appellate division in March 2009 by then-New York Gov. David Paterson.

"She was highly respected and an inspiration to so many throughout her career," said state Assembly Speaker Carl E. Heastie.

without the bull. Mr. Siegel said he wasn't presently filing a lawsuit and was trying to "amicably resolve the issues and violations."

Mr. Di Modica's lawyers sent letters this week to the president and chief executive of State Street Global Advisors, which commissioned and financed the statue; the chairman and chief executive of McCann Worldgroup, the marketing firm that worked with State Street; and the mayor, because the city was involved in the permitting process.

A spokeswoman for State Street said the firm was reviewing the letter. "We continue to be grateful to the City of New York and people around the world who have responded so enthusiastically to what the 'Fearless Girl' represents—the power and potential of having more women in leadership," she said.

A spokesman said McCann was proud of "Fearless Girl" and all she stands for.

A City Hall spokeswoman pointed to a post on the mayor's Twitter account: "Men who don't like women taking up space are exactly why we need the Fearless Girl."

New Statue Makes Sculptor See Red

BY CORINNE RAMÉY

In March, a bronze statue called "Fearless Girl" appeared in lower Manhattan, hands on her hips as if defiantly staring down the iconic "Charging Bull" statue.

On Wednesday, the sculptor of "Charging Bull" charged back.

Lawyers representing Arturo Di Modica, the Italian artist who created the 3½-ton bronze bull, said the placement of the "Fearless Girl" statue is a violation of copyright and trademark laws.

"The 'Charging Bull' once sent a positive message, but has been transformed into a negative force and a threat," said Norman Siegel, a civil-rights attorney representing Mr. Di Modica. The "Fearless Girl" statue was installed in lower Manhattan in early March, for International Women's Day, and later that month New York City Mayor Bill de Blasio said it would remain until the holiday next year.

Mr. Siegel said Mr. Di Modica's permission was required before the bull could be used in what he called a derivative work, or one that is incomplete



'Fearless Girl' and 'Charging Bull' face off in lower Manhattan.

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GREATER NEW YORK

Housing Market Tightens in the Suburbs

Sales are brisk and buyers are paying above asking price, especially in towns with easy Manhattan access

BY JOSH BARBANEL

THE OWNERS of a Tudor-style house in Glen Ridge, N.J., spent months refinishing floors, painting walls and otherwise dressing up the place before they put it on the market.

It took all of four days to sell.

The couple, Ellen Sherman, a writer, and her husband, Christopher Hitchcock, a lawyer, received eight offers for their Forest Avenue property,

all above the \$697,000 asking price. They are downsizing and moving to Jersey City.

"We put a lot of effort into it," Ms. Sherman said. "It was a beautiful 1928 house and was very well maintained. But we wanted it to look really good."

The quick sale is a sign of the strengthening suburban home market this year—particularly in places with easy Manhattan commutes—as both buyers and sellers brace for the peak spring season.

"Any agent who works in this area knows that if someone makes an offer at the asking price—they are not going to get the house," said Kathy Kulik, a broker at Keller Williams - NJ Metro Group who handled the Glen Ridge sale.

Across New Jersey, the pace of monthly sales compared with the year-earlier month has increased for 30 consecutive months, according to data from the Otteau Group, an appraisal and consulting group that tracks market data. Median prices have been trending higher as well.

In Westchester, sales have been rising for several years. Transactions jumped 6.8% in the first quarter from a year earlier, according to brokerage firm Houlihan Lawrence. The median price rose 5.3% to \$570,000.

On Long Island, sales surged last year; the third quarter saw a record for quarterly transactions dating back to 2003, when brokerage firm Douglas Elliman be-



The home in Glen Ridge, N.J., below, sold quickly for more than its \$697,000 asking price. Above, another home for sale in the borough.

gan tabulating sales. Sales slipped in the fourth quarter, but still were the most for a fourth quarter since 2004, with median prices up nearly 5%.

The sales pickup is being driven by some of the same forces pushing up sales across the U.S., such as fears of rising interest rates, and falling inventory.

But there also are some only-in-New-York factors, especially a rise in apartment prices and rents over several years in Manhattan and Brooklyn that is driving some urban dwellers to contemplate more affordable homes with yards in the suburbs.

"We reached an affordability threshold in the city," said Jonathan Miller, president of Miller Samuel Inc., who compiles the Elliman report. "You started to see city renters becoming homeowners, and trade-up buyers moving from a one- or two-bedroom apartment to the suburbs."

The market is particularly tight for lower-priced listings, and in New Jersey towns such as Montclair, Glen Ridge and others on a direct rail route to Manhattan.

"The dynamic at the entry-

level price point is very frothy," said Chris Meyers, president of Houlihan Lawrence, which has agents in Westchester and in Fairfield County in Connecticut. "We could use some more sellers."

Sue Lovit, a broker at Prominent Properties Sotheby's International Realty, said the competition in the "direct-train towns" like Glen Ridge is so fierce that buyers make offers on multiple properties at the same time and routinely offer sweeteners, agreeing to waive inspection requirements or mortgage contingencies.

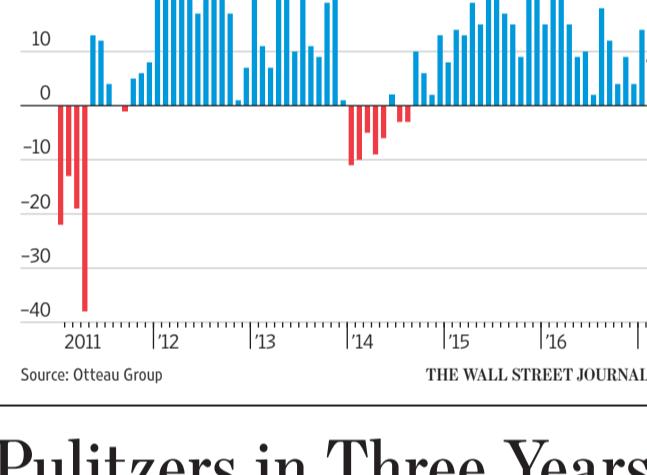
The pickup in sales hasn't been uniform. The market for the most expensive properties remains weak, brokers said, with many lingering on the market for years. But in recent months, the surge in buying has moved a bit up the price scale to include properties priced at more than \$1 million.

In New Jersey, the biggest jump in sales in January was a 19% increase in sales of homes priced between \$1 million and \$2.5 million compared with the year-earlier month, according to the Otteau report.



Signs of Strength

New Jersey monthly home-purchase contracts, change from a year earlier



Source: Otteau Group

THE WALL STREET JOURNAL.

PROPERTY WATCH

MANHATTAN

Rents Turn Higher, With \$3,400 Median

Rents in Manhattan rose modestly in March across all apartment sizes after months of weak performance, according to market reports released on Thursday.

The vacancy rate fell, but many renters were able to get concessions from landlords who are facing pressure from a surge in new rental developments on the market, reports showed.

A report by Douglas Elliman put the median rent in March at \$3,400 a month, 5.6% higher than March 2016, but up only 1.2% after discounting the value of landlord concessions such as a month or more of free rent or owner-paid broker fees.

The March median rent was 1.5% below the recent peak rent of \$3,450 hit last July, the highest since 2009.

Jonathan Miller, an appraiser who prepares the Elliman figures, said the median rent was driven higher in part by a 72% increase in leases signed in March at new developments, where rents are typically higher, compared with the same month last year. The median rent for leases in other buildings was up 3.1%, he said.

BROOKLYN

Home Sales, Prices Surged This Winter

Brooklyn home sales soared during the first quarter as median and average prices set records, according to market reports released Thursday.

"Springtime came early to Brooklyn," noted a report by the Corcoran Group that found the first quarter had the highest number of sales for a first quarter since 2011.

The median price of a Brooklyn home was \$770,000, up 16% from the first quarter of 2016, according to a report by brokerage Douglas Elliman.

Because of a surge in sales of expensive new condominiums, the average price was up 25% to \$993,955.

Analysts attributed the pop in activity to the boom in new development sales, along with some of the same factors driving sales higher across the country: shrinking inventory and worries about interest rates.

—Josh Barbanell

CORRECTIONS & AMPLIFICATIONS

It is unusual but not unprecedented for the child of a sitting president to run for elected office. A Wednesday article on Donald Trump Jr., President Donald Trump's eldest son, not running for New York governor in 2018 incorrectly said it would be unprecedented if he ran for office.

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

CUNY Poets Win Two Pulitzers in Three Years

BY THOMAS MACMILLAN.

Shortly after a text message this week alerted him that he had won the 2017 Pulitzer Prize for poetry, Tyehimba Jess called a fellow poet who he knew could relate, fellow City University of New York scholar Gregory Pardlo, who won the same prize in 2015.

In just three years, two poets from the CUNY system of

public colleges and universities have won the Pulitzer. And this year, Sarah DeLappe, a graduate student at CUNY's Brooklyn College, was a finalist for the Pulitzer for drama.

The prizes are a testament to the artistic vitality that comes from working in an economically and racially diverse academic community, the poets said.

Mr. Jess, 51 years old, won

the Pulitzer for his book "Olio," which uses prose and poetry to examine the lives of 19th-century African-American performers. Mr. Jess said he had been working on the book for about seven years, the same length of time he has been teaching English at CUNY's College of Staten Island.

"I think in terms of CUNY and creativity, you have this wide network of schools that

are accessible to people from every income level," Mr. Jess said.

Mr. Pardlo, who won the 2015 Pulitzer as a student in CUNY's Graduate Center in Manhattan, said he isn't surprised two such prizes have come to CUNY in three years. "Because of the diversity, we have all these ideas; it is a rich and vibrant intellectual community," he said.

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IN DEPTH

FOODS

Continued from Page One
ued success," Mr. Mackey said in a written statement Tuesday, "and we remain open to ideas to create further value for our shareholders and all our stakeholders."

Whole Foods owned the natural and organic market for years, so Mr. Mackey was able to charge premium prices and didn't need much promotion.

"When you average 8% same-store sales [growth] for 35 years, it can breed a sense of, 'Why do we need to change? Things are working,'" Mr. Mackey said in a recent interview with The Wall Street Journal.

Sales slump

Other grocers, however, got into the organics game at lower prices. Over the last 18 months, Whole Foods, which now counts 462 stores, notched its longest stretch of quarterly same-store sales declines since going public in 1992. It is down as many as 14 million customer visits over the past six quarters, according to Barclays PLC. Its shares have lost nearly half their value since peaking in 2013.

Today, warehouse-club retailer Costco Wholesale Corp. says it sells more organic food than any other retailer. In its last fiscal year, Kroger Co., the nation's largest conventional supermarket chain, reported natural and organic sales that surpassed all of Whole Foods' revenue for the year.

"More conventional supermarkets are copying us," says Mr. Mackey. "Every place we went bred the Midas touch. But it also bred envy."

The U.S. grocery industry as a whole is mired in one of the most challenging financial stretches in decades. With more places to shop for food, consumers feel less loyal to their local stores. Amazon.com has gotten into the grocery business, and European deep-discount food retailers Lidl Stiftung & Co. and Aldi Sued are expected to expand in the U.S. this year.

The longest slump since 1950 in the price of food commodities such as eggs, meat

Conventional grocers got into the organic-foods market at lower prices.

and dairy has sparked a price war, eating into grocers' razor-thin margins. Operating profits for grocery stores declined by about 5% last year, according to Moody's Investors Service. Stocks of food retailers are down 6.3% this year. Whole Foods' shares, which rose 10% on Monday when Jana disclosed its stake, were up 9% this year.

Mr. Mackey, a strict vegan who favors jeans, fleece jackets and athletic shoes, started in the business when he was only 25. He scraped together \$45,000 to open Safer Way Natural Foods in a Victorian home in Austin, Texas, in 1978, after drifting in and out of college for six years without graduating. He lived in a house with a vegetarian co-op. A friend from that time recalled nothing but tofu in his refrigerator.

One possible reason for warts-and-all obituaries is that social media have conditioned people to share more with strangers. Americans have grown "more open and apt to have a sense of humor rather than denial about death," said Susan Soper, author of "Obit-Kit," an obituary-writing guidebook. More also want to "celebrate someone for who they are," she said, "not some cookie-cutter person."

Newspapers increasingly leave it to families to compose their own tributes, often published for a fee. Papers typically assign reporters to write obituaries only for the most prominent people, and as their staffs shrink they are becoming more selective. Many notices end up on funeral-home websites or sites such as Legacy.com.



MICHELLE KAMAR FOR THE WALL STREET JOURNAL

John Mackey, the co-founder of Whole Foods Market, at a new store in the Lakeview neighborhood of Chicago in March.

In 1980, in partnership with two other local health-food-store owners, he opened the first Whole Foods Market in Austin. The store was large for its time, and the company expanded quickly. During the 1990s and 2000s, it acquired 11 regional health-food chains.

"He was so much more financially sophisticated than everyone in our world," says Doug Greene, founder of New Hope Natural Media, which hosts natural-products trade shows. "John was talking about investment bankers and share prices when we were all talking about, 'Gee, do you think we can get a small business loan?'"

Mr. Mackey allowed his company's 11 different regions to act nearly independently, fueling local creativity.

"He said, 'We can't figure out Florida. You will run Florida for us and show us how to do it,'" recalls Richie Gerber, who sold his Bread of Life Natural Foods Markets chain to Whole Foods in 1997.

In 2010, Mr. Mackey began sharing the CEO role with Walter Robb. Their chain earned a cachet that health food hadn't had before. It became known for healthier eating and unique, upscale ingredients. It sold organic chia seeds in one aisle, and in another, smoked chicken sausage on toast paired with wine chosen by a master sommelier. Last year, Whole Foods' prepared foods and bakery sales hit \$3 billion.

"It still is the default if you want to go to a supermarket and think what you find will be good," says food writer Mark Bittman, whom Jana has retained as a consultant as part of its investment initiative.

Mr. Mackey instituted animal-welfare standards and maintained a strict and lengthy list of ingredients he won't allow in his stores, such as the Red 40 food dye and the artificial sweetener aspartame.

As the company opened new stores and acquired other retailers, annual sales grew sixfold between 1995 to 2005, then more than tripled over the next decade, corporate filings indicate.

Mr. Mackey bought homes in Austin and Boulder and took friends on an all-vegan catamaran trip in the Caribbean.

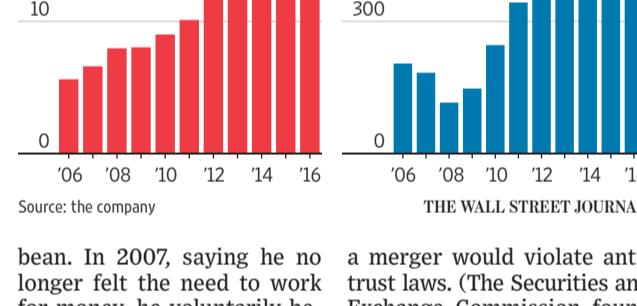
Under Pressure

Whole Foods' shares have lost nearly half their value.



Health-Food Problem

As Whole Foods' sales have slowed, profit has declined.



Source: the company THE WALL STREET JOURNAL.

bean. In 2007, saying he no longer felt the need to work for money, he voluntarily began drawing a \$1 annual salary. As of December, he held 980,000 shares of company stock, worth about \$33 million. He routinely flies coach.

His political opinions have drawn social-media criticism from some customers. He is against government health-insurance mandates and he believes society will be able to manage climate change.

In 2007, when Whole Foods was trying to acquire Wild Oats Markets Inc., federal regulators revealed that Mr. Mackey had written hundreds of anonymous posts on Yahoo Finance message boards championing his own company's stock and criticizing rival Wild Oats Markets. Regulators cited the posts as proof that Wild Oats was a top competitor and

a merger would violate anti-trust laws. (The Securities and Exchange Commission found no wrongdoing.) Mr. Mackey apologized for the posts and Whole Foods completed the acquisition in 2009 after agreeing to sell some Wild Oats assets.

In 2015, its image with customers took a hit when the New York City Department of Consumer Affairs accused it of overcharging customers in nine stores by putting incorrect weights on some items.

A far bigger problem, however, was that conventional grocers had begun carrying specialty products that once were exclusive to Whole Foods—at cheaper prices—and offering their own high-end salad bars and beer halls. At the same time, specialty grocers such as Sprouts Farmers Market Inc. and Trader Joe's

is up to the job. Mr. Robb, analysts say,

who remains a board member, didn't respond to requests for comment.

Mr. Mackey says various senior executives run Whole Foods' operations, including former Target Corp. executive Don Clark, who is overhauling the company's global purchasing to run more like a traditional retailer.

As part of what Mr. Mackey calls a "transformation phase," Whole Foods formulated a nine-point plan to cut costs and focus on its most loyal customers, a concession that it can't cater to all markets or demographics.

Mr. Mackey acknowledges that some families can't afford Whole Foods or don't care enough about his mission. The company doesn't do as well "in the suburbs with people who have an expensive mortgage, they have 3½ children and a golden retriever," he says.

Paper circulars

In the past year, Whole Foods began buying television advertising and distributing paper circulars, two moves that cut into profit.

Mr. Mackey abruptly abandoned plans to triple the number of Whole Foods stores in the U.S., and said that underperforming locations would close. Other planned stores are being delayed indefinitely.

The company needs to cut costs, but layoffs already have thinned store staffing, prompting customer complaints, former store managers say. Centralizing purchasing will save money, but it will mean fewer local brands on shelves, suppliers say.

As its sales softened, Whole Foods began lowering prices. In September 2015, it announced it would cut 1,500 workers. Still, in the fiscal year ending last September, its profit declined by more than 5% and its comparable-store sales—a key retailer metric—fell 2.5%.

THE WALL STREET JOURNAL.

expanded and siphoned off customers.

Certain health-food makers began stocking their products in other stores.

"We take opportunities as they come, and right now, those opportunities seem to be more at the conventional stores," says Matt Oscamou, founder of Frontier Snacks, Inc. Frontier is taking his latest granola to supermarkets such as Kroger instead of Whole Foods because they are offering better shelf space.

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"They failed to recognize that as the category matures, price becomes more important," says UBS analyst Michael Lasser.

Customers jokingly called the store "Whole Paycheck." Pricing had been the subject of tense debate among senior managers for years, according to people familiar with their thinking. Steps to lower prices and offer discounts have eaten into profit margins, but Whole Foods is still more expensive than its largest competitors, analysts say.

"I would shop here for everything except for the price," said Cathy Price, a 45-year-old mother of two, during a recent visit to a Chicago Whole Foods. She returned some green peppers to the shelf, she said, because they were too expensive.

Some investors who have held company stock for years because they believe in Whole Foods' mission say they will sell if the company strays too far from that vision. "We'll change our minds if their behavior changes," says Russ Piazza of Front Street Capital Management, a small fund with a stake.

Wall Street analysts largely welcomed the news of Jana's involvement, but many were unsure whether it would improve the company's performance.

Mary Ellen Coe, a Google.com executive and Whole Foods board member, says the company's problems are common in retail, and "the urgency and the execution is there now."

Mr. Mackey, who identifies himself as a Libertarian, says he views the explosion in natural-food offerings that is hurting Whole Foods's finances as "fantastic," evidence that he achieved his goal of bringing such products to the masses. "In capitalism; that's how it works," he says.

He says he is confident that Whole Foods will survive and be on surer footing in a year. "We have a billion dollars in the bank," he says. "We are not in crisis mode."

"When times are good, people think I'm like a visionary leader," he says. "And then the company hits a down cycle, and then everybody questions that."

"I'm like a duck," he says. "The water goes off my back."

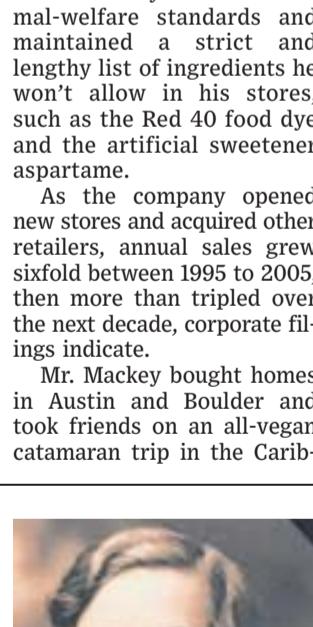
OBIT

Continued from Page One

"pain in the butt."

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EGGERS FAMILY

Rebecca Eggers seldom got up in time for church, her obituary said.

Aaron Brockley, a grandson of Wayne Brockley, the QVC customer, had never written an obituary before his grandfather's. "We joke a lot" in the family, he said, so it made sense to mention his grandfather's endearing foibles.

Terri Holzgang, Mr. Brockley's eldest daughter, said

her father would have wanted an unvarnished obituary rather than "something more mushy."

Tony Franklin took on the tough assignment of writing about the death of his brother, Allen, at age 26 in a motorcycle crash. The funeral director said the obituary needed to be completed soon, he said, so "I just wrote it as it came to me."

He wrote: "His family constantly warned him about the dangers of riding motorcycles but he was incredibly stubborn. Allen was a wonderful young man and was loved by everyone he met, despite his incessant need to argue with anyone about anything."

When he was writing the obituary, Mr. Franklin said, he still felt angry at his brother for risking his life but also wanted to capture his personality. "I guess they usually do sort of a generic obituary, but it just didn't seem very fitting for Allen because he wasn't a generic guy."

Kimberly Johnson, a freelance writer in Mooresville,

N.C., adored her father-in-law, William Wafer, who died in May 2016, so she offered to write his obituary. Along with his many accomplishments, she recorded for posterity that he could be "raunchy and charmingly vulgar" and "enjoyed his boxed wine from a jelly jar." During meals with polite company, he liked to liven things up by discussing the art of castrating roosters.

Susan Sagan was determined to pay tribute to the sarcastic humor of her son, Noah Altimus of Latrobe, Pa., after he died of a drug overdose in November at age 27. "He loved the Pittsburgh Penguins, playing videogames, our dog, Lizzy, and chicken," she wrote. "He hated lifting weights, but did it anyway, then had a cigarette."

The family of David Schlang, Scottsdale, Ariz., who died in November, lauded his generosity and athleticism but also said he was a bit of a pack rat. "He left behind a legacy, including a lot of stuff that his

wife and daughters have no idea what to do with," his wife, Dayna Schlang, wrote.

"So, if you're in the market for golf clubs, golf balls, general sporting equipment, random electronics, CDs, cassettes, and LPs," she wrote, "you should wait an appropriate amount of time, and then get in touch." Friends took her up on the offer, she said.

Some people write their own obituaries in advance and admit to a few mistakes. Jeffrey Lee Adams of Springfield, Ohio, who died in December at age 63, confided: "I wasn't the greatest guy but then I don't think I was quite the worst. I want to apologize to the people that I regrettably did not express my feelings to because I felt it would interfere with my selfish goals. Now I realize that's immature that was."

He added: "Please don't mourn me; talk about the goofy stuff I did."

Lynn Eggers wrote two obituaries for her mother, Rebecca Eggers, who died 15

years ago in Bemidji, Minn. One was serious and traditional, designed to avoid offense. The other said her mother seldom got up early enough to attend her Episcopal church and was "never quiet about her dislike for kitchens and cooking." While attending Sullivans College in Virginia, she "learned to smoke and acquired a record number of demerits."

Lynn Eggers arranged for both versions to be printed in the Bemidji newspaper but sent only the straight one to Jackson, Tenn., where her mother grew up, because she wasn't sure relatives there would appreciate the humor.

Though there is always the risk of offending relatives, "you can be truthful without being hurtful," said Kay Powell, a former obituary editor for the Atlanta Journal-Constitution. For instance, she said, "suppose they were a terrible bore. You say, 'He was a raconteur.' That means he was telling stories all the time."



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LIFE & ARTS

THE MIDDLE SEAT | Scott McCartney

After United, a Look at Your Rights as a Flier

How rules for overbooked flights and demands fliers can make may change in the wake of United's dragging a passenger off of a plane

WHEN YOU book a flight, you agree to a contract written by airlines that leaves passengers with little recourse when things go wrong or airlines want to make changes.

United Airlines invoked some of those provisions to force passengers off a plane in order to open seats for airline employees. Regulators, lawmakers and lawyers are now scrutinizing whether United followed its own rules when Dr. David Dao was pulled from his seat and dragged down the aisle, face bloodied, over the weekend, and whether travelers need more protections.

Outrage over past air travel incidents has brought about changes to airline rules, such as tarmac delay restrictions after airlines left packed flights marooned for 10 hours or more. It is possible that airlines may make some voluntary changes after this fiasco; less clear if Congress or the Trump administration will follow predecessors and impose new regulations.

The dragging "shows the issue of a lack of passenger rights is really boiling over," says Paul Hudson, president of consumer group Flyersrights.org.

Among the changes Mr. Hudson would like to see: Require airlines to offer richer compensation to volunteers who give up their seats to reduce forced bumping; reinstate the reciprocity rule so airlines have to put bumped passengers on competitors' flights to get them to their destinations quicker; and have flight attendants give disruptive passengers a soccer-like yellow card warning them they may be kicked off a flight before authorities are called.

Overbooking rules were written decades ago when a much higher percentage of tickets were refundable. Now airlines are doubly protected against no-shows: Typically more than 90% of passengers have nonrefundable fares and will pay a penalty, often \$200 on domestic trips and higher on international flights, for changing plans. With overbooking, airlines get to resell that nonrefundable seat.

Concerned that airlines were routinely bumping low-fare passengers to give seats to last-minute, high-fare passengers, the Transportation Department doubled compensation that airlines have to pay to passengers involuntarily denied boarding in 2008 and increased it again in 2011. The maximum is now four times your one-way fare up to \$1,350.

The higher limits reduced overbooking and gave airlines more incentive to offer fatter vouchers to volunteers to give up their seats. The United episode, where the airline offered no more than a \$1,000 voucher before picking four people to remove from their seats, raises the question of

Rules, Rules, Rules

Contracts written by airlines govern tickets. Here are the page lengths of contracts of carriage for domestic trips for the three biggest airlines.

51
DELTA AIRLINES

46
UNITED

21
AMERICAN

NOTE: Formatting and type size impact page count.

whether the federal rules should be raised again.

There's also a fundamental question of whether United actually had the right to remove the passenger. The airline said it removed four passengers, under its denied boarding rules. Rule 25 of United's contract of carriage, the legal document governing its tickets, says denied boarding applies to "oversold" situations.

Was it an oversold situation? United acknowledges that the flight was not overbooked, but it was full. It became "oversold" when the airline decided it wanted four seats for crew members needed in Louisville, Ky., the following day.

As with most airlines, the contract of carriage gives airlines broad powers. United can reroute passengers, for example, for "any shortage of labor." The contract's rules say United can remove any passenger from a plane for refusing to comply with crew instructions. That's a federal safety provision: Disagreements on planes can distract crew, lead to injuries or force unscheduled landings. Dr. Dao had no options: Once he refused an order from a crew member to leave the plane, the airline could remove him from the plane.

Former New York Sen. Al D'Amato learned just how wide airline latitude is in January when he tried to rally passengers to complain about a delayed JetBlue flight from Fort Lauderdale, Fla., to New York. Mr. D'Amato was escorted off the plane by Broward County sheriff's officers.

The DOT says it has begun a review to determine if United and

its regional partner, Republic Airlines, "complied with the Department's oversales rule." United says it is undertaking its own investigation and will respond by April 30. Among the questions, the airline said, is "how we handle oversold situations."

United's contract of carriage for domestic flights runs 46 pages and covers everything from transporting antlers (must be free of residue) to the factors that determine which passengers get forced from an oversold flight. Passengers with disabilities and unaccompanied minors get to stay, the terms say. After that, United determines priority by fare, itinerary, frequent-flier status and check-in time.

Airlines look at solutions to bad situations as how to inconvenience the fewest number of people. Small planes get canceled more often than big planes when weather forces schedule cuts. Likewise, bumping four passengers so it can get four crew members in place and avoid canceling a flight with 70 passengers the following morning makes sense in an airline operations center trying to do the greatest good for the greatest number.

Customers don't always see both sides of that calculation, and complain airlines treat them like boxes of cargo. Angering four to not anger 70 doesn't always make sense from a customer-service perspective—or in a viral video world.

When things do go wrong, airlines have many choices to make for passengers. Delta and United took different paths over the past week in trying to get volunteers to give up seats. Delta canceled thousands of flights because of storms and crew shortages and induced spring break travelers to give up seats on some overbooked flights with generous gift cards. United stuck to offers of airline vouchers, which are far less appealing. Vouchers can be difficult to redeem and may not be useful unless passengers have future trips upcoming. Gift cards Delta offered, such as for American Express, Bloomingdales and Best Buy, swayed volunteers.

◆ United pledges to pay all passengers on its Louisville flight ... B1



ILLUSTRATION BY KAGAN MCLEOD

BY NEIL SHAH

AFTER YEARS OF CRITICISM of its heavily male lineup, the Coachella music festival is making some changes.

Lady Gaga is among the lead acts at the 2017 festival, which takes place this weekend and next in Indio, Calif. She is the second female headliner in Coachella's 18-year history, after Björk, who headlined twice. Organizers booked Gaga after Beyoncé bowed out due to pregnancy.

Twenty-one % of Coachella's 2017 lineup is female or



female-fronted, according to a WSJ analysis of scheduled performers. That's up from 14% five years ago. Goldenvoice, which organizes Coachella, declined to comment.

"We've had so many of our females [at] the festivals," says Julie Greenwald, chairman and chief operating officer of Atlantic Records, whose Coachella acts last year included Christine and the Queens. "Women are killing it."

Last year was a watershed, some observers say, with a stronger showing by female artists such as Sia, Grimes, Savages and Mavis Staples. "For the first time in the festival's history, women were more than just a welcome anomaly," L.A. Weekly music editor Andy Herren wrote in a review.

The perceived dearth of female performers at America's highest-grossing annual festival reflects a gender gap in the music business, experts say. While women such as Rihanna and Taylor Swift dominate pop, many major names in alternative or indie rock and electronic music are male. Female rap superstars

Please see FESTIVAL page A12

From left, performers in this year's Coachella lineup include Kehlani, Lady Gaga and Lorde.

MUSIC

MORE WOMEN PERFORM AT COACHELLA FESTIVAL



LIFE & ARTS

TELEVISION

Fans Revive a Cult Comedy Favorite On Netflix

BY JOHN JURGENSEN

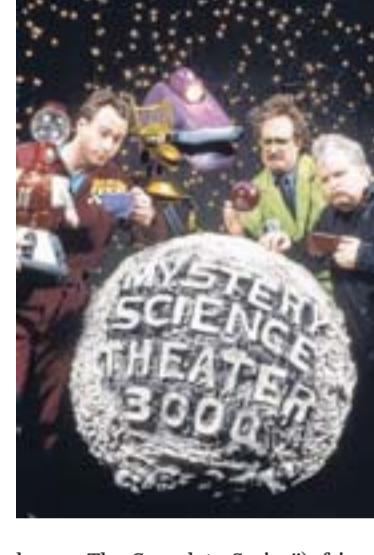
THE FIRST NEW episodes of "Mystery Science Theater 3000" since 1999 begin with the Netflix logo that brands all the streaming giant's original series, including other old TV shows it put back into production.

But there's a less-famous force behind the return of the influential comedy, starring several robots and a human pal joking their way through cheesy movies like "Pod People" and "The Thing That Couldn't Die." A small home-video company called Shout! Factory nurtured the "Mystery Science Theater 3000" brand for the past decade, then helped its creator rally fans to finance a new season, which premieres Friday. Nearly 50,000 donors chipped in a total of \$6.3 million, enough to produce 14 90-minute episodes, which Shout! Factory then licensed to Netflix.

"Shout really kept the spirit of the show going when we couldn't," said Joel Hodgson, creator and original star of the series known as "MST3K," which was born on a local Minnesota TV channel in 1988.

Among the many defunct TV shows making a comeback, from the recent "Gilmore Girls" sequel to next month's "Twin Peaks" revival, the common denominator is a reliance on fan loyalty. It drives the development and marketing of revival projects and, in some cases, a backlash of disappointment with the finished product. Some fan communities run deep enough to cover the production budget itself. A movie sequel to cheeky detective series "Veronica Mars" raised the biggest crowdfunding pot of any movie or TV project ever—until "MST3K" broke that record in late 2015.

Shout! Factory is a microcosm of Hollywood's fandom economy. The company specializes in cult fare, reissuing TV shows ("Pee-wee's Play-



CLOCKWISE FROM TOP: DARREN MICHAEL/SATELLITE OF LOVE (2); COMEDY CENTRAL/EVERETT COLLECTION



Images of the new 'Mystery Science Theater 3000,' and far left, one from the original.

who originally launched the show in the Twin Cities. In partnership with Mr. Hodgson, who left the show in 1993, Shout bought "MST3K" for an amount in the seven figures, a deal that took about six years to negotiate. Next came the Kickstarter campaign, intended to not only raise cash for a new season, but also to get fans invested in its success.

The show's 11th season features an entirely new cast, including Jonah Ray as the jump-suited host, and Hampton Yount and Baron Vaughn as the voices behind his sidekick bots Tom Servo and Crow T. Robot. The formula is the same: the "MST3K" players riff on each flick's clumsy dialogue, direction and production values.

Before shooting could begin, Shout had to lock in the B-movies that Mr. Hodgson and his team wanted to target. In addition to staffing up and building a new set, the Kickstarter money helped pay the cost of embedding those movies into new episodes of "MST3K." "We had to go out and buy 14 more bad films," Mr. Emmer said. "They come cheaper than good films, but they don't come cheap."

house: The Complete Series"), fringe horror films ("They Live: Collector's Edition") and niche hits from across genres ("Transformers" cartoons from the 1980s, the 2016 World Series). Though the DVD format is slowly dying, Shout's DVD sales have increased in recent years and now represent about 75% of the company's revenue.

For big studios that own vast libraries of movies and TV titles, it isn't worth the expense to repackagge and market an old title that might sell fewer than 100,000 copies. Shout works the margins by releasing a lot of titles (315 last year, up from 149 in 2006) in modest quantities, and courting passionate constituencies. Offerings target everyone from "My Little Pony" connoisseurs to music lovers who hunger for a deluxe release of "The Decline of Western Civilization," a punk and heavy-metal documentary trilogy.

"If you add up those singles and doubles—and the occasional homer—you score some runs and have a pretty profitable company," said Shout co-founder Bob Emmer.

Sometimes the company overes-

timates the appetite for certain relics of entertainment. It took years for Shout to license all the rights to "Fridays," ABC's early-1980s answer to "Saturday Night Live," starring a pre-"Seinfeld" Larry David and Michael Richards—but the DVD box set bombed.

The company's three founders—Mr. Emmer, Richard Foos and his younger brother, Garson Foos—have a history of catering to superfans. The three men hail from Rhino Records, the retro music and pop-culture clearinghouse that grew out of a record shop Richard Foos started in 1973. After the Warner Music Group took over the label in 1998, the three men left and launched

Shout! Factory in 2003.

The Shout executives' relationship with "Mystery Science Theater 3000" dates to their Rhino days, when they were involved with the first release of the show on VHS.

During its original run, "MST3K" aired on two cable channels (Comedy Central and the network now known as Syfy), spanning cast changes and 197 episodes and one feature film. Shout has released most of that back catalog in some form. That left the company little more to squeeze out of a property it didn't own. Ownership of "MST3K" (and the right to produce new episodes) belonged to Jim Mallon, the executive producer

BELOW: GETTY IMAGES (3)

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FESTIVAL

Continued from page A11

are rare, as are female DJs, producers and engineers. Parents are partly to blame, says Pasquale Rotella, founder of Insomniac, a producer of electronic dance music festivals. "They're not putting [their daughters] in the studio—they're taking them to singing lessons or ballet."

This year's Coachella features female artists in genres from punk and pop to R&B and indie rock. Five acts to watch:

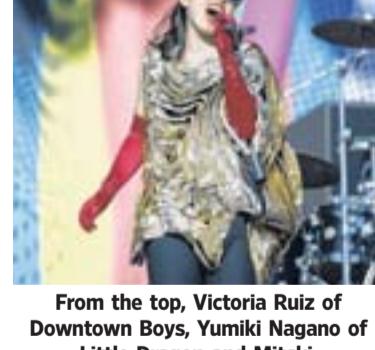
DOWNTOWN BOYS

Victoria Ruiz, the 30-year-old frontwoman of Downtown Boys, a bilingual punk-rock group, hesitated at first when Coachella called with an offer.

"We're playing for the beast—it's so capitalistic," she says. "But our bass player was like, 'How many Chicana-fronted punk bands are playing Coachella?'" Ms. Ruiz, who grew up in a Mexican-American household in San Jose, Calif., says the group runs into ethnic bias when booking gigs. "We get paid differently," she says. "It's like, \$100 less here, \$100 there." "Full Communism," the group's 2015 record, was a critical success. A follow-up, on Sub Pop, arrives this summer. Last month, Ms. Ruiz performed one of the new songs, "The Wall," at Baby's All Right, a Brooklyn, N.Y., club. "People of color have always been a part of punk, of music, of history," she yelled at the show.

LITTLE DRAGON

The typical hard-core fan—someone who attends four or more events a year—is a 32-year-old man, says market-research firm MusicWatch. At Electric Daisy Carnival Las Vegas, a premier dance festival, 60% of attendees are men, the organizer says. Women figure in a surprising number of electronic and DJ acts at Coachella this year, including Little Dragon, an electronic-pop four-piece from Gothenburg, Sweden, that is fronted by half-American, half-Japanese singer Yukimi Nagano. Inter-



From the top, Victoria Ruiz of Downtown Boys, Yumiko Nagano of Little Dragon and Mitski.



viewers don't ask the men in the band about their children, she says, but now that she has a son, she is asked about balancing music and maternity. "There needs to be more women in charge of the business and behind the scenes," Ms. Nagano says. Little Dragon's new album, "Season High," arrives Friday.

LORDE

Perhaps the most anticipated performer at Coachella will be Ella Yelich-O'Connor, the 20-year-old alternative-pop singer known as Lorde. Four years ago, this New Zealand vocalist touched a nerve with her distinctive sound and taut songwriting. On June 16, she releases "Melodrama," her sophomore record.

Two songs are out: The sweeping pop anthem "Green Light," and the more intimate "Liability."

KEHLANI

There's a renaissance in R&B right now, whether it's pop-leaning (Beyoncé, Tinashe) or alternative (Solange, SZA).

Having struggled through a painful childhood, Bay Area-born Kehlani, 21, is among R&B's young stars. In January, she released "SexySweet-Savage," which puts a modern twist on 1990s R&B with tracks such as "Advice." Her album title is a play on TLC's "CrazySexyCool." Ms. Greenwald, of Atlantic Records, Kehlani's label, saw her perform a few years ago at SOB's, a Manhattan club. "I love that she's so genuine," Ms. Greenwald says.

MITSKI

Women are making much of today's critically acclaimed indie-rock. Along with artists such as Angel Olsen, Courtney Barnett and Jay Som, the Japanese-American songwriter Mitski Miyawaki, 26, is reinvigorating a genre that has struggled to transcend its male-dominated 1990s and early 2000s heyday. Mitski's lyrics often tackle the turmoil of fitting into a white world: "You're an all-American boy / I guess I couldn't help trying to be your best American girl," she sings.

FIVE MORE FEMALE ACTS TO WATCH
Tove Lo, Shura, Tacocat, Banks, Shannon & the Clams

LIFE & ARTS



MUSEUM REVIEW

A Politically Correct Revolution

The new Museum of the American Revolution is the first major museum dedicated to the nation's founding conflict

BY EDWARD ROTHSTEIN

Philadelphia
WHY HAS IT TAKEN 242 years for there to be a Museum of the American Revolution? Elaborate American museums are devoted to the Civil War, World War I and World War II—as well as to hyphenated American identities—but no major institution to our nation's founding cataclysm. Until now.

Opening on April 19, the anniversary of the 1775 Battles of Lexington and Concord, the museum's building, designed by Robert A.M. Stern Architects (RAMSA), encompasses 118,000 square feet, with 32,000 square feet devoted to exhibition and theater space offering artifacts (flints used to fire muskets at British troops, the first newsprint Declaration of Independence) along with interactive touch screens, life-size sculpted figures arranged in historical tableaux, and children's exhibits. The American Revolution has been given a state-of-the-art home blocks from Independence Hall and other museums chronicling the American experience.

But why has a museological debate taken so long?

Perhaps because the Revolution is so important. Perhaps, too, because it is so difficult to understand. The 18th-century British Empire, for all its constrictions, offered more liberty than any preceding regime in history. In the American colonies, with the considerable exception of slaves, British subjects were hardly steeped in oppression. As for taking on the world's most powerful military, John Dickinson of Pennsylvania warned: "You dare to brave the storm in a skiff made of paper!"

Adding to complications, the

Revolution has an almost sacral status associated with exceptionalism: The U.S. is the first nation created around a set of ideas. But in recent years this status has come under attack. How can the Revolution claim symbolic power when the early republic systematically over-



Above: Liberty Tree, posters and touch screen displays;
Top: George Washington's headquarters tent and flag, William Waller's powder horn

looked half the human race by gender, and counted the enslaved as worth—in the Constitution—but three-fifths of a free man?

Such is the political landscape in which the new museum has come into being, its content overseen by its vice president of collections, exhibitions and programming, the historian R. Scott Stephenson, with Philip C. Mead as director of curatorial affairs and chief historian. The result is provocative, at times compelling—but also often skewed by contemporary tensions.

At first the account might seem traditional. At the climax of one cinematic program, the lighting shifts and the screen turns translucent, revealing the headquarters tent in which George Washington spent the war from mid-1778 until 1783. It had been in the Valley Forge Historical Society's collection (which was entirely donated to the museum) and is now meticulously restored in this

tribute to Revolutionary heroism.

But historical scholarship has become vastly more inclusive. So we are also reminded here not just of higher principles but of how they fell short for those who were enslaved—some 400,000 in 1776 growing to nearly four million by 1860—or for those who preceded the colonists, American Indians. Those histories—along with accounts of women's roles—are part of this chronological narrative. One tableau shows an African-American redcoat—freed by serving in the British army—speaking with a slave who has not yet decided whom to support. A gallery devoted to New York's Oneida includes life-size figures, voices in dialogue and a film evoking the tribe's debate over allegiance (Washington said the Oneida "manifested the strongest Attachment to us").

This accompanies an attempt to de-sacralize the Revolution. It is

no longer portrayed as a struggle between colonists who were either far-seeing patriots or traitorous "loyalists." The Stamp Tax is portrayed as unexceptional. Examples are given of "propaganda" from both sides. This Revolution poses dilemmas, not doctrinal clarity.

This strengthens the history but weakens the event's symbolic power. And though much is still excellent (including a map tracing the war's New Jersey battles in the winter of 1776-7, the armies' movements represented by moving lights), a price is paid. What scenes, for example, are dramatized by tableaux? The Oneida debate, the African-American conversation about loyalty, a fight among Washington's soldiers, Loyalist cavalry battling for the British—images having less to do with the war's significance than with today's preoccupations with identity-based tensions.

Inclusiveness can also create

strange proportions. Why do we learn far more about Baroness von Riedesel—"one of perhaps a thousand women" who followed the British army—however impressive she was during the Saratoga Campaign, than we do about Gen. John Burgoyne, whose defeat in that campaign upset British hopes? Why is Mercy Otis Warren, "perhaps the leading female political writer of the colonial resistance," whose writings are said to have "galvanized American colonial protests," given more attention than the Federalist Papers, with their fundamental arguments about the future design of the republic by Alexander Hamilton, James Madison and John Jay?

The Revolutionary era encompassed some amazing innovations: "the first written constitution in the history of the world" in 1776 and, in 1775, the first anti-slavery society in history, founded in Philadelphia. But such details remain isolated. The exhibition tells us more about how the Revolution fell short than about how it transformed possibilities (the historian Alan Taylor might be happier here than Gordon S. Wood even though Mr. Wood is a member of the board). In one instance, curatorial taste turns truly bizarre: A display about "laboring men" seeking equality shows us a farmer's sickle and a shoemaker's hammer forming the icon of the old Soviet Communist Party.

There is, in fact, a recurring tilt leftward here. Thus, while the closing film properly treats the Revolution as a continuing project, finding extensions in civil-rights movements for African-Americans, gay people and women (and less properly in associating "Occupy Wall Street" demonstrations with "the fire of the Revolution's promise"), it doesn't recognize other aspects of that tradition: the importance of individual liberties, the inevitable messiness of the democratic process, and the exceptionalism that yet remains.

Mr. Rothstein is the Journal's Critic at Large.

ARCHITECTURE REVIEW

A BUILDING WITH A SENSE OF PLACE



BY JULIE V. IOVINE

Philadelphia

WITHIN 'HUZZAH!' earshot of Independence Hall, the new red-brick and limestone Museum of the American Revolution that opens on April 19 slips neatly into a pivotal site in Philadelphia's historic center as if it were already part and parcel of the country's great founding story.

Its straightforward staggered-shoebox shape is amplified with classical revival motifs: Palladian arches, a pop-up lantern clerestory, a rotunda. It was designed by Robert A.M. Stern Architects (RAMSA), masters at keeping classical idioms alive in such buildings as the updated-Georgian George W. Bush Presidential Center in Dallas and the Deco-esque 15 Central Park West in New York. Few architects can beat Mr. Stern, former dean of the Yale School of Architecture, at giving designs pleasing proportions and re-

taining a sense of human scale.

The new museum—commissioned by a private nonprofit, the American Revolution Center—offers a starter course in the elements of a traditional style that defines historic structures across the country and has become synonymous with our early nation-building.

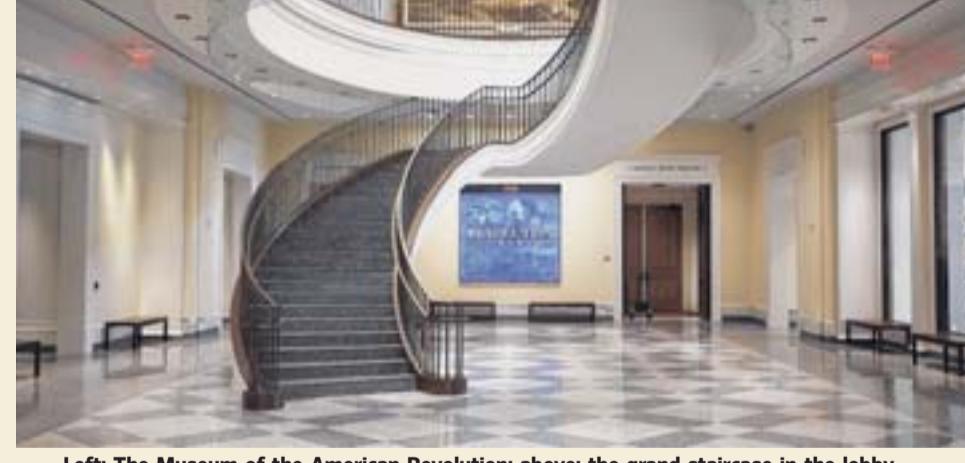
Behind so orderly a facade one might expect to find a parallel history told as a stately pageant of redcoats versus minutemen. But the highly interactive, digitally engaging exhibition design, by Washington-based Healy Kohler Design, tells a rip-roaring tale of turbulence and risk-taking by a disparate league of people bent on achieving far-from-certain freedoms.

The cultural certainties communicated by the architecture stand in marked contrast to the fluid variability of the exhibitions within. The interiors are pared back to essentials with much empty space and none of the kind of historical fantasizing that prompted Ada Louise Huxtable to call Colonial Williamsburg an "authentic fake."

For Mr. Stern, classicism remains as genuine a language today as in the past.

That's apparent the moment of entry, where a spacious rotunda focuses attention on a luminous skylight rather than the ticket counters. A built-in window seat and discrete wooden benches against the walls give the space the feeling of a civic building, perhaps a courthouse.

In the adjacent space, the graceful curve of a large staircase with an insinuating curl is a major event, sweeping up to the second-floor galleries. The stair adds the oomph needed to boost



Left: The Museum of the American Revolution; above: the grand staircase in the lobby

these functional halls beyond the perfunctory.

With admirable care, the architects chose materials sourced wherever possible from the original 13 colonies. The most stunning room is a rentable event space on the third floor, Liberty Hall. Within the clerestory lantern visible from the street, this cube-shaped space has windows on two levels banked along its deep-sky-blue walls and a ceiling that rises as high as 34 feet.

The influences that helped shape the museum's dignified architecture, however, are not only historical but British. They include the severely grand work of John Soane, architect of the Bank of England (1788-1833), plus a dose of slimming (see the slightly flattened column details) inspired by Edwin Lutyens, famous for many imperial buildings in New Delhi (1912-30). But the nine-square plan—based on a three-by-three grid—with an open space on the interior and a corner entrance, also seen here, was a favorite move of the Philadelphia-based architect Louis Kahn (1901-1974).

To this impressive chorus, add Philadelphia architect William Strickland (1788-1854). Like Mr. Stern, Strickland was known for his classical revivals forms. But Strickland often deviated into

more eccentric territory, as in the Minoan shell trim and corn-husk column capitals that enliven the semicircular portico of his Merchants' Exchange (1832-34) behind the new museum. The Museum of the American Revolution is elegantly precise, particularly the showpiece staircase, but it could have benefited from a few more Strickland idiosyncrasies.

The \$150 million museum (including endowment) was originally planned for Valley Forge, Pa., but the local community rejected its intrusion on the battlefield. At the time, a preliminary design by RAMSA took a very different approach. In modern glass and steel with two green roofs, it showed two streaming shapes, like railroad trains whipping through the landscape.

That design better captured the dynamic spirit that powered the Revolution itself. But the momentary disappointment that the downtown version of the Museum of the American Revolution isn't more exciting architecturally gives way to appreciation for how seamlessly it contributes to a historic and proud sense of place.

Ms. Iovine reviews architecture for the Journal.

SPORTS

HEARD ON THE FIELD



Amateur Eyes School After Masters Feat

Admissions officers at top business schools sift through thousands of applications every year, coming across prospective students with all kinds of credentials. But as listed achievements go, this one figures to be a first: "Tied for 36th place, Masters tournament."

Stewart Hagestad, the 26-year-old former New York financial analyst who had the highest finish among amateurs at Augusta National Golf Club last weekend, said he has no plans to turn professional. But he is hoping his 6-over-par finish can be a springboard to something else: a spot in a top MBA program.

"This is a pretty significant bullet point on my résumé," he said in an interview from his parents' home in Newport Beach, Calif., where he returned following the Masters.

Hagestad qualified by winning the U.S. Mid-Amateur Championship last year. He became the first winner of that event to make the cut at Augusta since 1989, when the Masters first welcomed a Mid-Am champion. Yet in some ways, he is like many people in their mid-20s: living at home and trying to figure out what to do in life.

Even before he teed off in the Masters, Hagestad did something that can challenge even the most avid New York golfers: hone his game to a high level while living in Manhattan. After graduating from the University of Southern California in 2013, he worked at KTR Partners and then Oak Tree Residential, a small real-estate company that owns and manages about a dozen buildings in Brooklyn.

Most weeknights, Hagestad would head to Golf & Body NYC, a specialized golf gym in an office building off Herald Square that charges a \$10,000 initiation fee and \$7,500 in annual dues.

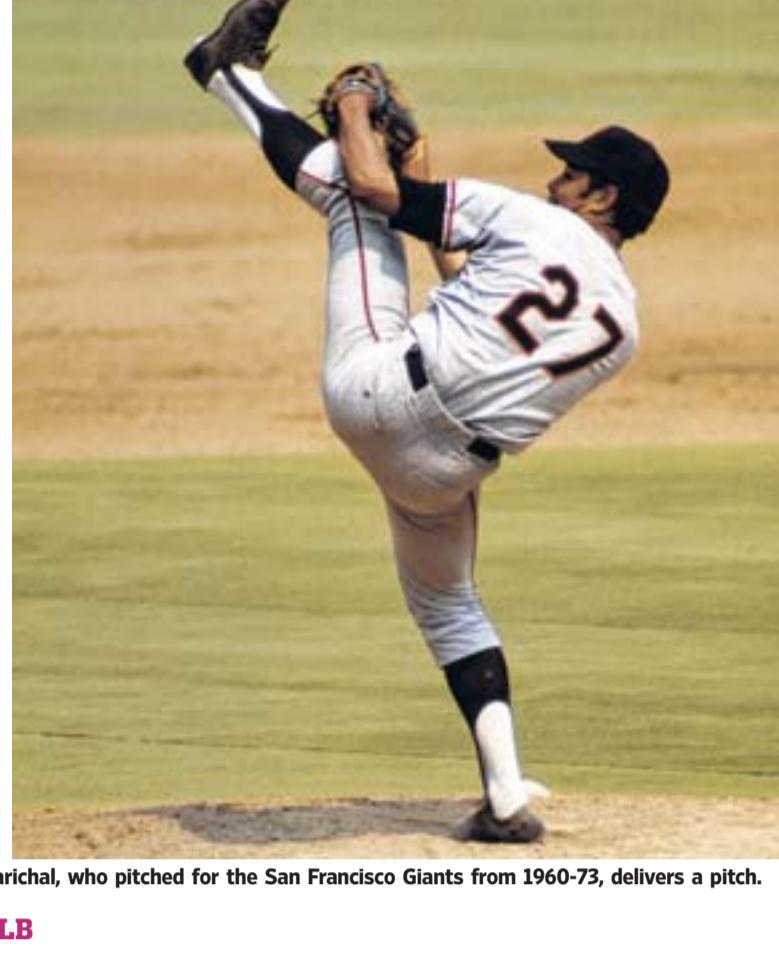
For weekends when the weather was warm, Hagestad joined Deepdale Golf Club in Manhasset, N.Y., just east of the city. "It's not exactly the sexiest thing as a 25-year-old living in New York City, but it's genuinely what I loved to do," he said. "I didn't go to a lot of cocktail brunches."

Still, at the start of 2017, with the Masters approaching, Hagestad did perhaps the smartest thing a golf-mad New Yorker could do. He left his job and moved to California.

—Brian Costa and Rebecca Davis O'Brien



Washington Nationals pitcher Stephen Strasburg, left, in 2017. Right, Juan Marichal, who pitched for the San Francisco Giants from 1960-73, delivers a pitch.



MLB

Pitchers Ditch the Windup

BY JARED DIAMOND

THIS SPRING, Washington Nationals ace Stephen Strasburg asked a simple question that threatens to upend more than a century of baseball tradition: Why should he pitch one way with nobody on base, and another way with runners aboard? After all, he threw just as hard from the stretch as he did from the full windup, but with improved precision.

Strasburg did some research and embarked on an experiment. He ditched the windup and plans to work exclusively from the stretch this season, beginning his delivery facing third base instead of home plate. Pitchers usually deploy the stretch—a quicker, more compact delivery than the full windup—with runners on base to prevent base-stealers.

"It's really not a crazy idea," said Strasburg, who allowed five runs in 14 innings in his first two outings in 2017. "It's all about repeating mechanics. What's the difference with nobody on?"

By eliminating his windup, a technique considered a fundamental part of a starter's repertoire, Strasburg established himself as an early adopter in what could turn into a pitching revolution.

Texas' Yu Darvish and Cleveland's Carlos Carrasco pitch solely from the stretch, and Strasburg cited them as inspiration for his change. Others, including Boston's

David Price, Toronto's Marcus Stroman and the New York Mets' Noah Syndergaard, have minimized their windups to the point that they resemble a modified version of the stretch.

The adherents of this growing trend view the windup as a pointless anachronism, a relic from a previous era that appears to make sense in theory but fails to hold up to scrutiny. It seems logical that the rocking, twisting ritual of the

Without the extra motion, hurlers can more easily replicate their mechanics.

windup would help pitchers derive more power. But today, some believe the windup only creates excess movement, offering more opportunity for something to go awry. From the stretch, they simply hike their leg and go.

Without the extra and unnecessary motion, they can more easily replicate their mechanics, leading to better control and rendering the windup into nothing more than an elaborate way of pitching worse.

"I always had trouble finding a balance point, and I would be not under control," said Syndergaard, who switched from a windup to his current delivery last season. "I

like my motion now because it's simple and easy to repeat."

Strasburg said he first considered the benefits of pitching stretch-only in college, but committed to it now after feeling increasingly uncomfortable in the windup. Nationals pitching coach Mike Maddux, who worked with Darvish during his tenure in the same role with the Rangers, said that Darvish had fastball command issues in his windup. Out of the stretch, Maddux said Darvish "repeats his delivery the best of anybody I've really seen."

For most of baseball history, conventional wisdom has said that the stretch reduced velocity and put more strain on the arm, resulting in injury. Thanks to modern science, the game now knows those perceptions aren't true.

In November 2007, a team of researchers including renowned surgeon Dr. James Andrews and Glenn Fleisig, the research director at the American Sports Medicine Institute, published their findings after analyzing 28 professional pitchers from the windup and the stretch. Their research concluded, "The pitching biomechanics between the windup and stretch fastball showed no statistical differences in joint kinetics or timing and clinically insignificant differences in ball velocity."

Equipped with that knowledge, some pitchers now wonder why the windup exists at all. The majority of relievers abandoned the

windup years ago, arguing that they often enter games with men on base, anyway. The shift toward accepting stretch-only as a viable approach happened slowly. Decades ago, most starters employed multi-step windups, sometimes raising their hands over the heads, twirling around or pumping their arms before delivering toward the plate. Some elaborate windups, like the ones made famous by the likes of Juan Marichal, Luis Tiant and Hideo Nomo, have attained legendary status.

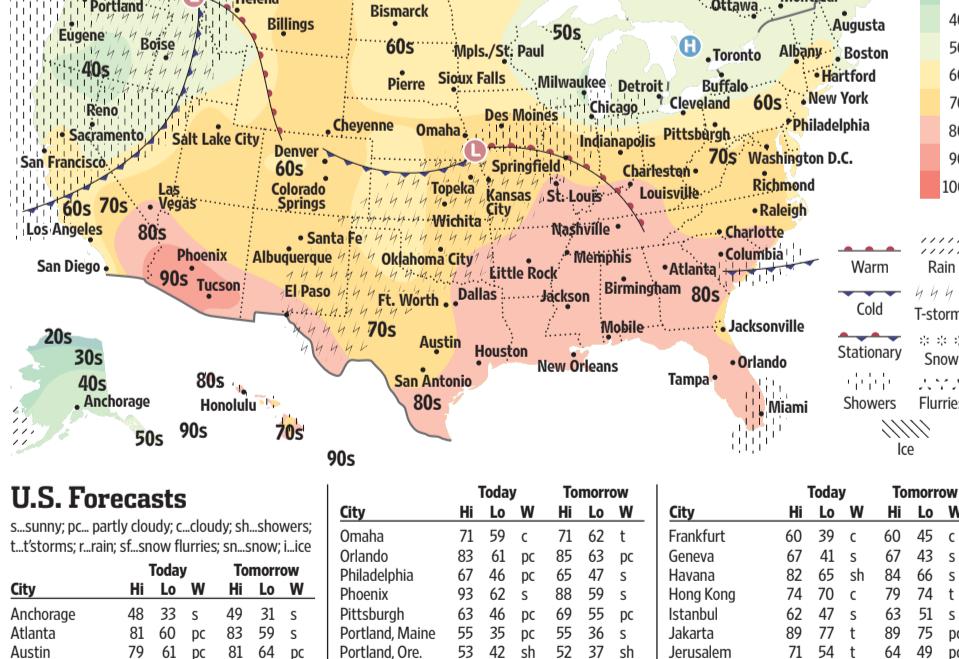
There are those in baseball who still think a windup is important for a pitcher. Syndergaard said that while in the minor leagues, he already started to realize that he felt more comfortable out of the stretch and struggled with his mechanics out of the windup. But his pitching coach would not let him change, telling Syndergaard that "a windup should be important to you. You're king of the hill."

Strasburg said that some pitchers feel that they "need to use a windup to gain more momentum" and maintain rhythm on the mound. But the primary reason the windup is still so prevalent is simply because of tradition and routine rather than competitive advantage.

That's why that if Syndergaard ever finds himself teaching a child how to pitch, he knows exactly how he'd do it. "I would start off with pitching in the stretch," he said. "And go from there."

Weather

MAIN: (L-R) MITCHELL/LEFT/GETTY IMAGES; TONY TONIGLI/WIREIMAGE/GETTY IMAGES; HOF: DAVID CANNON/GETTY IMAGES



U.S. Forecasts

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

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage 48 33 s 49 31 s

Atlanta 81 60 pc 83 59 s

Austin 79 61 pc 81 64 pc

Baltimore 69 47 pc 66 48 s

Boise 58 40 t 50 31 sh

Boston 59 41 s 56 38 s

Burlington 55 35 pc 56 37 s

Charlotte 79 56 s 80 70 pc

Chicago 55 46 r 66 61 c

Cleveland 60 47 c 68 56 c

Dallas 81 61 pc 82 64 pc

Denver 77 47 s 78 42 pc

Detroit 57 44 c 64 50 c

Honolulu 83 71 c 83 71 pc

Houston 80 61 pc 81 64 pc

Indianapolis 73 54 sh 77 62 t

Kansas City 76 61 c 74 64 t

Las Vegas 80 54 pc 77 57 s

Little Rock 80 60 pc 83 60 pc

Los Angeles 68 52 pc 71 51 s

Miami 82 69 pc 82 73 pc

Milwaukee 49 42 r 53 50 c

Minneapolis 60 46 c 60 57 r

Nashville 85 56 s 85 64 pc

New Orleans 83 62 pc 81 64 pc

New York City 62 46 c 62 46 s

Oklahoma City 74 60 t 78 62 pc

Edinburgh 53 41 c 53 37 pc

International

Today Hi Lo W Tomorrow Hi Lo W

City Amsterdam 52 44 c 56 46 c

Athens 73 57 pc 74 58 s

Baghdad 98 74 c 87 68 pc

Bangkok 96 78 pc 92 78 t

Beijing 72 47 pc 83 55 c

Berlin 52 40 sh 53 42 pc

Brussels 55 42 c 57 46 c

Buenos Aires 69 50 pc 71 54 s

Dubai 99 79 pc 97 78 s

Dublin 52 45 c 52 38 s

Zurich 62 39 sh 51 37 sh

Edinburgh 53 41 c 53 37 pc

The WSJ Daily Crossword | Edited by Mike Shenk



THE WRIGHT STUFF | By Samuel A. Donaldson

Across

- 1 "Seven whole grains on a mission" brand
2 States on a Monopoly board, e.g.
6 One way to run
10 Join a jury
13 Sign up for advertising emails, say
14 Asgardian rogue
15 Feature presentation
16 One eligible for cheap auto insurance?
19 They get broken on playing fields
20 Doing
21 Suits
22 Alley

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

23 Sarcophagus symbol
24 States on a Monopoly board, e.g.
25 Forcibly evict families in foreclosure?
26 Knock over
27 Take ___ view of
28 Fresh from the tub
29 Dridges
30 Noodle product
31 Take ___ view of
32 Knock over
33 Fresh from the tub
34 "The Twelve Days of Christmas," maybe?
35 First name of comedian
36 First name associated with 53-Across
37 Being
38 Diddly's ex
39 "Your point being?"
40 Phrase on an advertising flyer
41 She walks into Rick's gin joint
42 Rugged mass of rock
43 Pen plea
44 Final works from authors?
45 Being
46 Knock over
47 First name of comedian
48 First name associated with 53-Across
49 Master mopper's title?
50 Understanding words
51 Draped garment
52 Master mopper's title?
53 First name of comedian
54 First name associated with 53-Across
55 Noisy celebration in Britain
56 Understanding words
57 Draped garment
58 Master mopper's title?
59 Master mopper's title?
60 Spare tire makeup
61 Bone-chilling

- 63 Comprehensive
64 Pot builders
65 GATT successor
66 It may be bold
67 Catch a highway cop's attention, maybe
32 Teeny
35 The enemy of one's enemy
36 Message from MADD, perhaps
37 Dernier

38 Just your average guy
39 Hit straight to the shortstop, say

40 London location

43 Golden Globe-winning Donald Glover series

44 Grandfather of Elizabeth II

46 Sorts

48 Shape an eyebrow

49 "Glad that's over!"

50 Genève's nation

52 Not just very

56 Teeny

57 Browse Amazon, say

58 Function named from the Latin for "curve"

60 Spare tire makeup

61 Bone-chilling

Previous Puzzle's Solution



OPINION

The Trump Presidency Begins



Instead of "The Trump Presidency Begins," an alternative headline for this column might have been "Trump's Presidency Begins." Each describes a different reality.

Until recently, "Trump's presidency" has been about one thing—Donald Trump. It's been Trump 24/7. Mr. Trump owned the presidency the way Mr. Trump owns a tower on Fifth Avenue. For better and for worse, Trump's presidency was all about him.

In the past few weeks—the Gorsuch appointment, the Syrian strike, the meeting with China's Xi Jinping—we are finally seeing the beginning of the real Trump presidency.

Like all the others dating back to George Washington, the presidency is not an object captured by one person; it is an office held in trust for the people of the United States.

The Trump-centric phenomenon of these early days is the product of our celebrity-centric times, not least the presidency. He drove it with social media, and the media torrents washed back over him.

There are some realities, though, that the media torrents haven't washed away yet. America's institutions, its politics and the distant world are still too large for anyone to hold and command alone. That is the lesson of recent days.

Neil Gorsuch was nominated by Mr. Trump to fill the

ninth seat on the Supreme Court. What followed was a mighty political struggle. The opposition to Judge Gorsuch, led by Senate Minority Leader Chuck Schumer, revealed that the legal philosophies of progressives and conservatives have arrived at incompatibility.

Confirming Judge Gorsuch required the Trump presidency to recede so its political allies could rise and execute. The legislative branch eliminated the filibuster for Supreme Court nominees, thereby preserving the president's prerogatives.

While the Gorsuch drama played out on the Senate floor, Mr. Trump met at Mar-a-Lago with China's Xi Jinping, who traveled nearly 8,000 miles to meet the American president. Possibly, the Chinese thought that Muhammad going to the mountain would flatter the flatter Mr. Trump. Instead, the strikingly low-key meeting acknowledged the high stakes for the two nations and the world.

On Wednesday, Mr. Xi called the president to discuss North Korea again. That no doubt had something to do with Mr. Trump's soufflé surprise over dinner with Mr. Xi—a missile strike against an Assad airfield and chemical-weapons depot in Syria.

Unlike the assassination of Osama bin Laden, when the mission details leaked out overnight, there was no self-congratulatory media dump out of the White House of this presumably ultra-media-conscious president. Just a blow to the Middle East status quo.

For our purposes, the important thing isn't the strike but what came before. It requires little imagination to guess the import of the conversations about operational and political details between the president and Defense Secretary Jim Mattis—former head of the U.S.'s Middle Eastern Central Command—and his national security adviser, Gen. H.R. McMaster. As Dorothy said to Toto, I don't think we're in Kansas anymore.

It was almost too much fun but has now taken a clear turn for the serious.

Days before the Syrian strike, Mr. Trump with little fanfare met two Middle Eastern leaders crucial to U.S. strategy for the region—President Sisi of Egypt and Jordan's King Abdullah. In March, he hosted a working lunch for Saudi Arabia's Deputy Crown Prince Salman, creator of the 41-state Arab coalition to fight Islamic State. A successful presidential foreign policy needs allies. Watch this space.

There has been the difficult matter of the Trump-Putin mutual admiration society. Over the past week, Secretary of State Rex Tillerson and U.N. Ambassador Nikki Haley said Russia may have been "complicit" in the Syrian gas attack. Mr. Tillerson flew to Moscow for a tough chat Wednesday with Mr. Putin. Any Putin investment in the

U.S. election is deep in the red right now.

One reads that the Trump White House's communication shop is up late imagining bullet points for the president's "first 100 days." One reads that Mr. Trump is arbitrating disputes between his son-in-law Jared Kushner and his Cromwellian counselor Steve Bannon over the presidency's proper direction.

This isn't complicated. There was only one Trump promise—Make America Great Again. If you type that phrase into Google Translate, this is what should appear: Get the American economic engine refuted or pack it in. Every other pet peeve or project is secondary.

There are two levers for achieving this goal: tax policy and deregulation. To get there, the Trump presidency just inserted two key players.

Kevin Hassett of the American Enterprise Institute, an expert on what makes a tax code productive, becomes chairman of the Council of Economic Advisers.

Neomi Rao, director of George Mason University's gloriously named Center for the Study of the Administrative State, became the Trump White House's czarina of regulation. A Chicago Law grad.

We have arrived in the foothills of the Trump presidency, and warnings no doubt abound. Not least is the Republican obsession with the sport of cliff-diving over dry land. What's important is that a presidency that was almost too much fun has taken a turn for the serious.

Write henninger@wsj.com.

A New Slogan for Trump: 'You're Hired'

By Karl Rove

President Donald Trump bragged on Fox News in February that it was a good thing he was leaving vacant "hundreds and hundreds of jobs" in the government. "A lot of those jobs, I don't want to appoint," the president said, "because they're unnecessary to have."

The problem is the federal government had roughly 2,633,000 civilian employees in 2014, according to the Office of Personnel Management. There are so many federal workers that the OPM is still calculating the official number for the past two years. No president can run a government that vast with tweets and executive orders.

Mr. Trump needs allies in key positions if he wants to bend the bureaucracy in the direction of his policies. A president can fill about 4,000 posts in the federal bureaucracy, roughly a quarter of which require Senate approval. Leaving hundreds of offices vacant would save only negligible amounts on salaries, and it would squander billions on unneeded government programs.

He needs his people in every nook and cranny to bring about change. Without their leadership, career civil servants will default to inaction. Even at the departments where careerists might be inclined to

support Mr. Trump's agenda—Commerce, Defense, Homeland Security and Treasury—they won't move without specific direction from under, assistant and deputy secretaries.

The president's agenda will face even tougher sledding if he leaves openings in hostile bureaucracies like the Environmental Protection Agency

Leaving jobs vacant only empowers career bureaucrats, without saving much money.

and Labor and Education departments. He needs to put his 4,000 appointees in place to lead the other 2.6 million federal workers in implementing his vision.

These appointees can help identify waste, fraud, abuse and ineffective programs in the bureaucracies where they work. They are critical to getting their departments' regulatory functions executed properly. They are vital to selling Mr. Trump's legislative initiatives to Congress and the public.

Leaving vacancies invites potentially embarrassing problems. If something goes wrong, the bureaucracy could blame the absence of leadership, leaving President Trump to take the heat. Cabinet secretaries

could become overwhelmed trying to manage their massive departments with only a handful of personal aides. That leads to mistakes, burnout and unnecessary turnover.

It takes time for a new administration to get organized, and even more to get agencies going in the right direction. But this White House has been staffing the government at a snail's pace. To make his term the most successful it can be, Mr. Trump should make filling key jobs a priority, built into his daily duties.

The White House chief of staff should triage the empty billets and identify the ones to fill immediately. To expedite the process, he should call regular personnel meetings with the major West Wing players. If they don't show up for a meeting, they forfeit the right to comment on that day's slots. Otherwise the appointments will be mired by internecine warfare.

The president should mark regular time on his schedule to discuss personnel and conduct interviews for high-profile positions. The president's itinerary is already packed, but adding these tasks would send a clear message about their importance. These meetings can be canceled if necessary, but having something on his calendar tends to force action.

The president should also think about outsourcing part

of some personnel decisions. He's been reluctant to do that, and aides have reportedly spiked candidates who criticized him during the campaign. But outsourcing went extremely well with his Supreme Court pick. Perhaps he should grant his cabinet secretaries leeway to recommend several qualified possibilities for certain posts, leaving the president to decide if they're acceptable.

Mr. Trump developed a company worth billions with a small cadre of longtime aides and family members, which is impressive. But negotiating branding agreements, purchasing buildings, developing hotels, building golf courses—even hosting a reality television show—is not comparable to the pressure and pace of overseeing the U.S. government.

The president sits atop a government with a \$4 trillion budget, leading a country with an \$18.6 trillion economy and 324 million people. Surely Mr. Trump can find 4,000 qualified stalwarts among them to help him before his first year in office ends. The fate of his presidency may depend upon it.

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

Give Medicaid Dollars Directly to Patients

By Justin Haskins
And Michael Hamilton

As Republicans take another crack at devising a plan to replace ObamaCare, here's an idea they should consider: Give each Medicaid patient a health savings account—and put \$7,000 in it every year.

Under ObamaCare, Medicaid has become the only option for millions of Americans. But that doesn't mean much if the doctors in their communities don't accept new patients through the program—and 30% of physicians don't.

The GOP's recently benched health-care bill would have substantially reformed Medicaid by giving the states block grants, along with more flexibility on how to spend the money. But there's a better model.

Republicans should empower Medicaid patients by providing funds to them directly, which would allow them to build a personal safety net that could last a lifetime.

Washington and state governments spent \$545 billion in 2015 on 73 million Americans covered by Medicaid and the Children's Health Insurance Program. Instead lawmakers could take \$511 billion of that total, divide it equally among

Each beneficiary could get \$7,000 a year in a health savings account.

enrollees, and give each one a health savings account with \$7,000 a year. This would be real money for the poor, stored in real private accounts.

Recipients could use the deposit to buy health insurance and cover the cost of prescriptions, copays, deductibles and other related expenses. Unspent money would carry over to the following year. Enrollees could share that \$7,000 with a sick spouse, sibling, parent or child.

Most recipients would probably use the funds to buy private health insurance, many for the first time. The average annual premium last year for an (overpriced) bronze plan on the ObamaCare exchanges was about \$3,100 for a 30-year-old, \$3,500 for a 40-year-old, \$4,900 for a 50-year-old, and \$7,400 for a 60-year-old. After that, at age 65, Americans qualify for Medicare.

Those figures mean that even after paying the premiums, all but the oldest Medicaid recipients would have money left over each year to save or spend on additional health-care costs. Enrollees who are relatively young and healthy soon would build personal safety nets worth tens of thousands of dollars. This would not only be good for them, it would stabilize Medicaid, which has become an enormous and unpredictable burden on state budgets.

Because bronze-plan deductibles are high—a 2017 average of about \$6,100 for an

individual and \$12,400 for a family—some patients, especially those over 59 or with serious health problems, will need more help. Lawmakers could allocate the remaining \$34 billion in the Medicaid budget line to assist them.

Under this plan, ObamaCare's ban on pre-existing conditions should be kept in place for a set period with a firm sunset date. That would give Medicaid recipients time to buy in without penalty. Increasing the number of people enrolled in private insurance would then help spread risk and lower costs.

This plan would be a major improvement on both ObamaCare and the Republican proposal, creating personal safety nets and giving tens of millions access to high-quality health insurance. It might just be popular too.

Mr. Haskins is executive editor and Mr. Hamilton a research fellow at the Heartland Institute.

BOOKSHELF | By Michael Greve

The Casualties Of Class Warfare

The Crisis of the Middle-Class Constitution

By Ganesh Sitaraman
(Knopf, 423 pages, \$28)

Our Constitution establishes a handful of institutions; vests them with limited powers; and imposes a set of decision rules. End of document. If that minimalist model has proved stable stateside but nowhere else, that is because it presupposes a great deal, including a constitutional tradition that long predicated the written document and a kind of middling, bourgeois virtue among its citizens. It may also require a certain social and economic structure.

That, at any rate, is the contention of Ganesh Sitaraman, senior fellow at the Center for American Progress and professor at Vanderbilt Law School. The Constitution, he argues, presupposes a stable and politically potent middle class. That class is now nearing collapse, and "economic inequality threatens our republic." He foresees the corruption and hollowing-out of the constitutional order—a plutocratic regime run by and for a small moneyed elite.

Mr. Sitaraman is onto an important insight, or at least a pressing question. Evidence from around the world strongly suggests that liberal constitutions do not fare well in

countries with oligarchic social structures. Today, America's middle class is indeed beleaguered. Constitutional forms have given way to congressional polarization, executive imperialism and judicial improvisation, and voters left and right have concluded that "the system is rigged." Mr. Sitaraman plausibly insists that these phenomena are connected. Unfortunately, he fails to pursue the thought with the rigor it deserves.

Societies that are deeply divided by class (or, for that matter, by race or religion) cannot afford a minimalist, U.S.-style constitution: It leaves too much to chance and politics. They have to acknowledge the existence of classes; give them constitutional recognition; and provide incentives for cooperation. That, Mr. Sitaraman explains, was the point of ancient, "mixed" or, as the author prefers to say, "class-warfare" constitutions. One might add that modern-day constitutions for divided societies (think Iraq) follow the same logic.

Our Constitution rejects that model. While its formal structure resembles a mixed constitution between the one (president), the few (the Senate) and the many (the House), that division serves to stabilize a system of checks and balances, not to entrench class positions. The dreadful slavery bargain aside, the Constitution recognizes no class distinctions and, in the one provision that speaks directly to the question, prohibits titles of nobility.

America's escape from the logic of class-warfare constitutions, Mr. Sitaraman argues with a nod to Alexis de Tocqueville, was made possible by the remarkable degree of economic equality at the time. But eventually, he says, the vibrant spirit of commerce and industry unleashed by a constitutional order that knows no class distinctions,

Evidence from around the world strongly suggests that liberal constitutions don't fare well in countries with oligarchic social structures.

undermined the very democracy that brought it into existence. The author offers a withering account of the plutocracy of the Gilded Age, followed by a conventional account of the Populist, Progressive, and New Deal heroes who sought to bring corporations to heel.

The postwar era, in Mr. Sitaraman's telling, resembled a golden age. Operating under a broad New Deal consensus, the country experienced a "great compression" of incomes and wealth. The economic model of that era was embodied in the "Treaty of Detroit" between the auto makers and their unions, which guaranteed middle-class incomes and job security for millions of workers and their families.

All that ended in the 1970s. Mr. Sitaraman paints a grim picture of rising inequality, a devastated middle class and a political system that "is best characterized no longer as majority rule but as rule by economic elites." Think tanks and politicians do the elites' bidding. Lavishly funded legal organizations, including the Federalist Society and my "powerhouse" institution, the Antonin Scalia Law School, promote a libertarian "Constitution in Exile." Corporations have hijacked the First Amendment and "captured" the courts.

Mr. Sitaraman complements this lamentably polemical account with a list of familiar and ill-conceived reform ideas. We should revitalize antitrust law to break up big firms; subject more industries (especially internet providers) to regulation; promote pro-union arrangements to create "industrial democracy"; impose much higher tax rates on the wealthy; and (of course) overrule *Citizens United* and block corporate campaign contributions. Those reforms, he says, would help "rebuild the middle class" and "bring economic power and political power back into realignment." In a word, no.

Progressivist bromides are no substitute for the missing examination of "middle-class constitutionalism's" harder questions. For example, Mr. Sitaraman's Populist, Progressive and New Deal heroes all had a dim view of the written Constitution. Barack Obama—a self-declared heir to those traditions—was not terribly fond of constitutional formalities either. Confronted with an uncooperative Congress, he governed by edict. The dynamics between "middle-class" orientations and constitutionalism are more complex than Mr. Sitaraman suggests.

Similarly, the author is silent on the less appealing aspects of the "great compression" and on the reasons for its demise. Draconian limits on immigration and trade barriers permitted the Treaty of Detroit partners to turn perfectly fine car companies into pension funds that produced clunkers on the side. Some politicians and pundits now advocate a return to immigration and import quotas. If they win the argument, we should indeed start to worry seriously about the middle class—and the Constitution.

Our minimalist Constitution, Chief Justice John Marshall wrote, is intended "to be adapted to the various crises of human affairs." It may be more resilient to plutocratic tendencies, and more open to meaningful political responses, than Mr. Sitaraman suspects. That said, his book provides a much-needed reminder: For all our legendary good luck, nothing ordains that all our constitutional stories will have a happy ending.

Mr. Greve is a professor at the Antonin Scalia Law School and author of "The Upside-Down Constitution."

OPINION

REVIEW & OUTLOOK

Amtrak's Rolling Train Wreck

A train derailment last week at New York's Penn Station may have caused more travel disruption in the Northeast than any snowstorm this winter, and waylaid commuters have Amtrak to thank. The snag that caused the accident reflects a systemic dysfunction at Amtrak that requires radical repair.

Penn Station, the busiest train depot in North America, connects Amtrak passengers riding from Boston to Washington, D.C., while fielding commuters from New Jersey and Long Island. Even minor snafus can cause major headaches as happened last week when a New Jersey Transit train derailment on Amtrak-owned tracks shut down eight of 21 tracks. Less than two weeks earlier an Amtrak Acela derailed and side-swiped a commuter train. There but for the grace of God ride passengers.

Amtrak CEO Charles Moorman blamed last week's accident on rotting wood ties beneath the track, which the railroad had flagged during a routine track inspection. "We clearly did not have the understanding that there was an imminent failure," the CEO said. "But we did have that location identified with others, and we knew that at some point this year in our maintenance program, we would be getting to it."

Passengers must be relieved that Amtrak knew of the problem but failed to correct it. The March derailment was reportedly due to a mismatch between rail pieces. How many other track malfunctions have inspectors identified as not in need of urgent repair?

Most commuter and light-rail trains including New Jersey Transit and Washington, D.C.'s Metro (which is known to catch on fire) aren't paragons of safety, frugality or performance. But Amtrak's shoddy record deserves special note because national taxpayers are subsidizing the rolling disaster.

The Northeast Corridor is one of the few segments in the country in which Amtrak owns and is responsible for upkeep of the track. Nearly three-quarters of the miles Amtrak trains travel are owned by other railroads, the biggest being Warren Buffett's BNSF. Amtrak pays these railroads to use their tracks and competes with freight carriers for priority, which can cause delays all-around.

The bigger problem is these long-distance train routes are consuming hundreds of millions of dollars each year that would be better spent improving service along the Northeast Corridor where the potential exists to support profitable high-speed rail. During the 1960s, heavily regu-

lated railroads were losing millions of dollars on passenger service. So Congress socialized the costs by establishing Amtrak in 1970, and the routes have continued to bleed red ink despite numerous attempts to impose accountability.

In 1997 Congress ordered that Amtrak be operationally self-supporting within five years. By 2001 the railroad was running a \$1.1 billion deficit. Recommendations by an Amtrak Reform Council to restructure the railroad into two companies and spin off the Northeast Corridor were ignored. In 2008 Congress tried to force states to shoulder more of the costs for shorter routes (e.g., St. Louis to Chicago), but then handed Amtrak \$1.3 billion from stimulus funds.

Only a third of state-supported routes last year covered their operating costs excluding depreciation and interest, and all of those exceeding 750 miles ran large deficits. The two biggest money losers are the California Zephyr (San Francisco to Chicago) and Empire Builder (Chicago to Seattle) lines, which together account for more than \$100 million of Amtrak's \$1.1 billion annual operating deficit.

Amtrak's \$500 million operating profit along the Northeast Corridor was wiped out by losses on long-distance routes that can't compete with airlines in cost or speed while offering equally miserable customer service. By contrast, Amtrak carries three times as many riders between Washington, D.C., and New York City as all the airlines combined. The annual ridership on the Northeast Corridor is more than three times the population of Connecticut.

In 2015 Congress authorized \$8.1 billion in funding for Amtrak between 2016 and 2020, but only a third will go to the Northeast. Last year Amtrak contracted with Alstom to produce high-speed trains for the Acela that are supposed to be ready by 2021. But Amtrak doesn't have enough money to upgrade the tracks, so speeds won't exceed 160 miles per hour—about 25 mph faster than the current top speed between New York and Washington—and trip times will be about the same.

President Trump has proposed zeroing out funding for Amtrak's long-distance routes to prioritize improvements in the Northeast. Congress should do him one better by spinning off the Northeast Corridor—private investors might be interested—and devolving shorter distances to states. New York Senator Chuck Schumer and other Democrats who take the train might even hop on board.

A Warning in Wichita

Kansas treasurer Ron Estes defeated Democrat James Thompson by seven points in Tuesday's special election to replace CIA Director Mike Pompeo, but the close call should raise alarms for Republicans who scoff at the possibility that Democrats could take the House next year.

Democrats haven't won the Wichita district since 1992. President Trump carried the district by 27 points last year, and Mr. Pompeo won by 31. Open seats will always be closer, and Mr. Thompson linked the GOP candidate to unpopular Gov. Sam Brownback, who is getting pilloried by Democrats and moderates in his party for cutting taxes and vetoing a Medicaid expansion. But Mr. Estes lost Sedgwick County, which Mr. Brownback won by a few thousand votes in 2014.

When polls showed the race tightening in the last week, the national GOP had to get involved to save the day. Ted Cruz, Mike Pence and Paul Ryan either made appearances, fundraising pitches or automated calls for Mr. Estes, reminding conservative voters not to take the seat for granted. Democrats also overlooked the sleeper race. Had they deployed more resources sooner, Mr. Thompson might have won.

Liberals are now focusing on special House

elections coming up in Georgia and Montana where they believe they stand a better chance. Democrats hold the governorship and a U.S. Senate seat in Montana, and Mr.

Trump won the Atlanta suburban district that was held by Health and Human Services Secretary Tom Price by fewer than two points. Those races

will tell us more about national trends, but this one is enough to tell Republicans to get moving.

The danger is that the close call will cause more Republicans in Washington to be even more skittish about casting difficult reform votes, which is what Democrats want. Some may also view the Kansas special election as a referendum on Mr. Brownback's tax cuts, though he won re-election in 2016.

The real lesson is that Republicans need to unite to demonstrate a record of accomplishment going into 2018. If they can't bridge their differences, they're in trouble. Democrats next year aim to put more districts in play including southern California suburbs where Mr. Trump performed poorly. As Wichita showed, the Democratic base will be fired up. If GOP voters see little to show for the GOP majority, they may not turn out. Speaker Nancy Pelosi isn't far-fetched.

Labor Department Mutiny

propose revising or abolishing the rule.

So what was the Labor response? Last week the holdovers from the Obama Administration announced that "the Department has concluded it would be inappropriate to broadly delay application of the fiduciary definition and Impartial Conduct Standards."

Translation: We don't care what an elected President says.

The Perez loyalists know that Mr. Trump's second nominee, Alex Acosta, hasn't been confirmed and will take time to settle in once he is. The review of the fiduciary rule won't be completed for months, and the rule is being challenged in court. By refusing to delay implementation of the rule in its entirety, the bureaucracy hopes to entrench its main features so it will be too late or too costly or too difficult to do anything about it, even if a review ultimately concludes it was a mistake.

The slow pace of Trump nominations has encouraged this kind of rebellion across the executive branch, as Obama holdover Sally Yates showed when she still ran the Justice Department. Mr. Trump's deregulation project is one of the keys to faster economic growth, and he needs his people on the job as fast as possible.

Obama's holdovers refuse to follow Trump's directive.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

LETTERS TO THE EDITOR

Is Dawa a Threat to American Life and Law?

Regarding Tunku Varadarajan's "The Weekend Interview with Ayaan Hirsi Ali: Islam's Most Eloquent Apostate" (April 8): I have a great deal of respect for Ayaan Hirsi Ali's bravery and willingness to speak her thoughts despite the risks. However, there is an obvious and fundamental flaw in her Popperian view of the world. Who will decide what is or isn't "intolerant" with respect to the "right not to tolerate the intolerant"?

I live in one of the most liberal cities in one of the most liberal states, and what isn't tolerated in my neck of the world is most anything that doesn't support the local liberal hegemony. I cringe at the thought of imbuing these people with the legal right not to tolerate me.

The Founding Fathers of this country realized a long time ago that the only solution to this conundrum is to allow almost all speech, no matter how vile, and to punish only concrete actions that undermine the common good. In the fight with Islamism, the West has no alternative but to win the war of ideas through speech. In the long term, nothing else will be effective.

ARI TRACHTENBERG,
Newton Centre, Mass.

Why do so many on the political left in America deny that there is a fundamental ideological problem with Islam that transcends religious doctrine and faith? Would they be as tolerant of, say, Catholic extremists who advocated slaughtering anyone opposed to a restored Holy Roman Empire to govern the world?

Ms. Hirsi Ali argues that dawa is a faith-based cousin of communism, bent on liberating the world from freedoms that stand in the way of harmonious existence. A progressive cult that makes excuses for collectivist atrocities and failures and blocks Christianity is unable to see or admit parallels between the goals and methods of orthodox communists and dawa Islamists.

As I read Ms. Hirsi Ali's diagnosis and warnings, a news flash reported that dozens of Coptic Christians in Egypt had been blown apart at Palm Sunday services in church by bombs set off by Islamist militants. Ms. Hirsi Ali unfortunately hit the ugly nail on the head of a dissociative disorder that afflicts Islam and threatens the world.

GARY ROBERTSON
Tampa, Fla.

Perhaps we should start by reminding all naturalized U.S. citizens of the oath of allegiance they took as a prerequisite to gaining citizenship. Not only does their oath require all applicants for citizenship to support and defend our Constitution, they must also renounce the laws of their former countries of citizenship (including, but not limited to, Shariah law). Each ap-

plicant for citizenship must "declare, on oath, that I absolutely and entirely renounce and abjure all allegiance and fidelity to any foreign prince, potentate, state, or sovereignty, of whom or which I have heretofore been a subject or citizen; that I will support and defend the Constitution and laws of the United States of America against all enemies, foreign and domestic."

This policy should also apply to immigration. Immigrants (including Muslims) should be required to agree that, while they are in the U.S., the law of the U.S. and no other law (including Shariah law) will apply.

TIM KLENK
Fort Myers, Fla.

Those same progressives (LGBT, feminists, secularists) who belittle traditional Western values would be at the top of the Islamic hit list in an Islamic world. Can you name a more misogynistic institution than Islam?

DAVID STINSON
Mankato, Minn.

In the 1980s when I sometimes taught classes at night at the University of Cincinnati, a Lutheran pastor friend observed to us that people engaged in helping derelicts in the area around the school were, as often as not, Muslim. His feeling was that Muslims had made significant inroads in an area of social service where, heretofore, one would have found Christian engagement to be more prominent. My friend's thinking gave my wife and me a new vision of Muslim ministry in America.

TOM BENDER
The Villages, Fla.

Ayaan Hirsi Ali says that Islamists "take advantage of the focus on 'inclusiveness' by progressive political bodies in democratic societies, and then force these societies to bow to Islamist demands in the name of peaceful coexistence." But if dawa/Islamism is an existential threat to democracy and liberal values, why do so many well-educated and worldly progressives tolerate, and even support, its defenders and apologists? The reason is vanguard progressives embrace relativism, where there are no truths or fixed values by which to measure ideologies like dawa, so everything is weighed in relation to how it advances or hinders progressive dogma (inclusiveness, tolerance, diversity, class struggle, victimhood) irrespective of the effect on democratic institutions and societies. What's more, the progressive-relativist axis produces muddy thinkers because relativism diminishes the value of reasoning to any intrinsically valid conclusion. Taking up intellectual or moral arms against dawa isn't in the progressive relativist's DNA.

THOMAS M. DORAN
Plymouth, Mich.

Help Losers of Mainly Beneficial Free Trade

We were surprised to see the Journal's editorial page weigh in on unpublished research that seeks to refute our widely cited and replicated analyses of how exposure to trade with China has negatively affected American manufacturing workers ("The Truth About the China Trade Shock," Review & Outlook, April 3). You draw on two unpublished papers. The first, by Jonathan Rothwell, was rejected for publication at the American Economic Review, the flagship journal of our profession. The second, by Ildiko Magyari, is a chapter in an unfinished Ph.D. dissertation whose results are in direct contradiction of work by Justin Pierce and Peter

Connecticut: Why Not Exit Taxes to Retain Defectors?

Regarding your editorial "What's the Matter With Connecticut?" (April 8): It is interesting to note the number of Connecticut residents fleeing to lower tax rate states as it continues to increase the tax burden on its citizens. Since their Democratic legislators seem to favor preventing corporations from leaving U.S. tax jurisdiction via inversions, should they look to prevent similar inversions with their current (and former) residents by prohibiting relocations to lower tax states? Why not a 12% of net worth exit tax, paid in advance, for anyone abandoning a Nutmeg State domicile? Maybe the state could take half the value of any home of any owner moving away?

Tax cuts to incentivize businesses and individuals to stay and attract others to the state seem logical but Connecticut is moving in the opposite direction.

JIM NICHOLSON
Belleview, Wash.

Schott, using the same data and published in the American Economic Review. Why would the Journal rush to judgment on the validity of research that has either failed the standard of peer review or not yet been subject to it? Perhaps in its zeal to promote free trade, the Journal editorial page feels obliged to delegitimize research that offers less than unadulterated praise for open markets.

Nothing in our research runs counter to the well-founded argument that free trade raises average incomes in America. But our work unambiguously shows that trade creates losers as well as winners. Ignoring how globalization disrupts traditional manufacturing communities may ultimately undermine support for sensible trade policies, as last November's election so distressingly shows. Conversely, creating a political environment conducive to free trade requires acknowledging and addressing its adverse consequences.

PROF. DAVID H. AUTOR
MIT, Cambridge, Mass.

PROF. DAVID DORN
University of Zurich

PROF. GORDON HANSON
University of California, San Diego

Pepper ... And Salt

THE WALL STREET JOURNAL



"I've survived by maintaining my energy, humor and plausible deniability."

OPINION

Curtains for Global Financial Regulation

By Peter J. Wallison

Last Wednesday was Daniel Tarullo's last day as a Federal Reserve governor. As the Fed's point man on banking regulation since 2009, he played a key role in the Obama administration's attempt to create an international system of financial oversight. But the election of Donald Trump ended any realistic hope of achieving that goal. When Mr. Tarullo announced in February that he would step down, even though his term runs until 2022, no one should have been surprised.

With Trump in the White House, the G-20's dream of world-wide bank controls is dead.

The plan was audacious in its scope. When a Democratic Congress passed the Dodd-Frank financial overhaul law in 2010, it was by far the most restrictive financial regulation in the U.S. since the New Deal. But the proposal hatched at a 2009 meeting of the Group of 20 countries was even larger and more intrusive. The goal was to create a common set of financial regulations governing the activities of financial firms in all G-20 countries—from the U.S. and the European Union to Russia, Turkey, India and Argentina.

The G-20 plan was to be carried out by a newly deputized international

body called the Financial Stability Board, made up of regulators from around the world, including the U.S. Treasury, the Fed and the Securities and Exchange Commission. Mr. Tarullo was the Fed's representative on the FSB and helped develop its regulatory program.

There were two principal objectives: First, the G-20 wanted to impose more-stringent regulation on systemically important financial institutions, or SIFIs. Second, it wanted to put new regulatory controls on risk-taking by what the FSB called "shadow banks," which it defined as any financial firm operating without a regulator for its risk-taking.

But the FSB did not have the independent authority—even under the auspices of the G-20—to impose these regulations on companies in the various countries. Instead G-20 members were supposed to use the laws and processes in their respective jurisdictions to put the FSB's proposals into effect.

In the U.S., the main legal authority was the Financial Stability Oversight Council established by Dodd-Frank. The FSOC, led by the Treasury secretary, was authorized to designate "systemically important" firms and to restrict "ongoing activities" that could pose a threat to financial stability.

The Obama administration easily accomplished the G-20's first goal, stricter regulation of SIFIs. The FSOC dutifully designated as systemically important every American financial institution the FSB had deemed as such. GE Capital, AIG,



BLOOMBERG NEWS

Daniel Tarullo at Princeton University, April 4.

Prudential and MetLife were referred to the Fed, as required by Dodd-Frank, for what the act calls "stringent" regulation.

The G-20's second goal was trickier in the U.S., because determining what constituted a shadow bank proved difficult. For the FSOC to regulate these institutions without new legislation, the definition of a shadow bank had to fit within its existing statutory authority.

Former Fed Chairman Ben Bernanke was particularly eager to control shadow banks' risk-taking. In a November 2013 paper, the FSB argued that any firm that participated in a "complex chain of transactions" resulting in a maturity transformation would count as a shadow bank and had to be subject to controls on its risk-taking. The Obama administration probably would have tried to

firm that provides short-term funds for the purchase of a pool of five-year auto loans.

The FSB ultimately adopted this approach—and expanded on it. In a November 2013 paper, the FSB argued that any firm that participated in a "complex chain of transactions" resulting in a maturity transformation would count as a shadow bank and had to be subject to controls on its risk-taking. The Obama administration probably would have tried to

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I Actually Thanked a Teacher

By Bob Greene

Amid the endless torrent of angry and violent world events, I switched off the television set, shut down the computer, and turned to something I hoped would provide welcome respite: a slender book of photographs illustrating the history of the small Ohio community where I grew up.

I was flipping through the pictures: a long-gone grocery store, a church under construction, an early streetcar. Then I came across one that stopped me. The photo was of three children—two girls and a boy—taking a tap-dancing class in 1934. One of the girls, dark-haired and bright-eyed, was identified as Patti Ruoff.

Now 88, she gave me a refresher in the lesson I'd learned in first grade: how to read the word 'look.'

Could it be? My first-grade teacher was named Patricia Ruoff. When you're 6, you don't think about your teachers having had lives before you encountered them. But it seemed plausible that the tap-dancing girl had grown up to teach school in the town.

I still recall the day she helped me learn the first word I could ever read. She stood with an oversize copy of the Scott, Foresman & Co. book "We Look and See"—the initial volume in the Dick and Jane series, the primers that introduced millions of American boys and girls in the middle of the 20th century to the miracle of reading—and she showed me what the shape of the four letters on the first page meant, and what they sounded like. That one word: "Look."

I went home so thrilled that day. I knew how to read a word. "Look." When the day had begun I hadn't known it, and now I did. Such a magical feeling, accompanied by the sure knowledge that other words would soon follow.

After encountering the tap-dancing picture the other afternoon, it became important to me to find that teacher. It took some doing—it turns out she has been twice widowed, and thus has had two different last names since

back then—but I reached a woman on the telephone who I thought might be her.

"I'm sorry if I have the wrong number," I said. "But I'm looking for a Patricia Ruoff, who once was a schoolteacher."

"Yes," the voice said. "You have the right person."

"You taught me to read," I said. I told her my name.

"Oh, Bobby," she said.

I told her that she could call me if I could call her Miss Ruoff. She laughed and said, "It's a deal."

She is 88 now, having been retired for decades. She never moved from Franklin County, Ohio. She told me she had married the shop teacher from our school, Douglas Ehrman. After he died she had been alone, but then had reconnected with an old schoolmate from the town, who was himself a widower. They married, and then he died, too. Now she is on her own.

And, yes, she said, she was the girl in the photograph—the dark-haired child taking tap-dance lessons. She hadn't known at the time what she would do with her life, but she said she was glad that it had turned out the way it did.

I tried to explain to her why I was calling. I said that if I've ever written a graceful sentence, if I've ever appreciated a turn of phrase in a good book, if I've ever found comfort in a beautifully told story, it all began with her. I told her that hundreds of other boys and girls who once passed through her classroom likely have reason to be just as grateful.

And I told her I was sure that many other men and women, now grown, must have called to thank her over the years.

There was a slight pause, and then she said: "None."

She said: "No one ever has."

We talked about that. I said that it was probably because, by the time we're men and women, first grade seems so distant that such a magnificent moment—the moment when we learned to read our first word—gets taken for granted. We know thousands upon thousands of words by the time we're adults. The circumstance of learning that first one must kind of get lost in the haze.

I told her I'd come see her the next time I'm in Franklin County. And after we'd hung up, it occurred to me:

In this world filled with dreadful news events, there's not much we can do to affect any of that. But all of us can surely think of people who, in seemingly small ways, have made our lives better and more fulfilled, people who may believe we've forgotten them. It's not too late to find them, and to tell them.

All you have to do is . . .

Look.

Mr. Greene is completing a new novel, "Yesterday Came Suddenly," about an America with no internet.

You never actually own a Patek Philippe.

You merely take care of it for the next generation.

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PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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impose this rule under the FSOC's authority to control "activities" that could cause financial instability.

Despite regular urging by the FSB, the FSOC was never able to publish a regulation that adequately defined a "complex chain of transactions" in a way that aligned with its authority. Still, it was only a matter of time. A Hillary Clinton administration would have gotten it done.

Donald Trump's victory has interrupted this march toward greater government power over global finance. Mr. Trump's statements about regulatory relief have made clear that he will never sign on to the G-20's agenda. Indeed, the FSB—unable to get its rules adopted in the world's largest economy—will probably fold up its tent. The U.S. has dodged a bullet.

Mr. Tarullo rightly sensed that the opportunity to establish a global financial regulatory system had evaporated. The most sensible course was resignation.

Peter J. Wallison is a senior fellow at the American Enterprise Institute. His latest book is "Hidden In Plain Sight: What Caused the World's Worst Financial Crisis and Why It Could Happen Again" (Encounter, 2015).

Notable & Quotable: Clintons

From "Shattered: Inside Hillary Clinton's Doomed Campaign," a forthcoming book by Jonathan Allen and Amie Parnes, excerpted at TheHill.com, April 12:

Hillary Clinton turned her fury on her consultants and campaign aides, blaming them for a failure to focus the media on her platform.

In her ear the whole time, spurring her on to cast blame on others and never admit to anything, was her husband. Neither Clinton could accept the simple fact that Hillary had hamstrung her own campaign and dealt the most serious blow to her own presidential aspirations.

That state of denial would become more obvious than ever to her top aides and consultants during one conference call in the thick of the public discussion of her server. Joel Benenson, Mandy Grunwald,

Jim Margolis, John Anzalone, John Podesta, [Robby] Mook, Huma Abedin and Dan Schwerin were among the small coterie who huddled in Abedin's mostly bare corner office overlooking the East River at the campaign's Brooklyn headquarters. Hillary and Bill, who rarely visited, joined them by phone.

Hillary's severe, controlled voice crackled through the line first. It carried the sound of a disappointed teacher or mother delivering a lecture before a whipping. That back end was left to Bill, who lashed out with abandon. Eyes cast downward, stomachs turning—both from the scare tactics and from their own revulsion at being chastised for Hillary's failures—Hillary's talented and accomplished team of professionals and loyalists simply took it. There was no arguing with Bill Clinton.

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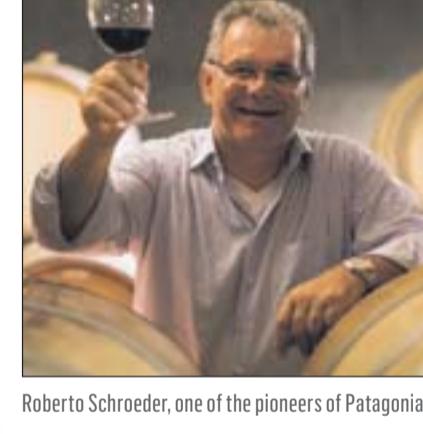
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left: José Zuccardi was "instrumental in Argentina's revolution" (Wine Advocate)



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BUSINESS & FINANCE

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Thursday, April 13, 2017 | B1

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United Pledges Cash, and Change

Compensation set for 70 passengers after traveler forced off; fewer calls to police

United Airlines promised to reimburse the 70 passengers on board a plane that a man was dragged off injured after refusing to give up his seat, part of continuing attempts to make amends for his rough treatment.

United Continental Holdings Inc. Chief Executive Oscar Munoz said that the carrier will never again use police to

remove passengers from overfull flights.

"We're not going to put a law-enforcement official on to remove a booked, paid, seated passenger," Mr. Munoz said in

By Susan Carey,
Doug Cameron
and Andrew Tangel

an interview Wednesday with the ABC television network. "We can't do that."

Mr. Munoz also apologized to Dr. David Dao, the passenger forcibly removed on Sunday from a flight scheduled to travel from O'Hare Interna-

tional Airport in Chicago to Louisville, Ky.

"My initial words fell short of truly expressing what we were feeling," Mr. Munoz said, after more than two days of criticism of his reserved responses.

President Donald Trump said Dr. Dao's treatment was "horrible." He said carriers should offer more for vouchers so that passengers willingly give up seats.

"They should have gone up higher," he told The Wall Street Journal on Wednesday. "But to just randomly say, 'You're getting off the plane,'

that was terrible."

United Express Flight 3411, operated by partner **Republic Airways Holdings Inc.**, arrived two hours late on Sunday after United gate agents called police for help removing one passenger whose seat they needed for extra crew.

The Republic crew members were due to reach Louisville on an earlier flight delayed by a mechanical problem, a person familiar with the situation said. A Monday flight from Louisville to Newark, N.J., would have been canceled if they didn't make it.

Three passengers left with-

out incident. Dr. Dao refused.

He asked a gate agent who came on board the plane to tell him to leave whether he was being singled out because he was Asian-American, said two passengers on board.

"I'm a doctor. I have to get back to my patients," he said,

according to Tyler Bridges, a 29-year-old civil engineer seated with his wife five rows in front of Dr. Dao. Jason Powell, a 53-year-old history teacher sitting nearby, remembers Dr. Dao saying that, too.

O'Hare is patrolled by both the Chicago Police Department

Please see UNITED page B2



Greenlight's David Einhorn

Investor Presses GM on Its Stock

By MIKE COLIAS
AND ANNE STEELE

Investor David Einhorn ramped up pressure on **General Motors Co.** to split its common stock into two classes, as he proposed candidates for the company's board and accused the Detroit auto giant of misrepresenting his proposal to investors and ratings firms.

In a filing Wednesday, Mr. Einhorn's hedge fund, **Greenlight Capital Inc.**, said GM hadn't given his plan a fair vetting and has tried to undermine it by misleading rating firms, which have warned that the dual-class structure would hurt GM's credit rating. Greenlight's proposal on two share classes was submitted publicly in mid-March after several months of meetings with the auto maker's management team behind closed doors.

"GM is ignoring the significant value unlocked by our plan, and has concocted a ratings issue by presenting a one-sided and flawed analysis to the rating agencies," said a statement from Vinit Sethi, partner and director of research at Greenlight. Mr. Sethi is being put forth as one of three board candidates.

Last month, GM's board rejected Greenlight's proposal to create two classes of common stock to separate its dividend from its operations, a move to attract yield-hungry investors and those seeking growth. GM shares have languished despite two straight years of record earnings.

On Wednesday, GM reiterated its view that the stock split would harm its investment-grade credit rating, which it spent years restoring following the auto maker's 2009 bankruptcy. Shareholders will vote on the proposal at GM's annual shareholders meeting, which is expected in the first half of June.

Greenlight's campaign marks the second time in recent years that GM Chief Executive Mary Barra has faced outside pressure to make certain changes. In 2015, an investor group pushed the company to undertake share buybacks.

All three major ratings firms in March said the Greenlight proposal would be credit-negative to GM. Moody's said splitting the stock would saddle the car company with a "sizeable cash-outflow burden that would diminish the financial flexibility necessary in the competitive and highly cyclical auto market."

GM on Wednesday said it had presented Greenlight's proposal to the ratings firms "fully and fairly," and that "they understood the idea in all its facets."

Greenlight also named as candidates Leo Hindery Jr., managing partner of InterMedia Partners and former chief executive of Tele-Communications Inc., Liberty Media and AT&T Broadband; and William N. Thorndike Jr., founder of private-equity investment firm **Housatonic Partners** and chairman of Consol Energy.

—David Benoit contributed to this article.

World of Desktops Offers New Spin

It's hard to tell one smartphone from another at 10 feet away. And these days, the biggest concern in laptops is which cables will fit.

If you want to be really surprised by a computer right now, check out a desktop PC.

Anyone under 20 could be forgiven for not even knowing what that is.

PERSONAL TECHNOLOGY
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Computers designed to sit on or under a desk ushered in the era of personal computing—and atrocious office furniture.

Then desktops all but died when laptops and phones became powerful enough to get work done without chaining you down.

With nothing left to lose, desktop makers are rethinking what a stationary computer is good for. Now you can draw on them, stack them in modular pieces, or use them to surround your head in pixels. There is one that's all touch screen, top and bottom, like Geordi La Forge's warp-drive controls on "Star Trek: The Next Generation."

Many are aimed at creative types who will pay \$3,000 for fanciness. But by breaking out of the beige box, computers are becoming more human. They bend to meet our specific needs—in some cases, literally.

Please see FOWLER page B4

Pearl Jam Joins Unlikely Ally in Battle for Seattle Music Scene



BETTER MAN: The rock band's manager is advising a team, including the owner of Ticketmaster, which Pearl Jam sued for monopolistic practices decades ago, bidding for the chance to redevelop Seattle's KeyArena into a venue specializing in concerts. B5

AMY HARRIS/ASSOCIATED PRESS

China's Corporate Debt Sells Off

By CHAO DENG

increasingly selling down their bondholdings to boost liquidity. That has pushed up yields, which makes bond issuance more expensive for companies. Yields rise as bond prices fall.

When **Hengtong Group Co.**, which manufactures fiber-optic cables, sought to issue a one-year bond in March, it discovered that it would have to pay 5.7% a year to raise 600 million yuan (\$87 million), much higher than the 4.35% interest rate banks were charging for loans.

The Suzhou-based company canceled the issue that was supposed to go toward paying off maturing bank loans.

One unintended consequence: Banks, the biggest holders of Chinese bonds, are

"The price was too high,"

said Lü Zhigang, who oversees Hengtong's fundraising. He said the company consulted several brokerages and analysts and got a verdict: "This year isn't a good time to issue bonds."

Mr. Lü said the firm would use its existing funds to pay off the bank loans, due at various stages this year, and consider issuing bonds with longer maturities.

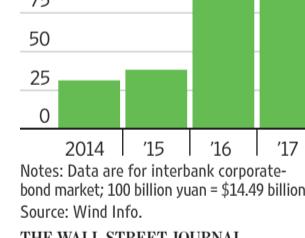
In the first quarter, 130 companies dropped or delayed 119.95 billion yuan in bond-issuance plans, the highest amount for the quarter since 2014, according to database

Please see DEBT page B10

Fraying Bonds

Higher funding costs dog China's corporate-bond market.

Delayed or canceled bonds in the first quarter



Notes: Data are for interbank corporate-bond market; 100 billion yuan = \$14.49 billion. Source: Wind Info.

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Bitcoin's Use Is No Match to the Hype

By PAUL VIGNA

A few years ago, a Spice Girl and an NFL star accepted bitcoin to sell their wares. Comedian Drew Carey tweeted about trying to buy breakfast with it, and Federal Reserve Chairwoman Janet Yellen testified about bitcoin in front of Congress.

Now, the virtual currency still feels more virtual than real.

More than eight years after it started, bitcoin isn't living up to early hype as the payment system of the future. It has failed to emerge as a mainstream payment method among consumers. The Securities and Exchange Commission denied two applications last month for bitcoin-related funds, nixing an avenue for widespread investor adoption that could have boosted bitcoin's relevance and profile.

And while an array of technologists are trying to adopt bitcoin's open-ledger "blockchain" tracking system, it is mostly to transact in items besides bitcoin.

"It doesn't feel like it's going in the right direction," said Brian Hoffman, chief executive of OB1, which runs an

Bitcoin Shuffle

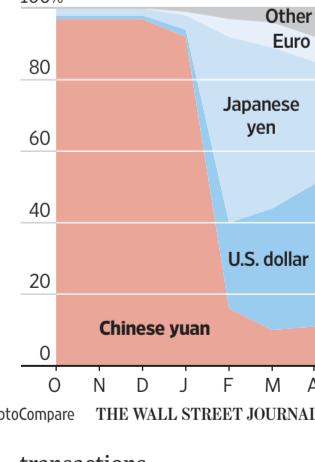
Bitcoin's recent rally hasn't yet been dented by a sharp falloff in trading of the currency in China.

Bitcoin price index



Sources: Coindesk.com (Bitcoin price index); CryptoCompare

Share of bitcoin trading based on currency involved, monthly



THE WALL STREET JOURNAL.

online marketplace called OpenBazaar that accepts bitcoin.

To a certain extent, bitcoin has found an audience. It has a core group of dedicated backers who believe in its future, and it has attracted traders who like the challenge of an asset that never stops trading. It has also found a home among people who want to move money without being detected.

These groups have pushed

the price up by more than 100% over the past year, currently trading at about \$1,215, and the currency's network is handling more transactions on a daily basis than ever, roughly 250,000 a day, up from 164,000 a year ago, according to data from the news site Coindesk.

Still, bitcoin faces an existential question—what exactly is it for? Some of the early adopters pushed for it to be a viable alternative to government-backed currencies such as dollars, yen or euros. Others see a digital version of gold or a payment system to rival Visa Inc. or Mastercard Inc. Proponents envisioned bitcoin as a way for poorer countries and citizens to bypass banks.

So far, it hasn't fulfilled any of those goals.

Another fan base has been largely driven offline. More than 90% of global bitcoin trading last year took place in China. That has changed significantly since the Chinese government earlier this year forced domestic bitcoin exchanges to add transaction fees—trading on these platforms before that was free—

Please see HYPER page B2

INSIDE



PEUGEOT JOINS SCRABBLE TO ENTER U.S.

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BUSINESS NEWS



French car manufacturer Peugeot is the latest regional player in the auto industry to announce plans to sell vehicles in the U.S.

BENOIT TESSIER/REUTERS

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UNITED

Continued from the prior page
and the Chicago Aviation Department. Officers from the aviation department were first to respond to United's call.

Mr. Bridges recalls three officers calmly asking Dr. Dao to disembark. "Well, you can then drag me," video posted on TMZ shows him responding. "I'm staying right here."

One of the officers pulled Dr. Dao from his seat as he flailed his arms and screamed.

"He was trying to do whatever he could to keep them from pulling him off," Mr. Bridges said.

Republic crew members came to take the place of the bumped passengers. Other travelers heckled them. "You should be embarrassed to work for this company," both passengers remember someone shouting. They said Dr. Dao then stumbled back onto the plane, bleeding and appearing to be dazed. "I've got to get home," they remember Dr. Dao saying.

Mr. Powell decided to disembark along with seven students he had escorted on a trip to Europe. He was worried for their safety and offended at how gate agents and police had treated Dr. Dao.

The airline let passengers disembark so crew could tidy up the plane, Messrs. Powell and Bridges said.

The aviation department has placed three officers involved in the incident on leave and is conducting its own review. Chicago Mayor Rahm Emanuel condemned the incident but praised the department's response. "Anyone who saw that video had the same reaction: This was completely unacceptable at every level," he said.

A spokeswoman for Dr. Dao's attorneys didn't respond to requests for comment. His attorneys said Tuesday that he was recovering in a Chicago hospital. Mr. Munoz said he had reached out to Dr. Dao but hadn't spoken to him.

The U.S. Transportation Department is reviewing United's overbooking policy amid lawmaker calls for changes across the industry.

U.S. airlines routinely sell

Peugeot Sets Sights on U.S.

BY ADRIENNE ROBERTS

Peugeot, on the heels of acquiring **General Motors** Co.'s **Opel** unit in Europe, plans to take on the Detroit auto giant in its own backyard. The catch is it could take a decade to get there.

The French car company is the latest regional player in the auto industry to announce plans to sell in the U.S., joining India's **Mahindra Group**, China's **GAC Motor** and a flood of electric-car startups with similar ambitions. It has been decades since Peugeots were on sale in American showrooms, and its re-emergence would come as the market is already clogged with offerings.

Discounts are near an average of \$4,000 per car sold in the U.S., according to J.D. Power, and auto makers are engaged in a price war not seen since the financial crisis. Niche brands from Europe, such as **Fiat**, **Jaguar** and **Maserati**, shell out much richer incentives, according to **Autodata Corp.**

Peugeot understands it is a "dog eat dog environment," but isn't banking on being able to appeal to today's buyer, the company's U.S. Chief Larry Dominique said in an interview.

Mr. Dominique, a Chrysler

and **Nissan Motor** Co. veteran,

said Peugeot will wade into the market first via a car-sharing rental service in Los Angeles and San Francisco to study what he expects to be a relatively rapid shift in consumer tastes.

Peugeot is teaming with startup Travelcar to offer a service that lets customers flying into those cities rent other brands' cars from travelers who parked at the airport. Peugeot plans to eventually offer a car-sharing service with its own vehicles in the U.S., getting feedback from customers before selling cars in the country.

"We don't have a factory in [the] U.S. pumping out cars [like other auto makers]," Mr. Dominique said. "But we do have the ability to leverage mobility [experiments] to understand how car ownership is changing over time." Peugeot plans to sell its cars in the country within 10 years.

Mr. Dominique's view that tomorrow's customers will value services over vehicle differentiation is shared by several industry executives. "The reality is vehicles on the road today are very similar—the brand [identity] and customer satisfaction are important," he said, pointing

to **Apple Inc.** or **Virgin America** as benchmarks.

Peugeot is scrambling to get bigger, a characteristic it shares with several other car companies, including **Fiat Chrysler Automobiles NV** and **Volvo Car Corp.**, which has Chinese ownership. Peugeot currently sells about 4 million vehicles annually, including 1 million Opels once the deal with GM is done, making it difficult to compete with industry heavyweights.

4M
Number of vehicles Peugeot currently sells annually

Mr. Dominique said the U.S. represents the biggest profit potential. At this stage, he is unable to outline the entire blueprint for entering that market, however.

"This is step one in a very long walk," Mr. Dominique said. "This is a walk on purpose, not a sprint" to launching in the U.S.

Lynk & Co., a startup car company sharing an owner with **Volvo**, also plans to enter the U.S. market. Like Peugeot it will offer car-sharing services and Lynk will attempt to sell directly to customers by cutting out franchise dealers, mirroring **Tesla Inc.**'s strategy.

GAC aims to start selling to U.S. buyers in 2019 via its own dealer network, a deal with its joint-venture partner **Fiat Chrysler** or by selling direct.

Companies like Peugeot also need to contend with established players looking to expand their U.S. footprint.

Lex Kerssemakers, head of Volvo's North American operations, is overseeing construction of a plant in South Carolina, its first in the country. While U.S. profits can be difficult to squeeze for companies in start-up mode, he understands the allure of the American market.

HYPE

Continued from the prior page
and adhere to anti-money-laundering regulations. The move has pushed more trading to Japan and the U.S., with China's share falling to 13%, according to research site CryptoCompare.

Meanwhile, a battle among bitcoin's insiders has erupted over its future. One side wants to keep it small and outside the purview of governments. The other side wants bitcoin to go mainstream and is willing to accept more transparency and government oversight to make it happen.

Bitcoin hasn't caught on with U.S. consumers. That is in part because bitcoin's followers are diffuse and never really had a champion committed to persuading both businesses and individuals of its merits.

At CheapAir.com, an online travel agency, bitcoin purchases constitute less than 10% of overall purchases, roughly flat in recent months, said Chief Executive Jeff Klee. "If you step back and look at the big picture," he said, "it certainly hasn't taken off."

Mr. Klee was personally involved in the decision to accept bitcoin in 2013—after a customer suggested it—and praises its utility and advantages for merchants, but said it hasn't been able to find a large audience outside loyal core backers. The typical customer stays away from bitcoin "stays their points and their miles," he said, referring to credit-card perks. "That alone is tough to compete with."

At satellite-TV company



JOHN WEBER

As an investment, bitcoin has drawbacks as well. Even though its volatility is down compared with its eight-year history, it is still far too volatile, and opaque, for many mainstream investors. In March, the SEC rejected two proposed exchange-traded funds, the Winklevoss Bitcoin Trust and SolidX Bitcoin Trust, citing the lack of transparency around trading on bitcoin exchanges, many of which

are overseas.

The SEC said that without the ability to monitor trading activity, it couldn't approve an investment product aimed at individual investors.

Other government regulators are also taking a harder line.

The Internal Revenue Service recently ordered bitcoin-services company Coinbase to turn over all records of its customers between 2013 and

2015, a sweeping summons the government said was intended to root out potential tax evaders. The company is fighting the order.

Competitors aren't standing still.

In February, a consortium of banks and tech giants including Microsoft Corp. and J.P. Morgan Chase & Co. announced a new financial platform based on Ethereum, a bitcoin competitor.

Airlines have become more sophisticated in their overbooking practices, cutting the number of passengers forced from flights, even as planes fly fuller.

Rate of involuntary 'bumps' from airplane (per 100,000 passengers)



*Includes owned commuter arms

Source: Department of Transportation

THE WALL STREET JOURNAL.

BUSINESS NEWS

Toshiba Partner Issues a Warning

BY TAKASHI MOCHIZUKI

TOKYO—Western Digital Corp. has told **Toshiba Corp.** it believes it can block any Toshiba sale affecting their joint venture making semiconductors, a person familiar with the matter said, a new headache for the struggling Japanese company.

Toshiba said Tuesday that it might not be able to survive after deep losses at its U.S. nuclear unit **Westinghouse Electric Co.**, which filed for bankruptcy last month. Toshiba said its survival plan centers around selling its profitable semiconductor unit, which makes NAND flash-memory chips used for data storage in smartphones, computers and other electronics products.

On April 1, Toshiba carved out the semiconductor unit into a separate company in preparation for the sale. Among the unit's assets is a stake in a semiconductor factory in Yokkaichi, Japan, that Toshiba jointly operates with Western Digital.

In a letter to Toshiba, Western Digital said the joint-venture contract prohibits each party from selling its stake without approval from the other, said a person briefed on the letter.

The letter was earlier reported by Reuters.

A spokeswoman at **SanDisk**, the U.S. chip company that initially made the joint-venture deal with Toshiba and was acquired last year by Western Digital, confirmed that Western Digital had sent a letter to Toshiba but declined to discuss its contents. A spokeswoman for Toshiba said the Tokyo company briefed Western Digital about plans for the chip unit before the April 1 spinoff.

Uber Appeared Wary Before Deal

Alphabet offers evidence that rival anticipated suit over purchase of startup

BY JACK NICAS

SAN FRANCISCO—Uber Technologies Inc. was considering buying the driverless-car startup of a former **Google** engineer two days after he resigned from the tech giant, and was already anticipating a lawsuit if it did, attorneys for Google parent **Alphabet Inc.** said in federal court here on Wednesday.

The assertion, backed by an email discussed Wednesday, is consistent with allegations by Google's driverless-car unit, **Waymo**, that Uber and the former engineer, Anthony Levandowski, were in contact around the time of his departure from Google—and that Uber was aware of certain risks associated with the startup, months before it bought it.

Uber eventually acquired Mr. Levandowski's startup, **Ottomotto LLC**, for \$680 million in August 2016, nearly seven months later. In February, Waymo sued Uber,



Uber faces a lawsuit tied to its purchase of Ottomotto. Above, a demonstration by the driverless-car startup last year.

alleging Mr. Levandowski colluded with Uber to steal 14,000 confidential documents from Waymo—even before he left Google—to jump-start Uber's self-driving car efforts. Uber denies the charges.

Waymo attorneys said at a court hearing Wednesday that on Jan. 29, 2016, two days after Mr. Levandowski resigned from Google, Uber attorneys emailed one another about de-

fending Mr. Levandowski and Uber from any potential lawsuit over Uber's potential purchase of Mr. Levandowski's startup, which was incorporated just two weeks earlier, public records show.

Waymo attorneys said a one-line summary of the email—"Email providing legal analysis or advice, in anticipation of litigation, regarding due diligence for potential ac-

quisition of Ottomotto"—was included in a report they received from Uber attorneys about documents they were withholding from the case's discovery process.

Uber's attorneys didn't dispute the existence of the email at Wednesday's hearing. Uber declined further comment on the email. Mr. Levandowski's attorneys also didn't respond.

Several months after Mr. Levandowski left Google, he signed an agreement with Uber that attorneys would jointly defend them from any lawsuit arising from Uber's potential purchase of his startup.

The high-stakes federal case between Waymo and Uber could help decide a winner in the likely lucrative market for self-driving cars. A trial is set for October.

Elliott Seeks to Remove a Leader of Akzo Nobel

Elliott Management Corp. called a special meeting of **Akzo Nobel NV** shareholders to try to oust the chairman of the supervisory board, in-

By Christopher Alessi,
Dana Mattioli
and David Benoit

creasing pressure on the Dutch paint company to engage in sale talks.

Akzo quickly moved to block some of the hedge fund's proposal, saying it strongly supports Chairman Antony Burgmans and would reject an agenda item seeking

to dismiss him.

Akzo said it would examine whether to hold the extraordinary meeting and respond within a required 14-day period, though spokesman Andrew Wood said Dutch corporate law gives it the power to not hold a meeting if it isn't in the interests of shareholders and the company.

Elliott countered by saying it would take Akzo to court over any refusal to hold a vote on the activist investor's proposal.

"Elliott views Akzo Nobel's position rejecting the agenda item as inexplicable. Share-

holders have a legal right under Dutch law to put a proposal to dismiss Mr. Burgmans onto the [meeting] agenda," Elliott said in a statement.

Elliott previously disclosed that it owns a 3% stake in Akzo and has pressed the company to engage in deal talks with U.S. rival **PPG Industries Inc.** Akzo last month rejected a \$24 billion offer from PPG after rebuffing an earlier \$22 billion bid.

The company, whose market value stands at about \$21.1 billion, has said the offers are too low.

Mr. Burgmans is viewed as an opponent of the deal. He is

a former chairman and chief executive of Unilever PLC.

Six Akzo shareholders including Elliott make up the group owning more than 10% of the company's stock that supports Elliott's request for the shareholder meeting, according to a person familiar with the matter.

Some of the shareholders have owned Akzo stock for more than a decade, this person said. The identities of the other shareholders supporting the meeting couldn't be learned. However, last month, U.S.-based **Causeway Capital Management LLC**—Akzo's

largest shareholder with about a 6.7% stake—called on Akzo to start negotiations with PPG.

Akzo also criticized Elliott for planning to privately share its demand for a special meeting with PPG before it had gone public.

Akzo said it had shared its concerns with Dutch financial authorities and called on Elliott and Pittsburgh-based PPG to "clarify their relationship and the history of the communications between the two companies."

—Ben Dummett contributed to this article

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TECHNOLOGY

WSJ.com/Tech

FOWLER

Continued from page B1

A couple of developments are fueling the reinvention. Insanely large screens are cheaper. Microsoft made Windows 10 friendly to touch and other inputs, opening up some crazy new ways to interface with a computer—heys, dials! And the cloud untethered us from any one device: You are on a phone during the commute, laptop on the plane and at the office, a giant screen.

Notably absent from the conversation (for now) is Apple, which hasn't made a significant change to the iMac's form in nearly a decade. Last week, Apple signaled we will see improved iMacs later this year, and an overhaul to its Mac Pro line in the more distant future.

But it doesn't take Apple to make desktops cool. Here are three of the most successful reinventions I've been testing.

This is the computer that made me cheat on my iMac. Microsoft's \$3,000 take on the all-in-one balances a stunning 28-inch screen on a hinge so it can swing from 90 to 20 degrees with the gentlest of taps. Why would you want that? So you can touch it, pinching to zoom on photos, flicking through pages, even drawing with your fingers. The swivel is a solution to the "gorilla arm" problem noted by Steve Jobs—touch screens are hard to use at 90 degrees.

While the Surface Studio looks handsome enough to adorn any home office or living room, its core audience is artists who can make use of its 4,500 x 3,000 pixel resolution display and array of specialized input tools. There is an included pressure-sensitive stylus and a \$100 rotating Surface Dial.

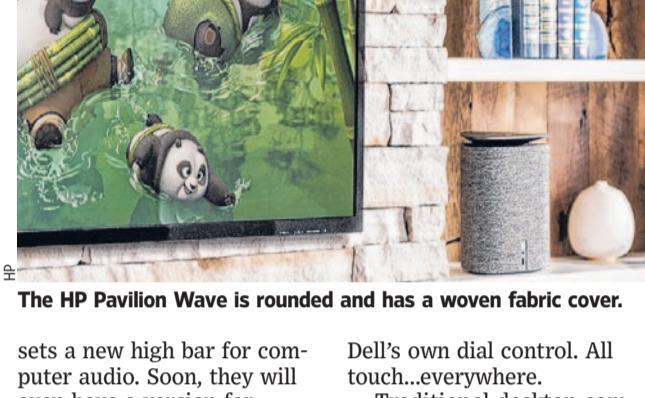
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Top: columnist Geoffrey Fowler manipulates a Surface Studio, also shown at bottom left.

My biggest holdup is the price. My review unit quickly became my favorite tool for using Photoshop, but I'd only buy it if Microsoft drops the price below \$2,000. I might forgive Microsoft if the Surface Studio were as powerful as other PCs in its price range, but even at \$3,000, it lacks the horsepower to run VR headsets, for example.

Dell picked up on the swiveling touch-screen idea with the XPS 27, which can lie completely flat, but requires more muscle than the Surface Studio does. Think of this as the iMac upgrade we have been waiting for from Apple. For home offices and dorm rooms in need of a multimedia powerhouse, the \$1,500 XPS 27 includes a 4K screen and a 10-speaker system mounted like a soundbar that



The HP Pavilion Wave is rounded and has a woven fabric cover.

sets a new high bar for computer audio. Soon, they will even have a version for \$2,100 with enough graphics horsepower to run VR headsets like the Oculus Rift.

The problem is space. The XPS 27 is much chunkier than a Surface Studio. The XPS 27 may be the most normal-looking in my lot of reinventions, but not for long. In May, Dell plans to sell a 27-inch screen accessory called the Canvas, which connects to the XPS 27 (and other models). For \$1,800, it replaces the keyboard and mouse with touch, pen and

Dell's own dial control. All touch...everywhere.

Traditional desktop computers took design cues from boxy office towers. HP's Pavilion Wave looks more like London's "Gherkin." A rounded shape and a woven fabric cover make this \$480 computer a welcome sight in bedrooms or family rooms, or standing proudly beside a TV it powers. You might think the Thermos-sized Wave was a speaker, and you'd be right: Its central speaker produces full and loud sound. It's just one unit, so no stereo separation.

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Public Sale No. 1: Wednesday, April 19, 2017, 9:30 a.m. EDT Asset Type for Lots 1-5: ABS COO Asset Type for Lots 6-12: CRE CDO Asset Type for Lots 13-14: CMBS Asset Type for Lot 15: Prime Alt-A Asset Type for Lots 16-28: Subprime		
Lot #	CUSIP	Original Face
1	12498CAC1	CBL 12A C
2	12498FAE0	CBL 13A C
3	124670A04	CBL 15A C
4	25545VAE9	DGCDO 2005-1A D
5	G863590AC6	TABS 2005-2X D
6	3850000AHT	GKKRE 2005-1A G
7	3850000A3J	GKKRE 2005-1A H
8	53944PA1L6	LNR 2005-1A FFL
9	62940PAE7	NSTAR 2006-6A E
10	G7550UAE5	RFCDD 2005-2X C
11	982512A2E5	WWCAP 2005-1A E
12	982512F2A6	WWCAP 2005-1A F
13	12677XAL0	CWCI 2005-1A E
14	1266XAN6	CWCI 2005-1A
15	304512A4H1	CWCI 2005-1A
16	04541415L1	ABSC 2005-HE6 M8
17	004375F5E6	ACCR 2006-1M B
18	004375F5F3	ACCR 2006-1M
19	004380A04A	ACCR 2007-1M 9
20	17307G2V9	CMLTI 2006-WFH1 M8
21	362341CG2	GSAMP 2005-SD2 B1
22	362341CH0	GSAMP 2005-SD2 B2
23	46626LE5S	JPMAC 2005-OPT2 M7
24	57643LK7D	MABS 2005-WF1 M8
25	57643LK5E	MABS 2005-WF1 M9
26	74919XAH5	RAAC 2007-SP2 M2
27	86359DLT2	SASC 2005-WF3 M8
28	86359DLU9	SASC 2005-WF3 M9

Public Sale No. 2: Wednesday, April 19, 2017, 12:00 p.m. EDT

Asset Type for all Lots: Zero Factor - RMBS

Lot #	CUSIP	Issue	Original Face
1	04545GUW0	ABSH 2005-HE8 M9	4,000,000
2	04541GXK3	ABSH 2006-HE3 M7	2,000,000
3	045440AP2	ABSH 2006-HE7 M9	5,000,000
4	04544TA4N	ABSH 2007-HE2 M8	1,150,000
5	004421XP3	ACE 2006-ASP2 M8	2,000,000
6	004421XQ1	ACE 2006-ASP2 M9	1,618,000
7	004421VAB	ACE 2006-NC1 M7	2,000,000
8	004421VB6	ACE 2006-NC1 M8	2,000,000
9	073890MP2	ACCO 2006-NC1 M8	2,000,000
10	073890MP2	BSABS 2006-HE9 M9	2,700,000
11	144539APB9	CARR 2006-NC5 M9	1,900,000
12	17307GVAS3	CMLTI 2005-OPT4 M10	1,000,000
13	17307G2W7	CMLTI 2006-WFH1 M9	1,300,000
14	173090AP9	CMLTI 2006-WFH3 M10	1,000,000
15	173090AN4	CMLTI 2006-WFH3 M9	3,271,000
16	12668ATF2	CWLT 2005-J12 B21	2,000,000
17	12668ATGQ	CWLT 2005-J12 B22	2,500,000
18	23243LAN2	CWL 2006-14 M9	4,000,000
19	12666BAP0	CWL 2006-22 M9	2,900,000
20	12666CAP8	CWL 2006-23 M9	3,000,000
21	23243HAP6	CWL 2006-24 M9	1,000,000
22	12667WKO	CWL 2006-3 M8	6,000,000

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Original Principal

ISIN Security

23 126670YS1 CWL 2006-5 B

24 126670YR3 CWL 2006-5 M8

25 126670ZTB CWL 2006-6 M6

26 126670ZU5 CWL 2006-6 M7

27 12666SAN8 CWL 2006-BC5 M8

28 12666SAP3 CWL 2006-BC5 M9

29 126670SX7 CWL 2006-IM1 M8

30 129256PNA4 ECR 2005-3 B

31 129256PM6 ECR 2005-3 M8

32 129256PE3 ECR 2005-4 M9

33 12927NWNU1 FFML 2005-FFH4 M4

34 12927NWX5 FFML 2005-FF10 M7

35 12927NWY5 FFML 2005-FF10 M9

36 12927NUU3 FFML 2005-FF7 M9

37 162341QW2 FFML 2005-FF8 B2

38 162341QX1 FFML 2005-FF8 B3

39 162341NN7 FFML 2005-FFH4 M7

40 16237XNL0 FFML 2005-FFH4 M8

41 16238KA09 FFML 2006-FF17 M9

42 16237WA84 FFML 2006-FF2 M5

43 16237WA92 FFML 2006-FF2 M6

44 16237PKY5 FFHL 2005-C M8

45 16237PKZ2 FFHL 2005-C M9

46 162341PG8 GSAA 2005-11 B2

47 162341PH3 GSAA 2005-11 B3

48 162341PK6 GSAC 2005-9-B3

49 162341PM1 HASC 2006-NC1 M9

50 162341PN1 HASC 2006-NC1 M9

51 162340HND5 HASC 2006-OP1 M9

52 162340HND6 HASC 2006-OP1 M9

53 162340HND7 HASC 2006-OP1 M9

54 162340HND8 HASC 2006-OP1 M9

55 162340HND9 INABS 2005-DM9

56 162362LNG0 JINABS 2006-B M9

57 162362LNG1 JINABS 2006-B M9

58 16262LNUF2 JPMAC 2006-FRE1 M8

59 16262LFW5 JPMAC 2006-FRE1 M9

60 16262LNU2 JPMAC 2006-FRE2 M8

61 16262LNU3 JPMAC 2006-FRE2 M9

62 16262LNU4 LBMLT 2006-3 M8

63 16262LNU5 LBMLT 2006-10 M10

64 16251YAO1 LBMLT 2006-10 M10

65 16251YAP3 LBMLT 2006-2 M8

66 16251YAU6 LBMLT 2006-8 M8

67 16251YAU4 LBMLT 2006-8 M8

68 16251YAU1 LBMLT 2006-8 M8

69 16251WQ05 LBMLT 2006-9 M10

70 16251WQ07 LBMLT 2006-9 M9

BUSINESS NEWS

Rise in Drug Price Tied to Shortage

BY PETER LOFTUS

Prescription-drug shortages have hurt U.S. medical care in recent years. According to new research, they also have had the side effect of drug-price increases.

A shortage of the bladder-cancer drug BCG in 2014 and 2015 led to sharp price increases for a less effective alternative treatment, mitomycin, according to research published online Wednesday by the New England Journal of Medicine.

The average wholesale price of a vial of mitomycin, a generic drug, nearly doubled to \$869.59 in August 2014 shortly after the BCG shortage developed.

A shortage of bladder-cancer drug BCG in 2014 and 2015 sent prices soaring for an alternative.

oped. The cost of a lower-dose vial of mitomycin rose 146% to \$165.60. The manufacturer of generic mitomycin, **Accord Healthcare Inc.**, didn't respond to requests for comment.

As the BCG shortage continued due to manufacturing snafus at drug makers **Sanofi SA** and **Merck & Co.**, prices for mitomycin increased again in 2015 to \$1,415 for the higher-dose vial and \$272.46 for the lower dose, according to the research, which cites data from Truven Health Analytics. The increases contributed to higher spending on mitomycin by the federal Medicare health-insurance program for the elderly, rising to \$15.8 million in 2015 from \$4.3 million in 2012, according to the NEJM research.

"There's a secondary shock" of shortages, said one of the NEJM article's authors, Benjamin Davies, a urology professor at University of Pittsburgh School of Medicine, in an interview. "Not only can we not give you the drug we want to give you, but the drug we don't want to give you is now more expensive than it was last month."

Dr. Davies, who wrote the NEJM article with researchers from Harvard Medical School, said he assumed "price gouging" was at work in the case of mitomycin.

Drug prices have sparked criticism of the pharmaceutical industry in recent years. President Donald Trump has called them excessive and vowed to take steps to bring them down.

The authors of the NEJM paper say more should be done to prevent shortages, which are often caused by outdated manufacturing facilities. They proposed additional U.S. regulatory incentives for companies to maintain high-quality production capacity, and easing the importation of drugs.

Drug Shortages Peaked in 2014 but Remain a Problem

The number of drugs in shortage in the U.S. peaked in 2014 at around 320 and has since declined, but there are still about 176 active shortages, according to the University of Utah Drug Information Service. Many shortages developed because companies failed to build enough production capacity, haven't maintained equipment and failed to ward off contamination in aging plants.

Factory contamination caused shortages of cancer drug BCG, which forced doctors to delay treatment, cut dosing or switch patients to alternative treatment.

A federal law passed in 2012 gave the U.S. Food and Drug Administration more powers to prevent and resolve shortages, including requiring manufacturers to provide advance notice to the agency of potential shortages, and allowing the FDA to speed up approvals of manufacturing upgrades.

Pearl Jam in Seattle Music Battle

Rock band's manager is advising a team bidding to renovate city's KeyArena venue

BY HANNAH KARP

One of the groups vying for the chance to redevelop Seattle's KeyArena has the blessing of an unlikely source it hopes will give it an edge.

The manager of Pearl Jam is advising a bidding team that includes concert promotion giant **Live Nation Entertainment Inc.**, now owner of the Ticketmaster unit that the grunge-rock band unsuccessfully sued more than two decades ago for monopolistic practices but which has been ticketing the band's tours since.

The group, which also includes **Madison Square Garden Co.** and venue-management company **Oak View Group**, wants to turn the 55-year-old Seattle sports arena into a venue that would specialize in concerts, with sound enhanced by features such as plush, theater-style seats and a lack of glass surfaces.

The music-focused model is based on that of the Forum arena in Inglewood, Calif., which MSG bought five years ago and renovated for more than \$100 million. Since it reopened in 2014, the Forum has become one of the country's



Singer Eddie Vedder performs with the grunge-rock band Pearl Jam in Argentina in 2013.

recently bought New York promoter Bowery Presents and launched a music festival on Randall's Island in New York, making inroads on MSG's home turf.

Meanwhile, Mr. Azoff recently announced that some of the acts he manages—the Eagles and Fleetwood Mac—would headline a new classic-rock-themed event aimed at the same older fans as AEG's inaugural Desert Trip festival last fall in Indio, Calif., which was headlined by Paul McCartney and the Rolling Stones. The rival groups have competing arena projects in Las Vegas as well.

Pearl Jam's manager, Kelly Curtis, said he joined the KeyArena bid after the supergroup Temple of the Dog, which includes Pearl Jam musicians, played Madison Square Garden in November. He said they marveled at how much better the acoustics were compared with their hometown's KeyArena, which "has kind of always sucked."

"We dread playing it," said Mr. Curtis, who would sit on KeyArena's advisory board if his group wins.

MSG's executive chairman, Jim Dolan, said he was making investments in sound technology at venues around the country including Beacon Theater and Radio City Music Hall, and others that were built for sports and treated music as an afterthought.

highest-grossing venues, doubling the number of arena shows each year in the Los Angeles area.

"Music is a bigger league than any of the other [sports] leagues," said Irving Azoff, a music manager who owns Oak View Group with Anschutz Entertainment Group's former chief executive, Tim Leiweke. Mr. Azoff added that he expected his group's proposal could turn KeyArena into one

of the country's top 10 money-making music venues while doubling or tripling the size of Seattle's touring market and still potentially luring sports teams.

AEG is among others interested in renovating the venue, which was home to the National Basketball League's Seattle SuperSonics until 2008 and still houses the WNBA's Seattle Storm and Seattle University's men's basketball

team.

Pearl Jam's manager's involvement—which Mr. Azoff said will give his group credibility with the city of Seattle—highlights intensifying competition in the booming concert business between Live Nation and its allies MSG and Oak View Group on one side and AEG on the other.

Seattle is just one of many cities where the two camps are tussling for territory: AEG

GETTY IMAGES

yers had been seeking to overturn.

Neither side agreed to discuss the terms of the settlement. Lawyers for the two parties filed court papers Tuesday requesting a dismissal of the litigation.

Wenner Media and Ms. Eramo "have come to an amicable resolution," a spokeswoman for Rolling Stone's publisher said in a statement.

Rolling Stone Settles Suit on Campus Rape Story

BY JACOB GERSHMAN

Rolling Stone magazine has settled a libel lawsuit over its discredited 2014 story about an alleged fraternity party gang rape at the University of Virginia.

The confidential agreement disclosed Tuesday brings to a close the defamation complaint in federal court of a university administrator who was

in charge of handling student complaints of sexual misconduct at the school.

The case centered on journalist Sabrina Rubin Erdely's November 2014, 9,000-word article, "A Rape on Campus," which described in brutal detail an alleged sexual assault of a female college student at a UVA fraternity house and depicted school officials as indifferent to her plight.

The article sparked a national outcry as a shocking example of campus sexual violence, but turned into a journalism scandal when the story's central claims unraveled.

In a lawsuit filed last year, then-UVA associate dean of students Nicole Eramo alleged that the article and interviews Ms. Erdely gave about her reporting cast the administrator

as the callous villain of its tale and falsely asserted that she discouraged a student identified only as "Jackie" from taking her rape allegations to the police.

The settlement comes months after a federal jury in Richmond, Va., found that Rolling Stone had defamed Ms. Eramo and awarded her \$3 million in damages, a judgment that Rolling Stone law-

BUSINESS WATCH

VOLKSWAGEN

New SUV Is Set For U.S. Production

Volkswagen AG plans to produce a new sport-utility vehicle in the U.S., following on a larger SUV now rolling off the line at its Tennessee factory, a senior executive said.

The German auto giant plans to build a smaller, five-seat SUV at its Chattanooga factory, said Hinrich Woebcken, head of Volkswagen's North American operations, in a discussion with reporters at the New York International Auto Show on Wednesday. The larger, seven-seat Atlas SUV being assembled at the plant is headed for dealerships later this year.

Mr. Woebcken declined to provide a start date for production or a name for the forthcoming smaller SUV model, which he described as a "brother or family member" to the Atlas. He said it is too early to determine whether the new vehicle will require additional investment or workers at the Tennessee plant.

—Mike Spector

DAEWOO

Shipbuilder's Future Hinges on Creditors

South Korea's **Daewoo Shipbuilding & Marine Engineering Co.**, the world's second-largest shipbuilder by revenue, could go into receivership as soon as next week unless creditors agree to massive losses, according to people involved in the restructuring efforts.

Daewoo's creditors are expected to meet on Monday and

Tuesday to decide whether they will convert about 1.55 trillion won, or \$1.4 billion, in unpaid bondholdings into equity as part of a 2.9 trillion won bailout package unveiled in March.

Daewoo incurred a loss of 2.7 trillion won in 2016, following a 3.3 trillion won loss a year earlier, hurt by stagnating ship orders and China's economic slowdown. The latest bailout package would inject funds if its creditors agree to it, allowing it to fulfill about \$34 billion in orders for about 95 ships by 2020.

—Costas Paris

TESLA

Elon Musk Suggests Adding Directors

Tesla Inc. Chief Executive Elon Musk on Wednesday suggested the Silicon Valley auto maker plans to add two independent directors, responding to pressure from a group of shareholders complaining about the electric-car company's governance.

The criticism came in a letter dated April 10 signed by five investors including the **California State Teachers' Retirement System** and CetW Investment Group, an arm of the union federation **Change to Win**. It comes as Tesla's stock has soared in recent months.

An official Tesla statement said: "We regularly engage with our shareholders and value their feedback. We are actively engaged in a search process for independent board members, which is something we committed to do several months ago, and expect to announce new additions fairly soon."

—Tim Higgins

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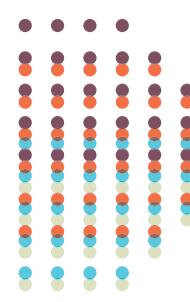
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A Daewoo shipyard in South Korea. Its creditors are to meet.



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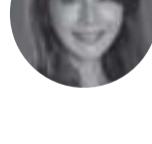
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Dow Jones Industrial Average



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S&P 500 Index



Nasdaq Composite Index



Major U.S. Stock-Market Indexes

	Dow Jones		S&P 500 Index		Nasdaq Composite Index								
	High	Low	Latest Close	Net chg	% chg	High	Low	% chg	YTD	% chg	High	Low	% chg
Industrial Average	20642.54	20553.03	20591.86	-59.44	-0.29	21115.55	17140.24	15.0	4.2	8.7	5836.16	5860.00	-0.52
Transportation Avg	9163.90	8968.80	8971.84	-163.74	-1.79	9593.95	7093.40	12.7	-0.8	6.8	2344.93	2390.00	-0.38
Utility Average	705.64	697.01	705.35	5.01	0.72	720.45	625.44	7.2	6.9	9.7	5836.16	5860.00	-0.52
Total Stock Market	24404.27	24266.92	24299.10	-120.18	-0.49	24868.78	20583.16	13.4	4.4	8.5	2344.93	2390.00	-0.38
Barron's 400	622.13	615.53	616.07	-6.71	-1.08	635.07	491.89	17.4	2.4	7.3	5836.16	5860.00	-0.52
Nasdaq Stock Market													
Nasdaq Composite	5868.09	5830.44	5836.16	-30.61	-0.52	5914.34	4594.44	18.0	8.4	13.4	5836.16	5860.00	-0.52
Nasdaq 100	5399.55	5370.24	5377.03	-21.37	-0.40	5440.41	4201.05	18.1	10.6	16.0	5836.16	5860.00	-0.52
Standard & Poor's													
500 Index	2352.72	2341.18	2344.93	-8.85	-0.38	2395.96	2000.54	12.6	4.7	8.9	5836.16	5860.00	-0.52
MidCap 400	1718.55	1698.40	1699.90	-19.95	-1.16	1758.27	1416.66	16.1	2.4	8.8	5836.16	5860.00	-0.52
SmallCap 600	835.75	824.39	825.23	-11.56	-1.38	862.21	670.90	19.1	-1.5	8.7	5836.16	5860.00	-0.52
Other Indexes													
Russell 2000	1376.86	1358.15	1359.20	-17.75	-1.29	1413.64	1089.65	20.3	0.2	6.9	5836.16	5860.00	-0.52
NYSE Composite	11462.51	11405.55	11423.15	-50.47	-0.44	11661.22	9973.54	10.3	3.3	3.6	5836.16	5860.00	-0.52
Value Line	518.61	512.93	513.39	-5.22	-1.01	529.13	435.06	11.8	1.4	2.6	5836.16	5860.00	-0.52
NYSE Arca Biotech	3496.31	3464.11	3478.31	25.49	0.74	3642.30	2818.70	8.8	13.1	13.6	5836.16	5860.00	-0.52
NYSE Arca Pharma	507.85	504.83	507.42	1.60	0.32	554.66	463.78	-0.7	5.4	1.8	5836.16	5860.00	-0.52
KBW Bank	90.24	89.02	89.30	-0.97	-1.08	99.33	60.27	34.5	-2.7	9.5	5836.16	5860.00	-0.52
PHLX® Gold/Silver	89.44	87.86	89.43	0.41	0.46	112.86	73.03	14.0	13.4	-1.1	5836.16	5860.00	-0.52
PHLX® Oil Service	172.81	167.82	168.55	-3.00	-1.75	192.66	148.37	2.9	-8.3	-15.9	5836.16	5860.00	-0.52
PHLX® Semiconductor	981.97	964.54	966.55	-16.80	-1.71	1012.29	630.77	41.1	6.6	19.9	5836.16	5860.00	-0.52
CBOE Volatility	16.16	14.84	15.77	0.70	4.64	25.76	10.58	13.9	12.3	-2.5	5836.16	5860.00	-0.52

\$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	15,500.8	233.99	-0.04	-0.02	235.02	233.89
Ford Motor	F	6,078.6	11.23	...	unch.	11.24	11.21
AT&T	T	3,560.7	40.56	...	unch.	40.60	40.41
Intel	INTC	2,964.5	35.59	-0.04	-0.11	35.84	35.56
Van Eck Vectors Gold Miner	GDX	2,909.5	24.68	0.11	0.45	24.70	24.34
Pfizer	PFE	2,359.1	33.92	...	unch.	33.97	33.79
iPath S&P 500 VIX ST Fut	VXX	2,258.9	18.14	0.22	1.23	18.17	17.83
Cisco Systems	CSCO	2,236.1	32.62	...	unch.	32.67	32.55

Percentage gainers...

Applied Optoelectronics	AAOI	611.7	48.88	8.06	19.75	49.65	40.82
Hanesbrands	HBI	45.8	22.50	1.39	6.58	22.98	20.99
Cemex ADR	CX	8.2	9.40	0.40	4.44	9.40	9.00
Oclaro Inc	OCLR	476.1	8.99	0.37	4.29	9.15	8.62
Lumentum Holdings	LITE	46.6	46.00	1.75	3.95	48.20	44.20
...							
Videocon d2h ADR	VDTH	617.2	10.38	-0.74	-6.65	10.38	10.38
Diana Shipping	DSX	1,199.7	5.54	-0.39	-6.50	5.54	5.54
North Atlantic Drilling	NADL	47.4	2.51	-0.14	-5.28	2.67	2.49
Quantenna Communications	QTNA	481.1	17.48	-0.78	-4.25	18.26	17.48
Hamilton Lane CIA	HLNE	687.7	17.71	-0.65	-3.55	17.71	17.71

...And losers

Videocon d2h ADR	VDTH	617.2	10.38	-0.74	-6.65	10.38	10.38

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COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract						Open	High	Low	Settle	Chg	Open interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.												
April	2.5830	2.5830	2.5360	2.5440	-0.0620	1,176						
May	2.6095	2.6100	2.5345	2.5450	-0.0630	101,400						
Gold (CMX) -100 troy oz.; \$ per troy oz.												
April	1275.00	1285.10	1272.00	1275.30	4.10	1,922						
June	1277.20	1289.00	1273.80	1278.10	3.90	328,857						
Aug	1280.60	1292.00	1277.30	1281.40	4.00	45,551						
Oct	1283.20	1295.20	1281.80	1284.60	3.90	6,936						
Dec	1285.80	1298.10	1284.60	1288.00	3.90	45,936						
Feb'18	1290.60	1296.20	1288.70	1291.40	3.90	7,850						
Palladium (NYM) -50 troy oz.; \$ per troy oz.												
April	797.00	797.00	797.00	796.15	-6.80	2						
May	798.65	801.35	798.65	796.15	-6.80	2						
June	805.05	806.70	789.10	796.30	-6.80	32,856						
Sept	805.35	805.35	789.45	796.65	-6.80	1,552						
Platinum (NYM) -50 troy oz.; \$ per troy oz.												
April	966.40	966.90	962.00	964.90	-1.00	40						
July	972.60	977.80	962.90	967.90	-1.60	60,590						
Silver (CMX) -5,000 troy oz.; \$ per troy oz.												
April	18.320	18.390	18.320	18.279	0.046	65						
May	18.350	18.385	18.245	18.300	0.046	137,418						
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.												
May	53.40	53.76	52.71	53.11	-0.29	287,890						
June	53.79	54.14	53.14	53.52	-0.27	468,817						
July	54.13	54.45	53.49	53.85	-0.26	186,614						
Sept	54.49	54.77	53.96	54.30	-0.18	182,142						
Dec	54.76	55.02	54.31	54.65	-0.10	274,245						
Dec'18	54.01	54.25	53.81	54.10	0.09	126,066						
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.												
May	1.6945	1.6661	1.6435	1.6520	.0014	83,884						
June	1.6623	1.6735	1.6513	1.6597	.0010	99,993						
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.												
May	1.7639	1.7710	1.7323	1.7417	-.0160	96,801						
June	1.7677	1.7696	1.7352	1.7446	-.0133	95,524						
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.												
May	3.168	3.197	3.132	3.187	.037	208,144						
June	3.241	3.273	3.212	3.262	.038	157,229						
July	3.314	3.346	3.286	3.332	.036	159,431						
Sept	3.332	3.366	3.308	3.355	.038	120,313						
Oct	3.348	3.381	3.324	3.370	.036	128,233						
Jan'18	3.606	3.632	3.588	3.627	.029	93,002						

Agriculture Futures

	Contract						Open	High	Low	Settle	Chg	Open interest
Corn (CBT) -5,000 bu.; cents per bu.												
May	366.50	371.50	366.25	369.00	.25	419,423						
July	373.75	378.50	373.25	376.00	.22	520,366						
Oats (CBT) -5,000 bu.; cents per bu.												
May	220.00	225.00	217.50	224.50	.47	3,547						
July	219.00	223.75	217.25	223.75	.42	2,368						
Soybeans (CBT) -5,000 bu.; cents per bu.												
May	942.25	951.50	941.25	947.75	.85	267,866						
July	953.75	962.50	952.50	958.75	.80	265,095						
Soybean Meal (CBT) -100 tons; \$ per ton.												
May	310.00	313.80	309.60	312.70	.34	113,256						
July	314.50	317.90	313.80	317.00	.35	154,951						
Soybean Oil (CBT) -60,000 lbs.; cents per lb.												
May	31.12	31.38	30.98	31.24	.17	130,913						
July	31.35	31.61	31.22	31.46	.15	155,513						
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.												
May	1023.50	1029.00	1015.00	1018.00	-.85	7,278						
July	1049.00	1054.50	1041.00	1044.50	-.80	2,844						
Wheat (CBT) -5,000 bu.; cents per bu.												
May	433.75	436.50	431.50	433.25	-.12	172,115						
July	447.50	449.50	444.75	446.25	-.12	203,154						
Wheat (KC) -5,000 bu.; cents per bu.												
May	429.25	432.75	429.00	430.00	.25	80,375						
July	441.50	445.00	441.25	442.50	.50	119,688						
Wheat (MPLS) -5,000 bu.; cents per bu.												
May	527.75	525.75	527.75	528.75	1.00	18,573						
July	536.75	545.00	536.25	537.25	1.75	25,746						
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.												
April	137.525	139.475	136.45	137.500	.325	4,720						
Aug	139.575	141.675	139.125	139.950	.775	22,573						
<												

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBEC, National Stock Exchange, ISE and BATS.

The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more from their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, April 12, 2017

Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg				
NYSE				NYSE				Nasdaq				Nasdaq				NYSE				Nasdaq							
ABB	ABB	22.91	-0.15	Baker Hughes	BHI	60.34	-0.53	Chungwa Telecom	CHT	33.85	-0.20	Church & Dwight	CHD	50.02	-0.01	Corning	ORCL	44.18	-0.01	Dilacor	SHOP	69.25	-0.19	Vista	V	88.68	-0.17
AES	AES	11.37	-0.06	Bank of America	BAC	71.74	-0.51	Churchill Capital	CCK	133.10	-0.47	Costco	ORNG	15.29	-0.04	Oracle	ORCL	44.08	-0.01	Wells Fargo	WLL	21.87	-0.02	CharterComms	CHTR	334.57	-0.27
Aflac	AFL	73.35	-0.40	Bank of America Corp.	BAC	71.74	-0.51	Crane	KIMCO	22.35	-0.11	CostarGroup	SPG	173.28	-0.07	Shopify	SHOP	69.25	-0.19	Microsoft	MSFT	65.73	-0.25				
AT&T	T	40.56	-0.25	Bank of America Corp.	BAC	71.74	-0.51	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	ValeroEnergy	VLE	65.13	-0.50	Middleby	MDD	134.81	-1.34				
AXIS Capital	AXS	65.95	-0.55	Bank of Montreal	BMO	74.10	-0.22	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Cintas	CINT	70.87	-0.32	Momo	MOMO	37.86	-0.49				
AbbottLabb ABT	ABT	43.48	-0.10	Bank of New York Mellon	BNY	46.38	-0.37	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	CooperVision	COV	32.62	-0.20	Mondelez	MDLZ	44.39	-0.33				
AbbVie	ABBV	64.37	-0.19	Bank of New York Mellon	BNY	46.38	-0.37	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Corning	CGN	81.38	-0.51	MonteBevar	MNST	45.40	-0.40				
Accenture	ACN	115.58	-0.19	Bank of New York Mellon	BNY	46.38	-0.37	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Mylan	MYL	38.04	-0.41	NXP Semi	NXPI	103.69	-0.28				
AcuityBrands	AVY	174.80	-2.75	Bank of New York Mellon	BNY	46.38	-0.37	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Netaise	NETS	265.43	-2.57	Netscape	NETS	265.43	-2.57				
Adient	ADNT	66.55	-0.96	Barclays	BCS	70.60	-0.11	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	NetFlix	NFLX	143.83	-0.52	NetFlix	NFLX	143.83	-0.52				
AdvanceAuto	AAP	141.74	-1.72	Barclays	BCS	70.60	-0.11	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	NewCorp	NWS	119.0	-0.14	NewsCorp	NWS	119.0	-0.14				
AdmSemiErgn	ASX	6.34	-0.04	Barclays	BCS	70.60	-0.11	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Northrop	NRX	115.00	-0.14	Northrop	NRX	115.00	-0.14				
Aegon	AEG	4.89	-0.04	Barclays	BCS	70.60	-0.11	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Orbita	ORBI	13.40	-0.07	Orbita	ORBI	13.40	-0.07				
AerCap	AER	43.41	-0.61	Barclays	BCS	70.60	-0.11	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Orbita	ORBI	13.40	-0.07	Orbita	ORBI	13.40	-0.07				
AerCap	AER	129.08	-0.44	Barclays	BCS	70.60	-0.11	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Orbita	ORBI	13.40	-0.07	Orbita	ORBI	13.40	-0.07				
AffiliatesMgns	AMG	162.25	-0.37	Barclays	BCS	70.60	-0.11	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Orbita	ORBI	13.40	-0.07	Orbita	ORBI	13.40	-0.07				
AffiliatesMgns	AMG	162.25	-0.37	Barclays	BCS	70.60	-0.11	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Orbita	ORBI	13.40	-0.07	Orbita	ORBI	13.40	-0.07				
AffiliatesMgns	AMG	162.25	-0.37	Barclays	BCS	70.60	-0.11	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Orbita	ORBI	13.40	-0.07	Orbita	ORBI	13.40	-0.07				
AffiliatesMgns	AMG	162.25	-0.37	Barclays	BCS	70.60	-0.11	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Orbita	ORBI	13.40	-0.07	Orbita	ORBI	13.40	-0.07				
AffiliatesMgns	AMG	162.25	-0.37	Barclays	BCS	70.60	-0.11	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Orbita	ORBI	13.40	-0.07	Orbita	ORBI	13.40	-0.07				
AffiliatesMgns	AMG	162.25	-0.37	Barclays	BCS	70.60	-0.11	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Orbita	ORBI	13.40	-0.07	Orbita	ORBI	13.40	-0.07				
AffiliatesMgns	AMG	162.25	-0.37	Barclays	BCS	70.60	-0.11	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Orbita	ORBI	13.40	-0.07	Orbita	ORBI	13.40	-0.07				
AffiliatesMgns	AMG	162.25	-0.37	Barclays	BCS	70.60	-0.11	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Orbita	ORBI	13.40	-0.07	Orbita	ORBI	13.40	-0.07				
AffiliatesMgns	AMG	162.25	-0.37	Barclays	BCS	70.60	-0.11	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Orbita	ORBI	13.40	-0.07	Orbita	ORBI	13.40	-0.07				
AffiliatesMgns	AMG	162.25	-0.37	Barclays	BCS	70.60	-0.11	CrownGold	KCG	3.85	-0.13	CostarGroup	SPG	173.28	-0.07	Orbita	ORBI	13.40	-0.07	Orbita	ORBI	13.40	-0.07				
AffiliatesMgns	AMG	162.25	-0.37	Barclays	BCS </																						

BANKING & FINANCE

Texas Lender Sets Sights on IPO

Houston's Cadence would be first major U.S. bank to go public since last September

BY CHRISTINA REXRODE
AND CORRIE DRIEBUSCH

Bank stocks have rallied since last November's presidential election. Now, a lender created from the rubble of the financial crisis will test investors' appetite for new bank shares.

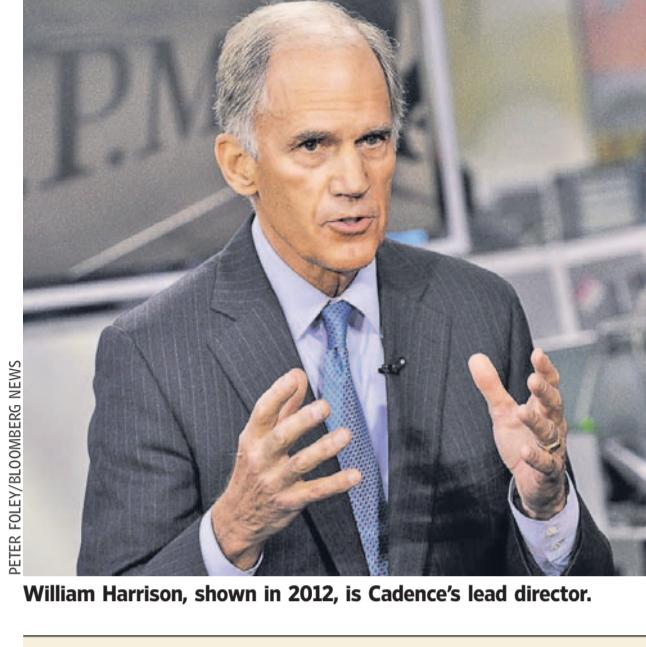
Cadence Bancorporation, a Houston-based firm that counts former J.P. Morgan Chase & Co. Chief Executive William Harrison as lead director, Wednesday night became the first major U.S. bank since last September to list shares in an initial public offering.

The company, run by Chairman and CEO Paul Murphy, priced 7.5 million shares at \$20 each, for a total offering size of \$150 million. The \$20 price was the midpoint of the expected offering range of \$19 to \$21, according to a regulatory filing. The deal was led by Goldman Sachs Group Inc. and J.P. Morgan. The shares are expected to begin trading on the New York Stock Exchange on Thursday under the symbol CADE.

Cadence could serve as a proxy for what investors think of several key topics in the banking industry, including how firms will deal with volatile energy loans and how small banks will handle higher regulatory burdens as they expand.

While the IPO market has picked up recently, the act of going public has been relatively unusual for banks. "There are just a finite number of management teams interested in being public versus many more who are actively looking to...sell their company," said Christopher Marinac, director of research at FIG Partners.

There are about 5,900 banks in the U.S., according to the Federal Deposit Insurance Corp., down from about 8,000 in 2009. About 260 U.S. banks



William Harrison, shown in 2012, is Cadence's lead director.

Three Banks: What You Need to Know

J.P. Morgan, Wells Fargo and Citigroup to issue results

J.P. MORGAN CHASE & CO.

◆ The expectation of loosening financial regulations has boosted J.P. Morgan's share price along with the sector since President Donald Trump was elected. But several figures who could affect bank regulation haven't been named and recent reports indicate Glass-Steagall could be back on the table, leading to possible bank breakups.

◆ At the bank's recent investor-day presentation in mid-February, executives said core loans should increase about 10% from a year earlier, so investors will be listening for any talk of an uptick in loan demand. —*Emily Glazer*

with more than \$1 billion in assets are privately held, according to S&P Global Market Intelligence. Most have less than \$5 billion in assets.

Four U.S.-based banks went public in 2016, according to Dealogic. **First Hawaiian** Inc. led the biggest offering, raising \$558 million in August. Its shares are up 25% from their IPO price.

Cadence was formed in

CITIGROUP INC.

◆ Fixed-income trading is one of Citigroup's biggest businesses, and business has improved of late: A strong 2016 ended with a 36% surge in the fourth quarter. Continuing the hot streak would make it four quarters of trading gains in a row. Equities may be a tougher slog. Citigroup's investments in that business may help at the margin, but low stock-market volatility presents a tough backdrop for progress there.

◆ Citigroup has the most oversized capital cushion of any U.S. bank by many estimates, thanks in part to the capital it must hold against its large tax-loss assets. How quickly it uses those deferred taxes against profits will be closely watched, as that could herald bigger future buybacks and dividends.

—*Telis Demos*

2009 by investors who wanted to snap up failed or struggling banks. After raising money from endowments and pension funds, including the **California Public Employees' Retirement System**, Cadence bought three small banks in 2011 and 2012. It closed on the first after wrestling it away from another bank that had already signed a deal to buy it.

Other banks with similar ori-

gins have already gone public. Florida-based **BankUnited** Inc., for example, went public in 2011, less than two years after a group of Wall Street financiers bought it following its collapse.

The bank, whose operations are centered in Texas, Alabama and Florida, had planned to go public a couple of years ago but shelved those plans when oil and gas prices went hay-

Bank Offerings

A selection of initial public offerings by banks since the financial crisis

Bank	Pricing date	Deal value	IPO price	Stock change from IPO*
First Republic Bank	Dec. 8, 2010	\$323 million	\$25.50	261%
BankUnited	Jan. 27, 2011	\$900 million	\$27	35%
EverBank Financial	May 2, 2012	\$221 million	\$10	95%
Citizens Financial Group	Sept. 23, 2014	\$3.5 billion	\$21.50	60%
Great Western Bancorp	Oct. 14, 2014	\$331 million	\$18	133%
First Hawaiian	Aug. 3, 2016	\$558 million	\$23	27%

*Through April 11

Sources: Dealogic; WSJ Market Data Group (stock change)

THE WALL STREET JOURNAL.

Berkshire Likely to Back Wells

BY EMILY GLAZER
AND NICOLE FRIEDMAN

Top **Wells Fargo** & Co. shareholder **Berkshire Hathaway** Inc. is likely to vote in support of the bank's directors in a potentially contentious shareholder meeting later this month, people familiar with the matter said.

Warren Buffett, Berkshire's chairman and chief executive, has long been a supporter of the San Francisco bank and largely kept quiet as its sales-practices scandal erupted in the fall.

Berkshire said Wednesday it plans to sell 9 million Wells Fargo shares to keep its ownership under 10%. The company said the sales aren't due to a change in its investment view.

Berkshire didn't sell any Wells Fargo shares following the bank's sales-tactics scandal last fall. Mr. Buffett said in November that Wells Fargo's scandal was an "egregious mistake" but praised the bank's new chief executive, Timothy Sloan.

It isn't known whether Berkshire has cast its votes, and it is still possible the company could decide to oppose certain Wells Fargo directors. The bank's annual shareholder meeting is April 25.

A Wells Fargo spokesman declined to comment on the likely Berkshire vote. Earlier, the company said the bank appreciates "the confidence that Berkshire Hathaway has placed in Wells Fargo over the years, both as our largest shareholder and a very valued customer."

Influential proxy-advisory firm Institutional Shareholder Services Inc. last week recommended shareholders vote against 12 of 15 Wells Fargo directors. It didn't alter its stance after Wells Fargo's board released a report Monday that largely blamed two top executives who are no longer with the bank.

wire, according to people familiar with the matter. Energy loans make up about 13% of its loan portfolio, according to the bank's regulatory filings. The bank's net income slipped 12% in 2015 before bouncing up 68% last year.

The bank says that the offering will be used for general corporate purposes such as debt repayment. Current investors won't get to cash out immediately.

Some investors believe that bank mergers will pick up speed now that the Fed has signaled it will make it easier for smaller banks to get merger approval. Cadence, in its regulatory filing, said it had no current plans for near-term acquisitions but would consider them.

Mr. Murphy, the Mississippi-born CEO, worked on multiple mergers to stitch together his previous company, Amegy Bank of Texas.

Cadence, which has about \$9.5 billion in assets, will also need to convince investors that it can handle the increased regulation that comes with crossing the \$10 billion threshold. In its regulatory filing, Cadence said it was "reasonable to assume" it would pass \$10 billion as early as the middle of this year and that it couldn't be certain of the full impact of such a change.

China's Ant Financial Elaborates on Increasing Its MoneyGram Bid

Ant Financial Services Group, the payments affiliate of Chinese e-commerce company **Alibaba Group Holding** Ltd., will consider raising its bid for U.S. money-transfer firm **MoneyGram International** Inc. only if a competing bid is declared superior, a senior executive at Ant Financial said.

Ant has been forging partnerships in the U.S., Europe and Asia to build a global network of merchants that accept its payment services, and in January signed an \$880 million deal to buy MoneyGram. In March it was challenged by Kansas-based **Euronet Worldwide** Inc., which is offering roughly \$1 billion.

MoneyGram is contractually obliged to advocate for its deal with Ant unless its board, upon review, determines that Euronet's bid is superior, a prospect MoneyGram has said is likely. Ant would then have four business days to decide whether it wants to raise its offer.

—*Kane Wu*



DEBT

Continued from page B1

Wind Information Co. Many of the firms—which span industries from tourism to electronics and construction—attributed the cancellations to "recent changes in the market" or "market volatility."

Overall bond issuance in the quarter dropped 38.5% from a year earlier.

The retreat is a setback for Beijing, which has pledged to give market forces a bigger role in the economy. One of the most important financial changes in recent years was opening up the mainland bond market to global investors.

"The government wants more direct financing," where institutional investors rather than the government determine debt issuance, said Larry Hu, an economist at Macquarie Group Ltd.

At \$9.6 trillion, China's bond market is the world's third largest. Nonetheless, bonds make up only 17% of China's total social financing,

a broader measurement of credit in the economy that includes nonbank debt, compared with 70% for bank loans.

In Europe, a dependence on bank lending led to credit crunches during the financial crisis. Policy makers have since tried to expand the corporate-bond market. Chinese regulators haven't experienced a crisis of that magnitude,

funding channels.

People familiar with two state-owned firms that canceled issues—Weifang Binhai Tourism Group Co. and Fujian Electronics & Information (Group) Co.—said that higher-than-expected rates prompted the cancellations, but the firms weren't suffering from a funding shortage.

After canceling a February issue, Fujian Electronics issued a bond at the end of March on the Shanghai Stock Exchange, as liquidity eased slightly.

But in ailing sectors, such as coal and steel, the higher bond costs mean even state firms could face funding pressures, according to analysts and underwriters.

Economists expect costs for issuers in China's bond market to remain high this year, as central bank Gov. Zhou Xiaochuan has signaled a tighter hold on credit to avoid fueling asset bubbles and help companies reduce debt.

An investment banker at a Chinese securities firm said that the higher bond costs are pushing some firms to choose debt instruments with maturi-

ties of less than one year, a strategy that means frequent and costly rollovers for firms with longer-term funding needs.

This month, Chinese regulators barred companies from using lower-rated corporate bonds as collateral for borrowing short-term cash, a move that further reduces the bond market's appeal.

The central bank is also trying to get banks to curb speculative activity, such as wealth-management products that are invested in bonds and don't appear on the banks' books. That amounts to another tightening on banks' liquidity.

Defaults in China's bond market have been rare but are an increasing worry for investors. Eight Chinese companies have defaulted on their bonds so far this year, down from 11 in the same period last year but well above just three in the 2015 period.

Foreign investment in China's bond market is meager at less than 2%, with demand for corporate bonds virtually zero.

—*Shen Hong in Shanghai contributed to this article.*

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MARKETS

CME Pulls Back From Europe Bet

BY ALEXANDER OSIPOVICH

CME Group Inc. said it would close its unprofitable European futures exchange and derivatives-clearing business, bringing to an end the Chicago-based company's first attempt to open a stand-alone exchange outside U.S. borders.

London-based CME Europe and CME Clearing Europe will be wound down by year-end, the company said Wednesday, an announcement that came three years after the European exchange was launched.

The two businesses lost \$110 million from their launch through the end of 2016.

The businesses had failed to gain traction against entrenched incumbents such as **Deutsche Börse** AG and **Intercontinental Exchange** Inc., or ICE, highlighting the difficulty that exchange operators face when making forays into new territory. There is no connection to the British vote to leave the European Union, a CME spokeswoman said.

"It's difficult to build liquidity versus incumbents, even if you have a very strong presence in another geographical region," said Rich Repetto, an analyst at Sandler O'Neill + Partners.

The two businesses lost \$110 million from their launch through the end of 2016, according to CME.

CME said it would maintain a significant operation in London, but it will be oriented toward encouraging European customers to trade CME's U.S.-listed products.

The April 2014 launch of CME's European exchange—

which offers trading of foreign-exchange, energy and agriculture futures—was a signature initiative of former CME Group Chief Executive Phupinder Gill, who unexpectedly retired late last year. He was succeeded by longtime Chairman Terry Duffy, who added the CEO title upon Mr. Gill's exit.

Since taking the CEO job, Mr. Duffy has stressed a focus on businesses that add to CME's bottom line over long-term initiatives that may take years to turn a profit.

European clients traded an average of 2.6 million contracts a day across all of CME's exchanges last year, compared with average daily volume of 15.6 million from customers world-wide, according to CME. The U.S. exchange company said it has seen an increasing share of trading activity during European and Asian trading hours in recent quarters.

CME Clearing Europe, launched in 2011, was a bid to grab market share in the unglamorous but important business of derivatives clearing, standing in the middle of two companies entering a trade to help protect both from default.

The financial crisis prompted regulators around the world to force more trades to be cleared, a boon to exchange operators such as London Stock Exchange Group PLC and ICE with big clearing arms.

But CME's European clearing business never made much of a splash. As of Dec. 31, it held \$134 million in member funds required for derivatives trades, compared with \$147 billion for LSE's clearing subsidiary, \$47.3 billion for ICE's European division and \$37.8 billion for Deutsche Börse, according to Clarus Financial Technology, a London-based data vendor and research firm.



The drop in OPEC's output was largely driven by lower production in the United Arab Emirates and Venezuela. Above, a refinery in Iraq.

OPEC Output Falls Further

Members tightened compliance with agreed-upon cuts in March, group says

BY BENOIT FAUCON

OPEC said its output kept falling in March as members tightened compliance to agreed-upon cuts. It added, though, that U.S. producers were enjoying a revival thanks to higher oil prices.

The 13-member Organization of the Petroleum Exporting Countries committed last year to cut about 1.2 million barrels of oil a day to bring a vast global oversupply of crude back in line with demand and raise petroleum prices.

The agreement helped raise oil prices about 20% after it was announced Nov. 30. Russia and 10 other non-OPEC producers also pledged to trim a

further 558,000 barrels a day.

In its closely watched monthly oil report, OPEC said Wednesday that its production decreased by 153,000 barrels a day to an average of 31.93 million barrels a day. The group uses independent observers—such as analysts and shipping trackers—to assess its output.

The decrease was largely driven by lower production in the United Arab Emirates and Venezuela, by 33,000 barrels a day and 26,000 barrels a day, respectively.

Three OPEC members exempted from the cuts also experienced production losses. Libyan production fell in March by 61,000 barrels a day after its largest oil field, Sharara, was blocked by guards over wage arrears.

Nigeria, whose fields are producing less due to maintenance and sabotage, saw its output fall 30,000 barrels a day.

Iran, which is struggling to

sell its oil due to U.S. banking sanctions, lost 29,000 barrels a day.

Saudi Arabia, which has carried the brunt of the effort, increased its production by 42,000 barrels a day, according to the independent observers used by OPEC.

Saudi output remains below its quota of about 10 million barrels a day. Saudi Arabia is set to support an extension of the production cuts when OPEC next meets May 25, people familiar with the matter said this week.

The group is still pondering how to deal with rising U.S. production, which is filling the vacuum left by its output curbs.

In its monthly report, OPEC raised its U.S. supply growth forecast by 200,000 barrels a day for 2017.

"The number of drilling rigs and the reactivation of companies' spending are the two most important factors lead-

ing to an expected output surge in the coming months," it said. It cited a year-over-year rise in drilling rigs by 374 units, to 824 rigs in the week of March 31.

Some OPEC officials have expressed concerns over the commitment of Russia—the biggest non-OPEC participant in the production cuts—to pursue the effort.

Russia is holding consultations with local companies to decide if it will renew its pledge to cut production in May, one OPEC official said.

The OPEC report said Russia only carried cuts of 130,000 barrels a day in March, compared with a pledged 300,000 barrels a day.

It also reversed its forecast for annual Russian production to increase by 40,000 barrels a day from a previously expected contraction of 20,000 barrels a day in 2017, following the startup of three new projects.

Dollar Falls as Trump Says It Is Too Strong

BY CHELSEY DULANEY

The dollar slumped late Wednesday after President Donald Trump said the dollar was "getting too strong," the latest blow to investors betting that Trump administration policy changes would boost economic growth and strengthen the currency.

The dollar fell as much as 0.5% in late New York trading after Mr. Trump told The Wall Street Journal in an interview that he favored a weaker currency and a low interest-rate policy. Lower rates tend to be associated with weaker currencies, as global investors seek higher-yielding alternatives.

The comments were the latest development for investors

struggling to predict the administration's path on economic and financial matters. In the interview, Mr. Trump left open the possibility of nominating Federal Reserve Chairwoman Janet Yellen for another term and expressed support for the U.S. Export-Import Bank, two targets of his criticism during the campaign.

As a candidate, Mr. Trump had said he would "most likely" not appoint Mrs. Yellen to another term. But when asked Wednesday if she was "toast" when her term ends in 2018, Mr. Trump said, "No, not toast."

"Our dollar is getting too strong, and partially that's my fault because people have confidence in me," Mr. Trump

Hedge funds and other speculative investors have

pared bullish dollar positions to a net \$16 billion, compared with \$26 billion at the start of the year, according to Commodity Futures Trading Commission data.

The WSJ Dollar Index, which measures the U.S. currency against 16 others, fell 0.5% to 90.03.

U.S. stocks fell Wednesday, dragged lower by bank shares a day before Citigroup and J.P. Morgan Chase kick off earnings-reporting season. The Dow Jones Industrial Average declined 59.44 points, or 0.3%, to 20591.86, while the S&P 500 shed 8.85 points, or 0.4%, to 2344.93. The Nasdaq Composite lost 30.61 points, or 0.5%, to 5836.16.

The dollar fell 0.5% against the yen in New York and fell further early Thursday during Asian trading. Japan's Nikkei was down 1% early Thursday. A strong yen hurts the exporters that comprise a major part of the Nikkei average.

AUCTION RESULTS

Here are the results of Wednesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

29-YEAR, 10-MONTH BONDS

Applications	\$26,811,570,100
Accepted bids	\$12,098,641,600
"noncompetitively	\$7,259,000
"foreign noncompetitively	\$0
Auction price (rate)	101.221385 (2.938%)
Interest rate	3.000%
Bids at clearing yield accepted	27.01%
Cusip number	912810RV2
The bonds, dated April 17, 2017, mature on Feb. 15, 2047.	

Saudis Sell \$9 Billion In Islamic Bond Offer

Saudi Arabia has raised \$9 billion in its first international sale of Islamic bonds, or sukuk, people familiar with the

By Carolyn Cui
in New York and
Nikhil Lohade in Dubai

transaction said, as the kingdom rolls out an ambitious plan to reshape its economy.

The Saudi bonds will be split equally between five- and 10-year portions after bankers received orders in total exceeding \$33 billion, according to bankers and investors on Wednesday. The Saudi government was able to issue more than the \$8 billion it had planned to sell, and yields were lower than initial guidance.

The five-year notes were sold at 2.93%, and the 10-year notes were sold at 3.65%.

Saudi Arabia, like other energy-exporting countries in the Middle East, is raising money to support its finances as income from oil sales declines. It cut spending and subsidies to rein in its budget deficit, which had ballooned to a record \$98 billion in 2015 but shrank last year to about \$79 billion as those austerity measures took effect. Saudi Arabia expects to run a deficit of about \$53 billion in 2017 and hopes to balance its finances by 2020, its Finance Ministry said in December.

"The sukuk should cover about one-fifth of the expected fiscal deficit," according to investors who reviewed the prospects.

Saudi Arabia issued bonds valued at \$17.5 billion in 2016, tapping for the first time the international markets in the largest-ever debt sale by a developing country, and has said it would continue to tap the markets for its financing needs as it works to diversify its economy.

Saudi Arabia's \$9 billion bond sale also set the record for this year's emerging-market debt issuance, topping Kuwait's \$8 billion deal in March.

AHEAD OF THE TAPE | Steven Russolillo

Inflation Returns to Economic Sweet Spot

Good news: Inflation just topped a key milestone. Even better news: It doesn't look poised to zoom much higher from here.

Consumer inflation in February jumped above the Federal Reserve's 2% annual target for the first time in nearly five years, according to the central bank's preferred personal-consumption expenditures price index. Two additional inflation readings this week should tell a similar story.

Economists surveyed by The Wall Street Journal expect readings on March producer and consumer prices, due Thursday and Friday, respectively, will remain unchanged from elevated levels a month earlier. Producer prices in February notched their biggest year-over-year advance since 2012. Consumer prices are also coming off their biggest increase in more than three years.

Firming prices are a big change from the past few years when inflation stayed stubbornly low. The increase hasn't been enough to get

ANDY HUFFAKER/AF/GETTY IMAGES



Producer prices in February logged their biggest gain since 2012. Harvesting celery in California.

the market, consumers or the Fed worried about a serious bout of inflation. Inflation expectations are important because when people perceive inflation is headed higher, they tend to increase spending ahead of the price increases. That can drive actual inflation higher.

As Adam Slater of Oxford Economics puts it, one of the key factors driving expecta-

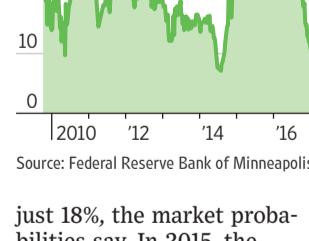
tions higher isn't the fact that prices are soaring, but that people have stopped worrying so much about deflation. The chances of inflation falling below 1% on average over the next five years have fallen to just 12%, near the lowest levels over the past decade, according to market-based probabilities analyzed by the Federal Reserve Bank of Minneapolis.

The chances were as high as 40% in February 2016. "Markets were pricing a very high risk of something close to Japanese-style deflation in the U.S. a year ago," Mr. Slater said.

Conversely, inflation isn't expected to surge much higher from current levels either. Chances of inflation jumping to 3% on average over the next five years are

Deflated

Chances of inflation averaging less than 1% over the next five years



Source: Federal Reserve Bank of Minneapolis

just 18%, the market probabilities say. In 2015, the chance of inflation hitting 3% was in the single digits by that measure. "There is not much evidence of long-term inflation expectations becoming unanchored," Mr. Slater said.

That is also evident in the bond market. Yields on 10-year Treasurys fell below 2.3% on Tuesday, their lowest close in more than four months. Higher inflation would lead investors to push up bond yields.

For now at least, inflation appears to be in the sweet spot for both the Fed and financial markets.

MARKETS

France Is Troubling, but Beware of Italy

Country is beset by weak growth, struggling banks and high public debt

By CHRISTOPHER WHITTALL
AND RIVA GOLD

Investors' next political test is the French election, but many are zeroing in on a different European risk for global markets: Italy.

French bonds and shares sold off this week as investors focused again on the country's presidential election, a two-round vote that begins on April 23 and has triggered concerns of a win for anti-euro candidate Marine Le Pen.

Italian bonds also came under pressure and continued to weaken on Wednesday, even as French debt rallied. Those moves came as investors looked beyond France's election to the problems of Italy, the third-largest economy in the eurozone.

Investors say those problems form a worrying list: weak growth, banks with bad loans and sky-high public debt. Italian bonds have been supported by the European Central Bank's bond-buying program, but many analysts expect that will be scaled back next year.

Indeed, many investors believe that should Ms. Le Pen win, Italian markets could be the biggest casualty.

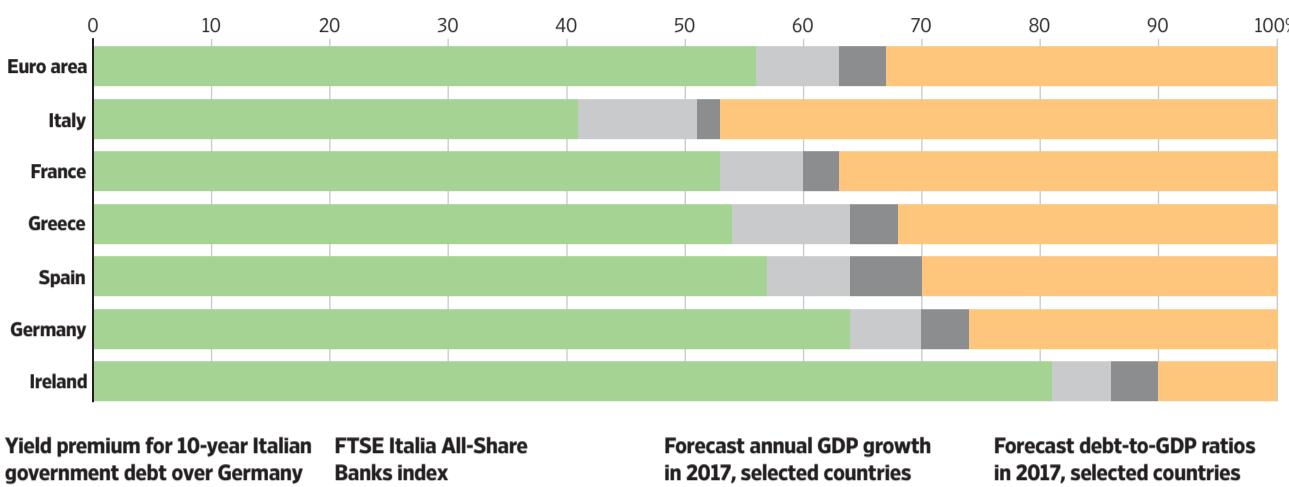
"If Le Pen gets in, I think Italian spreads would balloon in anticipation of a breakup of the euro," said Paul Griffiths, chief investment officer of fixed income and multiasset at First State Investments. Mr. Griffiths is avoiding Italian banks and keeping a light exposure to Europe as a whole.

To be sure, most investors, including Mr. Griffiths, believe that Ms. Le Pen will lose in the second round of voting as the electorate rallies round a rival candidate. Should she win,

Southern Risks

Some investors are concerned about the risks posed by Italy, where a euroskeptic party is riding high in the polls, the banking system is fragile, economic growth is low and the public debt burden is large.

Do you think that having the euro is a good or a bad thing for your country?*



Yield premium for 10-year Italian government debt over Germany



*Selected countries

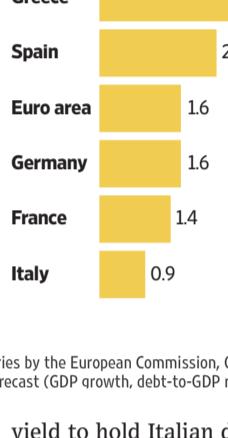
Sources: Eurobarometer phone survey of some 17,500 respondents across the 19 euro-area countries by the European Commission, Oct. 17–18, 2016; Factweb (yield premium); FactSet (bank index); European Commission Winter 2017 Economic Forecast (GDP growth, debt-to-GDP ratio)

FTSE Italia All-Share Banks index

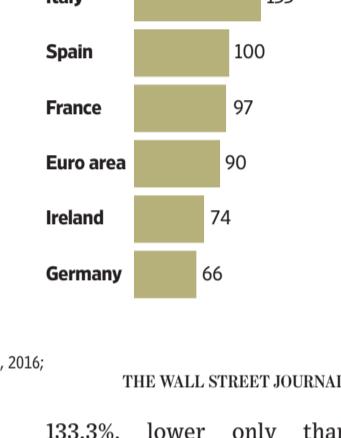


2.5 percentage points

Forecast annual GDP growth in 2017, selected countries



Forecast debt-to-GDP ratios in 2017, selected countries



THE WALL STREET JOURNAL.

The extra yield that investors demand to hold 10-year Italian government debt over haven German bonds has almost doubled since last April to around 2.1 percentage points. That is the widest this spread has been since early 2014. Italian 10-year bonds used to yield around 0.2 percentage point less than the debt of Spain, another recent European struggler, according to Tradeweb. On Wednesday, investors demanded around 0.6 percentage point more

yield to hold Italian debt.

"Italy is standing out as the weak link in the chain, with longstanding economic issues combined with political stalemate," said James Athey, a senior portfolio manager at Aberdeen Asset Management.

The European Commission estimates the country's gross domestic product will grow by 0.9% in 2017, the lowest rate of any member of the European Union. Italy's public debt to GDP ratio is projected to be

133.3%, lower only than Greece's among EU members.

The slow pace of structural government reforms, along with low productivity, has held back growth for years, economists say. Former Prime Minister Matteo Renzi resigned in December after Italians voted in a referendum to reject measures aimed at boosting the government's ability to pass reforms.

Like France, Italy also has its own populist political chal-

lenge. Polls indicate the euroskeptic 5 Star Movement would win a large chunk of the vote at Italian parliamentary elections likely to be held either later this year or in 2018.

Only 41% of Italians think the euro is "a good thing," according to a survey released by the European Commission last December, a decline of eight percentage points from the previous year. That compares with 53% in France.

"You have a much more fractured political makeup than other countries, much lower satisfaction with the euro [and] mainstream parties who are overtly euroskeptic," said John Stopford, head of multiasset income at Investec Asset Management.

Many investors believe Italy has been the biggest beneficiary of the ECB's stimulus policies. At the height of the eurozone's debt crisis in 2011, yields on Italian 10-year bonds spiked above 7%. ECB President Mario Draghi pledged to do "whatever it takes" to hold the bloc together and Italian yields fell as low as just above 1% last August.

Italian bonds continue to be supported by the central bank's massive bond-buying program. But with economic recovery in the wider eurozone gaining traction, many analysts believe the central bank will signal later this year it is time to start ending its stimulus program.

There are some positives for Italy: A gauge of the country's manufacturing sector climbed in March to a six-year high. Investors also have been going easier on the country's battered banks, not least after Italy's largest lender, UniCredit SpA, raised €7.5 billion (\$7.95 billion) from a rights issue in January. The FTSE Italia All-Share Banks index is up 0.9% this year, according to FactSet.

But this month, that index has already fallen 5.7%, underscoring investors are again growing nervous about Italy.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Consumer Engines at Risk of Over-Revolving

Helping Hand

Quarterly net new consumer credit as a share of household spending



Sources: U.S. Federal Reserve, Commerce Department (U.S.); European Central Bank, Eurostat (eurozone); Bank of England, U.K. Office of National Statistics (U.K.)
Photo: Patrick T. Fallon/Bloomberg News



counterintuitive. No doubt growth in total lending including mortgages helps overall household spending. But the statistical link between growth rates of lending and spending is muted.

Potential explanations include the fact that it is less scary to keep spending your income and default on unsecured consumer debt, or even on a car loan, than it is

to risk losing your home by not paying your mortgage. However, that logic crumbled with many U.S. subprime borrowers during the financial crisis. Another explanation is that new consumer loans account for a small portion of total household spending.

In the Bank of England's view this means that changes in consumer credit probably

don't matter much for changes in consumption. But there are potential problems with this.

Credit flows as a share of spending have been increasing since the financial crisis, dramatically so in the U.S. and the U.K. That suggests the role of lending in supporting consumption has grown. In the U.S., excluding mortgages, the new-loan

share of spending is higher now than before the crisis.

Also, consumer credit is more important for people on lower incomes and for younger people who don't own houses or other assets that have gained value from years of ultraloose monetary policies.

Lastly, when borrowers default on consumer debts, the losses for banks can be worse than for mortgages. For example, in last year's stress test, consumer credit losses for U.K. banks were more than 1.5 times mortgage losses.

That could hit wider loan supply, though stress tests are designed to avoid that outcome.

Consumer credit might seem like a small part of U.S. and European recoveries, but if the recent growth goes bad, it will have a big effect on some sections of society and on bank profits.

And that could have knock-on effects for everyone else.

—Paul J. Davies

Broadcom's Test of Faith On Toshiba

Broadcom's deal-making prowess has won it a high level of devotion on Wall Street. The company's apparent interest in Toshiba's memory-chip business may be testing that faith.

The chip maker has said nothing publicly about its reported bid, in partnership with Silver Lake, of around \$18 billion.

A report by Reuters Wednesday said Broadcom has emerged as one of four finalists for Toshiba's memory business.

Still, Broadcom's shareholders are concerned. The stock fell more than 3% Wednesday afternoon and is down nearly 5% since Broadcom's interest in the deal was reported late last month.

That is understandable. Broadcom's canny use of M&A has effectively diversified its communications-chip offerings while boosting earnings and cash flow. Free cash flow surged 56% to about \$2.7 billion in the most recent fiscal year ended October, and analysts see that doubling this year to more than \$5.5 billion.

Buying Toshiba's memory-chip business seems outside that playbook. Flash memory is still largely a commodity business given to sharp price swings, though with few large players. Staying competitive requires high levels of capital spending.

In a recent report, Morgan Stanley semiconductor analysts noted that in markets like these, "we see less opportunities for Broadcom to add value." Broadcom's strong track record argues for giving it some benefit of the doubt here, but it will need to make its case—and soon.

—Dan Gallagher

Microsoft Mines More Out of 'Minecraft'

With "Minecraft," Microsoft is learning that popularity doesn't always pay.

When the software giant bought the maker of the popular videogame for \$2.5 billion in 2014, there was already fears that "Minecraft" was at its peak. The blocky, low-resolution world builder already had amassed a base of more than 100 million users in three years.

But those fears proved unfounded, as at least 22 million more registered users have been added to the rolls since.

About 55 million users are playing the game at least once a month, which is up 38% from the monthly active users reported by the game's creator in June 2016. But

one particular challenge with "Minecraft" is that more activity doesn't always mean more business—especially when much of the core base comprises preteens with no income.

Microsoft doesn't disclose the game's finances. According to SuperData, "Minecraft" generated about \$228 million in digital revenue last year across PC, console and mobile platforms. That is down 14% from the year before. Retail sales of the console version of the game have slipped as well. "Minecraft" ranked