

THE WALL STREET JOURNAL.

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What's News

Business & Finance

GM said it has stopped operating in Venezuela following the expropriation of its auto assembly plant Wednesday. A1

◆ The U.S. launched a probe into whether steel imports posed a national security threat, a move that could lead to new tariffs. A1

◆ Unilever and Nestlé reported first-quarter sales that were weighed down by cautious spending in the U.S. and Western Europe. B1

◆ Prices for gold, Japanese yen and other haven assets are climbing as investors seek cover from risk. B1

◆ The U.K. government sold Green Investment Bank for \$2.94 billion to a Macquarie-led group. B5

◆ BMW's pretax profit rose 27%, driven by sales of its new 5-Series sedan and strong results in China. B3

◆ Verizon posted its first-ever quarterly net loss of wireless subscribers, hurt by T-Mobile and Sprint. B4

◆ An Abu Dhabi sovereign wealth fund agreed to invest money for French private-equity firm Ardian. B5

◆ Ocwen was sued by regulators in the U.S., alleging the mortgage-servicing firm botched basic services. B5

◆ Arconic's ousted CEO had sent a letter with a vague threat to the hedge-fund leader who opposed him. B3

◆ OPEC is likely to extend production cuts into the second half, Saudi Arabia's energy minister said. B8

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◆ A gunman opened fire on Paris's Champs-Élysées, killing a police officer in an assault. Prosecutors were investigating as a possible terror attack, just days before French voters head to the polls for the start of presidential elections. A3

◆ Le Pen has been boosted by industrial workers. Polls show the National Front leader running neck-and-neck with rival Macron in France's presidential race. A1

◆ Pakistan's high court ordered a corruption probe of Prime Minister Sharif over allegations from the Panama Papers leak. A4

◆ The White House is softening its stance toward the IMF and World Bank, as central bankers and finance minister meet in Washington. A5

◆ The defense secretary is considering more U.S. military support for Saudi Arabia's fight against Houthi rebels in Yemen. A3

◆ Immigration officers in the U.S. aren't sufficiently tracking undocumented immigrants awaiting deportation, a report found. A5

◆ The White House plans to release its tax-overhaul proposal "very soon," the Treasury secretary said. A5

◆ Australia plans to test citizenship applicants on their acceptance of the country's culture in a crackdown on immigration. A4

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Deadly Attack in Paris Days Ahead of Presidential Elections



ON THE SCENE: A gunman opened fire on the Champs-Élysées, killing a police officer in an incident that authorities were investigating as a possible terror attack. The gunman was killed when police returned fire; a second officer was severely wounded, authorities said. A3

U.S. Probes Steel Imports

White House launches investigation into whether foreign metal is a threat to security

WASHINGTON—The Trump administration said it had launched an investigation into whether steel imports posed a national security threat, a probe that could lead to new tariffs against China and other manufacturers.

"One steel mill after another has been shut down, abandoned and closed," President Donald Trump said at a

White House event Thursday held to highlight the probe, which he vowed to complete within two months.

"Steel is critical to both our economy and our military," he added, surrounded by more than a dozen top executives from U.S. steel companies, and the head of the steelworkers union. "This is not an area where we can afford to become dependent on foreign countries."

While the U.S. president has broad powers to invoke na-

tional security to limit imports, American leaders have rarely done so in recent decades, particularly after the 1995 creation of the World Trade Organization, which has discouraged such unilateral actions.

Commerce Secretary Wilbur Ross, whose department will run the investigation, cited a recent increase in steel imports and a rise in Chinese steel overcapacity depressing global prices as reasons for the investigation, which is being launched under

By Jacob M. Schlesinger, Rebecca Ballhaus and William Mauldin

a little-used 1962 law that gives the U.S. government broad powers to curb imports without requiring the same detailed economic analysis tied to other more commonly used provisions.

Mr. Ross said the widely invoked laws aimed at preventing "dumping"—or foreign manufacturers selling products in the U.S. below production cost or sales prices at home—were too narrow and too "porous," easily skirted by

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GM Quits Venezuela Following Seizure Of Plant

BY ANATOLY KURMANAEV AND KEJAL VYAS

CARACAS, Venezuela—General Motors Co. became the latest multinational company to exit what used to be South America's most lucrative consumer market, following the seizure of its plant linked to a court case.

Venezuelan authorities on Wednesday unexpectedly took over GM's plant in the central Carabobo state, seizing production facilities and car stock, the company said in a statement. GM, the world's third-largest car maker, said it has been forced to lay off its 2,700 Venezuelan workers.

The Venezuelan government, which frequently blames big business for the country's economic crisis, hasn't commented on the move, which took place amid deadly nationwide antigovernment protests. The Information Ministry didn't respond to a request for comment.

GM said the seizure was triggered by a provincial court embargo in favor of a former local dealer who sued the company for about \$370 million in 2000 for alleged breach of conduct. GM denied any wrongdoing linked to the case, called the embargo "absurd" and said the demanded sum "exceeds all the logic."

The government party of Nicolás Maduro and predeces-

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◆ Venezuela's poor wait out unrest for now..... A3

Industry Downturn Lifts Le Pen Before French Vote

BY MATTHEW DALTON

AMIENS, France—President candidate Emmanuel Macron is one of this industrial city's most famous natives. But when Whirlpool Corp. said it would shut its factory here and move production to Poland, it was one of his rivals, far-right nationalist Marine Le Pen, who grabbed the spotlight.

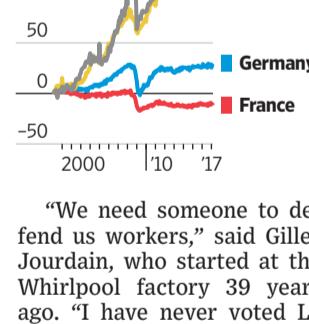
Ms. Le Pen excoriated the American appliance maker and pledged a 35% tax on imports from Whirlpool and other companies that shift manufacturing outside France. "We can no longer accept this massive deindustrialization," she said in a video message to workers.

With days to go before the start of France's presidential elections, Ms. Le Pen's anti-establishment and euroskeptic message is resonating with voters here and in other struggling industrial cities, where years of declining fortunes have fueled deep anger with the country's political elite and the European Union.

Factory Bloc

Marine Le Pen's message of economic protectionism resonates among workers, who have seen French industry lose ground to Germany and Eastern Europe.

Cumulative change in industrial production indexes



Support among factory workers in the first round of elections

Marine Le Pen

48%

Jean-Luc Mélenchon

20%

Emmanuel Macron

16%

François Fillon

7%

Sources: Eurostat (industrial production); Elabe (April 17 polls)

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WORLD NEWS

In Israel, a Serious Rival to Netanyahu Emerges



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

TEL AVIV—The man predicted to win Israeli elections if they were held today picks a seemingly contradictory way of describing himself: "an extreme moderate."

Once dismissed as a passing fad, Yair Lapid, a 53-year-old former TV anchor, has emerged as the most serious political rival to Prime Minister Benjamin Netanyahu. And he has done so by trying to dispense with the traditional left-right divide of Israeli politics, adopting instead the vague but resonating language of "sanity" and "responsibility."

"In a country as complicated and threatened as Israel, the need is for responsible leadership, not the inflammatory leadership," Mr. Lapid said in an interview. "The core idea of being a centrist is to understand that reality is complex and that there are no one-dimensional solutions to multidimensional problems."

His strategy seems to be working. Almost all recent polls show Mr. Lapid's Yesh Atid (There is a



Yair Lapid with supporters in 2015 in Tel Aviv. Mr. Lapid has staked out the political center, likening himself to France's Emmanuel Macron.

GIL COHEN-MAGEN/AGENCE FRANCE PRESSE/GETTY IMAGES

Future) party, established in 2012, would come out as the largest faction in the Knesset, or parliament, if an election were held today—and therefore get the opportunity to form a governing coalition. Yesh Atid would nearly triple its current number of seats, according to these polls.

A minister of finance under Mr. Netanyahu in 2013-14, Mr. Lapid is currently in opposition, but his plan would be to turn to Mr. Netanyahu's Likud party among others to form a government.

His party's rapid rise in the polls is a key reason why the right-wing coalition led by Mr. Netanyahu—who has

called two early elections since 2012—is still holding together.

Israel's minister of public security and strategic affairs Gilad Erdan, a senior member of Likud, said he doubted an election would be held anytime before November 2018 under these circumstances. "No part of the coalition has an interest to go to an election. The only one who can expect better results is Yair Lapid—and why should we help him?" Mr. Erdan quipped.

Continuing disagreements between members of the coalition and the continuing police investigation of alleged corruption by Mr. Netanyahu may accelerate that

schedule, however.

In staking out the political center, Mr. Lapid has compared himself to a fellow former finance minister, Emmanuel Macron—the expected front-runner in Sunday's presidential election in France. The Israeli politician describes his candidacy as part of a new, moderate backlash against the populist wave he says was evidenced by Brexit and Donald Trump's election in the U.S.

Israeli politics are fragmented, and even if Mr. Lapid's party comes in first in the next election, it's unlikely to garner much more than a quarter of all Knesset seats—the current amount

held by Likud—and won't find it easy to assemble a ruling coalition.

The first thing he would do in that case, Mr. Lapid said, would be to offer a joint government with Likud and with Israel's historic center-left, the Zionist Union, which—like France's Socialists and Britain's Labour Party—has been hemorrhaging support of late.

Mr. Lapid's critics on both the left and the right say that he is deliberately fudging his positions on key issues so as to broaden his electoral appeal—a criticism also levied against Mr. Macron in France.

"Yair Lapid doesn't have an ideological backbone. He is a populist who reads opinion polls of what the public wants and that is what he chooses to do," said Aymen Odeh, the leader of the Arab parties' bloc in the Knesset.

Stav Shaffir, a lawmaker from the Zionist Union, was more charitable.

"I know that Yair Lapid is on our side when it comes to the most important values we hold. I know there is no difference between the things that he believes in and I believe in," she said. "But he is running a political campaign based on not saying anything."

Mr. Lapid dismissed such criticisms as unfair. In the interview, he outlined his views of how the Israeli-Palestinian conflict should be settled through the eventual, and conditional, establishment of a Palestinian state.

"We do not buy into the liberal version that says all we have to do is lay down our arms, hug the Palestinians, and it will all be nice and dandy. This is not going to happen because we've tried," Mr. Lapid explained.

"And I do not buy into the other side of it, which says we are capable in the long term to control 2.9 million Palestinians in the West Bank. I am for the two-state solution. But my No. 1 goal is not justice for all. It is security for my people."

While Mr. Lapid insisted that East Jerusalem and the major Jewish settlement blocs in the West Bank should remain under Israeli control, he signaled an openness to withdrawing other settlements.

Evacuating Syrians Wait at Rebel-Held Transit Point



IN LIMBO: A Syrian girl skipping rope was one of hundreds of people stuck in Rashidin on Thursday.

GM

Continued from Page One
sor Hugo Chávez has nationalized more than 1,400 companies and private assets since taking power in 1999, according to industry group Conindustria. The vast bulk of the seized companies have since closed, contributing to an unprecedented economic crisis rocking the country.

News of the closure of what was once the pride of Venezuela's manufacturing caused more indignation on the streets of eastern Caracas, where thousands of antigovernment demonstrators gathered Thursday for the latest in a series of protests calling for an end to 18 years of Socialist Party rule.

"This expropriation will just make everything worse," said 71-year-old protester Raul Guevara.

The company's decision to immediately quit the country following the court embargo shows just how big a liability Venezuela's collapsing economy has become for the few multinational firms still operating here.

GM's Venezuelan plant hasn't produced any cars since 2015, according to the local car industry association Cavenez.

Company managers in Venezuela said they haven't been able to obtain hard currency to import parts through the country's labyrinthine currency controls for years. Ven-

ezuela's tight price controls also meant the company was forced to sell its cars for a fraction of production costs. Meanwhile, the company had to continue paying its 2,700 staff.

"These companies are characterized by production done at a loss, a fall in production, a fall in investment," said Richard Obuchi, management professor at Caracas's IESA business school and author of a book on Venezuela's state controls.

"Products that should be produced aren't. It just doesn't happen."

The vast bulk of seized firms have closed, adding to Venezuela's economic crisis.

The seven private manufacturers that make up the Cavenez car manufacturers' association saw production fall by 84% in 2016. In the first two months of 2017 they produced just 240 vehicles in a country of almost 30 million people.

The resulting car shortage is a bitter irony in a country with the world's cheapest gasoline.

One U.S. dollar converted on the street fetches more than 100 gallons of fuel.

"You can't even enjoy the benefit," said Caracas protester Francisco Rodriguez, a 64-year-old industrial engineer.

GM follows foreign manufacturers from Clorox Co. to Kimberly-Clark Corp. that in recent years have halted production and walked away from their Venezuelan plants, after a government intervention.

Mr. Maduro has repeatedly said that every idled plant would be "recuperated by the Revolution."

In 2014, GM rival Ford Motor Co. wrote off \$1 billion of assets that it held in unconvertible Venezuelan currency. Ford's Venezuelan plant, which is now also idled, is no longer featured on its corporate balance sheet.

The corporate exodus from Venezuela is a striking reversal for an oil country that defined Latin American conspicuous consumption to the world through its lavish soap operas. Venezuela had the highest household consumption per capita in South America as recently as 2007, according to the World Bank. Today, a quarter of the population eats fewer than three meals a day, according to a recent survey by three major Venezuelan universities.

GM in recent years has taken steps to blunt the effects of the turmoil in its South American business, including hundreds of layoffs and production cuts that helped pare losses last year by 40% from a year earlier, to \$374 million.

Juan Forero in Caracas and Christina Rogers in Detroit contributed to this article.

U.S. Bid to Stem Imports Of Steel Faces Hurdles

BY BOB TITA

President Donald Trump's bid to stanch imports flowing into the U.S. steel market is fighting strong currents: domestic prices that are among the world's highest and a buoyant dollar that pushes down the cost of imports.

High labor costs have long pushed up the price of U.S. steel. Domestic producers increased prices further last year after new tariffs helped trim the share of imports in the U.S. steel market in 2016 for the first time in three years. Washington imposed those duties, up to 500%, on some steel products from competitors in China and other countries after U.S. steelmakers complained they were benefiting from unfair government subsidies and selling steel in the U.S. for less than it cost to make.

Meanwhile, the U.S. dollar's recent strength has made imported steel a bargain for domestic manufacturers and construction companies.

Wider duties on imports could encourage U.S. producers to further drive up their prices, complicating another of Mr. Trump's campaign pledges: to support U.S. manufacturers.

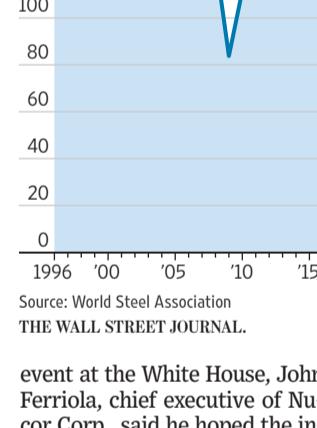
"For every steelworker, there are 60 workers in steel-using industries," said Lewis Leibowitz, a Washington attorney who has worked on trade cases involving steel in the past. "You need competitive steel prices for those industries to be competitive and to export."

The Trump administration on Thursday authorized a special investigation under the little-used 1962 Trade Expansion Act to consider emergency trade sanctions against foreign steelmakers on "national security" grounds.

Following a memo-signing

Steely Slide

North American crude steel production has trended downward for years.



Source: World Steel Association

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to the news. Nucor's shares were up 3.4% in midday trading Thursday, while shares of U.S. Steel and AK Steel Holding Corp. were up more than 7%.

The administration faces a tough road to argue, as the act dictates, that U.S. national defense is being undermined by steel imports, said Mr. Leibowitz.

"A tiny percentage of steel is used for military purposes," he said.

Keeping track of steel prices can be more complicated than watching the value of commodities such as iron ore or oil because of the wide variety of steel produced for specific uses. Some types of specialized steel aren't made in the U.S.

And even within the U.S. steel industry, many of the biggest producers are global companies with sprawling operations that could be affected by new trade sanctions. ArcelorMittal SA, which is headquartered in Luxembourg, is one of the largest producers of steel in the U.S. but supplies some of its mills in the U.S. with partially finished products imported from its mills in Mexico or Brazil.

"Steel is a global industry," said Adam Green, an analyst for market consultant World Steel Dynamics. "There are a lot of relationships between U.S. steel companies and steelmakers around the world."

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The coming election in Nebraska for mayor of Omaha is set for May 9. A U.S. News article on Thursday about the Democratic Party incorrectly said the election is May 14.

Of the \$8.3 million Georgia Democrat Jon Ossoff raised during the first quarter for his congressional campaign, only \$2.6 million

needed to be itemized in Federal Election Commission disclosure reports, which detail donations of more than \$200 each; 97% of the funds identified in the FEC filings came from outside Georgia. A Page One article and chart on April 12 about out-of-state efforts in special elections didn't make clear that the FEC tracks only a portion of campaign contributions.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com.

WORLD NEWS

BRUSSELS BEAT | By Stephen Fidler

If Brexit Is Messy, 'Frexit' Would Be Chaos

 If you thought Brexit had a complicated plot line, you should see the screenplay for Frexit. Two leading candidates in the French presidential election, the first round of which will be held on Sunday, have talked of leaving the European Union.

Marine Le Pen, the right-wing National Front candidate, and Jean-Luc Mélenchon from the left have both proposed returning responsibilities to Paris from the EU power centers of Brussels and Frankfurt. Their proposals could, via different routes, take France out of the euro and, like Britain, out of the EU.

Their opponents have attacked their ideas. In a presidential debate last month, center-right candidate François Fillon called leaving the euro a recipe for economic and social chaos that would "ruin borrowers and savers."

Ms. Le Pen retorted: "That's what's called 'Project Fear' that was used before Brexit and before Donald Trump's election." The British economy was still doing well after voters decided last June to exit from the EU, and

the U.K. unemployment rate is half of France's, she said.

But the political obstacles to exiting are far more complicated for France than for Britain. And the potential financial and economic repercussions for France are way more formidable.

The big difference is the euro. For any eurozone country, leaving the euro is "very complicated, challenging and disruptive," said Nicolas Véron, a senior fellow at Bruegel, a Brussels think tank. "Compared to Brexit, it's in an entirely different league."

The politics of embarking on Brexit was simple. Once a referendum was called, it needed just more than 50% of Britons to vote for it.

For France, the route is convoluted. A pro-Frexit presidential candidate would need to emerge victorious after two rounds of voting. Then, after parliamentary elections in June, he or she would require support from the National Assembly—highly unlikely, especially for Ms. Le Pen.

Ms. Le Pen has become less dogmatic over the euro. She has pledged negotiations to return sovereignty to France. After six months of talks, she has said, she would put the outcome of the talks to a referendum. If

she meets her goals, she would recommend staying in the EU under the new conditions. If not, she would call for a vote to leave. If people vote to stay nonetheless, she would quit.

The probability of this sequence of events resulting in Brexit is "certainly less than 1%," said Mr. Véron.

Even if those obstacles could be surmounted, it is highly unlikely the next president would take the country



MARINE LE PEN/ZUMA PRESS

Marine Le Pen is one of the top French candidates who have raised the prospect of an exit from the EU.

out of the euro. Greek Prime Minister Alexis Tsipras retreated from the threat, despite an unrelenting recession.

A government wanting to leave the euro would confront a legal vacuum. There is a process to leave the EU that the U.K. has invoked, but no legal path foreseen out of the euro.

Economically, it would be more challenging for France than for the U.K. A higher proportion of French exports

go to the rest of the bloc than do Britain's and a re-emergence of customs barriers would likely require re-establishing hundreds of border posts.

Moreover, a French exit from the euro would call into question the existence of the common currency and the uncertainty would severely damage its main export markets.

The financial consequences are the most daunting. A return to the French

franc would instantly create potentially gigantic currency mismatches on the balance sheets of French banks and companies, creating a host of potential defaults.

French bank assets would significantly be in French francs, which would likely be devalued substantially after Frexit, but many of their liabilities would still be in euros or other foreign currencies that wouldn't weaken. And while loan contracts in French law would presumably be redenominated in French francs, those written in the law of other jurisdictions wouldn't.

At the micro level, millions of individual loan contracts in non-French law would likely be defaulted on or become the subject of litigation. With this going on, many people would pull their deposits from French banks.

It's hard to see an outcome that wouldn't create chaos. As a result, leaving the euro would be tantamount to "political suicide" for any leader, Mr. Véron said.

Investors may worry about Ms. Le Pen's or Mr. Mélenchon's economic policies, but Frexit seems a remote prospect indeed.

—Will Horobin in Paris contributed to this article.

Venezuela's Poor Sit Out Unrest for Now

BY ANATOLY KURMANAEV
AND KEJAL VYAS

CARACAS, Venezuela—President Nicolás Maduro has lost support among the legions of poor Venezuelans who once backed the late Hugo Chávez, but they have largely shown little interest in joining the opposition-led protests that have convulsed the country the past three weeks.

Many impoverished residents of the slums that ring Caracas and other major cities are angry about a collapsing economy and food shortages. But Venezuela's political unrest remains mostly confined to middle-class enclaves, underscoring the struggle the opposition here faces in trying to unseat an increasingly authoritarian government.

"All I have is hunger—I don't care if the people protest or not," said laborer Alfonzo Molero in a slum in Venezuela's second-largest city, Maracaibo. "With what strength will I protest if my stomach is empty since yesterday?"

Until the slums rise up, Mr. Maduro will likely hang on, analysts say. "The discontent in the poor sectors is not being channeled through the opposition," said Alejandro Velasco, a history professor at New York University and the author of a book on Venezuelan slums.

In three weeks of unrest, seven protesters have been killed and hundreds have been jailed. The government has used tactics such as lobbing tear gas from helicopters to



Venezuelan Rebeca León, who scavenges for food in the streets of Caracas, at home in the city's Petare shantytown in February.

disperse opposition crowds, efforts aided by pro-government gangs often armed with weapons and clubs.

Many slum residents in Caracas and across Venezuela, however, say they are only vaguely aware of the protests and too busy trying to survive to worry about changing the government. More than four in five Venezuelans say they have no idea when and where the protests even take place.

sic needs, and three-quarters say they have lost an average of 19 pounds of weight last year, according to the Encovi survey by Venezuela's top three universities.

The government's tight control over mainstream media means many poorer Venezuelans without smartphones or internet access say they have no idea when and where the protests even take place.

Some say they are intimidated by pro-government militias who scour the slums for signs of dissent. Others say they are afraid to lose the few food handouts the government still provides.

Almost two-thirds of Venezuela's poor, as defined by a variety of socioeconomic factors, want Mr. Maduro to leave, up from 40% when he took office in early 2013, ac-

cording to pollster Delphos.

Yet that growing disillusionment hasn't translated into organized protest, said pollster Luis Vicente León. Part of the reason, he added, is the opposition itself, whose predominantly upper-middle-class leaders have ignored the slums for years, believing they can oust Mr. Maduro by marching in opposition strongholds or triggering a coup.

WORLD WATCH

GERMANY

Schäuble Defends Trade Surpluses

Finance Minister Wolfgang Schäuble defended Germany's vast trade surpluses to a U.S. audience and called on world governments to stop relying on debt-fueled growth and easy money from central banks.

In two speeches in Washington, where global economic leaders are gathering for a series of semiannual meetings, Mr.

Schäuble blamed Germany's trade surpluses in part on the policies of the European Central Bank.

He urged governments to gradually reduce debt levels and move away from a reliance on credit-financed consumption.

"The ultra-loose monetary policy in place in many regions is not helpful," he added.

Germany has warned for years about the dangers of excessive leverage and prolonged central-bank stimulus programs. Berlin has also pushed back against pressure to loosen its purse strings to bolster Europe's economy.

—Tom Fairless

SAUDI ARABIA

U.S. Mulls More Help For Fight in Yemen

U.S. Defense Secretary Jim Mattis is considering more military support for Saudi Arabia's fight against Houthi rebels in Yemen in the hope of forcing the group into peace negotiations.

Mr. Mattis on Wednesday finished two days of meetings in Riyadh with the Saudi king and top officials. It is important for the U.S. to help reinforce Saudi Arabia's resistance to Iran's mischief," he said before meeting with his counterpart, Mohammed bin Salman. The U.S. believes Iran is backing the rebels.

The increased assistance could take the form of additional drones and other equipment for U.S. reconnaissance missions, as well as more support for refueling Saudi aircraft, U.S. officials said.

The Pentagon doesn't acknowledge having American troops assigned to Yemen but special forces operate in the country as advisers and to conduct missions.

—Gordon Lubold

FRANCE

Continued from Page One

that final round.

Whether she wins or not, the strength of Ms. Le Pen's following shows she has built a potent political force in rural and industrial areas to challenge the French establishment in the years ahead.

France's blue-collar regions are a major weak point for Mr. Macron and the country's other mainstream candidates. An April poll by survey firm Elabe found that in the election's first round, 48% of factory workers would vote for Ms. Le Pen, compared with 16% for Mr. Macron.

Around Amiens, factory jobs have been steadily draining away for years. In 2014, Good-year Tire & Rubber Co. closed up shop, idling more than 1,000 workers. Now, Whirlpool is moving on, too, to an EU country with lower wages.

Mr. Macron's response to France's economic woes has been a vocal defense of trade as well as the EU and its common market.

Mr. Macron says he wants to shake up France's rigid labor market, making it easier for companies to hire and fire workers, cut corporate taxes and invest in research and development to make manufacturers more competitive.

Ms. Le Pen's National Front has argued that only ditching the euro and going back to the French franc can revive French industry.

Mr. Macron has been reluctant to weigh in on the looming Whirlpool plant closure. In a television interview, he said:

MATHIEU FARCY FOR THE WALL STREET JOURNAL

"What will I do? I'll go in a truck and say, 'With me, it won't close.' We know that it's not true."

Mr. Macron also urged Whirlpool to find a buyer for the factory so the workers don't lose their jobs.

Philippe Theveniaud, a labor leader and local official, said if a mainstream candidate like Mr. Macron is elected and nothing is done to help workers in places like Amiens, Ms. Le Pen and the National Front will be even stronger in the next elections.



A Goodyear plant in Amiens, France, closed its doors in 2014.

Paris Is Shaken by Deadly Shooting

BY NICK KOSTOV
AND MATTHEW DALTON

PARIS—A gunman opened fire on the Champs-Élysées on Thursday, killing a police officer in an assault prosecutors were investigating as a possible terror attack, just days before French voters head to the polls for the start of presidential elections.

An Interior Ministry spokesman said the gunman was in a car that pulled alongside police patrolling the area. He then got out and began shooting with an automatic weapon, the spokesman said.

The gunman was killed when police returned fire, according to a police officer familiar with the matter.

"We can't exclude whether there's one or several accomplices," Pierre-Henry Brandet, the Interior Ministry spokesman said, adding that a second police officer was "severely

A gunman opened fire on the Champs-Élysées, killing a police officer.

wounded" in the attack.

A spokeswoman for antiterrorism prosecutors in Paris said they had opened an investigation into the assault.

The shooting unleashed pandemonium along the celebrated thoroughfare as police sealed off the area. Police helicopters hovered above, probing the area with searchlights. France's national police urged Parisians to avoid the surrounding neighborhood, saying an "intervention" was under way.

France 2, the state TV channel, briefly interrupted a live program in which the 11 presidential candidates were outlining their platforms to broadcast footage showing the Champs-Élysées in lockdown.

U.S. President Donald Trump offered his condolences to the city of Paris and speculated that terrorists were to blame. Speaking at a joint news conference in Washington with Italian Prime Minister Paolo Gentiloni, Mr. Trump called the attack a "terrible thing" and said, "It looks like another terrorist attack."

"What can you say? It just never ends," Mr. Trump said. "We have to be strong and we have to be vigilant."

—Rebecca Ballhaus contributed to this article.

WORLD NEWS

Corruption Probe Looms In Pakistan

By SAEED SHAH
AND QASIM NAUMAN

ISLAMABAD, Pakistan—The Supreme Court ordered a criminal investigation into Prime Minister Nawaz Sharif over corruption allegations arising from the April 2016 Panama Papers leak.

Thursday's 3-2 decision was actually a narrow escape for Mr. Sharif, as the two dissenting judges voted for his removal from office. Still, the court came down harder on the prime minister than analysts had expected.

The dissenters found Mr. Sharif had "not been honest" in his explanation of his family's ownership of property that the Panama Papers had revealed.

The court order, representing all the judges, lays out questions that "need to be answered" about the funds used to acquire the property.

The case, filed by the opposition, accuses the Sharif family of using money acquired through corruption to purchase upscale apartments in London. Both sides claimed victory, the prime minister's camp focusing on Mr. Sharif's remaining in office, the opposition saying he has lost all moral and political authority.

"The bottom line is that they're doing an investigation, which the prime minister has wanted all along," said Musadik Malik, Mr. Sharif's spokesman. "The verdict has not found the prime minister guilty."

The court ordered a 60-day investigation by a team including military-intelligence officers. The court said it would revisit the case once it has the investigators' report.

"History has been made today," said Imran Khan, an opposition leader who had brought the case. "I say to Nawaz Sharif, on behalf of the



Supporters of Pakistani Prime Minister Nawaz Sharif celebrated the Supreme Court's decision in Lahore on Thursday.

entire nation: Resign immediately. At least step down until the investigation is completed."

Mr. Sharif, who has been in politics since the 1980s, has consistently denied wrongdoing, saying the properties were bought using money generated by the family's decades-old businesses and belong to his son.

With opponents demanding Mr. Sharif's removal and further court action possible, the case could end a period of relative political stability and democratic rule in coup-prone Pakistan. The country had its first democratic transition in 2013—one elected government handing over power to another at the end of its time in office.

The Pakistan Stock Ex-

change's KSE-100 benchmark index closed up 2.4% on relief that the prime minister had survived.

The offshore-property controversy was sparked by a massive leak a year ago of documents from Panamanian law firm Mossack Fonseca & Co. published by the International Consortium of Investigative Journalists. The docu-

ments purport to show offshore accounts owned by individuals linked to top political figures in several countries, including Russia, China and the U.K. The Wall Street Journal hasn't independently verified the documents.

The leaked documents don't allege any wrongdoing, and owning an offshore company is legal in Pakistan.

Among Arabs, Diverging Views on Erdogan

By NOUR MALAS

ISTANBUL—Syrian merchant Bassel Fouad was once active in the opposition to his country's president, Bashar al-Assad, and sees him as a tyrant who destroyed Syria with his iron-fisted authoritarian rule.

Mr. Fouad, who now lives in southern Turkey, said he doesn't understand intensified concerns in his host nation over the growing power of President Recep Tayyip Erdogan in the wake of Sunday's constitutional referendum. He called Mr. Erdogan "a reformer who led his country forward."

His view reflects a paradox on Turkey among its Arab neighbors: Even as Mr. Erdogan's moves have raised concerns over the direction of Turkey's democracy, some still see him as a fair and strong Muslim leader in a region largely ruled by dynasties and resurgent autocrats.

The results of the referendum, in which Turks voted by a slim margin to concentrate more power in the presidency, were met with supportive nods



BANDAR ALGALOUD/Saudi Royal Court/REUTERS

Turkey's President Recep Tayyip Erdogan and King Salman of Saudi Arabia in Riyadh in February.

in corners of the Arab world, though the vote was marred by allegations of irregularities.

Some nods came from citizens of countries led by monarchs, stagnant governments or repressive regimes—a sign of how deeply split the Middle East is over ideas of reform and Islamist rule, and how relative

and fluid those notions can be.

"As long as the changes came through the ballot boxes, why all this fear?" said Mohammad Diab, a Syrian refugee in Germany. Mr. Diab said he believed the Turkish president "will lead an Islamic awakening in Turkey and the region."

Barakat Alshamrani, who

was visiting Istanbul from Saudi Arabia, said he realized Turkey was divided over Mr. Erdogan and whether to grant the president more power, but he shrugged off the debate.

"What we know is that he is a good, fair, popular Muslim leader," Mr. Alshamrani said.

To be sure, there is some

objection to Mr. Erdogan's moves. Among secular Arabs who once saw the Turkish leader as a moderating force, or those fearful of the growing clout of Islamists at home, Turkey now looks like an example of how the ballot box can help Islamists consolidate power in divided societies.

Antigovernment Syrians revere the Turkish president because he supported their rebellion, and many say they feel indebted to Turkey for hosting about three million Syrian refugees.

But Mr. Erdogan has for the past decade held special stature for many Arabs as the type of leader they wished for their own countries: a pious Muslim who modernized his nation and embraced democracy, on his own terms.

Arabs across countries and religious persuasions admired his strong positions against regional foe Israel and liked the way he appeared to stand up to the West.

—Nour Alakraa in Berlin contributed to this article.

Pyongyang Tensions Color Vote In South

By JONATHAN CHENG

SEOUL—Just weeks ago, Hong Joon-pyo, the flag-bearer for South Korea's embattled ruling party, was a rounding error in polls ahead of next month's presidential election.

But Mr. Hong has found new hope in escalating tensions with North Korea over its nuclear program, a development that has changed the dynamics of the South Korean race. His hard-line policies and his alignment with U.S. President Donald Trump's aggressive approach to Pyongyang have become increasingly attractive to South Korean voters.

Front-runner Moon Jae-in, who has pushed rapprochement with North Korea and more independence from the U.S., has suddenly found himself on the defensive as his electoral momentum slows.

Mr. Hong's gains, and the ascent of another candidate who has taken a tougher line on North Korea, Ahn Cheol-soo, reflect the sudden importance of national security in a vote that was widely expected to focus on domestic issues.

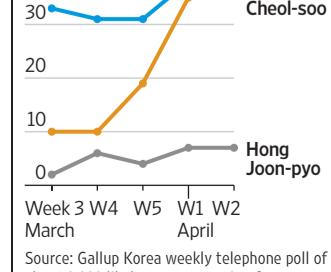
Mr. Hong, a pugnacious former prosecutor who was the provincial governor of impeached former President Park Geun-hye's southeast stronghold, supports the reintroduction of tactical nuclear weapons in South Korea. The U.S. pulled them out in 1991.

He has described electing Mr. Moon, of the left-leaning Democratic Party, as tantamount to giving North Korean leader Kim Jong Un control over South Korea's policy toward Pyongyang. Mr. Moon, he said, is "anti-U.S. and pro-North Korea."

"This election was supposed to be the impeachment election, but the frame has changed," Mr. Hong told The Wall Street Journal in his first interview with a Western media outlet as a candidate. "National security is what the South Korean people care about."

Tightening Race

Two presidential candidates with hard-line views on North Korea are gaining on the front-runner.



Source: Gallup Korea weekly telephone poll of about 1,000 likely voters; margin of error: +/-3.1 percentage points

Australia to Tighten Citizenship Exam

By ROB TAYLOR

CANBERRA, Australia—The government broadened a crackdown on immigration with plans to test citizenship applicants on their acceptance of the country's culture—a change it denies targets Muslims.

The new test, which the government says is meant to gauge a migrant's attitude toward "Australian values," is expected to include questions on issues such as child marriage, female genital mutilation and domestic violence. The current 20-question test covers subjects that include the constitution and World War II history.

"Membership of the Australian family is a privilege and should be granted to those who support our values, respect our laws and want to work hard by integrating and contributing to an even better Australia," Prime Minister Malcolm Turnbull said on Thursday.

Mr. Turnbull's government, which has slipped sharply in opinion polls since elections in July in which far-right, antimigrant and populist parties gained strength, this week said it would tighten rules on the entry of skilled foreign workers. This "Australia First" switch is in line with "America First" policy promises made by U.S. President Donald Trump.

Australia's postwar immigration is generally seen as a success, with surveys showing broad public acceptance of policies that have created a country in which a quarter of the population was born overseas. A 2015 study found 9 in

Indonesia's Elite Regains Clout

By BEN OTTO
AND ANITA RACHMAN

JAKARTA, Indonesia—This week's defeat of one of President Joko Widodo's close allies in a gubernatorial election marked a resurgence of the elite the president defeated three years ago and stakes out battle lines for the 2019 presidential election.

The runoff election loss for Jakarta governor by Basuki Tjahaja Purnama, Mr. Widodo's former deputy when he ran the capital from 2012 to 2014, puts Indonesia's most important and wealthiest province in the hands of the party led by retired Gen. Prabowo Subianto, who lost the close 2014 presidential race to Mr. Widodo and is a one-time son-in-law of former dictator Suharto.

On Thursday, the new political landscape also meant an end to the destabilizing demonstrations Islamic hard-liners had orchestrated against Mr. Purnama, a minority Christian. Mr. Purnama was defeated by Anies Baswedan, a former university rector who promotes moderate Islam but drew on strong support from the Islamists.

In better news for Mr. Purnama, prosecutors on Thursday recommended that he serve two years probation, rather than a potential five-year prison term, as he faces a blasphemy case for allegedly insulting Islam. Mr. Purnama's defense said it would move to have the case dismissed.

Bahana Securities analyst Harry Su noted the "rising power" of Mr. Widodo's political opponents, expressed on Wednesday night when cheering crowds hailed Mr. Subianto, appearing alongside Mr.

Baswedan, with chants of "President! President!"

Mr. Subianto hasn't declared his candidacy for the 2019 contest, but he assured followers that Mr. Baswedan would see out a full term as governor—a subtle message to the former academic, political analysts said, to temper his own presidential ambitions.

Five years ago, Mr. Subianto, then considered the front-runner to succeed President Susilo Bambang Yudhoyono, backed the bid by Mr. Widodo, then a largely unknown small-city mayor, to run for the governor of Jakarta. A political outsider, Mr. Widodo unexpectedly captured the public imagination and won. Two years later he ran for the presidency and defeated his former backer.

"Prabowo is running in 2019 for sure," said Yohanes Sulaiman, a lecturer at the School of Government of Universitas Jenderal Ahmad Yani, referring to Mr. Subianto with his first name.

In recent months the campaign against Mr. Purnama—

Indonesia's most prominent politician from its long-persecuted ethnic Chinese minority—tapped into an Islamist movement that challenged his legitimacy to lead a predominantly Muslim electorate.

Just how much the establishment supported that hard line became clear at Mr. Baswedan's victory celebration, when a cast of tycoons dating back to the Suharto era gathered alongside him. Leading that group was Mr. Subianto, who thanked hard-line leaders.

"Often our clerics are slandered against, being accused as radicals, wanting to wage treason," he said. "I assert here that defending justice and people is not an act of treason."

Other scions present were tycoon Aburizal Bakrie, formerly the chief of Indonesia's largest political party, and Harry Tanoeesoedibjo, a billionaire business partner of U.S. President Donald Trump who has been building up his own political party ahead of the 2019 elections. Both are seen as harboring presidential ambitions.



Mr. Widodo, left, with his likely rival, Mr. Subianto, in October.

Baswedan, with chants of "President! President!"

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Source: Gallup Korea weekly telephone poll of about 1,000 likely voters; margin of error: +/-3.1 percentage points

THE WALL STREET JOURNAL.

U.S. NEWS

White House Softens Stance on the IMF

Administration signals shift toward traditional approach to economic diplomacy, 'soft power'

By IAN TALLEY

The Trump administration appears unlikely to upend seven decades of global financial cooperation by scorning the International Monetary Fund and World Bank, a source of comfort to central bankers and finance ministers gathering this week in Washington.

In recent days, the new administration has shown signs the U.S. is taking a more traditional approach to economic diplomacy and the use of "soft power" than early administration rhetoric suggested.

President Donald Trump, after meeting with NATO's chief earlier this month, praised the alliance and reaffirmed Washington's commitment to it. Other signals of the shift that are being seen by some officials at the meetings included the administration's relatively modest proposed changes to the North American Free Trade Agreement and its about-face last week on censuring China for its currency policy.

Meanwhile, Treasury Secretary Steven Mnuchin has reaffirmed the role of the IMF in promoting global economic growth and stability, saying at a gathering of global-finance chiefs last month that multilateral institutions can be "very important" to projecting U.S. interests abroad.



International Monetary Fund Managing Director Christine Lagarde in Washington, where the World Bank and IMF are meeting.

\$650 million over three years.

The administration has also pushed back against the World Trade Organization's role in settling global trade disputes.

The World Bank and the IMF for now seem to be embracing some of the new U.S. administration's top priorities.

"Seventy years is no guarantee for perpetuity," IMF Managing Director Christine Lagarde said Wednesday, referencing the IMF's founding in 1944.

Preserving its relevance requires the fund to re-examine the services it provides and respond to the needs of its membership, she said.

She added, based on her conversations with Trump administration officials, "I have every reason to believe...that we will cooperate all together in order to support and indeed improve the system."

Mr. Mnuchin is pushing the IMF this week to be better at calling out nations for manipulating their currencies. The U.S. also wants the fund to be more aggressive in criticizing countries with trade surpluses that come at the expense of other economies.

IMF officials are planning to issue more blunt assessments of exchange rate and trade imbalances in the coming months.

The IMF also is making the case to Washington that U.S. interests are served in helping stabilize the economies of conflict-prone countries such as Ukraine, Egypt, Iraq and Afghanistan.

—Chelsey Dulaney and Ryan Tracy contributed to this article.

TRADE

Continued from page A1
foreign producers.

"We're hoping to see whether the facts warrant a more comprehensive solution to deal with a very wide range of steel products and very wide range of countries," Mr. Ross said. "This could conceivably result in a recommendation to take action on all steel imports."

While antidumping laws are usually "limited to one set of products or a limited group of countries, this could be broader both geographically and product-wise," he added.

Asked by a reporter if the potential penalties were aimed at China, Mr. Trump responded: "This has nothing to do with China. This has to do with world-wide, what's happening."

The commerce secretary—who as a private businessman invested heavily in distressed steel companies battling cheaper imports—said no decision has been made on whether to impose penalties, and, if so, how broadly. "We're still in the research stage," he added.

This week's steel probe is the latest in a series of studies the administration has undertaken after Mr. Trump's campaign pledge to rewrite American trade policy to focus much more on enforcement actions, cutting the trade deficit, rewriting or abandoning trade agreements and threatening to impose new limits on imports. But so far, the administration has taken no significant action along those lines.

"So far Trump trade policy has been a lot of bark," said Gary Hufbauer, a trade expert at the Peterson Institute for International Economics, a pro-free-trade Washington think tank. "But this is a little bit stronger bark," he said of

the steel probe, which was begun under a law that hasn't been touched in 16 years and was used by President Richard Nixon in 1971 as part of his justification for a broad 10% import surcharge.

If the Commerce Department and Mr. Trump follow through with curbs on imports, the combination of tariff protection, Buy American provisions and a possible infrastructure-building program could be a boon for the U.S. steel industry, with economic benefits outweighing the impact of higher prices, according to a lawyer close to the Trump administration.

The case likely will hinge on what the administration defines as national security and whether a flood of steel imports reduces U.S. ability to make products important for defense. Most economists see steel as readily available and easily traded among allies, but the president has wide authority to make national security judgments under U.S. law, and national security arguments also can keep international trade challenges at bay, such as in the case of sanctions.

Indeed, the Trump administration appeared ready to embrace a fairly expansive definition of national security, saying in its investigation announcement that the country's economic welfare has a "close relationship to national security."

Foreign steelmakers criticized the U.S. investigation. Tadaaki Yamaguchi, chairman of the Japan Steel Information Center, the U.S. voice of the Japanese industry, said it "will be very bad for the U.S. economy, very bad for steel-consuming industries—such as construction and manufacturing, which depend on a reliable supply of steel imports—and bad for foreign steel producers, such as the Japanese industry."

Housing Crunch Hits Booming Reno

By JIM CARLTON

RENO, Nev.—When a development company in 2015 acquired a ranch once owned by a casino magnate, managing partner Chip Bowlby thought homes could be quickly built on the land to help meet the demands of a historic jobs boom.

But nearly two years later, the project of 691 homes at the late Bill Harrah's Rancharrah property remains tied up in permitting, even as the inventory of homes in Reno is drying up amid soaring sales.

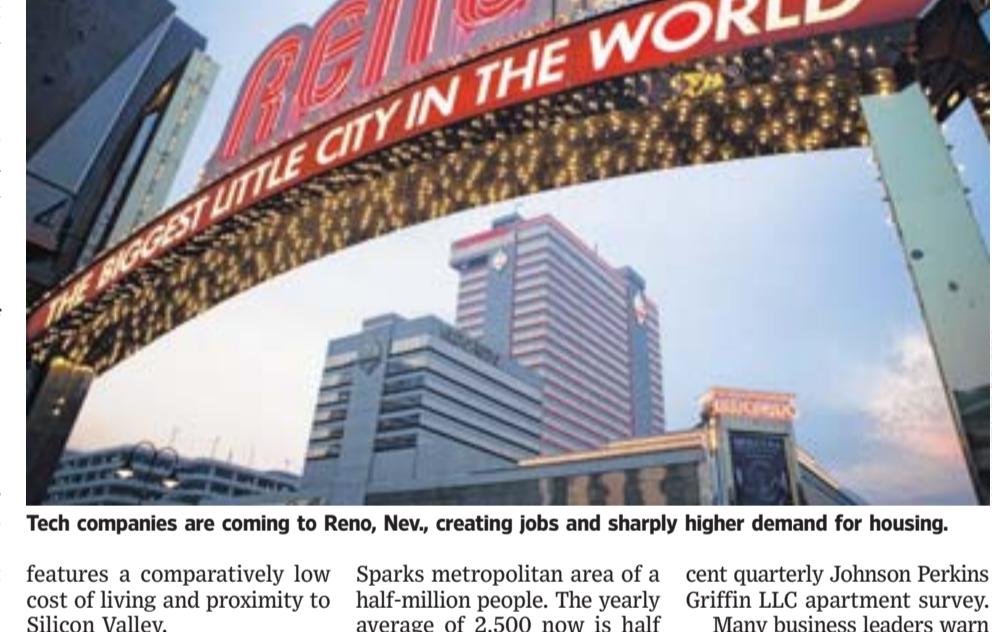
"We can sell everything we build," said Mr. Bowlby of **Reno Land Development Co.**, which is selling other homes as Rancharrah awaits final approval within weeks. "It's limitless with the demand now."

During the 2007-2009 recession, Reno was a poster child for the risks of overbuilding. Now, Nevada's second-largest city is facing what many local business officials call a looming housing crisis after enticing **Tesla Motors Inc.** and scores of other technology companies to open manufacturing facilities here in recent years.

Part of the problem stems from the recession itself. The city of Reno cut its workforce by a third during the downturn, and a current lack of staffing is contributing to delays in securing permits, according to the city's mayor.

The latest sign of the boom came on Friday, when Alphabet Inc. unit Google bought 1,210 acres at the Tahoe Reno Industrial Center, where it aims to eventually build a data center.

Reno has become a tech manufacturing hub as local officials have cleared a regulatory path and the state has offered hundreds of millions in tax breaks for companies willing to invest. Nevada's "Biggest Little City in the World"



Tech companies are coming to Reno, Nev., creating jobs and sharply higher demand for housing.

features a comparatively low cost of living and proximity to Silicon Valley.

But the city is struggling to keep up with its own success.

The labor market is so tight that economists say Reno needs to count on workers moving in to fill many of the new jobs. Reno's unemployment rate was 4.6% in February. The nationwide average that month was 4.7%.

Since 2012, about 30,000 jobs have been created in the Reno metro area, according to the Economic Development Authority of Western Nevada, with another 30,000 expected by the end of the decade. Those figures don't include the Google deal, whose projected job numbers haven't yet been disclosed.

In that same period, building permits have been issued for about 8,600 single-family homes and apartments in Washoe County, which includes most of the greater Reno-

Sparks metropolitan area of a half-million people. The yearly average of 2,500 now is half the average during Reno's last boom in the early 2000s.

The imbalance between supply and demand has driven the median price of an existing single-family home to \$320,000 as of February, more than double from \$145,500 in the same month in 2012, according to the Reno/Sparks Association of Realtors.

The national median sale price for existing homes in February was \$228,400, according to the National Association of Realtors. In Los Angeles County it was \$470,060; in San Diego County, \$559,950; and in Santa Clara County, \$1.1 million, according to the California Association of Realtors.

A decline in apartment vacancies to 2.9% at the end of 2016 has sent average monthly rents to \$1,066 from \$822 in 2012, when vacancies were 5.6%, according to the most re-

cent quarterly Johnson Perkins Griffin LLC apartment survey.

Many business leaders warn of an imminent housing shortage that could damp the economic boom. Permitting now takes 2½ years. Builders say 18 months is a more typical span.

"This will be a serious crisis if we don't address it quickly," said Mike Kazmierski, president and chief executive officer of the Economic Development Authority of Western Nevada.

Reno Mayor Hillary Schieve is forming a housing task force to help relieve the problem. While the city is still getting back on its feet financially after the recession, local agencies can do a better job of trying to process permits in a more timely fashion, she said. She rejected calls by some builders for more radical streamlining.

"We want to do it not necessarily fast, but right," Ms. Schieve said.

U.S. WATCH

HOMELAND SECURITY

Officers Lacking Resources, Study Says

The Homeland Security Department's internal watchdog said federal immigration officers aren't sufficiently tracking thousands of undocumented immigrants awaiting deportation, but not currently in detention.

The findings, released Thursday in a report from DHS Inspector General John Roth, said U.S. Immigration and Customs Enforcement officers don't have

the manpower or resources to keep tabs on people they are tasked with supervising but no longer in federal custody.

The report—conducted between June and October of last year—said that in some cases overworked ICE officers were unable to adequately keep watch over undocumented immigrants who could potentially be national security risks, a failure it described as "particularly troubling."

Officials with ICE and Homeland Security didn't respond to requests to comment.

—Dan Frosch

TREASURY DEPARTMENT

Mnuchin Promises Tax-Reform Proposal

Treasury Secretary Steven Mnuchin said the administration plans to release its tax reform proposal "very soon" and promised a sweeping overhaul of the tax code will get done.

Speaking at a conference of international financial firms in Washington on Thursday, Mr. Mnuchin said: "This will be the most significant change to the tax code since Reagan," adding

that the plan "will pay for itself" by boosting economic growth.

National Economic Council Director Gary Cohn, speaking at the conference, said he has been working closely with Mr. Mnuchin on a proposal that would tackle both individual and corporate parts of the tax code.

"We are going to come out with a unified, united tax proposal from the White House that will include individual as well as corporate," he said.

—Kate Davidson and Ian Talle



President Trump signed a directive on Thursday that launched a probe into whether steel imports posed a national security threat.

IN DEPTH

FARMS

Continued from Page One
their bin-busting harvests have helped fuel a multiyear downturn in crop prices that is pushing some U.S. farmers out of business.

"We're going to have to learn the table manners of sitting at a bigger table," says Mr. Gaffner, whose soybeans often make their way down the Mississippi to be shipped overseas from New Orleans ports. For U.S. farmers, he says, "that's hard for our psyche."

American farmers' fates are inextricably tied to the broader economy. Farmers produce three-quarters of the nation's food. U.S. agricultural exports in 2015, the latest year for which data is available, generated more than \$300 billion in economic output and directly supported more than one million jobs, according to the USDA.

Agriculture is among the few U.S. industries that exports more goods than it imports, helping to narrow the nation's overall trade deficit, which last year hit its largest point since 2012, the Commerce Department says.

U.S. taxpayers are tied to farming through the billions spent each year by the government to help insure farmers against crop shortfalls or lost income. For the 12 years ending in 2017, the USDA is expected to spend nearly \$87 billion to help protect farmers, according to estimates from the Congressional Budget Office.

Rural communities likely will bear the brunt of the continued pressure on farmers, as job losses and lower farmland values cut the tax base for schools and other public services.

Anxiety over the U.S. role in agricultural trade has grown in recent months amid moves by President Donald Trump to withdraw the U.S. from the Trans-Pacific Partnership, which was backed by many farm groups, and potential changes to the North American Free Trade Agreement, which they say helped develop exports to Canada and Mexico.

Russia over the past decade boosted its wheat harvests by 61%, the USDA forecasts. Corn acreage has nearly tripled in Russia, and more than doubled in Ukraine. Brazil and Argentina have also ramped up output of the grain.

Foreign farm powers in South America and Eastern Europe owe some of their grain-market victories to favorable exchange rates—a strong dollar, the currency used for global trade, means foreign grain priced in local currencies can reap bigger profits.

Other countries have structured trade policy to benefit their farm sectors and have invested in infrastructure such as barge terminals and railroad networks to cut transport costs.

In the U.S., about one-third of the corn crop is used for fuel production, and conservation programs have removed land from farming.

The shift has benefited global food security. Having multiple, strong exporters of grain around the world can help prevent supply disruptions due to weather or trade, farm economists say.

Also part of the silver lining: booming international revenue for U.S. companies such as Monsanto Co., Deere & Co. and Mosaic Co., who sell genetically engineered seeds, satellite-guided tractors and



Jerry Gaffner uses a tablet computer on his soybean farm in Greenville, Ill., to check weather forecasts and grain markets.

fertilizer to farms outside America. In some cases, U.S. companies design products and seeds specifically for foreign markets.

Bruno Giloli, who grows soybeans near the heart of Brazil's vast grain belt, is running out of room to store his huge crops. A concrete shelter the size of a football field holds less than half of this year's harvest; the rest has been squeezed into nearby storage bins or trucked to a far-off grain elevator.

"The past five years have been very good for us," he says.

Using high-tech machinery and the advanced seeds and chemicals common on U.S. farms, Mr. Giloli, 37, has pulled record yields from his 5,000 acres in Brazil's Goiás state.

"Inside the farm, it looks just like the U.S.," says Mr. Giloli, who wears an Iowa State Cyclones hat, Levi's T-shirt and Wrangler bluejeans. Mr. Giloli lived on a farm in Iowa for a year as an exchange student and has made four visits to tour farms across the Midwest.

He plans to trade in a still-shiny 3-year-old Case IH harvesting combine for a newer model.

Brazil's agricultural growth-spurt began about four decades ago, as farmers were moved north to its sweeping savanna, known as the cerrado, by the promise of cheap land and climbing soybean demand and prices.

The region stretches over 500 million acres, an area three times the size of Texas and nearly 50% bigger than all the land in the U.S. used to grow crops.

Armed with soil treatments like lime and fertilizer, settlers brought huge tracts of scrubland—once considered ill-suited for growing crops—into cultivation. Farm operations can dwarf U.S. counterparts in size, including some with multiple parcels that when added up are larger than Yosemite National Park.

Farmers have been aided by Brazil's lower land costs, macroeconomic reforms and a year-round growing season, which allows them to stack soybean and corn crops back to back.

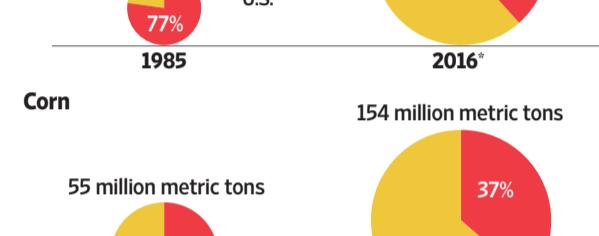
Low crop prices are hurting farmers in Brazil, but other financial factors have worked in their favor in recent years. Farmers are typically paid in dollars for their grain, but pay about 38% of their expenses in reais, which dropped sharply against the dollar in 2015.

As a result, when crop prices fall, Brazilian farmers can book profits for longer

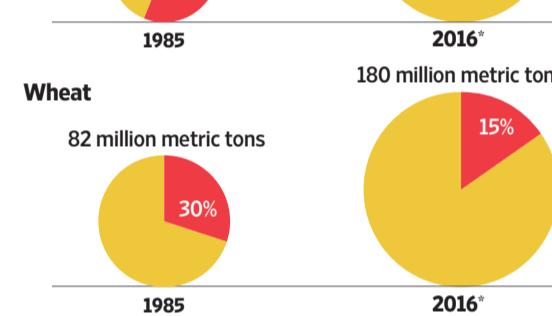
Competition for America's Farmers

The U.S. has lost share in the global export market for soybeans, corn and wheat.

Soybeans



Corn

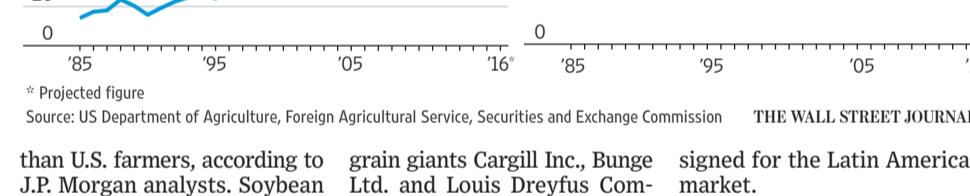


Wheat



Brazil has steadily increased soybean production as it expands the acres farmed.

U.S. Brazil



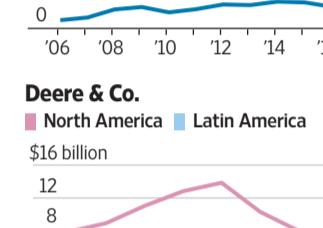
*Projected figure

Source: US Department of Agriculture, Foreign Agricultural Service, Securities and Exchange Commission

Revenue from Brazil and Latin America has become more important for farm companies.

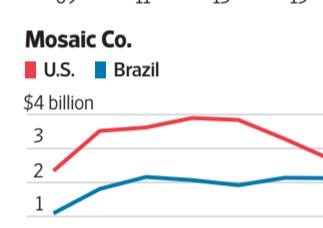
Monsanto Co.

U.S. sales Brazil sales



Deere & Co.

North America Latin America



Mosaic Co.

U.S. Brazil



needs to plant per row.

"That's enabled us to stay ahead of the financial distress," says Mr. Gaffner, 51. He considered trying his hand at farming in Brazil two decades ago but ultimately decided against it.

He has also built an array of steel storage bins behind his family's farmhouse. With profit margins so tight, and price shifts so rapid, Mr. Gaffner says the space provides flexibility to stash crops until prices turn favorable.

He has had to spend more money for extra herbicides to fight palmer amaranth and waterhemp, weeds that have developed resistance to a herbicide, widely used with the genetically engineered seeds that revolutionized farming in the 1990s.

Seed costs are higher. The price of soybean seeds for U.S. farmers has more than quadrupled in the past 20 years, according to USDA data. Some farmers are settling for older, cheaper versions of seeds, though they may not produce as many beans.

"That's not going to be a good thing for us in competition with other countries," says Tommy Young, an Arkansas farmer who represents his state on the U.S. Grains Council, an export-focused body for U.S. farmers.

Income in the U.S. farm sector will decline for a fourth year this year, falling to \$62.3 billion, half of the record \$123 billion farmers earned in 2013, the USDA projects. The last time income fell four years in a row was in the mid-1970s.

U.S. growers are adding soybean acres, wagering that robust demand from China and other importers will make soybeans more profitable than corn. The USDA projects a record 89.5 million U.S. acres will be planted with soybeans and that U.S. exports will expand modestly over the next decade. Soybeans mostly are processed into meal to feed livestock and poultry, as well as into oil used in cooking and food products like margarine.

Farmers could also dedicate more fields to specialized soybeans, tailored to yield healthier oils for processed foods, which can fetch a higher price. "Twenty years from now we may not be focused on squeezing more bushels out of each acre but on growing a more nutrient-dense crop," says Jim Sutter, chief executive of the U.S. Soybean Export Council.

Over all, U.S. farmland has shrunk by 12%, or 46 million acres, since 1982, partly due to urban development. In contrast, in Brazil, about 150 million more acres in the cerrado could eventually come under the plow, as farmers convert more pasture into fields for crops, according to the USDA.

Brazil's agricultural expansion has drawn criticism for deforestation, though over the past decade, farmers have boosted production largely by converting pasture land and increasing crop yields, instead of knocking down rain forest, according to the Nature Conservancy, a conservation group that has worked with grain companies.

Mr. Giloli says his family farm has grown 10-fold since the late 1990s, when his father bought the first 500 acres with proceeds from the sale of his seed business, and he may expand further.

"It's easy to open new land," Mr. Giloli says, gesturing toward a wide expanse of pasture land from the cab of his Ford pickup truck. "In two or three years, that will all be soybeans."

FATIGUE

Continued from Page One
election in May 2015 and the Brexit referendum in 2016, Scots voted on Scottish independence, the people of Northern Ireland chose a new assembly and Londoners elected a mayor. There have also been assorted local and legislative polls.

That's turning Britain's general stoicism—"mustn't grumble" is an unofficial national slogan—into a flood of complaining.

"I don't mind a bit of politics normally. But oh my Lord, this time I'm not excited at all," declared Breda Harman, a 76-year-old retiree in south London. She said she would do her duty and "trudge down" to her local polling station— "Good thing it's only 200 meters away"—in June.

"I can't believe she'd just

spring that on us, after she said we wouldn't have another vote until 2020," said Mrs. Harman, referring to Prime Minister May. "If she wants another one, fine, but I'm voting Labour this time."

Mrs. May, who leads the governing Conservative Party, wants the election to strengthen her political hand before talks start on Britain's withdrawal from the European Union.

For the civil servants and volunteers who must rally for yet another vote, the prospect is daunting. Officials need to ready more than 41,000 polling stations in schools, village halls, community centers and even pubs.

Jocelyn McCarley, the assistant chief electoral officer in Northern Ireland, said as soon as Mrs. May made the surprise announcement, her team jumped into action. She and her colleagues are scrambling to organize voting

equipment, lay the groundwork for setting up voting booths and map out staff schedules. Roughly 600 people have already phoned the election hotline with questions about the vote.

"Things have become very frantic, basically," she said over the phone from her office in Belfast. "It's hard to keep all the balls in the air at once."

British lawmakers in 2011 passed the Fixed-Term Parliament Act, which established set, five-year terms for governments, a measure partly aimed at preventing prime ministers from timing elections when they are most advantageous for incumbents.

Under that law, the next general election was set to be held in 2020. To move the vote up, Mrs. May relied on a provision that allows for an earlier election if there is support from two-thirds of the members of the House of Commons.

Since 1945, British Parliaments have lasted an average of just under four years. The mid-1970s saw a run of elections similar to today's, with two general elections in a single year in 1974, followed by a referendum in 1975 on whether the U.K. should remain in the European

Britain's general stoicism is turning into a flood of complaining.

Economic Community, a forerunner of today's EU. More than 67% voted to stay.

Pete Wishart, a Scottish National Party lawmaker in the U.K. Parliament, said he understands voter frustration. Scotland has had four elections in a year—which he said

is the most since 1974. "The electorate has every right to feel tired and wonder when it's all going to end," he said.

Mr. Wishart conceded he feels the fatigue himself. "I need to give myself a bit of a rouse and get ready to get back on the streets again," he said. "I'm trying to give myself a good shake."

Edward Mulcahy, 53, said he has enjoyed voting in the four elections held in his London district since 2015. "It's really not that hard to go down to a station and put an X on a piece of paper," he said.

The more crucial issue is the growing need for more longevity in government, he said. A longtime Labour supporter, Mr. Mulcahy said he is "seriously considering" voting Conservative in hopes the party will get a strong enough mandate to govern for a full five-year term.

Edward Fieldhouse, profes-

sor of social and political science at the University of Manchester, said that while Britons complain about politics, it is "a bit of a myth" that they are bored with it. "For voters it's not really about how often elections come along, but about what is at stake," he said.

The main problem with the new vote, he said, is that it "feels like a foregone conclusion," with opinion polls suggesting that Mrs. May's Conservatives will win by a landslide.

John Curtice, a professor at the University of Strathclyde and an expert on electoral surveys, says he is preparing—rather joylessly—for his academic life to become suspended yet again.

"I was already thinking about local elections, and that's quite enough, thank you very much," Mr. Curtice said. "I'm with Brenda in Bristol. I think Brenda in Bristol got it spot on."

BOOKS

'Weapons are ominous tools. They are not the noble ruler's tools. He only uses them when he can't avoid it.' —Lao Tzu

China's Great Leap of Faith

The Souls of China

By Ian Johnson

Allen Lane, 480 pages, £25

BY HUGO RESTALL

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

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

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

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

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

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

As Mr. Johnson puts it, "Chinese religion had little theology, almost no clergy, and few fixed places of



THE DEVOUT
A Protestant church in Dali, Yunnan.

worship. But this didn't mean Chinese religion was weak. Instead it was spread over every aspect of life like a fine membrane that held society together."

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

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

Protestantism is most representative of this trend, which helps explain why it continues to grow so fast. The one religion that thrived under Mao's oppression, it has gone from just one million followers in 1949 to more than 60 million today. Mr. Johnson describes how Early Rain, a congregation in

Chengdu, has begun "planting" a second church on the other side of town after outgrowing its office-building church.

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

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

With faith in its own ideology waning, the Communist Party had adopted the traditional religions that it had nearly destroyed. Now these too are losing their power. The Li family's home is designated the Hengshan Daoist Music Training

Base, a National Level Intangible Cultural Heritage. Despite these grand titles, Li Bin sends his son to private school so he can have a stable career outside the priesthood.

Meanwhile, Protestants challenge the party's teachings openly and operate as the country's only real civil

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

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

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

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

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

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

Remaking Our World Order

Easternisation

By Gideon Rachman

Bodley Head, 288 pages, £20

BY MICHAEL AUSLIN

WHEN DONALD TRUMP and Xi Jinping sat down earlier this month at Mar-a-Lago, the Chinese leader already had the wind at his back. In the face of the U.S. president's "America First" rhetoric, Mr. Xi has emerged as an unlikely champion of free trade and a voice urging restraint on the Korean peninsula. According to Gideon Rachman, all this is emblematic of Asia's rise and America's decline. If a new world order was in the making before Mr. Trump took office, his policies may well ensure the continued diminution of American power that began in earnest during Barack Obama's presidency.

The domination of the Atlantic rim nations over the rest of the globe may seem like it is fated, since it has been the power dynamic for nearly half a millennium. But the truth, as Mr. Rachman points out, is that it is an anomaly in the longer-run pattern of history. For thousands of years, non-European empires controlled the ancient world; it was only beginning in the 16th century that smaller Western states were vaulted to global supremacy thanks to their technological and economic prowess.

Now we are witnessing the resurgence of the great Eurasian powers, particularly China, Russia, Turkey and Iran. Is this shift the inevitable result of globalization, as conventional wisdom seems to have it, or the outgrowth of specific failures by the Euro-Atlantic West? Mr. Rachman thinks it is the former—and be-

lieves that the shift is "theoretically attractive," correcting the relatively recent imbalance of power resulting from Western imperialism. Unfortunately, "such a multipolar world is already emerging and proving to be unstable and dangerous."

In "Easternisation," Mr. Rachman, the foreign affairs columnist for the Financial Times, offers a birds-eye view of the transformation—some would say collapse—of the post-World War II global order. In brisk, engaging prose, he takes us around the world in 14 chapters, beginning with Asia, then moving to Europe,

Chinese President Xi Jinping is intent on overcoming China's 'century of humiliation.'

the Middle East, Africa, Latin America and what he calls the "borderlands" between East and West, including Ukraine, Turkey and Hungary. Vast amounts of territory are dealt with, often in a few paragraphs. Though largely geographically structured, the book centers on China's challenge to the West and America's response to that challenge.

There are a dizzyingly complex set of global changes that compromise easternization, but Mr. Rachman identifies two trends at its core: the end of U.S. dominance and an intensifying contest between America and China. As such, "Easternisation" fits squarely into the burgeoning literature on the end of the Pax Americana, but makes a bold, if implicit, claim that the "globalization" of the future is not the harmonizing of economic and political interests, but in-

stead the spread of Sino-American economic and political competition across the globe.

Asia's new predominance—which essentially means China's increasing power—is taken as the starting point of Mr. Rachman's narrative. He makes the convincing, chilling case that the military gap between the United States and China is rapidly narrowing and that the "focal

inroads into Africa, for example, is countered by a discussion of Europe where Asia plays very little role.

Beijing certainly didn't have much of an impact on the dramas of Brexit, the Eurozone crisis or the Middle Eastern migrant wave rolling over Germany and other nations. Yet all those subjects are taken up here. Similarly, Turkey's easternization is really about creep-



AGENCE FRANCE PRESSE/GETTY IMAGES

ON PATROL A Chinese navy formation during drills in the South China Sea.

point of Chinese-American military rivalry is the control of the Western Pacific," which is now "disputed territory." Reviewing China's challenge to America's decadeslong predominance in Asia's waters, Mr. Rachman links it to a broader Chinese goal, led by Mr. Xi, of finally overcoming China's so-called "century of humiliation."

This is a fascinating story. The trouble is that easternization, in Mr. Rachman's telling, isn't simply about China's rise; he also uses it as a catchall description of our global woes, which ultimately dilutes his message about the Chinese threat. An interesting chapter on Chinese

Islamism, and has little in common with trends in Asia, other than a growing authoritarianism that may resemble China's.

Mr. Rachman's book is reportorial, and, as he freely admits, it is largely informed by the elites he encounters in his journeys. Those who attend cocktail parties in London or Washington will already know many of those quoted in the book. Davos regulars may be well-read, but their views are divorced from the daily experience of billions of people in Asia and elsewhere dealing with the realities of easternization. The voices of ordinary Asians, especially those living

outside of major cities, would have added a crucial perspective.

If easternization depends on the continued growth of Asia, then it may prove to be a shorter era than the author expects. Mr. Rachman leaves largely unaddressed mounting evidence of Asia's problems, including China's continuing macroeconomic slowdown, nationwide demographic pressures (there are too few people in Japan and South Korea and too many in India and Indonesia), and the risk of armed clash between China and its neighbors, such as Vietnam and Japan. If easternization is knocked off course because of timid economic reform, public uprisings against corrupt elites or territorial disputes, a poorer, more fragmented Asia may not be able to continue to pull the balance of global power eastward. Just as importantly, as Mr. Rachman notes in his final chapter, the West retains powerful institutional advances in the "hidden wiring" of the global and economic and political system, further limiting the ultimate effects of easternization.

No one can deny the extraordinary rise of Asia over the past half-century. But even if the West is losing power and wealth on a comparative basis, in absolute terms the global economic pie is still growing, and American absolute wealth continues to rise, if unevenly. Easternization might be better understood as a much more fluid process that has elements of fragmentation as well as integration, and one in which America will remain dominant for a long time to come.

Mr. Auslin is the author of "The End of the Asian Century: War, Stagnation, and the Risks to the World's Most Dynamic Region."

BOOKS

'Physics is like sex: sure, it may give some practical results, but that's not why we do it.' —Richard Feynman

Wordless Wonders

Drawing Physics

By Don S. Lemons
MIT, 264 pages, £22.59

BY ALAN HIRSHFELD

IN 212 B.C., two years into the siege of Syracuse, on Sicily's southeastern shore, a band of Roman soldiers scale the defensive walls in the night and open the city gates to their compatriots. Troops sweep through the streets. One of the warriors, fueled by the long-deferred promise of treasure, bursts into a dwelling, where he encounters an old man scribing geometric forms in a tray of sand. The old man waves him away, grumbling, "Do not disturb my circles!" Enraged, the soldier brings down his sword and ends the life of antiquity's celebrated genius Archimedes.

This episode—no doubt embellished, if not fabricated—became an intellectual talisman to medieval and Renaissance thinkers: a martyrdom at the very altar of rational inquiry, sanctifying Archimedes' aborted communion with nature in the emblem of an unfinished diagram. In similar scholarly reverence, academics at Cambridge University dutifully skirted the figures that Isaac Newton had scratched with a stick into the gravel walkways of the Fellows' Garden. More recently, admirers of Nobel laureate Richard Feynman restored his 1975 Dodge Maxivan, on which he had painted examples of the wiggly-lined diagrams he developed to portray interactions among subatomic particles.

Physicists have three ways to communicate their ideas: first, using plain language, as the math-challenged Michael Faraday did so splendidly in the 19th century; second, distilling physical phenomena into mathematical symbols, those "hideous, cramped, scorpion-lettered formulas" that repelled Sylvia Plath in "The Bell Jar"; or third, introducing a drawing. Diagrams of various sorts have long featured in the physics literature, from marginal doodles in old manuscripts to computer-generated 3-D visualizations in online journals.

Where words or equations fail to convey an idea, a picture can blaze through the cognitive underbrush, exposing a pathway to comprehension. Indeed, step one in the solution of a problem in elementary physics is to draw a diagram—a visual précis of the interrelationship among forces, masses and other parameters. Somehow



COURTESY OF SEAMUS BLACKLEY

SWEET RIDE Richard Feynman's van, painted with diagrams he devised to model subatomic interactions. The van appeared in 'Uncertainty,' an exhibit at the Alyce de Roulet Williamson Gallery at ArtCenter College of Design in Pasadena, Calif.

this mediation of data by the visual cortex fires off a neuronal response that focuses the brain. Where artists are taught to see hues, planes and textures, physicists are taught to "see" invisible force fields, energy flows and quantum probability clouds.

With illustration as his guide, veteran physicist Don S. Lemons surveys the rise of physical science in "Drawing Physics: 2,600 Years of Discovery From Thales to Higgs." Each of the book's 51 brief chapters is anchored by a key diagram, graph or freehand sketch, accompanied by four or five pages of explanatory text. We meet the usual cast of characters—Galileo, Newton, Einstein—but also many less-heralded supporting players: ancient Eratosthenes, the 11th-century Iraqi sage Alhazen, and Simon Stevin, a 16th-century mathematician from the Low Countries, to name a random few. No in-depth science lessons here, only essential details of a discovery or an insight, plus enough historical context to convey the epic saga that is physics. The book's drawings, rendered with cheery unpretentiousness by illustrator Jesse Graber, range from notional representations of a falling rock or the disintegration of a neutron to a full-

fledged, number-bearing graph depicting the binding energy of atomic nuclei. In the graphic arena of science, symbolism is powerful: A diagonal line between two coordinate axes might represent nothing less than the expansion of the universe, as in Hubble's law.

The initial chapters reach back to the roots of the scientific enterprise: triangulation, the surveyor's way of gauging the distance to an inaccessible object. We encounter the peripatetic Thales of Miletus, a Greek philosopher whose travels through the Middle East during the sixth century B.C. instill in him the power of triangles. In the ensuing centuries, Greek sages intuit that nature sings a fathomable tune, if only we listen properly: Pythagoras quantifies the tones of vibrating strings; Aristarchus reckons the distance to the moon and the sun; and the eminent Aristotle wheels the cosmos around a central Earth, an "alternative fact" that reigns over scholarly thought for almost two millennia. Our ill-fated Archimedes appears twice, for his studies of the mechanical lever and for his eponymous principle of buoyancy.

Jumping to the Middle Ages, we happen upon perhaps the first scientific graph, depicting an object's speed versus time, in a 14th-cen-

tury manuscript. The "Early Modern Period," in Mr. Lemons's terminology, begins in 1543, with Copernicus's rearrangement of the heavens. The sun takes its rightful place at the center of the cosmic map, a graphic consecration of the

Newton used to sketch scientific diagrams in the gravel of his college's garden. His colleagues dutifully walked around.

Copernican worldview. Planetary orbits are subsequently reshaped by Kepler from circles into ellipses. The ellipses pictured in the book are illustrative only; at this scale, the deviation of a planet's orbit from perfect circularity is a mere pencil lead's width.

We learn, alongside a sketch of a mercury barometer, that the Italian physicist Torricelli ministered to the elderly Galileo, who was blind and under house arrest for his ardent promotion of Copernican views; the two men squabbled over how the barometer worked. (Torri-

celli was right: The weight of the atmosphere pushes mercury upward into a glass tube.) The Early Modern Period concludes with advances in fluids, mechanics, optics and electrostatics.

Although physics complexifies through the 19th and 20th centuries, with Maxwell, Einstein and their fellow brainiacs pushing the limits of comprehension, the book retains its clarity and charm. While the long-sought Higgs boson of the title is covered, as is global warming ("human activity is a major cause"), omitted are a number of contemporary fields, such as black holes, gravity waves and quantum entanglement.

Breakthroughs in these areas will occur only with hefty doses of high technology, abstract thinking and advanced mathematics. And yet the need to transform multipage equations and terabytes of data into the cohesive contours of a picture will surely follow, so that we, too, might immerse ourselves in contemplation of the natural world, as Archimedes did so long ago.

Mr. Hirshfeld is a professor of physics at UMass Dartmouth and author of "Starlight Detectives: How Astronomers, Inventors, and Eccentrics Discovered the Modern Universe."

When Victoria Met Tommy

The Zoo

By Isobel Charman
Viking, 368 pages, £16.99

BY LAURA J. SNYDER

A CURIOUS SIGHT greeted passengers boarding the Bristol-to-London coach one autumn day in 1835: occupying one of the seats was a 2-foot tall chimpanzee dressed in a tattered white shirt. His travel companion was Devereux Fuller, the head keeper of the London Zoo, who had just purchased Tommy off a ship that brought him from Gambia. The two had walked, hand in hand, along the quayside to the waiting carriage.

Isobel Charman, a television producer, introduces us to Tommy in "The Zoo," her sprightly tale of the London Zoo from its conception in 1824 to the death of its longtime president in 1851.

Tommy would become the most famous attraction of the zoo, although the 2-year-old creature was never put on display. The chimpanzee was housed in the Keepers' Lodge until the spring, so he could be kept warm, dry and safe from the winter climate that routinely killed many of the zoo's exotic animals. Politicians, society ladies and men of science came to visit the lodge, awed one and all by Tommy's resemblance to a human child, an illusion aided by his new outfit: a Guernsey frock and sailor cap. They delighted in watching Tommy toddle around, sit on the lap of Mrs. Williams the cook, and throw tantrums when the keepers would not let him sip from their glasses of porter.

In spite of the zoo's precautions, Tommy did not survive the London winter. Princess Victoria came to see him on his deathbed in March. A

newspaper obituary described the postmortem dissection, where eminent anatomists were shocked to discover that, had they not known the subject was a chimpanzee, "all that they saw... would have led them to pronounce it human."

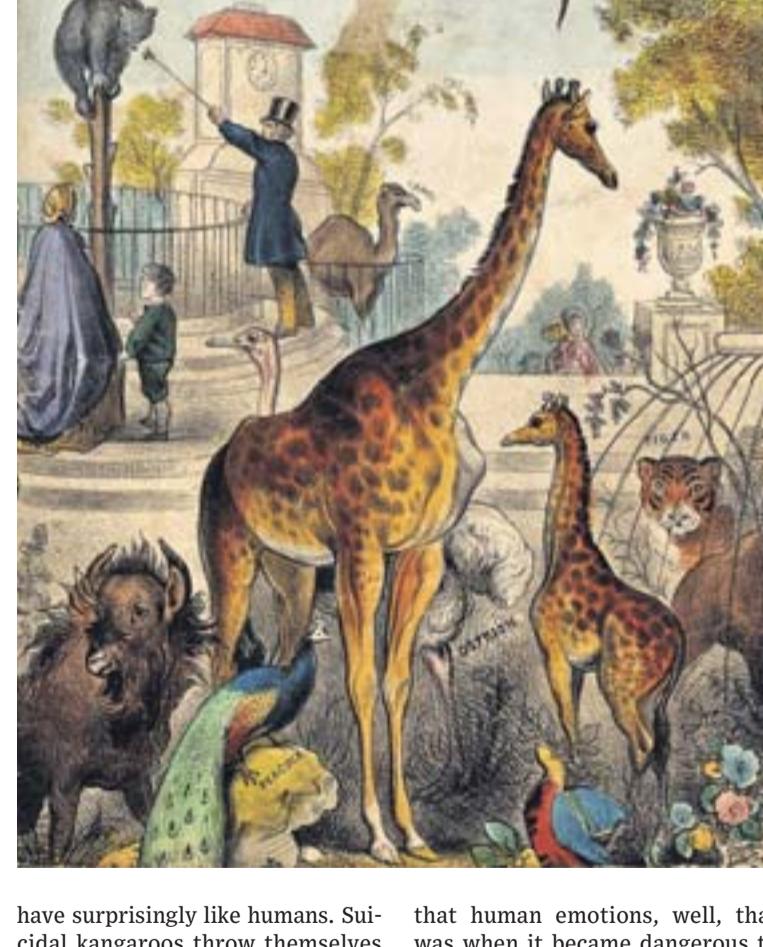
Even after death, the zoo's inhabitants were made useful. As Ms. Charman skillfully shows us, "nothing would be wasted that could be of scientific value." John Gould, the chief "Animal Preserver" of the Zoological Society (and the ornitholo-

Society ladies as well as men of science were awed by the chimpanzee's resemblance to a human.

gist who classified Charles Darwin's Galapagos finches and mockingbirds) gloried in the arrival of an orangutan from Calcutta. When it arrived, too sickly to join the zoo, "John Gould knew," Ms. Charman writes, that "he would soon take possession" of it.

Within days, the animal died. It was carried to the Stuffing Room where Gould removed and prepared its skin, wrapped it around a wooden frame, then stuffed it with wire, sawdust and cotton and gave it eyes fashioned from glass and clay. The skinless carcass was dissected by Richard Owen, the comparative anatomist who would later invent the name "dinosaurs." The remains were macerated to preserve the skeleton.

Ms. Charman divides her tale into seven chapters, each devoted to a person associated with the zoo. What links the chapters is a growing awareness on the part of her subjects that the zoo's animals be-



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have surprisingly like humans. Suicidal kangaroos throw themselves against their enclosures to the point of death. Jack the elephant transforms from a gentle giant to an angry beast after a new rhinoceros becomes the more popular attraction. One keeper suggests that an older lion fell ill due to jealousy of a younger male occupying the cage with the lioness. As Fuller, the head keeper, ruminates, "once you started giving vicious beasts like

that human emotions, well, that was when it became dangerous to care for them."

Did Fuller really think this? We don't know—and neither does Ms. Charman. Many of the book's details come from her imagination, not the historical record. In an "author's note" she acknowledges inventing the thoughts, daily activities and words of her protagonists, including Tommy the chimpanzee. She justifies her choice by

explaining that she wanted to write a "fleshed out" and "narrative" account. But many writers of history manage to do this without fictionalizing their subject.

The author does hew closely to the evidence when she describes Darwin's visit to the zoo in 1838, two years after returning from his voyage on the Beagle. He watches as a new orangutan, Jenny, is teased by her keeper; he offers her an apple and then pulls it away just as she reaches for it. Miming to great effect Darwin's own evocative description of the meeting in his journals, Ms. Charman writes, "Jenny was incensed. She threw herself on her back, kicked her feet and wailed in despair. Precisely like a naughty child! She writhed and kicked her long limbs, and then she sulked.... Finally, the keeper said to her, Jenny, if you will stop bawling and be a good girl, I will give you the apple." Jenny soon stopped her whining, and the keeper handed her the apple. She ran to her chair where she happily gobbled on the fruit.

Watching Jenny, Darwin was struck by "how civilized apes could be," compared to human cannibals he had met on Tierra del Fuego (one might even say, compared to visitors to the zoo's bear pit, who goaded the exhausted creatures up a pole). It was at this moment, Ms. Charman claims, that "Darwin had lost the conviction of his peers that man was elevated from the rest of the Animal Kingdom, hand-crafted in his perfection by the Creator." As "The Zoo" engagingly shows us, caring for and observing caged beasts transformed our view of animals—and of ourselves.

Ms. Snyder is the author of "Eye of the Beholder: Johannes Vermeer, Antoni van Leeuwenhoek, and the Reinvention of Seeing."

BOOKS

'All political lives, unless they are cut off in midstream at a happy juncture, end in failure.' —Enoch Powell

Hillary the Unready

Shattered

By Jonathan Allen and Amie Parnes
Crown, 448 pages, £16.99

BY BARTON SWAIM

'THIS IS TOO EASY,' Barack Obama is recorded as saying in "Shattered," an exhaustive account of Hillary Clinton's ill-fated 2016 presidential campaign. The president had just delivered a well-received speech in praise of Mrs. Clinton's candidacy; both Mr. Obama and Mrs. Clinton had derided Donald Trump, the Republican nominee, as a malignant nincompoop. John Podesta, the Clinton campaign's chairman, looked at the president doubtfully. Too easy? "All right, all right, all right," Mr. Obama playfully conceded. "There's just so much material."

When staffers disputed campaign decisions, they got the same response: 'The data run counter to your anecdotes.'

The remark nicely captures the attitude not just of the Clinton campaign but of almost the entire Democratic establishment in the months before the election. "Shattered," by campaign reporters Jonathan Allen and Amie Parnes, narrates the petty bickering, foolish reasoning and sheer arrogance of a campaign that was never the sure thing that its leader and top staffers assumed. The authors, in a mostly successful attempt to get their sources to talk

candidly, promised them that they wouldn't be identified.

That's more or less the method behind other hefty "insider" accounts of politicians and campaigns in recent years, especially "Game Change" (2010) and "Double Down" (2013), both by Mark Halperin and John Heilemann, as well as Ms. Parnes and Mr. Allen's own "HRC" (2014). (Messrs. Halperin and Heilemann will have their own account of the 2016 campaign coming next year.) The juicy quotes would mean more if they were on the record, but mostly it works: You can't pinpoint the identity of any one "top aide" or "close Hillary ally," but the authors' language leads you to believe they include the most senior Clinton advisers—Mr. Podesta, long-time Clinton confidante Huma Abedin, campaign manager Robby Mook, speechwriter Dan Schwerin, policy adviser Jake Sullivan—and probably the candidate herself.

For those few unhappy addicts who wish to relive the 2016 presidential campaign so soon, "Shattered" offers a number of gratifying revelations. Among them: Mrs. Clinton's tinkering with a certain computer server. Not that server—a different one. After losing to Mr. Obama in the protracted 2008 primary, she was convinced that she had lost because some staffers—she wasn't sure who—had been disloyal. So she "instructed a trusted aide to access the campaign's server and download the [email] messages sent and received by top staffers." This tells us, first, that Mrs. Clinton possesses an almost Nixonian paranoia about treachery and, second, that her use of a private email server at the State Department was never the naive "mistake" she pretended it was. In fact, she didn't want anyone reading her emails the



THE WASHINGTON POST/GETTY IMAGES

LOSS Hillary Clinton with her husband after conceding the 2016 election.

way she was reading those of her 2008 staffers.

Mr. Allen and Ms. Parnes stress two essential failures of the campaign, the first structural, the second political. The campaign's command structure, the authors write, was an "unholy mess, fraught with tangled lines of authority, petty jealousies, distorted priorities, and no sense of greater purpose." Mrs. Clinton herself was inaccessible to almost everyone but Ms. Abedin, whose role was never clarified, so top staffers broke off into mutually mistrustful tribes: the campaign data analysts, Mrs. Clinton's State Department coterie, Clinton Foundation staff, and the enthusiasts associated with the Ready for Hillary super-PAC.

This diffuse command structure was a consequence, the authors suggest, of the fact that Mrs. Clinton didn't know why she wanted to be president. At one point no fewer than 10 senior aides were working on her campaign announcement speech; not one had a clear understanding of why

Americans should cast their votes for Mrs. Clinton and not someone else. The speech, when she finally delivered it, was a flop—aimless, boring, devoid of much beyond bromides. (Compare that to Donald Trump's announcement: disjointed, funny, written by no one—but the speaker knew why he wanted to be president and wanted you to know why, too.)

The Clinton campaign's other failure was rooted in a mistaken assumption about the nature of politics. The campaign relied too much on analyzing data and too little on getting the candidate in touch with actual people. Mrs. Clinton's young staffers came of age during Barack Obama's campaigns and thought they'd mastered the art of electoral politics. They failed to realize that Mr. Obama won for a variety of sociological and political reasons that had nothing to do with his campaign's analysis of data. Successful politicians must have a tacit sense of what voters want to hear and how they might be persuaded. Mrs. Clinton—in stark contrast to her husband—was never inter-

ested in that component of campaigning. You got the feeling she didn't like people all that much.

Mr. Mook's scientific "model" of how the campaign should run emphasized demographics, constituents' voting histories, regional electoral patterns, and so on. When staffers objected to his directives, the authors record, the response was always the same: "The data," as Mr. Mook at one point put it to former President Bill Clinton, "run counter to your anecdotes." So, for instance, when campaign staffers discussed ideal locations for Mrs. Clinton's first appearance with President Obama, several aides suggested Green Bay, Wis. Mr. Mook objected on the specious grounds that "voters there wanted change and Obama's presence would suggest to voters that Hillary was running for his third term." Of course, if the campaign had scheduled the event for Green Bay, Mrs. Clinton might have visited Wisconsin at least once. But she never went there, and Donald Trump won the state by less than 1%.

Such insights aside, "Shattered" is not a pleasure to read. The authors seem incapable of conveying a thought without the use of some tired metaphor or idiom, often two or three within the same sentence. Mrs. Clinton's "clear, dead aim was to box Biden out." Bernie Sanders "had flown in from off the political radar screen." The book is also too long: 400 pages of Clintonian self-aggrandizement, campaign malpractice and passive-aggressive blame-shifting are more than any ordinary reader can bear. Then again, there's just so much material.

Mr. Swaim is the author of *"The Speechwriter: A Brief Education in Politics."*

The Toughest Job in Washington

The Gatekeepers

By Chris Whipple
Crown, 365 pages, £21.81

BY CLARK S. JUDGE

'PERSONNEL IS POLICY' goes an enduring White House cliché, and of no staffer is that claim more true than the president's chief of staff. As Chris Whipple argues in "The Gatekeepers," a group portrait of White House chiefs from Richard Nixon's tenure to Barack Obama's, the chief of staff has been the key to the success of every modern presidency—or a big reason for its failure. The tale Mr. Whipple tells is a good and important one, if slightly incomplete.

The position was an innovation of Dwight Eisenhower, who created it upon entering office in 1953 and appointed former New Hampshire Gov. Sherman Adams to the post. But it was H.R. Haldeman, Richard Nixon's aide, who, three presidencies later, developed the modern White House staffing system and thereby gave an enduring place to the chief of staff in American government.

Haldeman invented both the modern presidential campaign and the modern White House. He designed the television-heavy strategy of the 1968 Nixon campaign, the model for virtually all major American campaigns since (until Donald Trump broke the mold in 2016). His impact on the operations of the presidency was equally profound.

In 1968, he described his concept for the new White House management system: "Nothing goes to the president that is not completely staffed out first, for accuracy and form, for lateral coordination [among departments and agencies], checked for related material, reviewed by competent staff."

The intent of the system was to ensure that every person and every piece of paper that reached the chief executive was worthy of his attention and, in turn, that the executive branch pursued the president's policies. For the next two generations, the Haldeman system helped one White House after another attain a level of professional excellence in staff work and efficiency in organization that met the growing responsibilities of government and the demands of global leadership.

But the system was not infallible, even during Haldeman's own tenure. At a meeting of former chiefs of staff convened in 1986, Haldeman responded to a question about Watergate by saying that "the system was not followed." If it had been, he said, he and his staff "would have resolved

that matter satisfactorily, probably unfortunately for some people. . . . It wasn't done, and that was what led to the ultimate crisis."

Mr. Whipple notes that Haldeman wouldn't confront the president and demand that he stop the cover-up. And he dismissed the seriousness of the break-in, believing that J. Edgar Hoover had bugged the 1968 Nixon campaign on behalf of Lyndon Johnson without protest from the press or Congress.

Still, Mr. Whipple accepts the failure of the system as the primary explanation for Watergate, a plausible view. Indeed, his tale of successive presidencies becomes the same truth displayed over and over again: When chiefs of staff are strong and work the Haldeman system well, presidencies thrive; when chiefs are weak or fumbling—or, alternatively, overbearing—presidencies run into trouble.

The early days of the Ford presidency, for example, were chaotic. Gerald Ford's unstaffed decision to pardon Richard Nixon in September 1974 had sent the president's approval

House operations. At a reception before his inauguration in 1981, Ronald Reagan told the outgoing chief: "You know, Jack, my people tell me that if you'd been chief of staff from the beginning, I wouldn't be here."

"One hell of a chief of staff" is what adviser Stuart Spencer called Ronald Reagan's gatekeeper, James A. Baker III. To Mr. Whipple, Mr. Baker sets the standard by which to measure all other presidential gatekeepers. Mr. Baker had been George H.W. Bush's campaign manager during the 1980 primaries and had impressed Reagan in the fall of the year, when Mr. Bush joined Reagan on the ticket. With Edwin Meese and Michael Deaver, the other members of the so-called Troika, Mr. Baker controlled loose cannons like Secretary of State Haig; delivered bad news to the president when necessary; and through savvy negotiation and the shrewd working of the media helped put the Reagan program through Congress.



BUDGET TRIM Gerald Ford consults with Donald Rumsfeld, his chief of staff, in the White House barbershop, 1975.

Created by Eisenhower, the role of chief of staff made the modern presidency possible.

ratings into "free fall." (Down to 4%; those were the days!) The chief of staff—Nixon holdover Gen. Alexander Haig—showed himself to be "scheming and mercurial," Mr. Whipple says. Staff work was sloppy, speech drafts inane. Ford soon replaced Haig with Donald Rumsfeld, a former congressman and NATO ambassador. When Mr. Rumsfeld became defense secretary in November 1975, his protégé Dick Cheney stepped in. Between them, they steered the ship. Ford almost prevailed in the 1976 election.

Jimmy Carter acted as his own chief of staff for the first two years of his presidency, with disastrous results. This was the period in which he famously oversaw the schedule for the White House tennis court. Then he made Hamilton Jordan his chief—which may have been worse. Jordan, an assistant from Mr. Carter's days in Georgia's governor's mansion, devoted his tenure to drinking, womanizing and insulting members of Congress. Too late, Mr. Carter turned to Jack Watson, a former Marine and Harvard Law graduate. Mr. Watson would prove to be a first-class choice, bringing order, focus and follow-through to White

If Mr. Baker was the best chief of staff, his successor, Don Regan, was among the worst, as Mr. Whipple sees it. Regan had been CEO of a Wall Street financial house and never fully understood that he was not CEO of the United States. He did not discard the Haldeman staffing system but neither did he use it well, often stifling communication within the staff and blocking staff access to the president when he should have been facilitating it. The result was one mishap after another, culminating with the Iran-Contra Affair. Ultimately the president had had enough. Howard Baker and then Kenneth Duberstein replaced Regan, restored the Haldeman system and helped the administration finish on a triumphant note.

And so Mr. Whipple's story continues. Among effective custodians of the staff system are Bill Clinton's Leon Panetta, Erskine Bowles and John Podesta (who initiated the now-familiar expansive use of executive

powers to circumvent a hostile Congress). George W. Bush's Josh Bolten and Barack Obama's Rahm Emanuel earn praise as well. While aggressive and profane, Mr. Emanuel respected the diversity of views within the staff.

"There was quote-unquote the true believers versus the pragmatists," Mr. Whipple quotes Mr. Emanuel saying. "You're supposed to have that. . . . That's how you get kind of the intellectual energy and the political energy to get things done." On the ineffective side of the ledger are, among others, George H.W. Bush's John Sununu (who respected few views other than his own) and Mr. Obama's Bill Daley (who failed to win the respect of the president or the staff).

Mr. Whipple's argument is persuasive and his survey surprisingly interesting, given the bureaucratic nature of the job he is examining. Still, there is more to be said about the broad governing styles that shape modern presidencies. In the three decades from the

access model became an open door to the lack of accountability that plagues the federal establishment today.

The GOP style, for its part, has led one chief of staff after another to leave office under a cloud or worse. Yes, the system has fostered an efficient use of the president's time. But it has also meant that powerful people in Washington eventually see the chief of staff as the man who said "no" to their favorite policy. More broadly, the chief of staff, by acting as a gatekeeper, may appear to be usurping the president's prerogatives. So much power (real or imagined) can seem too much for an appointed official, producing its own kind of break in the chain of accountability.

The singular success of James Baker was not due solely to his remarkable administrative and political skills. In organizing the White House, Reagan melded the FDR and Eisenhower styles. There were the orderliness and professional standards

of the Haldeman system. But if Mr. Baker blocked a determined supplicant, there were Roosevelt-like routes to the president that he could not control: Messrs. Meese and Deaver primarily but also, at various times, National Security Adviser William Clark, CIA Director William Casey and Sen. Paul Laxalt. It is evident from Mr. Whipple's volume that Reagan's structured tension was hard on the members of the Troika. But it kept the president in charge.

But this quibble does not diminish the value of Mr. Whipple's entertaining and engaging study. It is a fair guess that the norm for incoming chief executives has been passively to accept the Haldeman organization chart, not recognizing all that goes into making the system work.

Mr. Judge is managing director of the White House Writers Group and chairman of the Pacific Research Institute.

OPINION

REVIEW & OUTLOOK

The 'Armada' That Wasn't There

One of the odder stories this week is the Carmen Sandiego search for a U.S. aircraft carrier that was supposedly heading toward the Korean Peninsula. The White House is chalking up the confusion to a miscommunication, but President Trump's hyperbole about deploying U.S. military force didn't help.

Earlier this month Adm. Harry Harris, head of U.S. Pacific Command, announced that the USS Carl Vinson strike group would cancel planned port visits to Australia and head north from Singapore to the Western Pacific. President Trump told Fox News last week that he was "sending an armada" as a powerful warning to North Korea, and White House Press Secretary Sean Spicer defended the move in the briefing room.

Then the U.S. Navy released photos of the Vinson sailing through the Sunda Strait in Indonesia, and now we learn that the ships moved south to participate in joint exercises with the Australian navy. The military has since suggested the plan was always to do a short stint with the Aussies before steaming north. The USS Vinson is now

hanging a U-turn and will arrive in the Western Pacific in the coming weeks. On Wednesday Defense Secretary Jim Mattis said the U.S. is doing "exactly what we said we were going to do."

But North Korea's propaganda arm mocked the late arrival as a bluff, and a prominent South Korean politician told the Journal that if President Trump lied, then "South Korea will not trust whatever Trump says." Some are asking if perhaps the misinformation was deliberate, and sometimes in war you have to fake out the enemy. But this isn't D-Day, and allies might wonder the next time the President trumpets an arriving "armada."

The White House is directing questions to the Pentagon, which has conceded it should have communicated the timing more clearly, but then the Defense Department did nothing to correct press reports suggesting the vessels were underway. Mr. Trump broadcast a show of force to underscore the power of an American deterrent, but the lesson is that it's dangerous for Presidents to sell a military mirage.

A Death in St. Petersburg

Journalists in authoritarian states are some of the bravest people on Earth, and often they pay with their lives. The latest is Russian Nikolai Andrushchenko, who died this week in St. Petersburg after a beating by unknown assailants last month.

The 73-year-old co-founded the weekly Novy Petersburg and was known for articles criticizing the Kremlin and President Vladimir Putin. His newspaper also dared to report on the connections between St. Petersburg officials and organized crime. Andrushchenko enjoyed the

relative freedom of the press after the fall of the Soviet Union in the 1990s, but he was one of the first in Russia to warn that the secret services were returning to political power after Mr. Putin's rise in 2000. Andrushchenko was previously beaten in 2007 and survived, but this time he never regained consciousness after brain surgery following the vicious assault.

His death is part of the tragedy of modern Russia, where critics of Mr. Putin often end up shot or beaten to death by killers who are never brought to justice.

Japan's Potato Panic

Potato-chip fans in Japan stocked up on snacks this week after Calbee and other makers announced that a poor potato harvest in Hokkaido is forcing them to shut down production lines. Japanese store shelves are already stripped of favorite flavors such as plum and French salad, leading to online auctions of hoarded chips.

The U.S. Agriculture Department says American growers supply 78% of Japan's potatoes and potato products. So why not simply import more potatoes?

The answer is Japan's agriculture lobby, which has largely succeeded in keeping out the fresh potatoes needed to make fried chips. The U.S. spuds exported to Japan are mostly dehydrated or frozen processed potatoes, such as the kind used at McDonald's.

Japan banned the import of American fresh potatoes in 1950, ostensibly because of concerns about the potato wart bacteria and the cyst nematode. That was part of a wave of protectionism based on spurious claims. Tokyo justified keeping out U.S. beef because Japanese intestines were supposedly unable to digest it.

After a bad harvest in 2006, Japan did open the door slightly: American potatoes from cer-

tain states can now be imported between February and June—as long as they go through special treatment procedures. While the tariff on fresh potatoes is low at 4.3%, non-tariff barriers have held U.S. sales in Japan to about \$10 million a year.

The Trans-Pacific Partnership trade deal would have cracked this valuable market

for Idaho spud farmers. The National Potato Council supported TPP in part because it contains a mechanism to resolve phytosanitary issues—i.e. unjustified import restrictions based on disease. Potato Grower magazine estimated TPP would allow U.S. exports to grow to \$50 million annually within five years.

That appetizing opportunity was lost due to President Trump's decision to withdraw from TPP. While fresh potatoes may be a tiny part of Pacific trade, TPP would have expanded access to Japan's lucrative market for a broad range of agricultural products.

Fortunately for Japan, Prime Minister Shinzo Abe is still pursuing TPP to open his economy. If the U.S. stays out, American farmers will lose out to competitors. Japanese snackers could soon be munching on wasabi-flavored chips made with Australian-grown potatoes.

Holding Prosecutors Accountable

President Trump dumped Preet Bharara as U.S. Attorney for the Southern District of New York, and the celebrity prosecutor is conducting another media vindication tour. But a few problems from his tenure are left to resolve, including the legal crusade against David Ganek.

When we last checked on this saga, the Southern District had appealed a district judge's ruling that discovery and trial could proceed in Mr. Ganek's lawsuit against Mr. Bharara and the Federal Bureau of Investigation. The investor alleges that law enforcement violated his civil and constitutional rights with a 2010 insider-trading raid on his hedge fund, Level Global. The press was tipped off beforehand, Mr. Ganek was named as a suspect, and the reputational damage of the media circus ruined the firm.

Mr. Ganek was never charged with a crime, and the fraud conviction of one of his portfolio managers was overturned on appeal as an appellate court held that Mr. Bharara's insider-trading theories exceeded the law. The feds now concede—or used to—that the affidavits used to obtain the Level Global search warrant contained false information about Mr. Ganek's involvement in this non-scheme. Maybe these misrepresentations were honest mistakes, but that's all the more reason to review evidence of the investigation such as emails and interview transcripts in public.

Instead, the Southern District is hiding behind the doctrine of prosecutorial immunity—and resmearing Mr. Ganek to evade accountability for its botched investigation. At oral arguments late last month, a Second Circuit Court of Appeals panel seemed skeptical of the government's arguments. So under questioning deputy U.S. attorney Sarah Normand accused Mr. Ganek of participating in "a scheme with regard to many, many pieces of inside information from many public companies."

This accusation was never raised in the copious pretrial and appeal briefings, and presumably if prosecutors had anything solid on Mr. Ganek

they'd have sought an indictment at the height of Mr. Bharara's insider-trading bubble. Judge Reena Raggi noted that "certainly there's no evidence at trial, or in the record that

you've put forward, that the confidential informant or the cooperator ever said to law enforcement that Mr. Ganek did know that he was trading in whole or in part on inside information. That's the record that

we've got before us. That's a statement made in the affidavit [that] is not true."

The case's larger import concerns accountability for alleged prosecutorial misconduct. Judge Alex Kozinski of the Ninth Circuit recently noted that improper and abusive behavior by prosecutors has reached "epidemic proportions." If Mr. Bharara's false affidavit was deliberate, it violated due process.

There's also emerging evidence that something was rotten in Mr. Bharara's operation. The FBI special agent who supervised securities fraud investigations in New York, David Chaves, who is also a defendant in the Ganek case, was recently cited for leaking confidential grand-jury information in the insider-trading case of sports gambler William "Billy" Walters. Judge Kevin Castel issued an unusual order instructing the FBI to provide updates on Mr. Chaves's internal disciplinary process.

According to emails revealed in the Walters case, Mr. Bharara knew about the leaks pouring out of the FBI's white-collar unit, including to reporters at the Journal. He called it "outrageous and harmful" in a 2014 email, but as far as we know he did nothing to stanch the leaking. Earlier this year the FBI reached a rare settlement with the wife of a convicted inside-trader who was wiretapped in violation of the FBI's eavesdropping guidelines. The terms aren't public.

In other words, there's a pattern of troubling behavior and a problematic culture inside Mr. Bharara's old shop. Not least because there are so few consequences for prosecutorial abuse, the Second Circuit should allow Mr. Ganek's suit to head to trial.

U.S. attorneys smear an investor to halt a misconduct trial.

Recep Tayyip Erdogan Asks You to Shut Up



BORDER LANDS
By Sohrab Ahmari

In 2010, Bernard Lewis predicted that Iran and Turkey would trade places by the end of the decade. Iranians would abandon political Islam for secular nationalism, the great Princeton Orientalist said, even as the Turks relinquish their secular, Western-looking republic for some form of Islamist rule.

Today the Iranian transformation is at an embryonic stage. But the Turkish one is well under way, and liberal and secular-minded Turks are mostly powerless to stop it.

Turkish strongman Recep Tayyip Erdogan on Sunday asked voters to ratify his authoritarian ambitions and his existing gains from a power grab going back to 2008. A majority agreed, though the margin was thin given what observers with the Organization for Security and Cooperation in Europe and the Council of Europe delicately described as an "unlevel playing field" that tilted in Mr. Erdogan's favor.

Fifty-one percent is a lame prize indeed for a purged bureaucracy, a muzzled press and a jailed opposition. Add an election-day switcheroo on the rules governing ballot verification, which the opposition Republican People's Party (CHP) says may have affected as many as 2.5 million votes, and the legitimacy of the plebiscite is in jeopardy. There would be a redo—if Mr. Erdogan weren't the type of man who grows more shameless when shamed.

The CHP has vowed to mount a legal challenge, but the party faces long odds against once-independent institutions now packed with Erdogan loyalists. The likely outcome is that the result will stand, marking a major milestone on Turkey's path to Islamization.

Yes, you can still legally drink alcohol in Turkey, the hijab isn't mandatory for women and you can still access this newspaper's website on the Turkish internet. Let's hope Turkey's secular forces can defend their liberties against encroachments by Mr. Erdogan and his Islamist Justice and Development Party (AKP). But restrictions on personal freedom aren't the only mark of ideological dictatorships like Iran's, and Ankara's behavior of late bears many of the other indicia.

An important one is the application of authoritarian methods far outside their borders, against their own subjects abroad as well as citizens of free societies. The Ayatollah Khomeini's 1989 fatwa against the British novelist Salman Rushdie was the classic case, and Mr. Erdogan is increasingly pursuing similar vendettas against his Western critics and enemies (real and perceived).

Over the referendum weekend, following a complaint by a group of Turkish lawyers, the Istanbul prosecutor's office announced an investigation into 17 U.S.-based individuals the law-

yers say are allies of Fetullah Gülen, the exiled Islamist imam and erstwhile AKP handmaiden. Ankara accuses Mr. Gülen of masterminding an attempted coup in July.

Among these alleged Gülen allies are Senate Minority Leader Chuck Schumer, former CIA director John Brennan and Preet Bharara, the former top federal prosecutor in the Southern District of New York.

Then there is Michael Rubin, an analyst with the right-leaning American Enterprise Institute and a contributor to these pages. A tough critic of Mr. Erdogan, Mr. Rubin has argued—correctly—that the AKP's authoritarian drive risks destabilizing the country. Mr. Rubin also predicted the July putsch. The notion that he's a crypto-Gülenist would be laughable but for the fact that it reveals the depth of paranoia within AKP circles.

The Turkish president has launched a global attack on dissent. His latest target: a Washington analyst.

"I've been a critic of Gülen when he worked hand in glove with Erdogan," Mr. Rubin said in a phone interview Tuesday. Turkish propagandists, the Washington-based analyst says, accuse him of "Islamophobia" even as they also claim that he colludes with an Islamist cleric.

The aim of such legal and media harassment is to deter Mr. Rubin from visiting Turkey and to chill anti-Erdogan speech in the West. Ankara also probably hopes Turkish insiders and dissidents will stop feeding Mr. Rubin information.

The "investigation" is of a piece with Ankara's attempt last year to have a German comedian prosecuted—in Germany—for delivering an obscene satirical poem about Mr. Erdogan on television. A spokesman for the Turkish presidency didn't respond to a request for comment.

"Erdogan has eviscerated the press inside Turkey but it frustrates him that he can't control people outside," Mr. Rubin says. Mr. Erdogan imagines that democratic leaders such as President Trump and Germany's Chancellor Angela Merkel wield as much power in the U.S. and Germany, respectively, as he does in Turkey. He expects Mr. Trump and Mrs. Merkel to silence writers such as Mr. Rubin as a matter of diplomatic courtesy.

Western leaders should correct the Turk's misapprehension. The domestic opposition is cornered, but the referendum showed that half or more of Turkish society will never accept Mr. Erdogan as an elected sultan. Turkey is still linked to NATO and the West in a way that Iran never was. That's all the more reason for Turkey's Western allies to speak up for Mr. Erdogan's victims and help arrest, if not reverse, Turkey's transformation into another closed society like the one next door.

My Children's Own (Nonelectronic) Devices

By Batsheva Neuer

My 5-year-old son is beyond his years in many ways—with one big exception. He still doesn't know how to turn on an iPad. In an effort to stave off a lifetime of device dependence, my husband and I have nurtured a screen-free environment in our home. It's kooky, but if you ask me, it's made all the difference in my children's development.

Having both been raised in homes without televisions, our decision to limit screens came somewhat naturally to us. We wanted to delay technologically induced social isolation and encourage our children to develop skills that would serve them well in the real world. In our minds, childhood should be about fostering social interactions, encouraging creativity and responding to real-world stimuli.

To cultivate a screen-free environment—if only for a few years—we've taken an old-fashioned approach. We bought a 1987 Golden Book Encyclopedia set on eBay. We've also developed a habit of contacting "local experts." How does the sun move? That's a good question for Uncle Ariel, who studied chemistry in college. How do you build a door? Ask Uncle David, the contractor. Who created the world? As the self-appointed Biblical scholar, that's my turf.

We aren't absolutists. The only way the children can survive the eight-hour drive to my Canadian parents' home in one piece is by watching "Sesame Street" on the TV screen in the back seat of our SUV. And when it's been weeks since they've seen their grandparents, we know that they have more to gain than lose by a video-chat session.

We're OK with making exceptions, so long as they remain only that.

The gains in their development and character have been invaluable. My children's concentration skills are strong. They can spend hours listening to tales of the gnarling and wizened trees of Narnia. They have learned how to share in household tasks, quickly becoming adept at polishing candlesticks, setting a table and folding napkins into stemware.

They question, imagine and create, while learning real-world social skills.

Most important, the no-screen rule is bringing our children closer to our extended family. The practice of asking questions to humans rather than the Google search bar has generated interest in the talents of family members and friends.

Albert Einstein said, "Imagination is more important than knowledge." So while my children don't have kidie apps to master Mandarin or the fineries of classical music—at least not yet—they do a lot of questioning, imagining and creating.

I recognize that our hold on technology may only last for a few more years. At some point, my children will need to enter the digital world and learn the skills necessary to succeed there too. Undoubtedly, device dependence lies ahead. But for now I am glad that they can learn to depend on their own minds and hearts—and on the special humans in their lives.

Ms. Neuer is a writer in New York.

OPINION

Do You Want Reagan's Economy or Obama's?

By Phil Gramm
And Michael Solon

The best way to gauge America's capacity to reignite economic growth through tax reform is to move beyond congressional economic models and look to the empirical evidence of the country's historical ability to grow and prosper. America's economic exceptionalism has been the product of freedom and opportunity, secured through limited government. When government policies have strengthened or impeded these sources of American exceptionalism, they have yielded quantifiably different results.

America's economic exceptionalism has been the product of freedom and opportunity and the policies that promote them.

The economic policies implemented by Presidents Reagan and Obama were the polar extremes of postwar policies. The economic consequences of those policies defined the highs and lows of America's postwar experience. These extremes help define what might be expected if the current administration and Congress are successful in reversing the Obama program and moving toward a more Reagan-type policy of tax reform and regulatory relief.

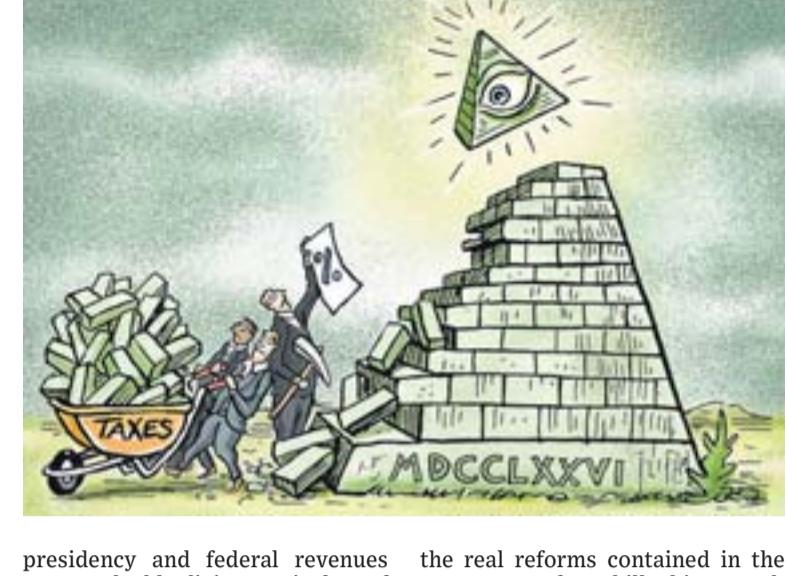
Mr. Obama implemented policies dramatically different from the postwar norm. Marginal tax rates soared; federal spending spiraled with a nearly trillion-dollar stimulus; Social Security Disability and food-stamp qualifications were eased; work requirements in welfare pro-

grams were suspended; Medicare and Medicaid were expanded and ObamaCare created. Federal debt doubled, and public and private debt held by the Federal Reserve quadrupled. New legislation, an unprecedented number of new regulations, and a torrent of executive orders transformed the role of government in American life.

Dramatically different policies were followed by dramatically different economic results. Economic growth during the Obama years averaged an astonishingly low 1.47%, as compared with the 3.4% average throughout all the postwar booms and busts before 2009. The extraordinary economic failure of the Obama era is not found in the recession that ended six months into his presidency but in the subsequent failed recovery, where real growth in gross domestic product averaged 2.1% a year, less than half the 4.5% average during previous postwar recoveries of similar duration.

Even after Mr. Obama announced a "summer of recovery" in 2010, the Congressional Budget Office was repeatedly forced to cut GDP and federal-revenue estimates—by a total of \$9 trillion and \$4.2 trillion, respectively—due to weak economic growth. Federal revenues were supposed to rise by \$650 billion over the following decade because of the Obama 2013 tax increase. They are now projected to fall by almost five times that amount because economic growth continues to falter.

GDP growth averaged 2.5% between 1974 and 1980. After taking office during a recession in 1981, Reagan cut marginal tax rates, cut nondefense and entitlement spending and reduced the regulatory burden. Once those policies were in place, economic growth averaged 4.6% during the remainder of his



CHAD CROWE

presidency and federal revenues grew at double-digit rates in four of his last six years in office.

With efforts now under way to repeal the Obama program and replicate, at least in part, the successful tax reform of the Reagan era, it seems reasonable to assume that the economic benefits from these changes would help to pull the economy out of its current low-growth rut and propel it toward its historical postwar norm. Lifting the economy from the CBO's post-Obama projection of 1.8% growth to the 3.4% postwar average would generate \$4.6 trillion of additional federal revenues over 10 years.

Even if tax reform and the repeal of the Obama program closed only half the gap between the current 1.8% GDP growth rate and the 3.4% GDP growth rate that the economy averaged for the previous 64 years, that alone would deliver \$2.3 trillion in new revenues due to higher growth over the next 10 years. This is important because together with

the real reforms contained in the House tax-reform bill, this growth potential would make it possible for the House to drop the proposed border-adjusted tax, which would supposedly raise \$1.1 trillion in revenue. This change alone would remove the biggest obstacle to passing tax reform.

Budget and economic data over the seven postwar decades prove that American exceptionalism flourishes when supported by policies that promote freedom and opportunity and disappears when they are suppressed. But the CBO's methods do not recognize that truth. No single part of the Obama program was ever scored in advance by the CBO as losing \$4.2 trillion in federal revenues, but those losses reflect the totality of the impact of his policies.

No single Reagan action was ever scored by the CBO as producing the equivalent of \$2.9 trillion in new revenues (relative to the current GDP), but that was the overall result of his program, which in-

creased annual economic growth by an additional 1% over his presidency. The CBO originally assumed that the 1986 tax reform would produce no economic benefits and that the 1997 Balanced Budget Act would have only a small positive effect, yet together they helped produce a quarter-century of rapid growth, surging federal revenues and a balanced budget.

Since its models are incapable of distinguishing between failed and successful economic policies, the CBO will not score the economic growth and federal revenue coming from improved economic policy. If the House drops the proposed border-adjusted tax, the current tax-reform bill could still be considered in the context of the budget-reconciliation process, which requires only 51 votes in the Senate. But under Senate rules, a tax reform passed that way would be in place for only 10 years. If the reforms work as they have in the past, Republicans will win the 2018 elections, and then they can make the tax reform permanent.

Critics will denounce the idea that good policies have anything to do with economic growth. These are largely the same critics who have spent most of the past eight years denying that President Obama's policies had anything to do with poor economic performance. But America itself is proof that policies matter. After all, policies of freedom and opportunity are what allowed America to take the world's "huddled masses" and produce the most impressive empirical evidence the world has ever seen.

Mr. Gramm, a former chairman of the Senate Banking Committee, is a visiting scholar at the American Enterprise Institute. Mr. Solon is a partner of US Policy Metrics.

It's Time to Give Greece Room to Grow

By Alexis Tsipras

The recent economic crisis persuaded the international community that long-term economic development is viable only through coordinated actions against the challenges that demographics, debt trajectories, trade imbalances and the lack of reforms pose to growth. This contrasts with the previous view that such factors were merely matters of macroeconomic performance.

Greece and other countries hit by the financial crisis are typical examples in this respect. As an advanced economy and member of a strong currency club that has achieved high growth rates in the past, we are ready to enter a growth path.

Seven years after the first rescue plan, Greece has undertaken front-loaded fiscal consolidation and deep structural reforms in all sectors in exchange for financial sup-

port. We have fulfilled our obligations, despite the immense social and economic cost of three successive adjustment packages.

During the past two years, Greece has overperformed. The International Monetary Fund recently acknowledged this by revising upwards its own primary-surplus projections, to 3.3% from 0.1% of gross domestic product in 2016, and to 1.8% from 0.7% of GDP in 2017.

These are the results of the progressive tax policies that have modernized Greece's tax system and tackled corruption and tax evasion. It's no accident that the Organization for Economic Cooperation and Development granted Greece first place in tax reforms for 2015.

We've placed a special emphasis on creating a fair and friendly investment environment, a stable tax environment, new financial instruments as well as incentives for investment. All in all, we've set the foundation for a new development

paradigm that focuses on innovation and exports.

We are now ready to create a coherent social-protection system that can take on poverty, social exclusion and the risk of entrapment

My country is committed to honoring its obligations, but its creditors must set aside the punitive approaches of the past.

in long-term unemployment. The combination of a strong economy and an effective welfare state guarantees inclusive growth and the mitigation of rising social inequalities.

Greece is finally turning the page. However, it is vital to proceed with decisive steps regarding Greek debt in a way that no economic cost—not

even a penny—would be incurred by European Union taxpayers. The technical solutions that make this politically viable do exist.

The timely specification of medium- and long-term debt-relief measures would create smoother fiscal paths and the vital space for sustainable growth. This would allow the inclusion of Greek bonds in the European Central Bank's quantitative-easing program, pave the way for our return to the markets and signal to the international investor community that the Greek economy is returning to normality.

The clash between the EU and the IMF over Greece's public debt deprives our economy of invaluable time, which would set back the long-awaited return to growth. We are committed to honor our obligations to our creditors, despite the political costs that may entail. But the safest path to this goal is to foster growth and end the punitive approaches of the past.

Greece isn't an isolated case—it's the scene where all of Europe's underlying problems have come to the surface.

The global political and economic environment is in a state of uncertainty. Europe still faces the consequences of a prolonged economic crisis, along with new challenges such as the refugee crisis. These challenges have fueled a growing euroskepticism and pose existential risks to the European project at a time when more and better Europe should be the answer.

Paternalistic, technocratic and elitist approaches cannot be the answer to the rise of the extreme right. Only by deepening democracy and embracing solidarity we can offer hope to the European vision in these turbulent times.

We have done this before and we can do it again.

Mr. Tsipras is the prime minister of Greece.

President Trump's Alliance Strategy

issues that everyone calls "a mess." It is possible, though, to see the shape of an emerging strategy.

The place to look for that strategy is inside the minds of Defense Secretary Jim Mattis and National Security Adviser H.R. McMaster.

During his Senate confirmation hearings, Mr. Mattis said something that jumped out at the time. He called the North Atlantic Treaty Organization "the most successful military alliance probably in modern history, maybe ever."

This was in notable contradistinction to the view of his predecessor that NATO was obsolete. Then last week, after meeting with NATO Secretary General Jens Stoltenberg, President Trump said of the alliance: "I said it was obsolete. It's no longer obsolete."

Let's set aside the obligatory sniggering over such a remark and try to see a president moving to-

ward the outlines of a foreign policy that, for a president who likes to keep it simple, may be described with one word: allies.

NATO emerged as a formal alliance after World War II. Less formally, the U.S. struck alliances with other nations to base troops and ships, as in the Persian Gulf.

After the Soviet Union dissolved in 1991, foreign-policy thinkers began to debate the proper role of the U.S. as the world's only superpower. Liberals argued that maintaining the U.S. at the apex of this alliance system was, well, obsolete. Instead the U.S. should act more like a co-equal partner with its allies, including international institutions such as the United Nations.

The idea of a flatter alliance structure, or leading from behind, came to life with the Obama presidency. It doesn't work.

If indeed Messrs. Mattis and McMaster are the architects of an emerging Trump foreign policy, their most formative experiences, in Iraq, may shape that policy.

After the Iraq War began in 2003, the U.S. tried to defeat the enemy essentially with brute force. Serving in different areas of Iraq—Gen. Mattis in Anbar province and then-Col. McMaster in the city of

Tal Afar—the two men realized that force alone wasn't winning. Instead, they sought, successfully, to gain buy-in from the local populations and tribal leaders. In return for that buy-in, U.S. forces provided security to their new allies.

Mattis and McMaster learned in Iraq that if you make allies, you should keep them.

The difficult and ultimately tragic question was, what happens after the U.S. leaves? In strategic terms: How does the U.S. stabilize a volatile world without becoming a permanent occupying force?

Last month, Mr. McMaster brought onto the NSA staff Nadia Schadlow, who has thought a lot about that question. Her assignment is to develop the National Security Strategy Report. The title of her just-released book, "War and the Art of Governance: Consolidating Combat Success Into Political Victory," summarizes its core idea:

Unlike its pullout from Iraq, the U.S. has to remain involved—en-

gaged—in the turbulent political space that always exists between conflict and peace, a space filled with competition for influence and power. What Messrs. Mattis and McMaster learned in the wake of Iraq is that if you make allies, you should keep them.

Thus, Vice President Mike Pence stood at the DMZ across from North Korea reconfirming America's alliance with South Korea. A day later, he did the same in Japan.

Mr. Trump met in recent weeks with King Abdullah of Jordan, President Abdel Fattah Al Sisi of Egypt and, most importantly, Saudi Arabia's Deputy Crown Prince Salman. This week, Mr. Trump called to congratulate Turkish President Recep Tayyip Erdogan on his referendum victory.

These are the Middle East's "tribal leaders," or allies, whose buy-in will be necessary if the U.S. is to consolidate gains from the military strikes in Syria and Afghanistan—possibly with the partition of Syria into three tribal sectors.

Russia has separated itself by choosing instead an alliance with Iran to create a Russo-Iranian Shiite crescent extending across the Middle East to the Mediterranean.

The Mattis-McMaster foreign policy taking shape looks like a flexible strategy born of military experience in fast, fluid circumstances—our world. It is based on both formal and mobile alliances with partners willing to use diplomatic, financial, political and, if necessary, military pressure to establish stable outcomes. The word "abandon" doesn't fit here.

Some might say that sounds like the U.S. leading alongside. With one big difference: The U.S. is in fact leading.

Write henninger@wsj.com.

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Notable & Quotable

From "How Late-Night Comedy Fueled the Rise of Trump" by Caitlin Flanagan in *The Atlantic's* May issue:

Somewhere along the way, the hosts of the late-night shows decided that they had carte blanche to insult not just the people within this administration, but also the ordinary citizens who support Trump,

and even those who merely identify as conservatives. In March, Samantha Bee's show issued a formal apology to a young man who had attended the Conservative Political Action Conference and whom the show had blasted for having "Nazi hair." As it turned out, the young man was suffering from Stage 4 brain cancer.

LIFE & ARTS

EXERCISE

A Fitness Empire Quietly Rises on YouTube

Fitness Blender has amassed 4 million subscribers with video instruction that's down-to-earth—and free

BY RACHEL BACHMAN

ONE OF THE NATION'S hottest gyms isn't a gym. And it's free.

Fitness Blender, an online-workout company run by personal trainers Kelli and Daniel Segars, is the most-watched fitness channel on YouTube and just passed 4 million subscribers. That's more than one of the nation's biggest health-club chains, 24 Hour Fitness, has members.

Fitness Blender's YouTube channel and corresponding website feature more than 500 workout videos, most of them filmed in the Segars' garage north of Seattle. Against a plain-white background, they sweat through basic but challenging moves, including the occasional stumble.

"These people look normal," says Haley Wilson, a 20-year-old fan in Fort Erie, Ontario, who last year had Fitness Blender's logo tattooed on her left arm. "They're like your fit best friends who can help you be healthy, too."

Fitness Blender is a leader in the quiet migration away from traditional health clubs and toward on-demand services such as online-streaming workouts that people can do in their living room.

Boutique online offerings have gained traction, such as Peloton, which streams live classes for \$39 a month to those with one of the company's \$2,000 bikes. Fitness Blender is the leader in free workouts. The site's fans have embraced its simple approach to health: Do a blend of exercise types and eat whole, healthy foods.

"It's not about being bikini-ready," Ms. Segars says. "It's about not dying of a heart attack."

Fitness Blender workouts have no music, no yelling, no fitness models glistening in the background. Most workouts require little equipment, such as a set of dumbbells, or none. The company employs one full-time staff member, one three-quarters time and six to 12 contractors. It doesn't sell nu-



Daniel and Kelli Segars, right, make exercise videos in the converted garage, above and top right, in their home outside Seattle.



FROM LEFT: DANIEL SEGARS; KELLI SEGARS (2)

tritional supplements, a lucrative part of the fitness industry.

"The usefulness of any kind of supplementation is nowhere near the potential risk or financial cost of them," says the 36-year-old Mr. Segars, who has a degree in food nutrition from Texas Tech University. "You simply just don't need them."

Fitness Blender makes most of its revenue from video ads, plus digital eating plans and workout plans that sell for \$6 to \$25. Despite the bare-bones approach, or perhaps because of it, the seven-year-old Fitness Blender has grown into what the Segars say is a multimillion-dollar business with revenue growing more than 20% a year.

Cynthia Winward of Provo, Utah, uses Fitness Blender's online calendar to queue up workouts for herself and her husband, Paul, five days a week. He does them first thing in the morning, she after the children go to school.

The site because it was less "girly" than the videos Cynthia favored, she says, and more low-key

than others they'd done that featured bellowing trainers.

"Certain famous workout people, they like to yell at you," says Ms. Winward, who runs an embroidery-design business from home. The Segars "were like, 'Take a break if you need to.'"

Trine Kleiveland, a 24-year-old grocery-store employee, couldn't afford to join another gym after moving from a smaller city to Bergen, Norway. An instructor at her old gym recommended Fitness Blender. "I must say, the workouts kicked my butt!" Ms. Kleiveland said in an email.

More than half of Fitness Blender's users live outside the U.S., Mr. Segars says. The workouts include a thermometerlike progress clock and an inset video showing how to do the next exercise, making them easy for non-English speakers to follow.

Fitness Blender was born during the financial crisis. The Segars closed on their first house in 2008 on a Friday, got married on Sunday

and lost their jobs at the gym where they met on Monday, Ms. Segars says.

As they cobbled together a living—Daniel as a plumber's apprentice and personal trainer, Kelli writing freelance and counseling unemployed people—they began filming and posting full workout videos on YouTube. The idea was to get their ideas out to as many people as possible, Mr. Segars says. At the time, most fitness gurus saved their best content for DVDs or paid-subscription services, using YouTube only for promotional clips.

"I think we kind of shook the industry a little bit," says Ms. Segars, who is 33. "You can get free workouts built by professionals and you never have to open your wallet."

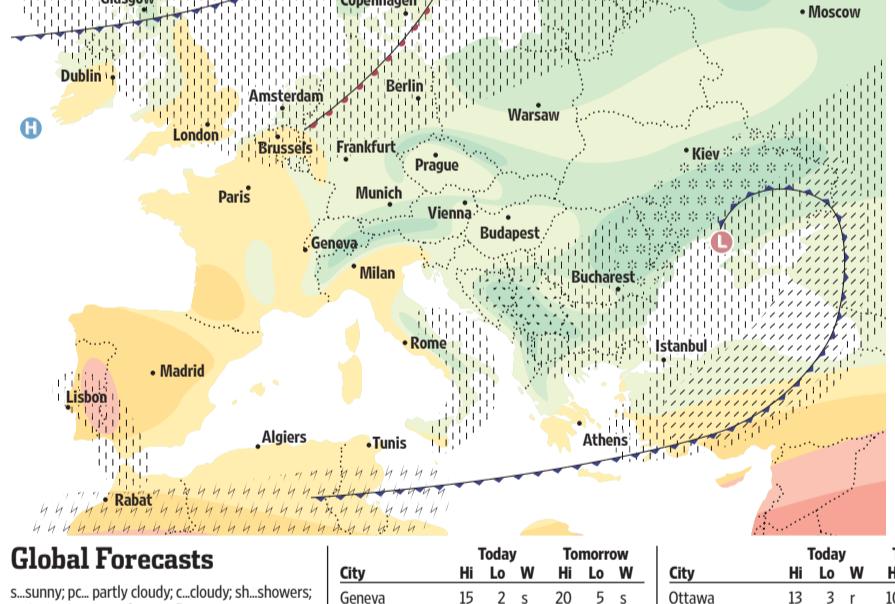
In the faddish fitness industry, Fitness Blender has shown staying power. It has a four-year-old workout that's still getting 30,000 views a day, says Kevin Allocca, head of culture and trends at YouTube.

Amy Harris Gray, a 52-year-old physical therapist and group-fitness instructor in West Linn, Ore., says Fitness Blender's thorough warm-ups and cool-downs and modifications for people with sore joints are unusual among the many paid and free workout sites she's tried.

"No one else compares in quality, personality, options and with balanced, safe workouts," Ms. Gray says.

The Segars were silent in the early workout videos but found that people liked it better when they were talking and "huffing and puffing along with them," Ms. Segars says. They also began sharing more of themselves through their website and social media. Ms. Segars choked up as she spoke of her struggle with an eating disorder, and the couple has slammed photoshopping and body-shaming.

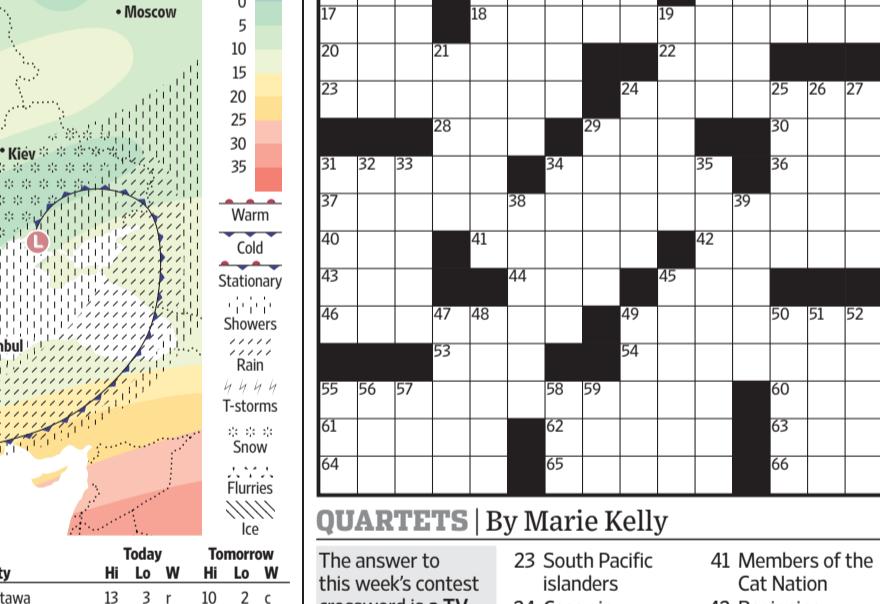
Weather



Global Forecasts

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	14	6	c	11	5	sh
Anchorage	11	2	s	13	3	pc
Athens	17	11	pc	16	10	t
Atlanta	30	18	pc	30	17	pc
Bahrain	32	18	s	20	20	s
Baltimore	28	13	pc	19	8	r
Bangkok	38	26	s	39	27	s
Beijing	21	5	s	27	11	s
Berlin	11	4	c	10	3	sh
Bogota	18	9	r	19	9	r
Boise	16	5	pc	21	9	pc
Boston	10	7	r	11	6	pc
Brussels	15	8	pc	11	2	sh
Buenos Aires	22	7	pc	20	8	s
Cairo	36	19	s	35	16	s
Calgary	11	0	c	13	0	pc
Caracas	31	25	pc	31	26	pc
Charlotte	30	17	pc	30	18	pc
Chicago	14	5	pc	11	4	c
Dallas	28	12	pc	20	9	pc
Denver	9	0	r	13	3	pc
Detroit	14	5	pc	14	5	c
Dubai	32	26	s	34	26	s
Dublin	15	5	pc	12	5	pc
Edinburgh	13	1	sh	11	3	pc
Frankfurt	16	7	pc	13	2	sh

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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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Euro vs. Dollar 1.0749 ▲ 0.35%

FTSE 100 7118.54 ▲ 0.06%

Gold 1281.90 ▲ 0.04%

WTI crude 50.27 ▼ 0.34%

German Bund yield 0.246%

10-Year Treasury yield 2.239%

Rattled Investors Rush for Safety

By IRA IOSEBASHVILI

Investors are bidding up prices for gold, Japanese yen and other haven assets, seeking cover from political and economic risks that are spreading across the globe.

Gold prices rose to their highest level since November this week and are up more than 11% this year. The yen reached a five-month high against the dollar on Monday. Other assets that tend to rise during times of turmoil, such as Treasurys, have gained steadily this month.

Driving the shift to safety is a series of geopolitical events

that are beginning to rattle investors. Some of these political concerns, like heightened tensions over North Korea's nuclear-weapons program, have been around for years but intensified in recent days.

IHS Markit, a risk-consulting firm, warned in a Tuesday note about North Korea that "the risk of escalation and miscalculation following weapons tests, military exercises, or isolated attacks is greater now than at any point in the past 10 years."

U.S. airstrikes in Syria and Afghanistan also have rekindled fears about those conflicts spiraling out of control.

Other concerns have appeared out of nowhere, like the sudden rise of French far-left presidential candidate Jean-Luc Mélenchon. With France going to the polls on Sunday, investors worry that candidates from two political extremes could face each other in a runoff. Either one would be a bad outcome for stability and markets, investors say.

"Typically, you get a market environment that is consumed by a single issue," said Robert Tipp, chief investment strategist at Prudential Fixed Income. "Now, the attention is focused all across the globe, on a number of issues."

Mr. Tipp increased positions in longer-dated Treasurys in the first quarter, in part to mitigate risk from political events.

The flight to safety is also a sign that investors are losing confidence that President Donald Trump can deliver a new fiscal policy to stimulate the U.S. economy after Republican efforts to reform health care collapsed amid other roadblocks.

The belief that Mr. Trump and a GOP-controlled Congress could enact tax cuts, deregulation and other business-friendly policies drove stocks higher after the election, but

many investors have been reversing those trades in recent weeks. The latest U.S. inflation and jobs data also disappointed, raising new concerns that the U.S. economy may be hitting a soft patch.

Rising doubts about growth are also weighing on the dollar. The U.S. currency shot higher in the weeks after the election, but is down 3.4% against a basket of other currencies this year. With traders uncertain whether the multi-year dollar rally can restart, they are putting money in safer assets as they reassess.

Riskier investments such as

Please see SAFETY page B2

Unilever, Nestlé Struggle To Grow

By SAABIRA CHAUDHURI

Consumer-goods stalwarts Unilever PLC and Nestlé SA reported first-quarter sales that were weighed down by cautious spending in the U.S. and Western Europe, with both companies relying on emerging markets for growth.

Unilever, which is under pressure after rebuffing a \$143 billion bid from Kraft Heinz Co., on Thursday reported that underlying sales—which strip out the impact of currency volatility—grew by 2.9% from the same quarter a year earlier.

The growth was driven by emerging markets, where underlying sales climbed by 6.1%. In developed markets, sales declined by 1.5%, as Unilever confronted an array of troubles in North America, where sales dropped by 1%.

Nestlé said its first-quarter revenue grew 2.3% on an organic basis—which strips out the effects of currencies, acquisitions and divestments—but overall were roughly flat with a year earlier. The company is also struggling with sluggish consumer demand in North America, where its confectionery and pet-care sales declined.

Both companies had particular issues in the U.S. Nestlé faced intense competition in bottled water that forced it to cut prices. Unilever sales were hit by the resurgence of ice cream rival Blue Bell Creameries LP. The Anglo-Dutch company also said it faced a tough U.S. hair-care environment, in competition with L'Oréal SA and Johnson & Johnson.

Unilever and Nestlé also struggled with consumers in Brazil trading down to cheaper brands.

Overall, Unilever, whose brands include Dove soap and Ben & Jerry's ice cream, reported a 6.1% rise in revenue to €13.3 billion (\$14.3 billion).

Unilever recently announced plans to sell or demerge its margarine and spreads division, combine its food and refreshments businesses and boost shareholder returns with a higher dividend and share-buyback program.

On Thursday, Unilever disclosed results from its spreads business for the first time, saying overall underlying sales growth would have been 3.4% absent drag from that unit.

♦ Heard: Signs of life in emerging markets B8



A view of Toronto's skyline in 2016. The average price of a home in Canada's largest city rose to under 1 million Canadian dollars.

Home Price Boom Moves to Toronto

Ontario unveils tax of foreign home buyers, similar to Vancouver measure, to curb 'bubble'

By PAUL VIEIRA

Eastward Bound

Vancouver and Toronto house prices diverged after a west coast tax took effect in mid-2016.

Change in prices from a year earlier



Sources: Toronto Real Estate Board; Real Estate Board of Greater Vancouver THE WALL STREET JOURNAL.

As of March, a 28.6% rise from a year earlier pushed the average cost of a Toronto home to just under C\$1 million

(\$750,000), up from \$558,000 just three years ago and making it one of the fastest-rising markets in North America.

"This is a bubble of historic proportions," said David Rosenberg, chief economist at asset manager Gluskin Sheff & Associates in Toronto.

Toronto's year-over-year price surge is so stark, and the city is so important to the Canadian economy, that a correction in home prices now poses a risk to the country's financial system, some economists warn. The Toronto area accounts for roughly 19% of Canada's gross domestic product.

It also may escalate existing worries about the strength of Canada's financial system. Data compiled by the Bank for International Settlements suggest the amount of credit extended to households and nonfinancial firms and the level of house prices above long-term trends have both hit alarming levels.

The risks and strain on affordability prompted the government of Ontario on Thursday to unveil more than a dozen measures to address rising real-estate costs—highlighted by a 15% surtax on foreign house buyers, largely mimicking what British Columbia authorities did.

The government said the suite of policies, including a tax on vacant Toronto residences and caps on rent increases, is meant to bring stability to a frothy market.

"Vacant homes and speculators who never set foot in Ontario exaggerate our challenges. So we are taking action to discourage this practice," Ontario Premier Kathleen Wynne said at a press conference in Toronto.

The Toronto rise isn't entirely explained by robust economic activity and changes in domestic supply or demand factors, economists say. There

Please see PRICES page B2

China's Watchdogs Feel Beijing's Bite

By JAMES T. AREDDY

SHANGHAI—The Chinese government is trying to ensure financial-system stability in a pivotal political year by focusing on the officials who do the regulating.

China has removed three of its four top financial-industry regulators over the past year or so as it also tightens the reins on banks, brokerages and insurers. The latest to fall was liberalizing insurance regulator Xiang Junbo, who jazzed up a stodgy business but caused ripples beyond his agency's purview.

After encouraging liberalization for banks, brokers and insurers in hopes of fueling a slowing economy, Beijing is becoming increasingly anxious about possible financial shock.

The new message for its regulators: back to basics.

Until recently, China's leadership promoted broadening the financial sphere, from wider equity ownership to peer-to-peer lending to online insurance sales. The idea was to spur new consumption and business activity, open access to investments and loans and, in the case of insurance, energize a moribund industry.

But then came the stock-market meltdown of 2015. The government responded to the debacle by pumping in hundreds of billions of dollars in emergency support, restricting speculative instruments and firing the top market regulator. Since then, authorities have toppled the country's leading hedge-fund manager, the head of the largest brokerage and the chairman of one of China's Big Four banks on allegations of corruption. A billionaire with holdings



Regulator Liu Shiyu has been at the forefront of Beijing's efforts to ensure market stability.

Monetary Fund highlighted gray areas in regulation as a medium-term economic risk in a mid-2016 report that described "the increasingly

Please see CHINA page B2

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Continued from the prior page
isn't direct evidence showing that foreign buying has increased in Toronto, and Canadian data on such transactions are weak. Still, Canada's federal government in March has pledged \$241 million over a decade to bolster housing data collection.

Bank of Canada Governor Stephen Poloz, who has warned repeatedly about the growing risk of overvalued housing in Canada, last week cautioned that Toronto's gains are unsustainable and "divorced from any fundamentals that we can identify." Mr. Poloz has also said an interest-rate increase wouldn't be the right tool to tame the housing market, highlighting the dilemma faced by central bankers world-wide.

Canada has reached for other tools to try to tame the frothiness in housing prices.

Like his counterparts in Sweden, Australia and New Zealand, countries that also have struggled to recover from the credit crisis or have been hit by the more recent downturn in commodities prices, Mr. Poloz is keeping interest rates at rock-bottom levels to foster growth, and is maintaining that position despite exposure to a possible housing correction. Canada's central bank has cut rates twice since January 2015 to 0.50%, and isn't expected to begin raising them until next year.

Canadian policy makers have reached for other tools to try to tame the frothiness in housing prices and to limit risky borrowing. Federal officials have stepped in on six separate occasions since 2008 with measures ranging from requiring larger down payments on costlier homes to reducing the maximum period for paying off a mortgage to 25 years from 40 years.

Some of these measures aim to reduce the risk that a correction could create systemic financial mayhem, as happened in the U.S. subprime

crisis. They made it tougher for first-time home buyers but are failing to target the real sources of frothiness, said Doug Porter, chief economist at BMO Capital Markets.

"That does absolutely nothing to stop a foreigner or a speculator. And that's where the source of strength is now coming from," he said.

The Vancouver tax was introduced last July after some research showed overseas buyers, mostly from China, were playing a significant role in pushing up prices.

As sales volume dropped in Vancouver, the new tax appeared to nudge foreign buyers toward at least a couple of new markets, including Seattle, where the median house price in March rose 15.6% over a year to \$530,000.

In and around Toronto, an already heated housing market with year-over-year price gains of more than 16% in July 2016, started picking up steam after Vancouver's tax came into effect. Agents started to notice that overbidding was escalating to new levels, said Jessie Banwait, a Toronto-area real-estate agent with Re/Max Real Estate, who has noticed a surge in foreign buying. Agents say that foreign buyers aren't the only ones fueling Toronto's froth.

John Pasalis, president of Toronto-based Realosophy Realty Inc., said domestic clients started approaching him last year about purchasing single-family homes as rental properties. Mr. Pasalis recalls, some of these buyers were indifferent to the possibility that monthly rental income might fall short in covering the mortgage and tax bill. "That started to alarm us," he said. Now, there also are signs that Toronto's overvaluation may spread to the greater Toronto area, which is home to 5.6 million people.

For instance, house prices in Hamilton, a city roughly 42 miles west of Toronto, rose 29.5% in March from the same year-ago period; the Kitchener-Waterloo area, 66 miles west of Toronto, 32.3%; and Barrie, 68 miles north of Toronto, 43.4%. Ontario's foreign-buyer tax proposes to extend beyond Toronto to some of these affected regions, the government said.

"This is no longer a Toronto and Vancouver story," said Stefanie Marion, chief economist of National Bank Financial.

Continued from the prior page

large, opaque and interconnected financial sector."

The back-to-basics push is meant to neutralize chances a financial flare-up could detract from the Communist Party's once-in-five-years leadership conclave expected late this year, when President Xi Jinping needs support to increase his power.

"This is completely defensive," says Anthony Neoh, a longtime adviser to Chinese financial policy makers and a board member of **Industrial & Commercial Bank of China** Ltd. "Markets have a way of running away from governments all the time."

The agencies didn't respond to questions.

In a January address to the World Economic Forum in which he lauded globalization, Mr. Xi displayed his distrust of financial markets and their monitors.

He blamed the 2008 global economic crisis on what he called the excessive pursuit of profit and the "grave failure of financial regulation."

By then, a shake-up of Chinese financial regulation was well under way. One agency after another has issued rules meant to rein in use of financial instruments for speculative purposes, admonishing firms that innovative activity must benefit the real economy, not merely spin new fortunes.

Insurance is one industry widely viewed as running amok, as companies—often newly formed insurance arms of property businesses—raised cash fast by peddling policies that doubled as short-term high-yield deposits. Anbang

Insurance Group Co. had defined the trends, bulking up and making bold plays like the purchase of New York's Waldorf Astoria hotel.

Wielding increasing financial clout that made waves for banks and stock markets, the insurers drew attention—and name-calling, including by regulators of other segments of the financial sector.

In December, the new stock regulator, Liu Shiyu, criticized insurers' stock-buying. "Using improperly sourced money for leveraged buyouts, turning from strangers into barbarians, and finally robbing the

BUSINESS & FINANCE

Health Insurers Peer Ahead

Uncertainty about Affordable Care Act complicates planning state by state

BY ANNA WILDE MATHEWS AND LOUISE RADNOFSKY

Anthem Inc. made preliminary filings indicating it will offer plans on the Affordable Care Act marketplaces in Virginia and Kentucky next year, providing insight on the insurer's exchange business.

Cigna Corp. and **Aetna** Inc., which like Anthem have said they are reconsidering their exchange offerings, are among insurers that made similar filings in Virginia. But one current Virginia ACA insurer, **UnitedHealth Group** Inc., didn't file 2018 forms, and a spokesman confirmed it would leave the state's marketplace next year.

Virginia and Kentucky have some of the earliest filing deadlines among state regulators.

The filings represent early moves toward offering plans on those states' exchanges, but the insurers could reverse course in coming weeks or months, and their strategy may be different in other states. The disclosures also don't include details such as rates and the specific regions where they intend to participate.

Insurers are currently struggling with decisions about their 2018 exchange offerings, amid what they have complained are mixed signals from the Trump administration and congressional Republicans about the future of the ACA.

In particular, the insurers want guarantees that they will continue to receive federal payments that help cover the cost of care for lower-income ACA exchange enrollees. With-



White House support for the ACA is in flux. Above, an enrollment event in San Antonio last year.

out the payments, industry officials have said the exchanges may see significant rate increases and pullbacks.

President Donald Trump has threatened to stop funding the ACA's cost-sharing subsidies—which help lower-income enrollees with expenses such as deductibles—in an effort to prod Democrats to negotiate over a health bill.

A White House spokesman said earlier this week that the ACA is "already collapsing on its own" and the president will work with Congress on replacement legislation.

Virginia has a policy of quickly making the forms public. The Kentucky Department of Insurance disclosed 2018 filing information in response to a public-records request.

Virginia may not be indicative of broader trends. Its marketplace has eight insurers offering exchange plans in 2017, according to health-care research nonprofit Kaiser Family Foundation, and it was one of the few states to retain

robust offerings from national insurers.

UnitedHealth, which this year withdrew from all but a handful of states' ACA marketplaces, declined to comment on future plans for its other remaining states.

The UnitedHealth spokesman said its decision about 2018 ACA marketplace plans in Virginia "in no way impacts our small and large group businesses, or Medicare or Medicaid programs in the Commonwealth."

Anthem, which is a major exchange insurer in 14 states where it is a Blue Cross Blue Shield licensee, is being closely watched by government officials and investors as it makes decisions about 2018.

The company has said it is considering pulling back if the business isn't stabilizing.

Anthem's final decisions in Virginia and Kentucky will be especially important because it is the only exchange insurer in 28 Virginia counties and 59 Kentucky counties, according

to the Kaiser data.

An Anthem spokeswoman declined to comment.

Aetna, which pulled out of most of its state exchanges this year, has already announced that it will leave at least one more state, Iowa, in 2018. Aetna also sells exchange plans in Delaware and Nebraska.

A spokesman said the company will participate in the filing process in Virginia, but "no final decisions have been made due to continued uncertainty and financial risk," adding that the insurer had "no update at this time on our potential presence in other states."

Cigna offers exchange plans in seven states. A Cigna spokesman said final plan decisions typically occur in the third quarter of the year, and "we will continue to assess our participation based on the evolving rules, regulations and design of the marketplace throughout this process."

On April 9, the Communist Party's anticorruption watchdog announced an investigation into Mr. Xiang, the top insurance regulator and industry champion. Details of the probe aren't known, and he isn't available for comment.

Mr. Xiang had made no secret of his inclination to reduce scrutiny of insurers, saying in a 2013 interview published in The Wall Street Journal that the industry had been "regulated to death."

To give insurers room to expand, he said, "We have relaxed regulations in almost every area possible."

Mr. Xiang's downfall was reported in Chinese state media together with warnings from Premier Li Keqiang that "the financial sector is vulnerable to risks such as bad assets, shadow banking and illegal internet financing." According to the chief executive of one insurer that benefited from Mr. Xiang's regulatory loosening, whoever succeeds him is likely to "put on hold anything that jumps out of line."

The lone Chinese financial-regulatory chief who has retained his title is central-bank Gov. Zhou Xiaochuan, who at 69 is already four years overdue for retirement. But the People's Bank of China has joined the shift toward stability, and efforts to internationalize the yuan have turned into a quest to keep the currency from weakening too fast.

The focus on stability was also a factor in the November ouster of Finance Minister Lou Jiwei, whose focus on economic overhauls threatened China's short-term growth.

—Chao Deng and Yang Jie

in Beijing

and Xie Yifan in Shanghai contributed to this article.

CHINA

Financial Heat

China's government has shaken up regulatory agencies and financial firms since a mid-2015 stock-market crash. Here are some of the regulators affected.



XIAO Gang

Position: Chairman, China Securities Regulatory Commission

Risk contribution: Promoted stock-investment tools that exacerbated market turmoil.

Impact: Fired (February 2016)

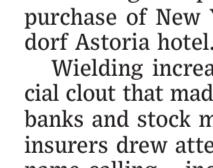


SHANG Fulin

Position: Chairman, China Banking Regulatory Commission

Risk contribution: Allowed explosive growth in bank exposure to wealth-management products.

Impact: Retired (February 2017)



XIANG Junbo

Position: Chairman, China Insurance Regulatory Commission

Risk contribution: Let insurers sell short-term investments and expand into other sectors.

Impact: Fired (April 2017)

Photos: Bloomberg News (Xiao and Shang); Reuters (Xiang)

Source: staff reports

THE WALL STREET JOURNAL.

industry is not OK," he said.

Under fire itself, the **Insurance Regulatory Commission** quickly dialed back support for the deposit-like insurance products and banned a developer-turned-insurer from the sector for a decade. The agency's No. 2 official, Chen Wenhui, seemed to give Anbang's chairman, Wu Xiaohui, the cold shoulder at a Beijing conference, nearly sprinting down a hallway as he waved off Mr. Wu, who was trotting behind asking to chat.

Anbang and the insurance regulator declined to comment.

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Under fire itself, the **Insurance Regulatory Commission** quickly dialed back support for the deposit-like insurance products and banned a developer-turned-insurer from the sector for a

BUSINESS NEWS

Ousted CEO Sent a Vague Threat

BY DANA MATTIOLI
AND DAVID BENOIT

The letter that cost Klaus Kleinfeld his job as chief executive of aerospace-parts maker **Arconic** Inc. on Monday contained a vague threat toward the billionaire whose hedge fund had been campaigning for Mr. Kleinfeld's ouster.

The letter, sent last week to Elliott Management Corp., referenced the alleged partying of Elliott's president, Paul Singer, at the 2006 World Cup in Germany, Mr. Kleinfeld's home country.

Mr. Kleinfeld wrote, in sometimes imperfect English, that while the two had never met, he had heard stories from friends in Germany about what the letter called Mr. Singer's "legendary" conduct during and after several matches. The letter alludes to the Wall Street magnate singing "Singing in the Rain" in a fountain. Mr. Kleinfeld added that he had been looking for an Indian headdress to send to Mr. Singer. It isn't clear what he meant by that.

Along with the letter, Mr. Kleinfeld sent a commemorative soccer ball from the 2006 World Cup via a courier from Arconic's Park Ave headquar-



Klaus Kleinfeld was pushed out as Arconic's CEO on Monday.

The hedge fund's security has the soccer ball, a person familiar with the matter said.

German business magazine *WirtschaftsWoche* earlier reported that the letter touched on the 2006 World Cup without giving additional details.

Elliott had been trying to get Mr. Kleinfeld fired since late January and last week released a 336-slide presentation bashing his performance. The hedge fund has also raised questions around Mr. Kleinfeld's tenure at Siemens AG, which he left in 2008 amid a bribery scandal, and criticized steps he has taken to defend against Elliott's onslaught. Mr. Kleinfeld was never personally implicated in the Siemens scandal and denied wrongdoing. He rejected the criticism of his recent actions.

The abrupt and unexpected departure of Mr. Kleinfeld came amid a bitter fight between Elliott and Arconic, which is expected to culminate in a shareholder vote next month. Elliott has sought to remove Mr. Kleinfeld and take over part of the company's board. It argues Arconic has underperformed its potential, pointing to lackluster stock returns and missed financial targets.

ters in New York.

Elliott said Monday that the letter was "based on completely false insinuations." The fund said it viewed it as "a threat to intimidate or extort" the hedge fund and complained to Arconic's board.

After The Wall Street Journal reported the details of the letter, the hedge fund released the text and two letters it sent to the board complaining about Mr. Kleinfeld's actions and raising concerns about what else he could have been seeking to say about Mr. Singer.

Mr. Singer declined to com-

ment through a spokesman on Wednesday. Mr. Kleinfeld couldn't be reached for comment.

Arconic said Monday that the letter was unauthorized and showed poor judgment. It said Mr. Kleinfeld was stepping down by mutual decision.

Elliott alerted the Arconic board on April 12, demanding to know if Mr. Kleinfeld even sent it. After Arconic disclosed its existence Monday, the hedge fund sent another letter complaining about the board's move to make it public and asking it to pledge that Mr. Singer faced no other threats.

BMW's Earnings Defy Pressure on Margins

BY WILLIAM BOSTON

BERLIN—BMW AG said its pretax earnings rose 27% in the first quarter as the luxury car maker benefited from one-time financial gains and strong results in China, but investment in technology and new models hit profitability at its core automotive division.

The mixed report on Thursday came after repeated warnings from BMW regarding weaker margins. The German company has boosted its investment in technology to build self-driving electric cars, as well as new vehicle models. BMW is in a tight race with **Daimler** AG's

Mercedes-Benz brand for sales leadership in the premium car market and lost the crown to Mercedes in 2016.

BMW's earnings before interest and taxes jumped to €3.01 billion (\$3.23 billion) in the first quarter, from €2.37 billion a year earlier. The increase was driven by strong sales of its new 5-Series sedan, higher gains from its China joint venture and the sale of a 15% stake in digital mapmaker HERE to **Intel** Corp.

The result beat analysts' forecasts. Shares in BMW initially rose more than 1% in Frankfurt, but quickly fell back and closed the session at €84.08, barely

higher than the opening price.

Group revenue rose 12% to €23.45 billion from €20.85 billion a year earlier. The pretax profit margin in BMW's core automotive business slipped to 9% from 9.4% a year before.

Analysts shrugged off the decline in profitability, saying it was less than expected given the huge cost of financing new technology and models as BMW rushes to shift its product mix to meet the rising demand for sport-utility vehicles.

"This is a good achievement, even though the margin was down," said Arndt Ellinghorst, an automotive analyst at Evercore ISI. "The fact that the

margin wasn't higher is largely related to increased R&D expenditure, which was very low last year."

BMW achieved record sales in the first quarter on the back of strong demand for its X1 and X5 SUVs and the first full month of sales of the new 5-Series and its flagship 7-Series sedan. However, Mercedes is still ahead on sales. BMW brand sales rose 5.2% to 503,445 vehicles in the first three months of 2017; Mercedes sold 560,625 vehicles in the same period, up 16%.

—William Wilkes
in Frankfurt
contributed to this article.

Wal-Mart Steps Up Its Grocery Price War

BY HEATHER HADDON
AND SARAH NASSAUER

Wal-Mart Stores Inc.'s fight to defend its low-cost reputation is helping to extend the longest food-price decline in decades.

The world's biggest retailer is investing heavily to lower prices in its U.S. stores, the company's executives say, as competition heats up against **Amazon.com** Inc. and European deep discounters Aldi and Lidl. Wal-Mart is spending to beat competitors' prices and test strategic price drops, mostly on food and household goods sold at Wal-Mart stores in the Southeast and the Midwest, say people familiar with the tactics.

Wolfe Research recently found prices for a basket of grocery items at Philadelphia area Wal-Mart stores were 5.8% lower than a year ago, while those in the Atlanta and Southern California markets were 4.9% and 2.7% cheaper, respectively.

The price war, coupled with Wal-Mart's renewed focus on refurbishing stores, is hurting the nation's biggest grocer. Operating profits for U.S. supermarkets declined about 5% last year, Moody's Investors Service said.

Kroger Co., the biggest U.S. supermarket chain, recently reported its first quarterly decrease in same-store sales in 13 years. Cincinnati-based Kroger's shares fell 3% in February after Wolfe Research reported that Wal-Mart was cutting prices in the Midwest. The stock later recovered, but remains down 13% this year.

Kroger Chief Financial Officer Mike Schlotman recently said pressure from Wal-Mart, which sells more food in the U.S. than any grocer, was mounting. "We certainly have seen them do things better than they historically have," he said.

To keep up, Kroger says it has spent more than \$3.7 billion to lower prices over the last decade. Kroger gave voluntary buyouts to roughly

1,300 workers, and is reducing planned capital investments by around a fifth this year.

Target Corp., where executives are trying to turn around a struggling grocery business, is also investing \$400 million in online sales and lower prices. It is simplifying its messaging to emphasize consistently low prices instead of complicated short-term deals, a spokeswoman said.

"We know we have to be competitively priced every day on those core essentials," Target Chief Executive Brian Cornell told investors recently.

Retailers are offering more discounts as food prices continue to fall. Year-to-year food retail prices declined for the 16th month in March, the lon-

gest stretch since 1956. But some believe the trend will reverse this year as commodity prices climb out of a multiyear rout. Moody's expects prices for food consumed at home to rise 1% in 2017.

Wal-Mart, based in Bentonville, Ark., has been fighting its competitors on price since its founding in 1962. But it backed off in recent years at the same time that customers started using mobile phones in stores to compare prices on Amazon and discounters rapidly added stores.

Fighting back, Wal-Mart executives in 2015 said they would invest heavily to lower prices over three years. In a presentation to suppliers in February, Megan Crozier, Wal-Mart's senior vice president of packaged goods, said Wal-Mart wants its prices to be 15% lower than its competitors' 80% of the time, according to attendees.

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Japan Leads in Automatic Braking

Safety feature catches on in country with large numbers of elderly drivers

BY SEAN MCCLAIN

TOKYO—Japan is taking the lead on adopting some of the world's newest driving technologies, largely because it has to accommodate some of the world's oldest drivers.

More than half the vehicles sold in Japan last year were equipped with automatic braking systems, which can detect possible collisions and brake to avoid them, car companies say. The comparable figures were 24% in Europe and only 9% in the U.S., according to London-based auto consulting firm Jato Dynamics.

What makes Japan particularly receptive to the technology is that more than a quarter of its population is over 65, and one of the country's most common driving mistakes is hitting the gas pedal instead of the brake.

Data suggest the increased sale of cars with automatic braking in Japan is reducing the toll of such accidents. Injuries and death from accidents blamed on mistakenly hitting the gas pedal fell 13% to 5,085 in 2016, the largest annual decline in at least eight years, according to Japanese police data. The sharpest decline was for drivers over the age of 65.

The decline coincided with a big push by Japanese car makers to put the technology in more of their vehicles last year. **Toyota Motor Corp.**, which accounts for a third of the Japanese car market, offered automatic braking in 19

models in 2016, up from four the year before.

Politicians and police spent a recent afternoon in the parking lot of Japan's Ministry of Economy, Trade and Industry in Tokyo trying to crash cars—and failed every time. They escaped without a scratch because the vehicles were equipped with systems that detect imminent collisions and automatically hit the brakes.

"We want drivers, especially the elderly, to test-drive these cars and understand how they work," said Takeshi Inoue, head of the traffic bureau at the National Police Agency, after a **Mazda Motor Corp. CX-5** crossover autonomously piloted him to safety.

Accidents caused by elderly drivers have been steadily de-

clining over the last decade in Japan alongside a fall in the overall accident rate that police attribute partly to improving vehicle technology. Still, the rate of certain types of accidents rises quickly with old age: Drivers in the 80-84 age group have about four times as many fatal crashes as drivers on average, according to Japanese police figures.

Police in one region of the country recently teamed up with a funeral home to offer discounts on funerals to seniors who proved that they surrendered their driver's license. Kagawa prefecture, in southern Japan, offers about \$270 to senior citizens who trade in their cars for ones with self-driving technology. Hideo Sugiura, a 67-year-old



CIRIL ZINGARO/EUROPEAN PRESSPHOTO AGENCY

More than half of vehicles sold in Japan last year had automatic braking. Above, a Mazda CX-5

retiree, said he was in the market to replace his 6-year-old Toyota Prius and wanted to get automatic braking, calling it "indispensable now because of the aging society." That view reflects the technology's marketing in Japan, where a Toyota commercial last summer depicted a grandfather avoiding a crash thanks to automatic braking while driving with his daughter and grandchild.

U.S. car makers have invested heavily for years in autonomous-driving research but have been more cautious about the technology for the near term. This is partly because American drivers, compared with those in Japan, tend to worry whether the computer knows what it is doing when it slams on the brakes, according to surveys that suggest most American car buyers don't trust self-driving cars.

Less than 10% of 2016 model-year cars from **General Motors Co.** came with automatic braking systems, according to WardsAuto. The figure was higher for U.S. models sold by Japanese makers, reflecting the trend in their home market. About 17% of Toyota's 2016 models in the U.S. came with the systems.

The U.S. makers say they are quickly expanding the number of models with self-driving technology. According to company representatives, General Motors plans to offer automatic braking in most of its U.S. models by the end of this year, and **Fiat Chrysler Automobiles NV** now offers it in eight models. **Ford Motor Co.** is adding the Mustang and F-150 to a lineup of cars with limited autonomy.

Verizon Loses Core Wireless Customers

BY RYAN KNUTSON AND JOSHUA JAMERSON

Verizon Communications Inc., once the untouchable leader of the U.S. wireless industry, is struggling to hold on to customers and get them to pay a premium for its service.

The carrier posted its first-ever quarterly net loss of wireless subscribers during the first three months of 2017, showing the extent of the damage resurgent rivals T-Mobile US Inc. and **Sprint Corp.** have inflicted on the nation's largest carrier by subscribers.

Verizon unexpectedly brought back unlimited data plans in February, which it had stopped selling in 2011, seeking to blunt the appeal of similar offers from T-Mobile and Sprint. That offer hit financials: Verizon had a 5.1% decline in revenue in its wireless business, to \$20.9 billion. Total revenue has now declined four quarters in a row.

The results will put pressure on Verizon's management to either find a way to turn things around or make moves that will diversify the company away from the wireless business, where most Americans already have a smartphone and price wars have pinched profits.

"The telecom industry is growth challenged," analyst Craig Moffett wrote in a research note to clients, adding that upcoming results from other carriers could be just as bad.

The industry's bruising price war has been a boon to consumers. Wireless bills are a major household expense, and their continued decline had a big impact on March's surprising 0.3% drop in the consumer-price index. Prices for wireless telephone services fell 11.4% in March from a year earlier, after a 7% decline in February.

Verizon doubled down in 2014 with its \$130 billion purchase of Vodafone Group PLC's 45% stake in their Verizon Wireless joint venture.

The company has also explored bigger transactions, including with Charter Communications Inc., The Wall Street Journal has reported, though executives have recently signaled the two sides are far apart. "We're confident in executing our strategy organically, but if there's the right opportunity out there to accelerate the strategy inorganically in a way that adds holder value, we're always looking at those opportunities," said Verizon Chief Financial Officer Matt Ellis on a call with analysts.

More Verizon customers used the unlimited plan to reduce their bills—moving from expensive data plans to the cheaper unlimited one—than customers chose to pay up.

Average revenue per account, including device payments, increased by only \$1, to \$166 from \$165 in the year-ago period. The introduction of unlimited plans, along with a "safety mode" feature launched last year, also chipped away at lucrative "overage" revenue, which comes from the fees Verizon charges when customers exceed their data limits.

Overall, for the March quarter, Verizon reported net income of \$3.45 billion, or 84 cents a share, compared with \$4.31 billion, or \$1.06 a share, in the year-ago period. Excluding certain items, Verizon earned 95 cents a share.

Analysts polled by Thomson Reuters expected per-share profit of 96 cents on \$30.5 billion in revenue.

Phone Gripes Have Samsung Seeing Red

BY EUN-YOUNG JEONG

SEOUL—After rave reviews for its latest flagship smartphone, **Samsung Electronics Co.'s Galaxy S8** reaches U.S. consumers this week in one of the most closely watched product launches of the year.

Samsung needs a seamless start for the S8 to help win back consumer trust, following its costly recall last year of 3 million Galaxy Note 7 devices due to overheating batteries.

The company is holding its breath. Some customers in South Korea—where preorders of the new phone became available Tuesday—are already complaining that their screens have a red hue.

Samsung says the red-tinted screens aren't defects, and that users can rectify it by adjusting the color range of the display in the device's settings.

"Galaxy S8 was built with an adaptive display that optimizes the color range, saturates

tion and sharpness depending on the environment," the company said in an emailed statement. Samsung declined to say how many complaints it has received about the screen color.

In recent days, dozens of people posted pictures on Facebook, Instagram and elsewhere comparing Galaxy S8 devices, with some showing a stronger red tint. One picture showed two devices with identical RGB color-balance settings, but one of the screens was a stronger shade of red. The tint led some customers to dub certain Galaxy S8 devices the "cherry blossom edition."

Samsung has touted improvements in the Galaxy S8, including a display that bleeds across almost the whole phone, as one of the smartphone's main features. The S8 has notched more preorder sales than its predecessor, the S7, according to the company, including over one million in



new phenomenon and have appeared in other mobile devices. The Google Nexus 5 and Apple Inc.'s iPhone 7, for instance, faced user complaints about a yellowish display.

Still, it is surprising to see this in a top-tier Samsung phone, said Claire Wen, principal research analyst specializing in display technologies at research firm Gartner Inc.

Samsung, through its display unit, supplies the vast majority of organic light-emitting diode, or OLED, screens such as the ones used in the Galaxy S8. The Korean company will supply OLED screens for Apple's new iPhone this year, The Wall Street Journal reported in February.

Several factors could cause a red tint in Galaxy S8 phones, according to industry experts including Ms. Wen, who said the functioning of the chipset that is attached to the OLED panel and which adjusts the screen's color performance could be to blame.

China Presses Apple in Anti-Pornography Warning

BY EVA DOU

BEIJING—A new challenge looms for **Apple Inc.** in China after internet regulators warned three video-app firms to do a better job of screening out pornography—an eye-popping task, as is evident here in the offices of the popular Huajiao streaming service.

A team of workers, tasked to police output, watches as images of young women and other video performers flash across their computer screens every two seconds in grids that allow them to watch 60 shows at a time. The mission: to make sure the coquettish video stars don't do anything to violate China's ban on steamy content.

"It's tough because a girl

can be talking normally and then suddenly take off her clothes," said a worker.

When the Cyberspace Administration of Beijing issued the warning Tuesday to Huajiao and two other app companies to improve censorship, it also said it planned to summon Apple executives to discuss stricter oversight of the company's App Store. Under regulations issued last year, app stores in China share responsibility for ensuring content is legal.

Apple is the only foreign company running a major app store in China. Its App Store includes video streaming services among its thousands of apps, but Apple itself doesn't stream videos. Apple has said it follows local law about what

content is illegal and must be censored. The company and the Beijing Cyberspace Administration didn't reply to requests for comment.

Apple is the only foreign company running a major app store in China.

China's app regulations are in line with Beijing's censorship strategy of leaning on private companies to self-censor. The amount of effort that responsibility entails for a live video app could be seen at

Huajiao's offices on Thursday. Huajiao said that before Tuesday's warning it already had 150 in-house employees and around 450 contractors who work three shifts to keep eyes on live videos around the clock; the company hasn't added personnel but has stepped up monitoring since receiving the warning, it said.

Every video stream—Huajiao said it has around 1 million a day—is monitored at half-hour intervals.

China's live-stream video hosts are similar to YouTube stars, self-made entertainers who do all kinds of performances. Some feature flirtatious young women who sing or chat with viewers, and cajole them to buy virtual gifts

for them through the apps. Sometimes they use nudity to encourage gift-giving.

In China, the range of forbidden content extends beyond pornography and violence to political speech. For chat apps and blogs, Chinese internet companies feed blacklists of sensitive words into screening software.

This week's official warnings come as part of a broader push by authorities to update the country's longstanding online censorship mechanism for the mobile era. China issued the app regulations last year and in January put some of the onus on app store operators by requiring them to register.

—Yang Jie contributed to this article.

BUSINESS WATCH

21ST CENTURY FOX

Bill O'Reilly's Payout Is About \$25 Million

Bill O'Reilly will exit Fox News with a severance package valued at about \$25 million, a person familiar with the matter said, after he was forced out in the wake of sexual-harassment allegations.

"The O'Reilly Factor" host had recently signed a four-year deal at Fox News valued at \$100 million, people with knowledge of

the contract said. That contract also contained provisions allowing Fox News and parent company **21st Century Fox** to pull the plug on Mr. O'Reilly should he become ensnared in any controversies, these people said.

A spokeswoman for Fox News referred calls to representatives for 21st Century Fox, who didn't respond to requests to comment.

Mr. O'Reilly has denied all of the accusations against him and said Wednesday that it is "tremendously disheartening" that

he is parting ways with Fox News "due to completely unfounded claims."

21st Century Fox and **News Corp.**, parent company of The Wall Street Journal, share common ownership.

—Joe Flint

PUBLICIS GROUPE

Loss of U.S. Accounts Weighs on Ad Firm

France's **Publicis Groupe SA** reported a drop in underlying

revenue for the first quarter, dragged down by its struggle to replace several large North American accounts. Revenue in the January-March period amounted to €2.33 billion (\$2.49 billion), reflecting an underlying drop of 1.2% compared with the year-earlier period.

Analysts had expected an even bigger decline of 1.8% after the losses of media business from **Procter & Gamble Co.**, **Wal-Mart Stores Inc.** and other advertisers sapped sales growth.

The drop in organic revenue—

a closely watched figure in the ad industry that strips out acquisitions, disposals and currency swings—came mainly from North America where the company posted a 5% decline.

—Nick Kostov

ABB

Sales Edge Down Despite Cable Sale

ABB Ltd. said first-quarter revenue fell slightly to \$7.85 billion from a year ago, but net in-

come rose on divestment of the high-voltage cable business, pushing its shares higher.

The Swiss-based engineering and power-grid company on Thursday said sales were down 1% from \$7.90 billion in the year-ago quarter, though they rose 3% on a comparable basis that adjusted for currency changes, acquisitions and divestments. The company said net income was \$724 million in the latest quarter, up from \$500 million a year ago.

—Brian Blackstone

FINANCE & MARKETS

Green Investment Bank Sold By U.K.

BY MARGOT PATRICK AND BEN DUMMETT

LONDON—The U.K. government sold Green Investment Bank PLC for £2.3 billion (\$2.94 billion) Thursday to a consortium led by Australian bank Macquarie Group Ltd., in a deal that was delayed by political opposition to the sale of the state-backed renewable-energy fund.

Macquarie, already a big investor in the U.K.'s energy infrastructure, said it will combine its existing investments with those of made by Green Investment Bank GIB, which is essentially a fund and not a licensed bank, will oversee more than £4 billion in "green" infrastructure and assets such as wind farms, Macquarie said.

Investors including a Macquarie infrastructure fund, the U.K.'s Universities Superannuation Scheme and the U.K. government will invest in some of the projects, Macquarie said.

Nick Hurd, U.K. climate change and industry minister, said the government will make a profit of around £160 million on the sale, after providing £1.5 billion to fund GIB since 2012. The headline value of £2.3 billion includes £600 million the government had committed to the bank but now won't have to fund.

In a written statement to Parliament, Mr. Hurd said Macquarie will target £3 billion in new investments for GIB over the next three years, more than the government had been contributing.

The plan to sell GIB was announced in March 2016. The fund was set up in November 2012 as a vehicle to pump government money into environmentally conscious projects.

But the sale was held up by political wrangling, as some government officials raised concerns that GIB could be sold too cheaply or change its green mission. A rival bidder to Macquarie, Sustainable Development Capital LLC, made a legal attempt to block Macquarie's winning offer, saying taxpayers could get a better deal, but failed last month in getting a court to intervene.

No one from SDCL was immediately available to comment Thursday.

For the fiscal year ended March 31, 2016, the U.K.'s GIB made a 10% return, investing a total of £770 million in 30 projects.

To appease concerns that GIB might stray from its environmentally friendly mandate, a special share will be held by a committee of independent trustees that could block any attempt by the private owners to change the green purposes of the fund.

Abu Dhabi Fund Changes Tack

Mubadala will invest at least \$500 million for French private-equity firm Ardian

BY SIMON CLARK

An Abu Dhabi sovereign-wealth fund has agreed to invest money for one of Europe's biggest private-equity firms, according to people familiar with the matter, in the latest sign of how weak oil prices are changing the way such funds do business.

Mubadala Development Co.'s deal with Paris-based **Ardian**, valued at as much as \$750 million, according to the people, is unusual because Mubadala, which has \$67.6 billion of assets, is normally the one providing cash to other firms to invest. "This is the first time I have heard of a sovereign-wealth fund doing this," said Sunaina Sinha, founder of **Cebille Capital**, which advises private-equity firms on fundraising. "Sovereign-wealth funds are looking for new sources of capital following

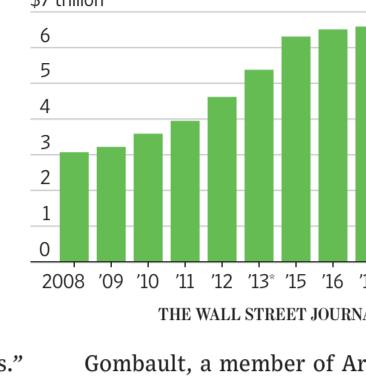
Stalling Funds

The growth in assets managed by sovereign-wealth funds is slowing.

Aggregate sovereign-wealth fund assets under management

*Preqin changed their year-end period for data collection from Dec. 31 in 2013 to March 31 in 2015

Source: Preqin



the decline in oil prices."

Since its creation in 2002 by the oil-rich government of Abu Dhabi, Mubadala has become an important source of money for cash-hungry investors, such as Washington-based private-equity firm Carlyle Group LP, in search of backing for funds and takeovers.

Until now, Ardian only bought assets from sovereign-wealth funds or raised money from them to invest, rather than providing them money to manage.

"It's unusual for a fund like Ardian to give new money to invest to a sovereign-wealth fund," Vincent

Gombault, a member of Ardian's executive committee, said in an interview.

Ardian will initially give Mubadala's private-equity team, overseen by Hani Barhoush and Adib Mattar, \$500 million to invest in new private-equity funds and corporate takeovers, according to people familiar with the transaction.

It will also buy \$1.75 billion of existing private-equity assets, which Mubadala will continue to manage. If the team reaches agreed performance targets, Ardian will provide a further \$250 million to invest in new funds and takeovers, the people said.

The funding gives Ardian access to the sovereign-wealth fund's network of contacts, said Mr. Gombault. Private-equity firms often offer sovereign-wealth funds lucrative opportunities to invest directly in companies alongside them.

"We are buying access to the network of the sovereign-wealth fund," Mr. Gombault said. "They are good at leveraging relationships with private-equity firms."

Oil prices have fallen more than 50% since 2014, prompting oil-rich governments from Norway to Kazakhstan to tap sovereign funds to help patch their strained budgets. Total assets of sovereign-wealth funds rose just 1%, to \$6.59 trillion, in the 12 months to March 31, according to the research firm Preqin.

Mubadala, whose chairman is the crown prince of Abu Dhabi, is merging with another Abu Dhabi sovereign-wealth fund, International Petroleum Investment Co., or IPIC, which will boost its assets to \$125 billion. IPIC is entangled in a legal dispute

involving billions of dollars it has said it is owed by a Malaysian state investment fund.

Ardian has \$60 billion under management, including directly owned stakes in companies and commitments to private-equity funds. It also buys private-equity assets from other investors. It has previously acquired private-equity assets from sovereign-wealth funds, including the Abu Dhabi Investment Authority.

The \$1.75 billion of assets Ardian is buying from Mubadala include stakes in 14 private-equity funds as well as 14 direct stakes in companies. The funds are managed by companies including Carlyle, **BDT Capital Partners** LLC and **Raine Group** LLC, the people familiar with the matter said.

Mubadala is also buying stakes in EMI Music Publishing, Burger King owner Restaurant Brands International Inc., Los Angeles-based **Lemonade Restaurant Group**, Mexican pipeline operator **Fermaca**, and talent agency **WME-IMG**, the people said.

Politics Buffet a Merger of Banks

BY CHRISTINA REXRODE AND JACQUIE McNISH

The Trump election was supposed to jump-start new interest in bank mergers. But for one deal, all it has done is create headaches.

Nearly 10 months after **Canadian Imperial Bank of Commerce** unveiled a \$3.8 billion cash and stock agreement to acquire Chicago-based **PrivateBancorp** Inc., the Toronto bank is still campaigning to win shareholder support for a deal that has been plagued by volatile market moves following election outcomes.

Days before CIBC unveiled its deal last June, valuing PrivateBancorp at about \$47 a share, the U.K.'s vote to leave the European Union sent bank stocks sliding, prompting some analysts to question whether the Canadian bank could generate enough synergies to justify the cost.

In November, the banks had a different problem when Donald Trump's election ignited a run-up in U.S. bank stocks. Since then, some shareholders have complained that CIBC's offer was insufficient.

On Thursday, PrivateBancorp said that its quarterly earnings rose, beating expectations. The Canadian bank has been bracing itself for pressure to improve its offer again if PrivateBancorp's results were strong enough to push the stock higher. Last month, CIBC bowed to pressure by sweetening the value of its offer by about \$1 billion to a deal valued as of Wednesday at \$4.7 billion.



CIBC is still campaigning for shareholder support of a purchase.

Analysts are split over what to expect May 12, when PrivateBancorp shareholders are scheduled to vote on the deal. A spokeswoman for CIBC said Wednesday that the bank is "comfortable with our offer and continues to believe the merger is a compelling opportunity for both companies."

PrivateBancorp, which operates offices mostly in the Midwest under its PrivateBank unit, said Thursday in its earnings release that it is "excited to join the CIBC family."

It has been a long road. No other bank deals announced in the first half of 2016 are pending, according to data provider Dealogic. So far this year, 77 U.S. bank deals have been announced, valued at nearly \$11.9 billion, an increase from the same time a year ago, when 68 deals valued at \$7.7 billion had been announced.

Even if the deal gets shareholder approval, it still requires the blessing of the Fed-

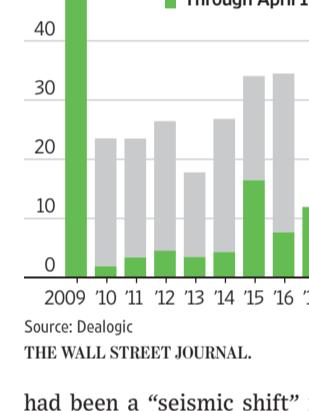
eral Reserve, Illinois financial regulators and Canada's **Office of the Superintendent of Financial Institutions**. The banks expect the deal to close in the second quarter.

CIBC's determination to close the PrivateBancorp acquisition underscores the pressure Canadian banks face in their home market, which has experienced sluggish growth due to the commodities price rout. CIBC is more exposed to the frail economy than its peers as more than 85% of its earnings are generated in Canada.

The deal has drawn high-powered hedge-fund investors. Daniel Loeb's Third Point LLC invested in PrivateBancorp late last year and recently had a 3.75% stake, according to research firm FactSet. Another investor, **Glazer Capital** LLC, said in an open letter to fellow shareholders in December that PrivateBancorp should push for better terms because there

Tied Up

U.S. targeted banking mergers and acquisitions



Source: Dealogic

THE WALL STREET JOURNAL

had been a "seismic shift" in bank valuations since the deal was first announced. Both Third Point and Glazer Capital declined to comment.

Chris McGratty, an analyst at **Keefe, Bruyette & Woods**, said he would vote no if he were a shareholder. He calculates that PrivateBancorp has a stand-alone value of about \$63 a share, and that a buyer should plan to spend a premium price of \$70. CIBC's current offer valued PrivateBancorp's shares at \$58.84 as of Wednesday's closing price, 40 cents above the bank's actual closing price.

Other analysts say the CIBC offer is fair. And Mr. McGratty said it might be enough to satisfy hedge-fund investors looking for a quick profit. "For them, it's a bird in the hand," Mr. McGratty said.

U.S. Sues Mortgage Servicer

BY YUKA HAYASHI

WASHINGTON—State and federal regulators sued **Ocwen Financial Corp.**, alleging that the leading U.S. nonbank mortgage-servicing company harmed thousands of customers by botching basic services.

News of the allegations, which Ocwen denied, triggered selling that cut the firm's share price by roughly half. In midafternoon in New York, Ocwen stock was down 47% at \$2.84.

The Consumer Financial Protection Bureau, a federal regulator, said the company had illegally foreclosed on borrowers, ignored customer complaints and failed to make disclosures about errors in borrowers' records when selling the servicing rights to their loans. Consumers generally don't get to choose which company services their mortgages.

For years, Ocwen failed to properly implement a wide range of basic functions to service home loans, the CFPB said. The services Ocwen botched, according to the consumer watchdog, included sending accurate monthly statements, properly crediting payments, and handling taxes and insurance.

Ocwen said it "strongly disputes" the CFPB's claims and vowed to "vigorously defend itself" against the agency. "The substantive allegations in today's suit are inaccurate and unfounded," the company said in a statement.

The company said it fully cooperated with the CFPB's inquiries and continued to work with the agency until the suit was filed. Ocwen said it had just received "various orders" from state mortgage regulators and that it is in the process of reviewing them.

Ocwen, based in West Palm Beach, Fla., is one of the nation's largest nonbank mortgage servicers.

The Florida attorney general took a similar action against the company in a separate lawsuit.

Through the CFPB complaint, filed in federal district court for the Southern District of Florida, the regulator seeks a court order requiring Ocwen to follow mortgage-servicing law, provide relief for consumers and pay penalties, the agency said. The complaint isn't a finding or ruling that the defendants have violated the law, the CFPB added.

Blackstone Looks to Infrastructure

BY MATT JARZEMSKY



Profit surged at Blackstone, which is led by Stephen Schwarzman.

billion of private-equity, real-estate and other assets.

The firm's profit rose to \$461.8 million, or 69 cents a share, from \$159.8 million, or 23 cents a share, in the same period a year earlier. Blackstone said it would pay a dividend of 87 cents a share, its second-highest payout ever.

First-quarter economic net income rose to \$986 million, or 82 cents a share, from \$370.7 million, or 31 cents a share, a year earlier. The result beat the estimate of 70 cents a share by analysts polled by FactSet. Economic net income includes unrealized gains as well as cash earnings.

Blackstone shares were up 0.5% late Thursday.

The firm continues to reap the benefits of an eight-year

bull market for equities, which has allowed it to reap gains selling older investments.

Blackstone's buyout and private-equity businesses sold a combined \$12.9 billion during the quarter at an average 2.6 times what the firm paid for the investments.

The firm's \$102 billion real-estate business, its largest business by assets, sold \$6.7 billion in assets, including a 25% stake in Hilton Worldwide Holdings Inc. to Chinese conglomerate HNA Group. Meanwhile, the firm invested \$11.7 billion in the first three months of 2017, marking its second-biggest quarter ever for putting new money to work. "Although we were selling a lot, we're also investing a lot," Chief Executive Stephen Schwarzman said.

Blackstone reported that its first-quarter profit more than doubled as the firm took advantage of buoyant markets to sell a record \$16.6

FINANCE WATCH

MORGAN STANLEY

Treasurer Is Leaving

Morgan Stanley Treasurer Celeste Mellet Brown is leaving for a new job after 17 years at the firm, according to people familiar with the matter.

Ms. Brown, who will be joining a Morgan Stanley client, will be succeeded by John Ryan, a finance executive who has worked in Morgan Stanley's trading division and its private bank, the people said.

One of the more senior women at Morgan Stanley, Ms. Brown began her career at the Wall Street firm in equity research, covering hotels and casinos. She became head of investor relations after the financial crisis, a role she held until being named treasurer in 2014. Her new job couldn't immediately be learned.

—Liz Hoffman

CITIGROUP

Former Consultant To Take Retail Role

Citigroup Inc. named its head of productivity to lead global retail banking and mortgages, as the bank continues to shift toward new digital services.

David Chubak, a former McKinsey & Co. consultant, has been at Citigroup since 2013 and has worked on efforts to lower operational costs and refocus on a smaller number of businesses, especially in retail banking.

In his new role, based in New York, Mr. Chubak will report to Stephen Bird, chief executive officer of global consumer banking, according to an internal memo.

Citigroup's previous head of retail banking and mortgages, Jonathan Larsen, based in Hong Kong, left Citigroup at the end of last year.

—Telis Demos

Advertisement

INTERNATIONAL INVESTMENT FUNDS

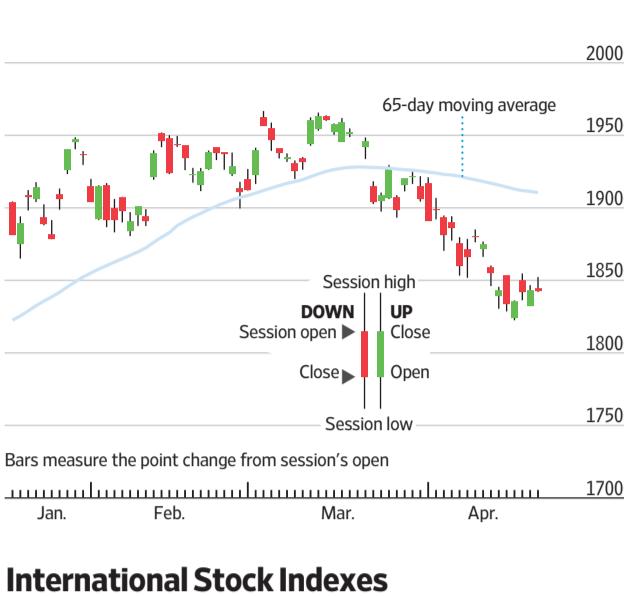
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MARKETS DIGEST

Nikkei 225 Index

18430.49 ▼1.71, or 0.01%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Jan. Feb. Mar. Apr.

STOXX 600 Index

378.06 ▲0.82, or 0.22%

High, low, open and close for each trading day of the past three months.



Jan. Feb. Mar. Apr.

S&P 500 Index

Data as of 4 p.m. New York time

Last 24.45 24.15

P/E estimate 18.25 18.50

Dividend yield 1.98 2.19

All-time high: 2395.96, 03/01/17

2355.84 ▲17.67, or 0.76%

High, low, open and close for each

trading day of the past three months.

* P/E data based on as-reported earnings from Birinyi Associates Inc.



Jan. Feb. Mar. Apr.

International Stock Indexes

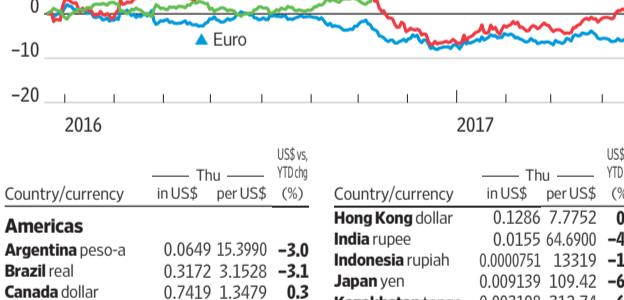
Data as of 4 p.m. New York time

Region/Country	Index	Close	NetChg	% chg	52-Week Range	Low	Close	High	YTD % chg
World	The Global Dow	2662.49	15.49	0.59	2193.75	2193.75	2720.47	2720.47	5.3
	MSCI EAFE	1780.98	6.17	0.35	1471.88	1471.88	1956.39	1956.39	3.8
	MSCI EM USD	958.25	5.33	0.56	691.21	691.21	1044.05	1044.05	20.7
Americas	DJ Americas	568.02	3.66	0.65	480.90	480.90	577.65	577.65	5.1
Brazil	Sao Paulo Bovespa	63814.30	407.33	0.64	48066.67	48066.67	69487.58	69487.58	6.0
Canada	S&P/TSX Comp	15648.48	95.60	0.61	13535.54	13535.54	15943.09	15943.09	2.4
Mexico	IPC All-Share	48955.41	81.57	0.17	43902.25	43902.25	49753.57	49753.57	7.3
Chile	Santiago IPSA	3711.42	-22.95	-0.61	2998.64	2998.64	3786.05	3786.05	15.1
U.S.	DJIA	20559.41	154.92	0.76	17063.08	17063.08	21169.11	21169.11	4.0
	Nasdaq Composite	5910.10	47.06	0.80	4574.25	4574.25	5936.39	5936.39	9.8
	S&P 500	2354.09	15.92	0.68	1991.68	1991.68	2400.98	2400.98	5.1
	CBOE Volatility	14.58	-0.35	-2.34	9.97	9.97	26.72	26.72	3.8
EMEA	Stoxx Europe 600	378.06	0.82	0.22	308.75	308.75	381.90	381.90	4.6
	Stoxx Europe 50	3112.33	6.87	0.22	2626.52	2626.52	3182.84	3182.84	3.4
Austria	ATX	2851.03	12.10	0.43	1981.93	1981.93	2913.76	2913.76	8.9
Belgium	Bel-20	3770.28	-0.15	-0.004	3127.94	3127.94	3827.15	3827.15	4.5
France	CAC 40	5077.91	74.18	1.48	3955.98	3955.98	5142.81	5142.81	4.4
Germany	DAX	12027.32	10.87	0.09	9214.10	9214.10	12375.58	12375.58	4.8
Greece	ATG	674.40	-4.56	-0.67	517.10	517.10	686.23	686.23	4.8
Hungary	BUX	32955.02	266.93	0.82	25126.36	25126.36	34334.92	34334.92	3.0
Israel	Tel Aviv	1393.14	3.85	0.28	1372.23	1372.23	1502.27	1502.27	-5.3
Italy	FTSE MIB	19849.44	24.83	0.13	15017.42	15017.42	20540.39	20540.39	3.2
Netherlands	AEX	511.72	0.44	0.09	409.23	409.23	521.48	521.48	5.9
Poland	WIG	59700.07	184.90	0.31	42812.99	42812.99	60631.65	60631.65	15.4
Russia	RTS Index	1083.35	14.80	1.39	873.58	873.58	1196.99	1196.99	-6.0
Spain	IBEX 35	10372.50	2.20	0.02	7579.80	7579.80	10534.50	10534.50	10.9
Sweden	SX All Share	563.09	0.86	0.15	443.66	443.66	565.81	565.81	5.3
Switzerland	Swiss Market	8557.87	25.60	0.30	7475.54	7475.54	8710.26	8710.26	4.1
South Africa	Johannesburg All Share	52496.62	-48.50	-0.09	48935.90	48935.90	54704.22	54704.22	3.6
Turkey	BIST 100	92039.38	1235.25	1.36	70426.16	70426.16	92116.57	92116.57	17.8
U.K.	FTSE 100	7118.54	4.18	0.06	5788.74	5788.74	7447.00	7447.00	-0.3
Asia-Pacific	DC Asia-Pacific TSM	1537.66	3.37	0.22	1308.52	1308.52	1570.38	1570.38	8.1
Australia	S&P/ASX 200	5821.40	17.40	0.30	5103.30	5103.30	5934.00	5934.00	2.7
China	Shanghai Composite	3172.10	1.41	0.04	2806.91	2806.91	3288.97	3288.97	2.2
Hong Kong	Hang Seng	24056.98	231.10	0.97	19694.33	19694.33	24593.12	24593.12	9.3
India	S&P BSE Sensex	29422.39	85.82	0.29	25101.73	25101.73	29974.24	29974.24	10.5
Japan	Nikkei Stock Avg	18430.49	-1.71	-0.01	14952.02	14952.02	19633.75	19633.75	-3.6
Singapore	Straits Times	3137.88	11.60	0.37	2729.85	2729.85	3187.51	3187.51	8.9
South Korea	Kospi	2149.15	10.75	0.50	1925.24	1925.24	2178.38	2178.38	6.1
Taiwan	Weighted	9632.69	-7.25	-0.08	8053.69	8053.69	9972.49	9972.49	4.1

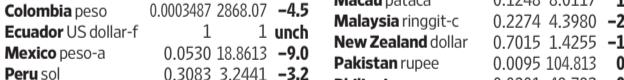
Source: SIX Financial Information; WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



US\$ vs. Yen WSJ Dollar index



US\$ vs. Euro

London close on April 20

Country/currency	Thu	YTD chg (%)
US\$ vs. Yen	89.72	-10.11
US\$ vs. Euro	89.72	-10.11
US\$ vs. WSJ Dollar index	89.72	-10.11
Country/currency	Thu	YTD chg (%)
US\$ vs. Yen	89.72	-10.11
US\$ vs. Euro	89.72	-10.11
US\$ vs. WSJ Dollar index	89.72	-10.11

US\$ vs. Yen WSJ Dollar index

US\$ vs. Euro

US\$ vs. WSJ Dollar index

Key Rates

Latest 52 wks ago

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FINANCE & MARKETS

More Fund Managers Give Nod to China

By GREGOR STUART HUNTER

Big fund managers are saying for the first time that they are comfortable with including domestic Chinese shares in some global indexes, a sign that the mainland's huge stock markets may finally be coming of age.

BlackRock Inc., the world's largest money manager by assets, said Thursday that it supports including mainland shares in the benchmarks of **MSCI Inc.**, whose indexes are used by global money managers to guide trillions of dollars in investments.

Deutsche Asset Management, one of the world's biggest managers of exchange-traded funds, also said that from the ETF perspective there are no more technical problems with including China's domestic stocks, known as A-shares, in MSCI indexes.

Other fund managers such as **UBS Asset Management**, **Fidelity International** and **Matthews Asia** said they think inclusion is becoming more likely.

MSCI, which typically tweaks its indexes each year around

June, declined to comment.

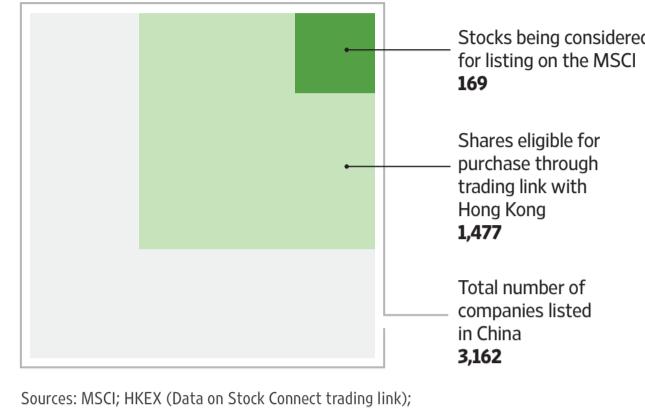
Inclusion of A-shares in MSCI indexes could be a watershed for China's \$7.82 trillion in domestic stocks, the world's second-biggest pool after the U.S. China's markets have slowly opened to foreign investors, and in previous years MSCI has said the markets weren't accessible or transparent enough to warrant inclusion of mainland stocks in its benchmarks. Only Chinese companies listed in places such as Hong Kong and New York are included in MSCI indexes.

The inclusion of A-shares would mean that the many global fund managers, including pension funds and insurers, that invest based on MSCI indexes would have to add mainland stocks to their portfolios. Funds that compare their performance to that of an MSCI index that included Chinese stocks would likely buy those shares as well.

MSCI's Emerging Markets Index is the most widely tracked benchmark of performance of stocks in the developing world and is followed by money man-

Slow Start

MSCI wants to include a tiny sliver of the Chinese market in its indexes.



Sources: MSCI; HKEX (Data on Stock Connect trading link); World Federation of Exchanges (total listings)

THE WALL STREET JOURNAL.

agers with \$1.6 trillion in assets. Société Générale SA estimates that inclusion of A-shares in MSCI indexes could immediately lead global funds to buy about \$13 billion in Chinese shares, and that amount would rise as more Chinese stocks are included.

Chinese authorities have been lobbying for MSCI inclusion for years, taking steps to

fix problems such as unclear ownership laws and curbs on the amount of money foreigners can invest in mainland shares. Two years ago, selected shares on the Shanghai Stock Exchange were opened to foreign investment through a trading link with the Hong Kong market, an improvement over previous rules that permitted only a few handpicked fund managers to

buy shares under a quota system. In December, China opened a similar trading link to the Shenzhen Stock Exchange, the country's other major stock market.

One big hurdle for China in winning the trust of global investors has been the memory of the 2015 market crash, during which more than a thousand companies suspended trading of shares, some for months. Chinese exchanges implemented rules last year that limit the circumstances under which shares can be suspended, while MSCI has pledged it would remove shares from its index if they have been frozen for more than 50 days.

To be sure, many investors remain wary of onshore Chinese markets, where the state invests heavily and regulations are often opaque. Performance of Chinese companies listed in Hong Kong has been much better than of those in the mainland this year, and not much money is flowing through the trading links to Shanghai and Shenzhen.

MSCI has also scaled back its China ambitions, trimming the number of mainland shares it proposes to add to 169, a third of what it had suggested in 2016. It also said that Chinese officials have addressed many of its past concerns. The company will make a decision on A-share inclusion this summer after consulting with its clients.

The biggest of those is BlackRock, which manages \$5.4 trillion in assets. Deutsche Asset Management, which manages \$746 billion in assets, said the fund no longer sees technical obstacles to including Chinese stocks.

Some hurdles to foreign investment remain, such as different holiday schedules, the lack of a method of determining closing prices in Shanghai and a daily quota for orders through the trading links with Hong Kong, investors say. MSCI is also negotiating with the Shanghai and Shenzhen exchanges over a requirement that they approve any financial products based on their stocks.

Earnings Help French, U.S. Stocks

By AKANE OTANI AND RIVA GOLD

French stocks got a boost from upbeat corporate earnings results and signs that independent centrist Emmanuel Macron was pulling ahead just days before Sunday's presidential

THURSDAY'S vote.

MARKETS France's CAC-40 index jumped 1.5%

Thursday to 5077.91, while the Stoxx Europe 600 index rose just 0.2% to 378.06. Germany's Dax and London's FTSE 100 both inched up 0.1%.

Investors recently were selling French stocks on concerns about a tight four-way presidential race including two euroskeptic candidates. At the moment, markets are rela-

tively calm, as investors largely expect Mr. Macron to win the elections, said Philippe Waechter, economist at Natixis Asset Management. If a euroskeptic candidate were ultimately elected, "It would be a shock for France, it would be a shock for the eurozone, and that's what worries us," he said.

Shares of **Publicis Groupe** rose 2.8% after the French ad company reported a smaller-than-expected decline in underlying revenue. **Unilever** rose 0.3% after the Anglo-Dutch group reported a rise in underlying sales for the first quarter, and shares of **Nestlé** rose 0.5%.

In the U.S., investors piled back into shares of financial and industrial companies

Thursday, a popular postelection trade that had largely pattered out in the past month.

U.S. stock indexes have wavered in April, as investors dialed back hopes for tax cuts and fiscal stimulus from the Trump administration that initially pushed stocks and government-bond yields higher after the election.

But on Thursday, the Dow Jones Industrial Average posted its biggest jump since March 1, when it closed at a record. Gains accelerated in afternoon trading, when Treasury Secretary Steven Mnuchin said the administration planned to release a tax plan "very soon."

The blue-chip index jumped 174.22 points, or 0.9%, to 20578.71. The S&P 500 gained

0.8%, and the Nasdaq Composite added 0.9%.

"The Mnuchin comments are just the icing on the cake for today," said R.J. Grant, director of equity trading at KBW, who said solid earnings reports also supported stocks throughout the session.

Financial stocks rallied, with **American Express** up 5.9% in late afternoon trading

after posting a smaller decline in profit than expected, and shares of **Citizens Financial Group**, which reported record first-quarter net income before the opening bell, up 3.1%.

Industrial stocks rose 1.3% in the S&P 500, led by gains in **CSX**. The railroad operator rose 5.65% after it beat Wall Street forecasts for earnings.

"So far, the corporate side

looks pretty good," said Randy Frederick, vice president of trading and derivatives at the Schwab Center for Financial Research. Investors are more worried about coming U.S. growth figures than company performance at the moment, he said.

U.S. government bonds ticked lower, with the yield on the 10-year U.S. Treasury note

rising to 2.239%, from 2.202% in the previous session. Yields rise as bond prices fall.

In Asia, Hong Kong's Hang Seng added 1%, ending a three-day losing streak, while Australia's S&P/ASX 200 rose 0.3%. Japan's Nikkei Stock Average ended flat as a late-session pickup in the yen offset data showing Japan's March exports rose more than expected.

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Minister of Security and Counter Terrorism (2010-2011)



DAVID OMAND

Visiting Professor,
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King's College, London



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MARKETS

Oil Prices Stop Swinging for Now

Commodity has been volatile in the past two years, but that has changed in 2017

By TIMOTHY PUO AND ALISON SIDER

The wild price swings that characterized the oil market for much of the past two years have faded in 2017, a welcome development for stock and bond investors whose holdings tend to suffer when crude turns volatile.

U.S. oil prices traded in a range of \$50.82 to \$54.45 a barrel for most of the past four months. No 60-day trading range has been that tight in nearly 14 years.

Two opposing forces have trapped oil prices in that narrow band: Production cuts by the major producing nations have limited price declines while growing U.S. supply has held rallies in check.

That doesn't mean the market is free from the occasional big price swing. Crude futures declined 3.8% on Wednesday after a surprising increase in U.S. gasoline stockpiles. But even those losses weren't enough to knock prices below \$50 a barrel, and traders and investors are still betting that the market will remain stable in coming weeks.

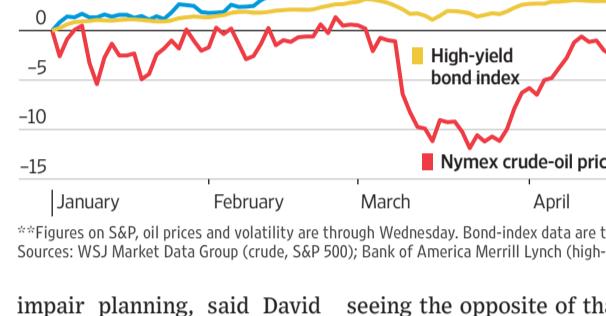
The low volatility is a stark change from the previous two years, when prices often swung \$10 or more monthly, as the Organization of the Petroleum Exporting Countries ramped up production to compete with U.S. shale drillers. Prices fell from \$100 a barrel to less than \$30 before rebounding last year after OPEC began to explore reductions to output.

Oil-price stability is a bullish indicator for other financial markets, many investors say. Fuel and shipping are major costs for businesses, so big swings in energy prices can

Oil's New Calm

After two years of volatility, oil prices have been trading in a tight range since December. That calm has helped stocks and high-yield bonds. Traders are betting that this period of placid oil prices will last for months.

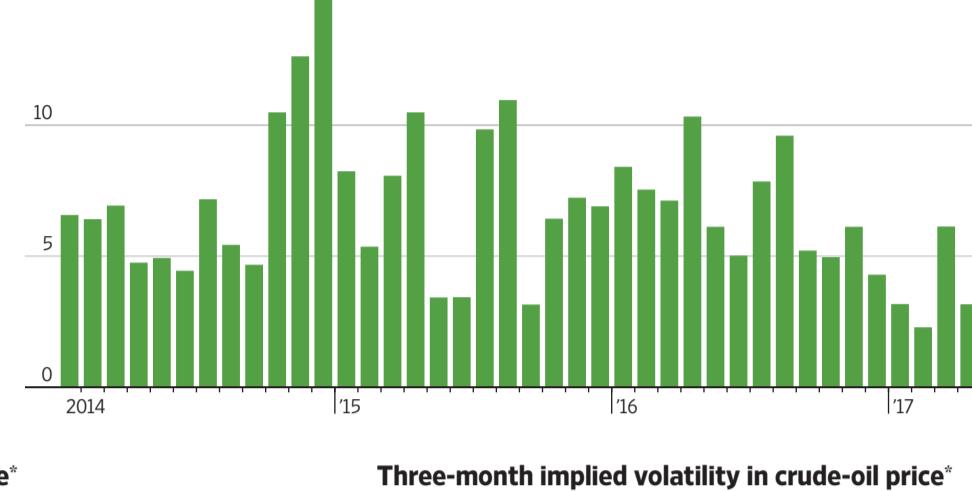
Year-to-date performance*



*Figures on S&P, oil prices and volatility are through Wednesday. Bond-Index data are through Tuesday.

Sources: WSJ Market Data Group (crude, S&P 500); Bank of America Merrill Lynch (high-yield index); Thomson Reuters (implied volatility)

Monthly spread between high and low price for Nymex crude-oil futures



Three-month implied volatility in crude-oil price*



THE WALL STREET JOURNAL.

Extension To OPEC Cuts Seen

BY SUMMER SAID

ABU DHABI—OPEC is likely to reach an agreement to extend the group's production cuts into the second half of 2017, Saudi Arabia's energy minister said Thursday.

Saudi support is essential for the 13-member Organization of the Petroleum Exporting Countries to renew its agreement at its next meeting in Vienna on May 25. The group committed last year to cut about 1.2 million barrels of oil a day in a bid to bring a vast global oversupply of crude back in line with demand and thus raise petroleum prices.

At an energy conference here, Saudi Arabia's energy minister Khalid al-Falih hinted at the extensive behind-the-scenes negotiations among big oil producers ahead of next month's meetings. He said a preliminary agreement to extend the cuts had been reached, but it still needed final sign-off from some OPEC members.

"Consensus is building, but it is not done yet," Mr. Falih said, saying he was still consulting with fellow oil ministers.

He said the six-month agreement struck in November could be extended for three months to a year.

Analysts and some OPEC members have warned that cutting too much output for too long could send oil prices high enough to kick-start output from American shale producers, who can ramp activities up and down faster than most oil companies.

OPEC is also expecting big oil producers outside the cartel to join in again, as they did last December when 11 countries, led by Russia, said they would contribute cuts of 558,000 barrels a day.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

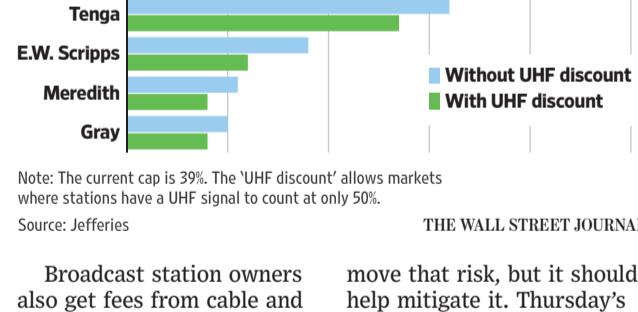
WSJ.com/Heard

Email: heard@wsj.com

TV Stations: Let's Make a Deal

Deal Signal

Broadcasters' penetration of U.S. TV households



Note: The current cap is 39%. The 'UHF discount' allows markets where stations have a UHF signal to count at only 50%.

Source: Jefferies

targets for the bigger players.

Broadcast stocks have run up in anticipation. Shares of these station owners are up as much as 38% in 2017.

For Nexstar, which bought Media General in January, increasing its reach by a range of 10 to 25 percentage points could boost earnings by 20% to 40% for this year and next, Mr. Janedis says, and propel shares by as much as one-third.

Thursday's FCC decision didn't remove the ownership cap, so the deal-making boost will last only until buyers hit the cap again. For some, that would happen after only one deal. But there could be more deals if the FCC relaxes another rule about ownership in a single market, or if it raises the cap even higher—two changes expected in the coming months, according to Paul Gallant of analysis company Cowen. Still, it isn't clear whether Congress would need to weigh in on raising the cap.

—Miriam Gottfried

Broadcast station owners also get fees from cable and satellite companies, but these aren't rising as quickly as the fees the broadcasters must pay to networks. Net retransmission margins—based on the difference between fees broadcasters take in and pay out—will shrink to about 30% by 2022 from nearly 49% in 2017, says John Janedis, an analyst with Jefferies.

Greater scale won't re-

Signs of Life In Emerging Markets

Soggy results from emerging markets offset by U.S. resilience: This is the growth formula investors in consumer-facing multinationals have gotten used to over the past half-decade. But the paradigm may be shifting.

Nestlé and Unilever, Europe's largest packaged-goods companies, both posted weak North American numbers Thursday. Unilever said unit sales in the region fell 1.1%, while Nestlé flagged "soft consumer demand."

The North American slowdown weighed on results overall: Headline growth for both companies was lower in the first quarter even than it was last year, the sector's weakest in recent memory.

More significantly, there are hints that conditions in emerging markets—once the growth engine of consumer groups—are finally bottoming out. Last year was marked by a toxic combination of price increases to make up for currency devaluations in South America and weak pricing in Asia driven by stiff competition and commodity surpluses.

Graeme Pitkethly, finance chief at Unilever, says the situation is now normalizing. Emerging-market currency movements, too, have been more favorable this year.

If emerging markets stage a long-overdue recovery in 2017, it would be better for Unilever, which makes almost three-fifths of sales in the developing world, than for Nestlé, where the share is 44%. Unilever is also under greater pressure to boost its margins.

With the shares trading at similarly expensive earnings multiples, the Anglo-Dutch company may prove the better buy.

—Stephen Wilmot

China's Oil Refiners Are Coming for Your Market Share

Hungry Chinese refineries were once a boon for oil-sector investors. But the global refining business is now in the crosshairs of its big oil firms.

Chinese oil demand has skyrocketed this century, but its refining capacity has risen more rapidly, tripling to 15% of the global total by the end of 2015, according to BP's annual world energy report, and a level nearly 20% higher than China's annual oil consumption.

Diesel and gasoline exports have surged. China National Petroleum Corp. predicts a further 5% rise in China's capacity in 2017 and another 55% rise in net diesel exports.

China's rising refining overcapacity has followed a pattern that previously helped sink global margins in steel, aluminum, and solar-panel manufacturing. State-backed firms, which face little problem getting access to credit, pile into what initially look like profitable sectors.

As long as the economy is humming along, this strategy works fine. But when growth slows, all that new diesel or steel needs to find a new home. As the Chinese economy slowed sharply in late 2014, China moved from being a net importer of fuel products to one of the world's largest exporters—a position it still holds.

The situation was exacer-

bated last year by a new rule spurring higher output by independent "teapot" refineries, and by Beijing's continuing price controls: While global crude prices rose over 60% in yuan terms, domestic diesel prices rose only 19%. With margins narrowing and the yuan weakening, refiners had a strong incentive to send production abroad, primarily into the Asian market, the world's biggest source of demand. Asian refining margins had plunged 40% by late 2016.

Things are improving somewhat this year. The yuan has stabilized and so has domestic growth. That won't be enough to erase the overcapacity in Chinese re-

fining. Along with the rise in U.S. shale-oil production, this factor could help keep global

crude prices in check: Competing regional firms facing structurally lower margins would be even less inclined to build up inventories if crude-oil prices start rising.

The impact is spreading to European firms like Royal Dutch Shell and Total. McKinsey notes that lower refinery run rates in Europe last year were partly due to a surge in Middle Eastern fuel imports, which had been diverted from Asia as inventories there headed skyward.

As Chinese oil products start leaking under the door, Western oil refiners celebrating the prospect of higher global growth this year should temper their optimism.

—Nathaniel Taplin

Whirlpool

Chinese net imports of petroleum products



Note: 3-month moving average

Source: CEIC

THE WALL STREET JOURNAL.

A crowd-pleasing meal from ingredients many chefs would chuck **W5**



OFF DUTY



How do we love the Honda Civic's value proposition? Dan Neil counts the ways **W8**

EATING | DRINKING | STYLE | FASHION | DESIGN | DECORATING | ADVENTURE | TRAVEL | GEAR | GADGETS

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THE WALL STREET JOURNAL.

Friday - Sunday, April 21 - 23, 2017 | **W1**

Set Sail For Speed

Why sail *in* the water when you can glide over it at motorboat-like velocity? A new fleet of 'foilers,' whose hulls hover in the air, lets even amateur skippers high-tail it toward distant shores

BY MATTHEW FUTTERMAN

ANTHONY KOTOUN was raised on the water, sailing dinghies in the Virgin Islands, before becoming an All-American sailor in college. But none of that prepared him for the shock of his first voyage in a hydrofoil sailboat about nine years ago, when he was in his 30s. With the vessel's hull lifted several feet above the water's surface, balanced on what resemble skinny skis, Mr. Kotoun hit speeds he never dreamed he could attain without the help of gasoline and horsepower. The only sound was the taut flutter of the sails above him.

Mr. Kotoun has since won multiple national championships piloting a Moth, the smallest established class of "foilers," as these preternaturally fast sailboats are known. "Extremely fast and incredibly quiet" is how he describes the sport. "I can tell you this. It's not just kicking your feet up and sipping wine."

Indeed, as a new fleet of more accessible foilers sends amateurs tearing across the water at nearly 30 knots (or over 34 mph), in winds half that speed, the pastime is start-

Please turn to page **W2**

Fleet Streak
With its hulls lifted out of the water, this Flying Phantom Essential, a foiling catamaran, can hit 28 knots (or 32 mph), even in modest winds.

Mass Appeal Once the multimillion-dollar playthings of the superelite racers, foilers can now be had for as little as \$13,000. This one goes for \$23,500.

Buoyed Spirit
How can a boat this big balance on dainty foils? Thank the high viscosity of water, which is roughly 800 times more dense than the air.

OFF DUTY

HIGH FLYING ON THE HIGH SEAS

Continued from page W1

ing to appeal even to the gin-and-tonic set.

For years, sailors have essentially been divided into two camps. In one: the casual boaters who just want to catch enough wind to enjoy a peaceful afternoon on the water. In the other: racers chasing down the newest speed-boosting technologies. Recently, the bleeding edge on the latter front has been the foil—a daggerboard, made of carbon-fiber or aluminum, that lifts the hull out of the water so the boat can go faster with far less power. (The approach works because pushing a hull through the water rather than over it creates drag; worse, resistance increases with speed.)

But those two camps are quickly converging as foil designs get safer and everyday sailors clamor for the high-octane experience they

'I can tell you this—it's not just kicking your feet up and sipping wine.'

see in the America's Cup race, where the lightning-fast boats are all foilers.

"This is the future, and it's going to become more and more mainstream," said Jimmy Spithill, the America's Cup-winning skipper of Oracle Team USA. "There is a trickle-down effect in this sport," Mr. Spithill said, referring to small, lower-priced boats that are being outfitted with foils adapted from the multimillion-dollar vessels Mr. Spithill commanders. Sure, higher speed means higher risk of capsizing and crashing. That said, "you can set the boat up more conservatively"—adjusting the foils to make the boat easier to handle, he explained. "Once you get the hang of it, it's just like riding a bike."

Instead of the speed-optimized J- and L-shaped foils found on most America's Cup boats, the foils on smaller craft have slower but steadier designs. France-based Phantom International, for example, employed four foils, two of them Z-shaped, on a new catamaran aimed at lay sailors because the setup provides increased stability. Some boats have foils that can automatically maintain a less harrowing pitch.

Another major benefit of foiling is that it relies less on the whims of nature. "You can have a lot of fun in very little wind," said Thijs van Riemsdijk of DNA Performance Sailing, whose foiling catamarans range from 18 to 46 feet in length. A beginner can rig and launch the company's F1 A-Class catamaran, an 18-footer, from a beach in 20 minutes, and it can reach speeds of nearly 30 knots in a 15-knot wind. Starting price: \$30,000. "In one to two hours you are exhausted and you've had your fun and gotten your adrenaline rush," said Mr. van Riemsdijk.

DNA Performance Sailing also built the F4 catamaran, a high-tech foiler that Mr. Spithill skippered through 20-foot swells from New



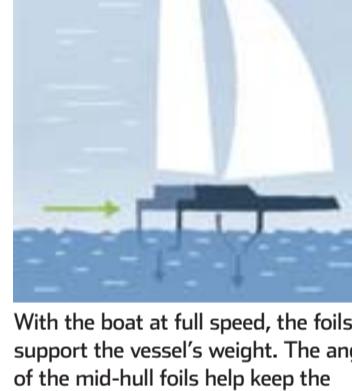
RAISED EXPECTATIONS // BREAKING DOWN HOW THE PHANTOM ESSENTIEL FOILING CATAMARAN TAKES FLIGHT



At rest, the Essential's hull and foils remain submerged. Two mid-hull foils prevent sideways drifting, while two rear foils maintain the pitch.



At about 6 knots, the wind provides enough speed for the foils to begin lifting the hulls out of the water.



With the boat at full speed, the foils support the vessel's weight. The angle of the mid-hull foils help keep the catamaran stable in high winds.

way up the chain. For the 2013 competition, all of the America's Cup boats needed to use foils, and teams snatched up the 11-foot Mach 2, a \$25,000 high-performance moth, so crew members could get a crash course in foiling. (Last summer, the Mach 2's creator, Andrew McDougall, released the Waszp, a \$13,000 version for the everyday sailor.)

Alex Udin, the founder of France's Phantom International, followed Mr. McDougall's lead. In 2014, Phantom had launched the Elite, a \$42,500, 18-foot racing boat that can easily go twice as fast as the wind speed but requires sailors to hang from a trapeze off the side—a position that will appeal only to extreme thrill-seekers. At last December's Paris Boat Show, Phantom unveiled the Essential (\$23,500), which allows sailors to sit on wings made of aluminum and carbon that extend off the sides of the hulls. Not only does this make for a much safer ride, it also lets you control the boat more easily.

In Mr. Udin's ideal world, the Essential will become what the early Hobie Cats were in the 1970s, fun, accessible toys that introduced a new generation to the sport. "You can sail it with two people or even alone in a light wind," Mr. Udin said. "Or you can even bring a third guy, as long as he's not too heavy."

one of the first commercially available foilers. (The design was Greg's college thesis.) The Kettnermans thought they had launched the next great trend in adventure water sports.

But the boat was expensive for its time (\$13,000), wasn't dock-friendly and needed to be launched in waist-deep water. It also required about 12 knots of wind to go 20, when a typical Hobie-made catamaran was easier to handle and plenty fast. The brothers never sold more than 15 a month. With little demand, produc-

tion soon ceased.

The real breakthroughs came in the early 2000s, when Australian sailors competing in the dinghy class started hacking early foil designs. These vessels, also known as moths, were ripe for experimentation, because competition guidelines place few restrictions on the boat's construction. After Aussie Rohan Veal used a foil to obliterate his opponents at the 2005 Moth World Championship, foils quickly became standard.

Then the technology worked its

IF YOU COULD WALK ON WATER // FOUR FAST FOILERS, RANGING FROM THE EASY-TO-SKIPPER TO THE STUFF OF NAUTICAL DREAMS



Waszp

This beginner-friendly foiler was created to be an accessible version of the racing-centric Mach 2. To keep the price low, the Waszp's foils are made of aluminum, its hull of fiberglass, which are both less expensive than the Mach 2's aerospace-grade carbon fiber. But newbies will appreciate the relatively inexpensive replacement foils (handy should you ruin the existing ones by running aground) and a "beginner mode" that positions the foils in an easier-to-handle horizontal position. \$13,000, waszp.com

Flying Phantom Essentiel

Unlike the three-foiled racing version of this catamaran, the Phantom Essentiel has four foils, which makes it more stable and allows it to rise out of the water in just five knots of wind (which is practically no breeze at all). Daggerboards that are easily inserted and removed from above the hulls allow the boat to be conveniently stowed on a beach. An alloy mast and a fiberglass hull reinforced with carbon contribute to the lower price. \$23,500, phantom-international.com



Oracle America's Cup

The ultimate sailing machine: 50 feet long, requiring a crew of five (plus a captain), and capable of reaching speeds of around 46 knots, which would feel dangerous in boats with a motor attached at the stern. The main sail, which stretches as high as a seven-story building, functions more like the fixed wing of an aircraft than a traditional sail on a sailboat. Helmets very much required. Price of entry: starting your own America's Cup team. oracle-team-usa.americascup.com



DNA Performance Sailing G4 Catamaran

The recently released G4, a 40-footer intended for weekend jaunts, is the lay sailor's version of the high-performance vessel that America's Cup captain Jimmy Spithill skippered from New York to Bermuda last fall. The G4 combines the adrenaline rush of high-octane racing and the more laid-back pleasures of cruising, thanks to a small cabin with a fridge, head and room to sleep six. \$1 million, dnaperformancesailing.com



OFF DUTY

20 ODD QUESTIONS

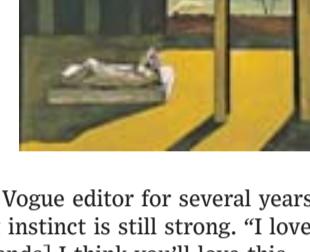
Lauren Santo Domingo

The co-founder of luxury e-commerce site Moda Operandi on her rival addictions to atypical trench coats and political news

LATE SOCIALITE NAN KEMPNER once told Lauren Santo Domingo she preferred the company of young people because they kept her current. "That stuck with me," said Ms. Santo Domingo, 41. "I always want to be curious about what's new. I say to myself, 'Why be boring?' It's my mantra."

It could also be the unofficial guiding principle of Moda Operandi, which Ms. Santo Domingo co-founded in 2011 as an online trunk show that let shoppers preorder directly from the runway days after a fashion show instead of waiting months to see if their local retailers would carry a coveted look. The company excels at discovering new brands, like that of Colombia-based designer Johanna Ortiz whom Ms. Santo Domingo found on Instagram. The site has also expanded with by-appointment showrooms in New York and London, with another set to open in the Middle East this year.

Ms. Santo Domingo, a native of Greenwich, Conn., is married to Colombian beer-fortune heir Andrés Santo Domingo, with whom she has two children. She maintains homes in New York and Paris, and her social calendar necessitates a closet of gowns. Ms. Santo Domingo was a Vogue editor for several years and remains a contributor. Her storytelling instinct is still strong. "I love to share and make connections, [telling friends] I think you'll love this designer," she said. "It's my nature. I have other girlfriends with magical Botox fillers and they would never divulge. I gush and share."



I always start my day with: a cappuccino from Maialino at the Gramercy Park Hotel. It's a great, strong burst of coffee to get me going. I cut through Gramercy Park to walk there. It's so beautiful, you feel like you're in a European city.

My style is inspired by: no one in particular. I strongly believe that the biggest mistake you can make in life is to listen too much to other people. But I admire certain ladies before me—like Deeda Blair, Jayne Wrightsman, Marella Agnelli. They had the best style and the best jewels.



My most recent fashion purchase was: a white Schiaparelli blouse with an embellished gold sun. Very surrealist and quite special. I can wear it with a blazer for day and a great heel at night.

My workout routine is: irregular since I travel quite a bit. I like Ballet Beautiful. So many of my close friends also do it. I think it says so much about our personalities. It's not like SoulCycle, grunting and sweating. We do leg lifts, drink coffee and chat.

My last holiday was to: Marfa, Texas, my second time there. It's a town that Donald Judd discovered in the 1970s, and where his foundation is based. It's since taken over as a

center of art and culture. There is an art and music festival called Marfa Myths. I stayed at the Hotel Saint George, which had just opened.

The soundtrack to my life is: really the news. At this point, I'm obsessed with politics. As for the musical soundtrack of my life, my husband has a record label called Mexican Summer, but I listen to everything: new bands like the Allah-Las and Connan Mockasin, and old ones like the 13th Floor Elevators and Pharoah Sanders.

My closet is: organized, but every New Year's I try a different strategy—dividing the clothes by brand, by silhouette, by day and night.

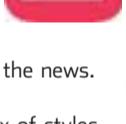
My favorite designers are: new Americans like Gabriela Hearst and Rosetta Getty. I find them really exciting. I also love Brandon Maxwell for evening.

I indulge myself with: hardcover books. It's the one way that I refuse to modernize. I just love them, love carrying them around. In this age of being inundated with new texts and communication, finishing a real book is a victory against the bombardment.

My packing strategy is: to keep it



MADAME MODA Clockwise from top: Lauren Santo Domingo at Moda Operandi's Manhattan showroom; Schiaparelli top; Apple News app; Hotel Saint George; Marella Agnelli; a favorite book; Giorgio de Chirico's 'The Soothsayer's Recompense,' now up at New York's CIMA. Inset: her usual morning coffee.



over is: a trench coat. There's always a new one, with say a round butterfly collar, that makes the old ones seem boring. I crave the update.

My favorite New York restaurant is: Momofuku Ko. Everything is delicious and strange and modern and thoughtful. It's just a cool dining experience. In Paris, I love the soufflé restaurant in the 7th, Le Récamier. I used to go there with my family.

My favorite places to shop are: museum gift shops in New York. The book store at the Met, the shop at the Cooper Hewitt—especially for stocking stuffers. There are also beautiful things at the Neue Galerie.

The app I use most is: Moda Operandi's. It changes every day. After that, it would be Apple News. You

could say I'm addicted to the news.

My home décor is: a mix of styles. But I'm not one of those people that has a decorator choose things. Anything we have is something that we found, and there's a story. I'm not a collector per se, but I do have a number of Japanese lacquer boxes.

The artists I'm most drawn to are: mostly surrealists—Magritte, Ernst and Dalí. De Chirico's painting 'The Song of Love' is a favorite.

I'll never get rid of: my evening gowns. I save them all. I try to wear them again and again, but it's also for the memories. Though I'm going to have to make some room for them. They're taking up a lot of real estate.

—Edited from an interview
by Nancy Macdonell

FÊTE ACCOMPLI A GOOD-LOOKS GUIDE TO RECENT EVENTS



GALLERY GIRLS AND BOYS

Tales of fashion, art and holiday travel at Barneys New York's cocktail party for London designer Osman Yousefzada

COZIER BEDFELLOWS THAN art and fashion might be hard to find. The two chummy worlds converged again last week at Salon 94, the townhouse-cum-gallery of art dealer and collector Jeanne Greenberg Rohatyn, where guests mingled among works by Marilyn Minter and Urs Fischer.

The party, co-hosted by Barneys New York CEO Daniella Vitale, marked the debut of Afghani-British designer Osman Yousefzada's 9-year-old label, called Osman, at the department store, as well as

the latest edition of his seasonal art-meets-fashion magazine, "The Collective."

Ms. Vitale wore one of Mr. Yousefzada's loose-sleeved silk dresses with a print that could pass for abstract expressionism.

Among the women in his designs, model Alek Wek sported perhaps the prettiest, a tiered blush tulle frock. "I would have never thought of this color for me," she said, "but it's perfect with the weather."

The balmy temps and impending Easter weekend turned chatter to holiday get-

aways. Barneys fashion director Marina Larroudé, who grew up in Brazil, expressed a desire to reprise a trip to Rio de Janeiro: "Last year, I went with my kids in August."

Her accommodation recommendation: the Copacabana Palace instead of the buzzy Hotel Fasano. "It's a classic," she said. Ms. Wek, meanwhile, raved about a recent trip to Eleuthera and Harbour Island. "It was magnificent," she said. "The sand was the exact color of this dress."

—Nick Remsen

Jessica Joffe



Mariana Herrera



OFF DUTY

ON WINE LETTIE TEAGUE



Can American Syrah Rise From the Grave?

ONE OF THE MOST famous vineyards in California is home to two grapes. One is incredibly popular and one is so unfashionable that some retailers joke they can't give it away. I'm talking about Pinot Noir and Syrah. The vineyard is Gary's Vineyard, named after two friends, Gary Franscioni and Gary Pisoni, who planted the 50 acres in the Santa Lucia Highlands region of California in 1997. They sell lots of Pinot Noir and a little Syrah to some of the best winemakers in the world.

When the two Garys planted their vineyard, California winemakers' hopes for both grapes were high. Pinot Noir was already a star and, as Mr. Franscioni recently related, they hoped Syrah could be another. In fact, quite a few producers were convinced that Syrah was the Next Big Grape. Never mind that the northern Rhône Valley of France, the home of Syrah, had long held steady at approximately 1,000 acres planted to the grape—with no indication the world wanted more.

And yet stateside Syrah-loving producers plowed ahead. They kept planting the grape until there were over 18,000 acres of Syrah in California and 5,000 acres in Washington State, where it's currently the third most-planted red grape.

"We were growing Syrah at a modest rate and then all of sudden the plantings went up," said Adam Lee of Siduri Wines in Santa Rosa, Calif., who makes four Syrahs under his Novy Family Wines label. He also noted that the Syrah acreage in California increased almost 10 times over the past couple of decades: from 2,084 acres in 1996 to 18,063 in 2015. Syrah holdings went up in Washington too, from around 3,000 acres in 2011 to 5,325 in 2016.

Syrah grows all over California: Napa Valley, Sonoma, Carneros, Santa Barbara, Paso Robles, the Sierra Foothills and a few other places. It's important in Washington and grown in southern Oregon too.

The fact that Syrah is highly adaptable and easy to grow was a boon that turned into a flaw when



MATT MURPHY; F. MARTIN RAMIN/THE WALL STREET JOURNAL (BOTTLES)

the supply of Syrah far exceeded the demand. Wine drinkers failed to fall in love with the grape in large numbers and the subsequent glut dampened prices. Cheap Syrahs churned out to make a quick buck dampened the grape's reputation as well. And yet there are terrific Syrahs produced today, though few wine drinkers seem to know or care. What made oenophiles turn away—and what might make them turn back? I put the question to some of the country's best Syrah producers.

Matt Reynvaan, winemaker and vineyard manager of Reynvaan Family Vineyards in Walla Walla, Wash., thought Syrah's biggest problem was its "two faces," meaning the grape can produce two kinds of wine. Syrah from warmer climates skews rich, full bodied and higher in alcohol while the cool-climate ver-

sion tends to be more restrained, with higher acidity. Those drinkers not well-versed in wine regions might not know what to expect.

Winemaker Justin Smith of Saxum Vineyards, who produces highly acclaimed Syrah-dominant blends in Paso Robles, Calif., wondered if Syrah had been dragged down by an association with cheap Aussie-import Shiraz. "Yellow Tail Shiraz might have given them a bad taste of Syrah," he said. (The two grapes are the same, though Shiraz is typically a bigger, more fruit-forward wine.) Mr. Franscioni said, jokingly, that California Syrah from warm climates like Paso Robles should be called Shiraz (which sounded a bit punitive to me).

He made this remark after a tour of his vineyard, which I visited in late March, when we sat down to

taste with his son Adam. Mr. Franscioni's elegant 2011 ROAR Rosella's Vineyard Syrah showed how well Syrah ages, though his current vintages were impressive too: the pow-

There are terrific Syrahs produced today, though few wine drinkers seem to know or care.

erful 2014 ROAR Rosella's Vineyard Syrah, the lush 2014 ROAR Gary's Vineyard Syrah (both \$42).

Later I joined Gary Pisoni's son Mark Pisoni, who manages the Pisoni family vineyards, for a tasting.

Mark's brother, Jeff Pisoni, is the family winemaker, and Jeff's wife, Bibiana González Rave, makes wine from Pisoni and Franscioni fruit under her own Cattleya Wines label. Ms. González Rave's stunning 2014 Cattleya Soberanes Syrah (\$70) was one of my very favorites, a truly gorgeous example of Syrah that would easily have passed for a wine from the northern Rhône.

Encouraged by the high-quality Syrah I'd tasted in Santa Lucia, when I returned home I sought Syrahs from other regions in California and Washington, priced between \$20 and \$75. (Most under-\$20 Syrahs aren't very good.) I looked for wines from cooler climates because they seem to be the most versatile and food-friendly, and often contain more modest levels of alcohol, too.

At the lower end of the price range, I was impressed by the well balanced 2014 Stolpman Vineyards Estate Grown Syrah Ballard Canyon (\$22). In the middle I found a rich and densely fruited 2014 Carlisle Santa Lucia Highlands Syrah Sierra Mar Vineyard (\$40) and a supple 2013 Gramercy Cellars Lagniappe Columbia Valley Syrah (\$48) that proved particularly versatile with food—unsurprisingly since that winery's proprietor, Greg Harrington, is a former sommelier. At the upper end, the 2014 Reynvaan In the Hills Walla Walla Syrah (\$75) showed power coupled with finesse.

Mr. Harrington said he believes Syrah is a more versatile food wine than Pinot Noir. "I make a statement in jest that Syrah is a grape for Pinot Noir lovers who have sophisticated palates," he told me. "Syrah is the progressive Pinot Noir."

So, how to convince skeptical wine drinkers? Mike Officer of Carlisle Winery & Vineyards had a waggish suggestion. Perhaps the solution is cinematic. "They need to come up with a movie about Syrah," he said, adding, in a nod to the Pinot-focused movie "Sideways": "They could call it 'Up and Down.' "

► Email Lettie at wine@wsj.com.

OENOFILE // 5 AMERICAN SYRAHS THAT ARE RAISING THE GAME



2014 ROAR Rosella's Vineyard Syrah Santa Lucia Highlands \$42
Pinot Noir, Chardonnay and a little Syrah grow in Rosella's Vineyard. This big, bold wine is marked by aromas of black fruit and pepper. Its youthful tannins will benefit from time in the bottle or decanting.



2014 Carlisle Santa Lucia Highlands Syrah Sierra Mar Vineyard \$40
Sonoma County-based winemaker Mike Officer makes a range of wines from a variety of vineyards including Sierra Mar, the younger "sibling" vineyard of Rosella's. This is a powerful, lush but polished red.



2014 Stolpman Vineyards Estate Grown Syrah Ballard Canyon \$22
A food-friendly wine from the Ballard Canyon appellation of Santa Barbara, this medium-bodied Syrah has a modest (14.1%) alcohol level. Well priced, well made entry-level Syrah.



2014 Cattleya Soberanes Vineyard Santa Lucia Highlands Syrah \$70
Winemaker Bibiana González Rave turned out this exceptional red from a granite soil vineyard. It's an aromatically stunning, gorgeously textured wine truly reminiscent of a northern Rhône Syrah.



2013 Gramercy Cellars Lagniappe Columbia Valley Syrah \$48
Former sommelier Greg Harrington makes stylish, food-friendly wines in Washington. This medium-bodied red with floral, spice and dark berry aromas drinks well now and will likely improve with time.

SLOW FOOD FAST SATISFYING AND SEASONAL FOOD IN ABOUT 30 MINUTES

Steamed Halibut With Mushrooms and Spinach



The Chef
Edouardo Jordan

His Restaurant
Salare, in Seattle,
Wash.

What He Is Known For
Big-hearted Italian cooking, classical French rigor and warm Southern hospitality

"IT'S OVERWHELMING," said chef Edouardo Jordan of the abundance of fish available to him in the Pacific Northwest. A particular favorite for its subtle flavor, halibut features frequently on the menu at Mr. Jordan's restaurant Salare, in Seattle. "Its fat content isn't heavy. You don't get that big, fishy note, like you do with salmon," he said.

Here the chef calls for steaming halibut fillets and serving them with seared morel mushrooms—another ingredient he finds plenty of in his region—as well as wilted spinach and a light buttermilk sauce.

TOTAL TIME: 25 minutes SERVES: 4

"I'm steaming fish a lot right now," he said. "Guests can break it up and eat it along with the greens. It's gentle in that way." If you can't find morel mushrooms, use another variety, as long as they're fresh and meaty.

Mr. Jordan believes this sort of treatment, a remarkably simple recipe, best suits this "gentle" fish. Still, the sauce brings a welcome burst of bright flavor. "I like the tang," he said. Think of it as a clean, bracing taste of springtime in the Pacific Northwest.

—Kitty Greenwald

- Season fillets with salt, then place in a lightly oiled steamer basket, making sure not to overcrowd. (If necessary, steam fish in batches.) Add 2 inches of salted water to the bottom of a large pot and bring to a simmer over medium heat. Set basket into pot and steam until fish is opaque and flaky, about 8 minutes.
- Set a sauté pan over medium-high heat and swirl in 2 tablespoons olive oil. Add garlic and cook until just beginning to color, about 1 minute. Stir in spinach and sauté until just wilted, 1-2 minutes. Season with salt. Transfer spinach to a paper towel-lined plate. Wipe pan clean.
- Return pan to stove over medium heat and swirl in butter. Once butter begins to

brown, add shallots and season with a pinch of salt. Cook shallots until translucent, about 3 minutes. Add mushrooms and thyme. Cook until mushrooms are tender and edges are lightly browned, about 4 minutes. Season with salt to taste and a squeeze of lemon juice. Remove thyme sprigs and discard.

- Meanwhile, add buttermilk and remaining oil to a small pot over medium heat and whisk to combine. Cook, whisking, until sauce just warms through, about 1 minute. Season with salt to taste.
- To serve, distribute spinach and mushrooms among 4 plates. Nestle steamed fish fillets over spinach and spoon buttermilk sauce over top. Serve immediately.



MORELS AND MORE Mushrooms sautéed in butter bring a rich, meaty element to this light dish of steamed fish.

OFF DUTY

SUNDAY LUNCH

No Parsley Sprig Left Behind

When chef Katie Button gathers a crowd around her table, it's a proper feast and not a scrap goes to waste

BY ELIZABETH G. DUNN

CALL IT "company's coming effect": the bloating of the grocery bill that seems always to accompany hosting endeavors. Why not turn a Sunday lunch into a clean-out-the-fridge occasion instead?

That's Katie Button's strategy. The chef-owner of Curré in Asheville, N.C., became committed to reducing food waste after opening a second restaurant in town, Nightbell, which focuses on the food of Appalachia. "A big part of the culture of Appalachia is trying to save everything," she said. "So we started looking at the whey leftover from making ricotta, or the ends of bread going in the garbage, and coming up with new dishes."

Unwanted cauliflower stems become a velvety soup at Nightbell; at Curré, garlic ends, onion tops and tomato skins are roasted and reduced down to a stock for vegetable paella. Any scraps that can't be used are set aside for compost.

In her own home kitchen, Ms. Button relies heavily on her freezer. She keeps a stack of plastic containers in cup, pint and quart sizes along with painter's tape and a Sharpie on hand to portion, clearly label and freeze anything perishable that she thinks her family won't consume within a week. If she opens a container of chicken stock or tomato sauce, she immediately portions and freezes the leftovers.

For milk nearing the end of its shelf life, Ms. Button uses lemon juice or vinegar to separate the curds into ricotta for pastas or grain salads; the tangy liquid whey left over has plenty of uses, too. "You can use it to cook grits or rice, like a stock," she said. "You can also reduce it down into a really flavorful sauce for vegetables."

Like the rest of us, Ms. Button often finds herself buying whole bunches of cilantro, parsley or basil for the use of just a few leaves. She adds oil, nuts, lemon juice and garlic to whatever is left and blends them into pesto. Then she freezes individual portions in an ice cube tray.

This Sunday lunch menu centers on foods that might otherwise have ended up in the garbage. For the centerpiece of the meal Ms. Button chose salmon collars, which fishmongers habitually trash after breaking the fish down into fillets. But there is great, flavorful meat nestled along the collarbone, and it can be oven-roasted, grilled or broiled and then eaten—for a fraction of the cost of a fillet.

With the salmon Ms. Button serves a salad of farro tossed with parsley-stem pesto and fresh ricotta. Leftover whey becomes a sauce for broccoli rabe. And that broccoli rabe needn't be perky and pristine. Wilted vegetables sauté just fine as long as you reduce the cooking time. "I've cooked carrots that are practically folded over," said Ms. Button. "The flavor is still there."



Salmon Collars Provençal

Salmon collars usually have around 4 ounces of meat inside, so plan on at least 1 collar per person—alongside hearty portions of grain and greens.

TOTAL TIME: 30 minutes **SERVES:** 4-6

¾ cup store-bought olive tapenade

Zest of 1 lemon, plus ½ tablespoons lemon juice

3 cloves garlic, minced

6 salmon collars (about 4 pounds total)

2 tablespoons olive oil Kosher salt and freshly ground black pepper

1. Set broiler to high. Combine tapenade, lemon zest and juice, and garlic, and set aside.

2. Coat fish collars with a small amount of oil and salt and pepper. Place collars skin-side up on a sheet pan and broil 5 minutes. Remove from oven, flip skin-side down and slather flesh with tapenade. Return to broiler and cook until flaky, 5-7 minutes more.

Farro With Pesto and Fresh Ricotta

TOTAL TIME: 20 minutes **SERVES:** 6

2 cups quick-cooking farro Kosher salt

2 tablespoons olive oil

4 teaspoons fresh lemon juice

2 small shallots, thinly sliced

½ cup parsley pesto (see recipe below)

1 tablespoon roughly chopped parsley leaves, roughly chopped

1 cup fresh ricotta (see recipe below)

2 tablespoons roasted salted sunflower seeds

1. In a large lidded pot over medium-high heat, combine 6 cups water, farro and salt, and bring to a boil, 2-3 minutes. Cover and reduce heat to a simmer. Simmer until tender, 6-8 minutes, then drain. (If using conventional farro, cook according to package instructions.)

2. Combine farro, olive oil, lemon

BIG GANG

THEORY The chef prepares her farro salad with pesto and fresh ricotta. Above: Ms. Button lunches with family and friends in Asheville, N.C.



juice, shallots, pesto and parsley, and toss to combine. Season with salt to taste. Place in a serving bowl, crumble ricotta over top and garnish with sunflower seeds.

Parsley Pesto

TOTAL TIME: 5 minutes **MAKES:** 1½ cups

¼ cup salted roasted sunflower seeds

2 cloves garlic

Zest of 2 lemons

¾ cup extra-virgin olive oil

½ teaspoon Kosher salt

2 tablespoons fresh lemon juice

1 bunch flat-leaf parsley (stems

and leaves)

1. Combine all ingredients in a blender or food processor and pulse until smooth, 30-45 seconds.

Ricotta

This is a great way to use up milk getting close to its expiration date. You can scale the recipe up as much as necessary. Freeze any extra whey in 2-2½ cup portions so you can make whey sauce for vegetables in the future.

TOTAL TIME: 1 hour **MAKES:** 1 cup

4 cups whole milk

¼ teaspoon table salt

2 tablespoons white wine vinegar

oils, then use peel to garnish.

—Adapted from Vespr Coffeebar, Orlando, Fla.

3 The Negronifico

Sure, you could drink a mini Negroni with a beer back. But this version from Empellon Al Pastor in Manhattan combines both in a fizzy drink that nods in the direction of the Michelada, another easy-drinking beer cocktail.

Fill a beer glass two-thirds of the way with ice. Pour in ½ ounce

Broker's London Dry Gin, ½ ounce Campari and ½ ounce Cinzano Rosso sweet vermouth.

Top with **Paifico beer** and garnish with a strip of orange peel.

—Adapted from Empellon Al Pastor, New York

HALF FULL

THE NEGRONI VARIATIONS

These riffs take the classic gin-Campari-vermouth combo into new territory without losing sight of what makes the drink great

COCKTAILS DON'T GET much simpler than the Negroni, an equal-parts mix of gin, Campari and sweet vermouth. Now bartenders are complicating matters slightly, pushing past the classic recipe to new concoctions.

The versatile template of the original—and a hefty marketing push by Campari—has revived the drink's popularity in recent years. The new wave of variations also owes a debt to the explosion of new amaro and aperitif spirits now available in the U.S.

At Manhattan's Dante, a large glass cabinet showcases bottles of rosy "red bitters," Campari competitors such as Italy's Contratto, Meletti 1870 and Cappelletti, as well as American-made variations such as Bruto Americano from California's St. George Spirits. "There are so many aperitif spirits now," said Naren Young, Dante's beverage director, who built an entire subsection of his menu around the Negroni and its many vari-

ations. His "Unlikely Negroni" contains two of the three original ingredients, but also tequila, banana and pineapple vinegar.

The Coffee Negroni, a subgenre unto itself, features on drink menus across the country. "Cold brew [coffee] complements Campari's bitter notes," said Edd Siu, owner/manager of Vespr Coffeebar in Orlando, Fla., where cold brew replaces the gin for a low-alcohol eye-opener.

Some bartenders switch up the drink's texture—blending with ice, say, for a frozen variation, or carbonating the drink with a soda siphon, or adding a pour of sparkling wine.

Is there a point at which the drink ceases to be a Negroni? "It still has to look and feel and taste like a Negroni," said Mr. Young. "If you veer too far off that course, you really should call it something else." At right, three riffs that rightly bear the name. —Kara Newman

1 Negroni Frappe

In place of Campari, this drink features Meletti bitter, which has a more subtle fruit-and-floral flavor profile. Orange juice and crushed ice give a tropical-drink look and feel.

Combine ¾ ounce Jupiñero gin, ¾ ounce Meletti 1870 Bitter, ¾ ounce Carpano Antica sweet vermouth, ¾ ounce orange juice and 3 dashes orange bitters in a cocktail shaker with ice. Shake well and strain into a footed highball or Irish coffee glass filled with crushed or pebble ice. Garnish with grated orange zest.

2 Cold Brew Coffee Negroni

There's no gin in this drink; instead, cold-brew coffee adds a bittersweet touch while dialing down the alcohol levels.

Combine 1½ ounces cold-brew concentrate, 1 ounce Campari and 1 ounce sweet vermouth in a mixing glass with ice. Strain into a rocks glass over fresh ice cubes. Twist a strip of orange peel over the cocktail to express the



OFF DUTY

COME TO CHARM
A hilltop in Tbilisi,
Georgia's increasingly
inviting capital.

ROBBIE LAWRENCE FOR THE WALL STREET JOURNAL; MAP BY JASON LEE



A Post-Soviet Revolution

Once, few travelers visited the chaotic Georgian capital, Tbilisi. Now, newly polished, it's shaping up to be the life of the party

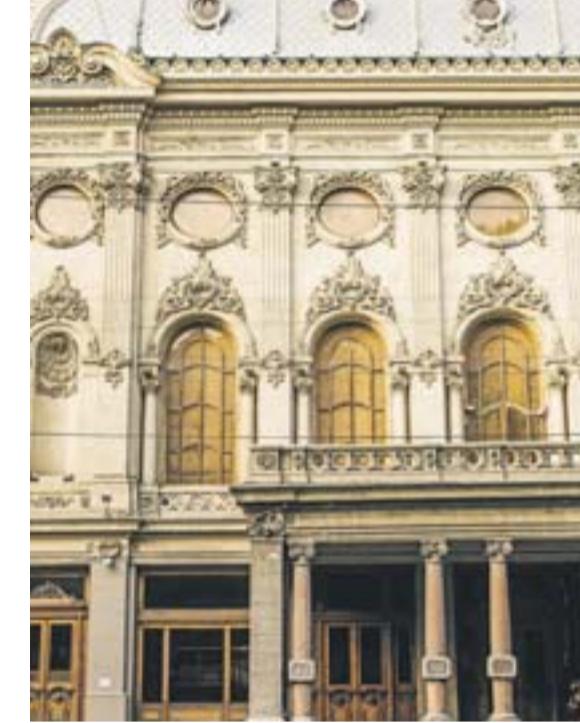
BY TARA ISABELLA BURTON

BY 10 P.M. at Ezo, a restaurant set in a garden between flaking art nouveau facades, confetti strewed the grass. The wooden tables were soaked with remnants of beer, Turkish coffee and wine. Toddlers dodged table legs, while a teenager with blue hair and multiple piercings kissed another in a leopard-skin coat. In Tbilisi, the capital of the former Soviet republic of Georgia, parties like this one—celebrating Ezo's first anniversary—appear to be a regular occurrence these days. Every member of the city's urban bohemia seemed in attendance. An Armenian journalist I'd worked with a few years back suggested a drink somewhere quieter; I agreed. The only trick was to figure out which of the places we remembered still existed.

In 2010, when I first moved to Tbilisi, a city of about 1.2 million people, it had few cafes like Ezo. Other than a string of seedy cheap-beer dives frequented by backpackers, the city's most popular bars were characterized by a slightly dilapidated, Russian-businessman glitz. I rented my two-bedroom apartment, with a terrace and views of the 4th-century Narikala fortress, for \$400 a month. To reach the traffic-clogged main square in the Old Town or the main bazaar across the moss-green Mtkvari River, I had to dodge feral cats, turning through alleys thick with sawdust, tripping over loose cobblestones.

I bought my bread—dough thrown against the walls of the stone ovens—from an unmarked bakery underneath the 19th-century brick seminary. I gathered up my pomegranates and figs from the small markets in subterranean underpasses, where fruit-sellers and purveyors of used clothes hawked their wares to the sound of traffic horns overhead. I fell in love with the city's strangeness, even if I cringed at the chaos. How could one of then-President Mikheil Saakashvili's skyscraper projects shoot up seemingly overnight, while the renovations on Rustaveli Avenue's Moorish-style Opera House remained "very nearly completed" for almost half a decade?

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After several years away, at graduate school in Oxford, I returned to visit a few months ago to find the Tbilisi I knew a different city. My local teahouse is now a Georgian wine shop, catering to the tour groups that mill around the rose-perimetered Aliyev Park. The Meidan, the main square—newly paved and painted in pastels—looks, at first glance, implausibly tidy. Today's Tbilisi appears less raucous, less anarchic than the city I first fell for, but it has a relentless, youthful energy that feels no less thrilling.

The best cafes—like Ezo, like Le Toit, off Kote Abkhazi street—are either unmarked or on the upper floors of art nouveau apartment buildings, filled with Victorian-vin-

tage clutter (scattered gramophones, teapots). These aren't the gaudy, Plasticine "VIP bars" that lined Chardin Street in 2010, catering to businessmen of dubious provenance. They feel makeshift, just barely cobbled-together—and new. Nightclubs such as Bassiani, in the basement of the Dinamo football stadium offer exhilarating late-night dance spaces in converted swimming pools and repurposed Soviet seafood restaurants. The old amusement park on the hill of the

Mtatsminda district now hosts open-air parties.

At Fabrika, a Soviet factory turned hipster hotel-slash-gallery space nestled on a back street, splendidly colorful graffiti lines the walls. Down the road, the new restaurant Barbarestan—fully booked even at four in the afternoon—serves classic Georgian dishes lifted from the recipe-book of 19th-century Duchess Barbare Jorjadze.

Underneath my old apartment's windows sit 18th-century bathhouses, and beside them, several new restaurants overlook a recently excavated canal. Last year, Khasheria, the latest offering from Tekuna Gachechiladze (one of the country's best-known chefs) opened up, turning out contemporary, delicately spiced takes on traditional Georgian comfort food. The signature dish: khasha, or beef tripe soup, that Georgians swear by as a hangover remedy (here, it's served in a piquant broth warmed with a garlic-and-chili *ajika* sauce). Communal tables line the walls; the décor exudes a minimal post-industrialist chic, more artful than Soviet.

Still, some quintessentially Georgian eccentricities remain: When I plugged in my laptop at Khasheria, the entire outlet fell out of the wall,

THE LOWDOWN // JOINING THE FESTIVITIES IN TBILISI, GEORGIA

STAYING THERE The Rooms Hotel, located in a converted publishing house in the leafy Vera district, is the city's trendiest hotel. Tbilisi's better-heeled bohemians hold court in its library-themed lobby (*from \$140 a night, roomshotels.com*). You can find more traditional—and cheaper—options among the city's family homestays (more involved versions of the bed-and-breakfast experience) such as Tina's on Sulkhan-Saba Street, just off Freedom Square (*from about \$17 per person per night, tbilisihomestay.com*).



live music and folk dancing. Head to the edge of town to the gardens and gazebos of Phaetoni for sour-plum-sizzled *shashlik* (tiny shish kebab) and a coriander-topped bean stew, plus boisterous entertainment (*Akaki Beliashvili St.*). For a taste of modern Georgian fare, head to Tekuna Gachechiladze's Khasheria (*23 Abano St.*) or her older Café Littera, on the grounds of the art nouveau former Soviet Writers' House, where the seasonal menu includes inventive takes on Georgian classics, like trout tartare served with spicy *ajika* or creamy, walnut-puréed eggplant salad (*13 Ivane Machabeli St.*). Ezo, a typically raucous garden restaurant, focuses on locally sourced, sustainable regional food (*16 G. Kikodze St.*).

EATING AND DRINKING THERE The best traditional Georgian restaurants offer elaborate multicourse affairs, with

"The party is for the new street," one of the khachapuri-sellers told me. The renovations on Agmashenebeli had just finished that day. Everybody was celebrating. It looked nothing like the city I knew from seven years ago. I loved it anyway. Jazz music blared in the square, then Edith Piaf; people hummed along. I hummed, too, walking on.

OFF DUTY

Velvet That Can Get All Wet

New sumptuous outdoor textiles can hang out on the patio all summer, no matter what befalls them

DOG DAY AFTERNOONS

Moray Chaise, from about \$3,900; seat-cushion velvet, Beach Blanket Fabric in Cliff Sides, \$125 per yard; headrest fabric, Aqua Velvet II in Deep Water, \$115 per yard, Holly Hunt, 212-891-2500; Knot Stripe Towel, \$30, crateandbarrel.com

BRYAN GARDNER FOR THE WALL STREET JOURNAL (TOP); VICTOR PRADO FOR THE WALL STREET JOURNAL (DOG); ANNE CARDENAS (FABRICS)



BY COURTNEY BARNES

INDOOR-OUTDOOR fabric of yore offered little in the way of luxury. Simplistic patterns and limited colors kept a lid on style, and textures ranged from scratchy to sticky. "I remember they were rough to the touch and very stiff," said New York designer Phillip Thomas of the patio materials of his youth.

In the last 15 years, however, the indoor-outdoor textile industry has literally gone soft, offering plusher options that can weather the elements. "When I started decorating, there was no such thing as an outdoor velvet," said Alex Papachristidis. Today, the New York designer uses this seductive cloth wherever his clients might be sitting down in a wet bathing suit. He covered the sofa in his own Bridgehampton, N.Y., pool house with a chocolate-brown all-weather gaufrage velvet from Lee Jofa. "I wanted the fabric to be elegant yet inviting and soft on the skin," he said.

Performance fabrics, made of hard-wearing, solution-dyed acrylics and treated blends, have been available for decades. But as backyards have stylistically and func-

tionally morphed into outdoor living rooms, textile manufacturers such as Sunbrella and Perennials have met the demand for weather-tolerant but chic fabrics. Workhorse cloths that resist mold and mildew now resemble their conventional cousins. They feature the luxe nap of corduroy and velvet, elegant linen-like weaves, and sophisticated color and pattern choices beyond cabana stripes and stain-camouflaging florals. You can reupholster furniture you already have or choose one of the new fabrics when creating pieces with a designer. Pottery Barn and Restoration Hardware offer them, too.

Portland, Ore., designer Max Humphrey said he and his clients marvel at the broad selection of styles now available in high-tech fabrics: "Mock linens that really do feel and look like fine linen, haute hippie stripes, ikats, bandanna patterns, fresh ginghams." California textile designer Peter Dunham's new collection of performance wovens adds paisleys and other global motifs to that range, Mr. Humphrey notes.

As indoor-quality textiles have migrated outside, so have outdoor fabrics become the go-to inside fabric for people with children—or

messy friends—because homeowners no longer have to settle for the mundane. Young families have driven the evolution of these fabrics, said Chicago designer and manufacturer Holly Hunt, whose recently-debutted outdoor Moray chaise (pictured, top) can be covered in one of her performance velvets or linens in dirt-daring colors such as pale gray and ivory.

These hearty, texturally pleasing fabrics, many of which can be cleaned with bleach, let parents furnish homes in hues heretofore re-

served for the childless: "Our clients are shocked when we present a scheme with white interior upholstery that can stand up to toddlers," said designer Joe Nahem, of New York's Fox-Nahem. Four years ago, the firm covered the sofa, chairs and dining banquette of a family of five's Miami apartment in white, including Chella Fabric's Montecatini in creamy Alabaster. Mr. Nahem, who recently visited, said of the upholstery, "It still looks new."

Pale tints also hold up well. Los Angeles interior designer Kerry Joyce offers nu-

anced colors, such as dusty violet, celery and pale blue, in his high-performance line, noting that because the acrylics are infused with pigment when still liquid polymers, "the fabrics retain their color in the sun and after many cleanings."

Designer Mr. Humphrey recently styled a photo shoot of materials created by Sunbrella together with Oregon heritage textile brand Pendleton. "The plaids look and feel like a really comfy vintage flannel shirt," he said, adding that the signature Pendleton styles, modeled

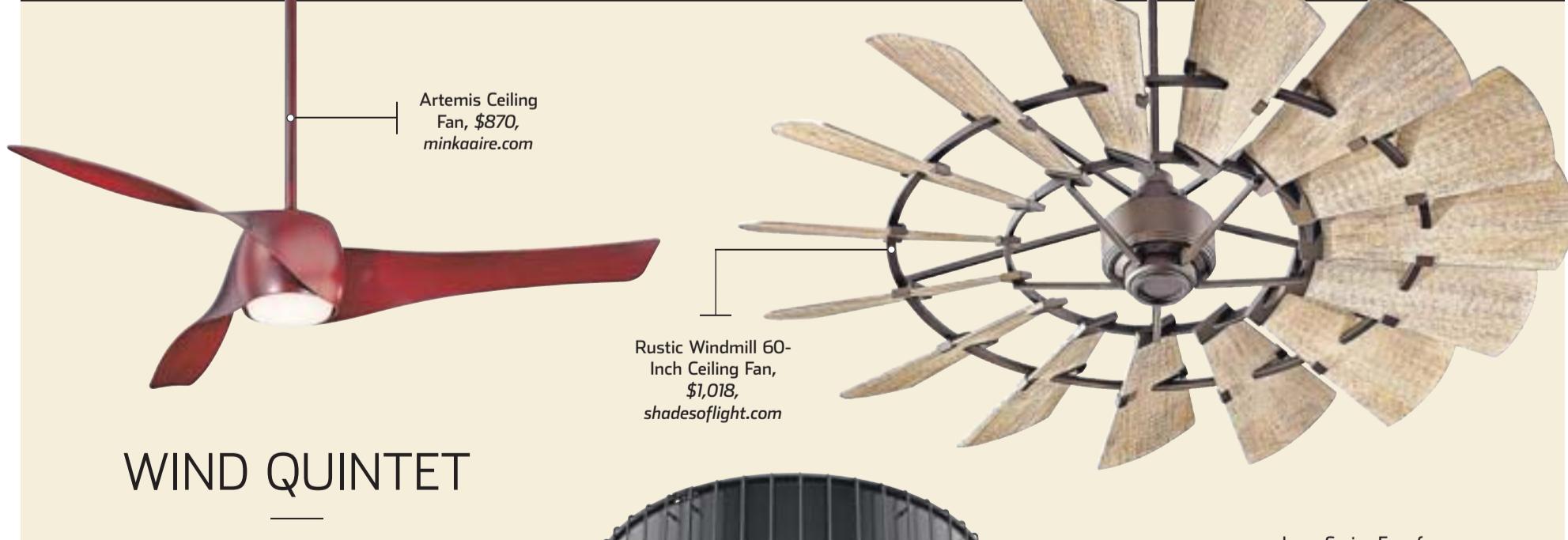
after Native American blankets, feel like soft natural fiber because they are woven, not printed.

"At my own house, I started using Perennials' 'cottons' for durability and easy clean up," said furniture designer Glenn Lawson, half of L.A. team Lawson-Fenning. "We liked the feel so much we used it on dining chairs and floor pillows, which can now be easily brought outside for entertaining," he said. "Most people can't tell the difference between the high-performance and conventional fabrics."



From left: Delany & Long Outdoor Leather, \$22 per sq. ft., D & D Bldg., 212-759-5408 ext. 204; Sommers, \$135 per yd., Madeline Weinrib, 212-414-5978; Dedar Tricot Tressage, \$179 per yd., D & D Bldg., 212-759-5408 ext. 204; Rocky Performance Velvet, \$118 per yd., Schumacher, 800-523-1200; Lulu DK Jill Fabric, \$248 per yd., Duralee, 800-275-3872

FAST FIVE



WIND QUINTET

Well-designed ceiling fans are no longer the unicorns of décor. These five put a new spin on cool



Cranbrook 52-Inch Ceiling Fan, \$229, hunterfan.com

Luxe Series Fan, from \$1,595, haikuhome.com

Vault 30-Inch Ceiling Fan, \$399, hunterfan.com

OFF DUTY



ATTENTION, SHOPPERS
With a base price of \$22,175,
the built-in-Britain 2017 Honda
Civic Hatchback Sport offers
exceptional bang for the buck.

HONDA

RUMBLE SEAT DAN NEIL



Honda Civic Hatch: The Price is Singularly Right

THE STICKER SAYS \$22,175. That's the as-tested price of our nicely equipped 2017 Honda Civic Hatchback Sport, including a free tank of gas and a barrel of candy-apple red paint. I consider that a reasonable proposition for a British-built hot-hatch with a six-speed manual transmission and center-mounted dual exhaust.

Look, it's just you and me out here, wandering the dealer lots by night, hiding from salesmen. I'll tell you how it is. Vehicles that start under \$20,000 are rolling bits of accountancy, designed and built to the penny. When you start comparing category competitors, as Car and Driver does, in a matrix of features and performance, you will discover a shocking sameness among them—of engines and gearboxes, of cut-and-sew upholstery, of fuel economy, of cabin noise, of instrumentation. If you are agonizing over the choice of a Hyundai Elantra, Toyota Corolla, Chevrolet Cruze, your loved ones would want me to tell you: Just pick the red one and move on.

But sometimes, amid the penny-pinching and profiteering, the needle swings the other way. Sometimes a company will build a fine little car and then take an unholly beating on it. That's what we're looking for. Call it revenge conservatism.

Such a case is the 2017 Honda Civic Hatchback. At least, I'm assuming as much. For one thing, the new Hatch is imported from Swindon, Wiltshire, England, where Honda builds Civic products for the European market. Honda of America's allotment will arrive at the port of Norfolk, Va. Some small part of the Hatch's low price reflects Honda's eating of shipping and handling, to say nothing of U.K. labor rates. I'm OK with that.

Like the Sedan and Coupe with which it shares nearly everything, the Hatchback is built on Honda's new global-product platform (front-transverse four-cylinder, front- or

all-wheel drive, four-wheel disc brakes, majority-steel unit-body, five seats and cargo). Not surprisingly, the hatchback version rides, drives and behaves with the same agreeable competence as its stablemates. The cabin materials overperform in look and touch. The instrumentation is smart and understated. This, the 10th-generation of the Civic series, rides on a big-boy chassis, with MacPherson struts in front and a multi-link suspension in the rear, all isolated from the body with vibration-quelling, liquid-filled bushings.

Under the hood lives Honda's hard-punching 1.5-liter turbo four (180 hp), paired with either an automatic transmission (CVT) or the aforementioned stick shift. So powered, the Hatch can nick to 60 mph in less than 8 seconds, amid two fervid upshifts, the turbo-four flitting like a songbird on a tether. Or it can hum quietly along the highway in sixth gear, averaging 39 mpg (33 mpg combined). Nice bandwidth, that.

On rare occasions a company will build a fine car and take an unholly beating on it. That's what we're looking for.

Stung by complaints over cabin noise and harsh resonances, the Civic team also ponied up for more soundproofing under the floor, around the engine compartment and wheel wells. Though not specific to the Hatch, these noise-abatement measures help address one of the liabilities of the hatchback design, per se: With the trunk and passenger space as one volume, noise energy tends to boom around the cabin.

On our winding-road test track, the Hatchback Sport gunned its little heart out. There is a surge of initial body roll as the car turns in hard for

a corner, but it quickly stabilizes and then hangs on like a puppy with a sock. The bigger tires have a lot of bite. Honda's algorithm-enhanced e-steering system feels nicely responsive off center and gains in heft and sensitivity as cornering energies rise. When the front tires finally wash out with understeer you really feel it.

It's a sturdy thing. The Hatchback actually feels weirdly overbuilt. And in a way, it is. Honda designed the structure so that it would earn five-star crash ratings for years to come. These tests included the rigorous small-offset barrier crash (40 mph) and insanely violent rear crash (50 mph). Such future-proofing represents an investment for Honda, which will save on retooling costs in the next decade. But for car-shoppers of 2017, the extra engineering feels like a gift.

To the foundational strengths of the Civic proper, the Hatchback adds ready, Costco-sized utility: 22.6 cubic feet of cargo space, enough to hold four large suitcases or three golf bags. The hatch opening itself is oversized, 37.4 by 45.3 inches, which makes it possible to stuff a crazy-big baby stroller in the back.

Enthusiasts may recall that Honda stopped offering hatchbacks in the U.S. in 2003, with the late lamented Civic Coupe Si, when the body-style fell out of fashion. And no wonder. Compared to the mega fauna of the age—the Hummer H2, Ford Excursion, Cadillac Escalade—hatchbacks started to look mighty small and pitiful, derided with the awful term “econo-boxes.”

Fourteen years after the Coupe Si, sedan-derived hatchbacks would seem positioned for a comeback. After all, SUVs, crossovers and wagons—vehicles with top-hinged lift gates—now make up more than half of U.S. new car sales, outside of trucks. Yet hatches remain stubbornly niche-y, representing less than 8% of compact-car sales in 2015 (about 186,000 vehicles).

And that space is highly contested by the charismatic likes of the VW Golf, Mazda3 5-Door, Ford Focus and Subaru Impreza.

Obviously, Honda of America means to prime the pump, thus the Hatch's entry pricing (\$19,700 base MSRP) and generously curated list of blandishments. The Sport trim, for example, includes the 18-inch sport alloy wheels; the boss center-mounted exhaust pipes; fog lights; piano-black body trim; leather steering wheel and shift knob; red instrument illumination; carbon-like dash trim; and, for the stick-shift model, three aluminum foot pedals.

Also included are many of what I consider first-order cabin conveniences: rearview camera and 5-inch LCD screen; USB; phone and audio connectivity; cruise control; power windows, doors and mirrors; push-button start with remote keyless entry; and electronic

parking brake.

You may wonder, if the margins are so small and demand such an open question, why would Honda import the Hatch at all? A clue is the rare availability of a six-speed manual transmission, a no-cost option over the CVT and the key to extracting the most fun out of these cars. Honda wants the Hatch to resonate with driving enthusiasts. There may not be many of them out there, but they are all potential brand missionaries. How 'bout it, Dad?

As for the Hatchback's looks, well, you can't have everything for \$22,175. The proportions are snouty; the surfacing a bit hectic; the faux air-intakes and vents in bumpers hurt my eyes. By far this car's best angle is the three-quarter rear, with a view of the glassine hump and the dramatic spoiler bridging between glowing LED taillamp instruments.

Anyway, just keep thinking about the price. The car gets prettier.



2017 HONDA CIVIC HATCHBACK SPORT

Price, as tested: \$22,175 (Sport trim level)

Powertrain: front-transverse mounted 1.5-liter turbocharged inline four-cylinder with variable valve timing; six-speed manual transmission; front-wheel drive.

Power/torque: 180 hp at 6,000 rpm/177 lb-ft at 1,900-5,000 rpm

Length/weight: 177.9 inches/2,871 pounds

Wheelbase: 106.3 inches

0-60 mph: 7.2 seconds

EPA fuel economy: 30/39/33 mpg, city/highway/combined

Cargo capacity: 22.6/46.2 cubic feet (rear seats back/up/folded)

BOOKSHELF

A SPRING READING LIST FOR GEEKS

Brush up on comic-book history, landscape-photography dos and don'ts, and the very recent annals of women in tech

The Legion of Regrettable Supervillains: Oddball Criminals From Comic Book History

By Jon Morris

Elevator pitch Where do bad guys come from? With comics from the golden to modern ages, argues Jon Morris, villains are often born of the political climates of their times. Tino the Terrible Teen (the “richest teenager in the world”) reflected a fear of 1970s youth subculture, while Reefer King played off the circa-'40s fear of marijuana’s corrupting effects.

Very brief excerpt “Boasting a suit of armor that emits destructive beams of pure sound, Ghetto-Blaster is capable of bringing a building crashing to Earth. And the targets of his ire are, in fact, buildings—slums, to be more specific.”

Surprising factoid Villains didn’t always have eye-catching names and batty M.O.s. Superman’s earliest enemies were ho-hum politicians and gangsters.

READ THIS IF YOU WANT TO TAKE GREAT PHOTOGRAPHS OF PLACES.

By Henry Carroll

Elevator pitch Look around you and imagine how you’d document your feelings about your current surroundings. Stumped? This beginner-friendly guide is for you. The author couples concise, to-the-point advice with motivatingly beautiful images by masters like Robert Adams, Martin Parr and Joel Sternfeld.

Very brief excerpt “You might need to move miles, or simply step to the left or right, because when photographing places, your physical position has a huge impact on meaning. That’s why all the photographers in this book are obsessively picky about where they stand. To join their ranks, you need to be the same.”

Surprising factoid To make your photos of buildings seem less flat, stand at a corner so two sides of the structure are visible. The 45-degree view will emphasize the edifice’s three-dimensionality.

Read This if You Want to Take Great Photographs of Places

By Henry Carroll

GEEK GIRL RISING: INSIDE THE SISTERHOOD SHAKING UP TECH

By Heather Cabot and Samantha Walravens

Elevator pitch This inspiring collection of success stories gives all the dish on the rise of under-the-radar women in the tech world.

Very brief excerpt “Dona Sarkar was wearing leopard and owning it. It was midnight in downtown Seattle, and the Renaissance woman was in her element on a giant soundstage. She was hosting the world’s first HoloHack, a forty-eight-hour brain-storming session for 100 techies, filmmakers, 3-D artists and sound engineers to try making the first apps for Microsoft’s augmented reality device, HoloLens.”

Surprising factoid Secret languages have helped make coding cool to tweens. Middle-schoolers didn’t embrace Jewelbot, a programmable friendship bracelet, until its creators allowed it to send covert messages via buzzes and blinks. —Lane Florsheim

MANSION

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

"This must be a simply enormous wardrobe!" thought Lucy, going still further in....' —C.S. Lewis,
The Lion, the Witch, and the Wardrobe

Friday - Sunday April 21 - 23, 2017 | W9

OMG Closets!

More children and teens are getting custom closets with high-end accessories like boutique-style shoe racks, designer wallpaper and velvet-lined jewelry drawers.



DOROTHY HONG FOR THE WALL STREET JOURNAL (2)

SHOE BUSINESS On New York's Upper East Side, Kristen Swenson worked with a closet designer to create a custom walk-in for her teenage daughters, Emma and Ceci. Melanie Charlton, who designed the space, said custom closets with boutique-style shoe storage, adjustable hanging rods and specialized shelving start at between \$10,000 and \$15,000. Below, Emma at the closet entrance.

BY ALINA DIZIK

TAKING A CUE from lavish walk-in closets off the master bedroom, builders and designers are increasingly creating luxury closets for their pint-size clients.

More kids are getting boutique-style shoe racks, designer wallpaper and velvet-lined jewelry drawers, as well as practical accessories like baskets for superhero storage and rods to hang clothes for playing dress-up.

Costs can range from \$5,000 to \$15,000 to create a smaller, more playful version of a high-end closet inside a child's bedroom, says Lisa Adams,



founder of LA Closet Design in Los Angeles. "They always look more whimsical," she says. California Closets, a custom storage and design company, has seen a 30% increase in organizing kids spaces, which includes closets and toy storage, since 2015, according to the company.

To create a walk-in closet for teenagers Emma, 16, and Ceci, 19, designer Melanie Charlton tore down part of the laundry room in a four-bedroom condo in Manhattan's Upper East Side neighborhood. The teens' mom, Kristen Swenson, worked with the designer to install three handblown glass chandeliers and glass shelving at the very top so it's easier for them to spot

Please turn to page W10

RENOIR AND DEGAS ON THE GUEST LIST

On the French Riviera, the home where artist Mary Cassatt lived and entertained is now on the market for about \$2.65 million. A diarist at the time described the painter's 'enchanting villa perched on the mountains.'



BY RUTH BLOOMFIELD

SINCE THE LATE 18th century, legions of expatriates have traded city life for the sea and sunshine of the French Riviera. These itinerants left their mark on the region's history—and its architecture.

Among the grand villas along the Côte d'Azur is a Belle Epoch-style home built by John H. Harjes. Located in the village of Grasse, 12 miles inland of Cannes, the 3,767-square-foot home was built in the late 19th century and dubbed Villa Angeletto by Mr. Harjes, an American banker

Please turn to page W12



FROM LEFT: CSU ARCHIVES/EVERETT COLLECTION; ANTHONY LANNERETTE FOR THE WALL STREET JOURNAL

BRUSH WITH GREATNESS The 3,767-square-foot home was built by John H. Harjes, an American banker who moved to Paris in the 1860s. In 1911, with Mr. Harjes' health failing, the family leased the house to another American expatriate, the artist Mary Cassatt.



United Kingdom
An English barn turned upside down in Surrey



United States
A tropical compound in Key Biscayne, Fla.



United States
A Georgian Revival mansion in New York

DOUGLAS ELLIMAN

MANSION

OMG CUSTOM CLOSETS FOR CHILDREN

Continued from page W9

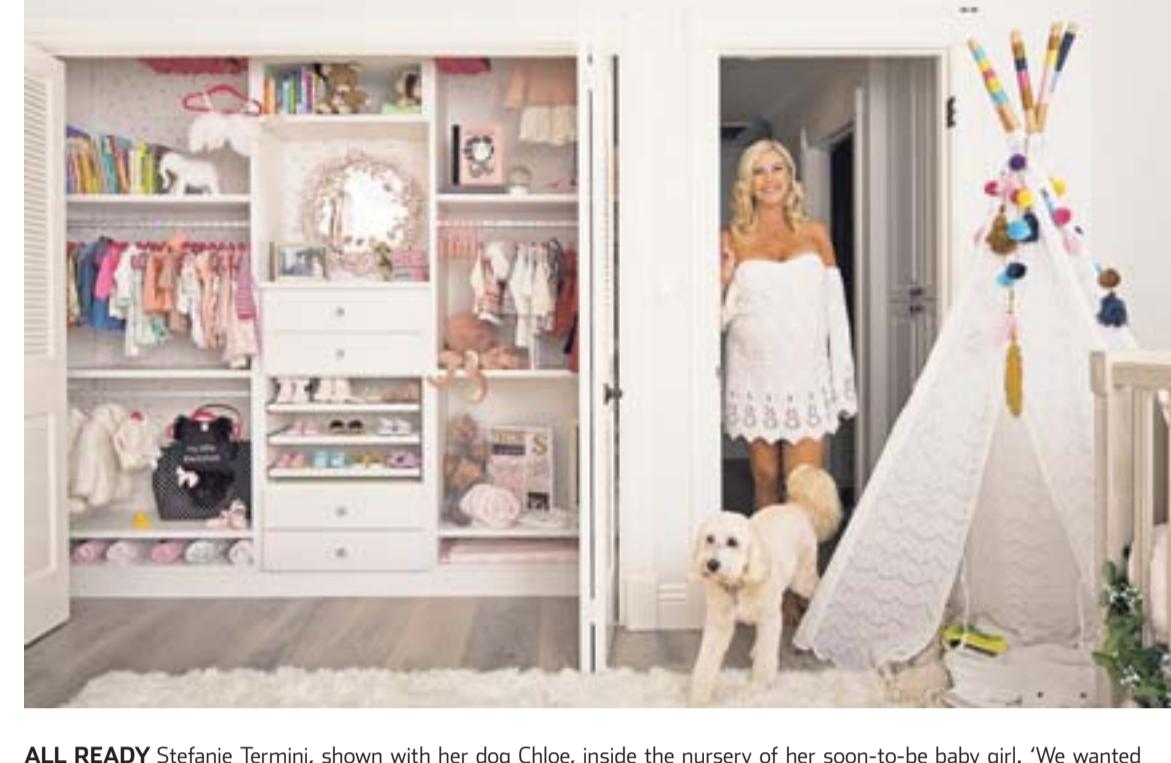
folded clothing. The closet has a mirrored wall and extra boutique-style shoe racks for an ever-expanding collection.

"It's like decorating a room; everything is built-in and measured perfectly," says Ms. Swenson, a 49-year-old stay-at-home mother. She declined to disclose the cost of her children's closet, but Ms. Charlton, founder of New York-based Closette, said children's closets start at between \$10,000 and \$15,000. "It's almost like a little master walk-in version of the parents," says Ms. Charlton, who adds that high-end closet systems can increase home value once time to sell.

In her projects, Ms. Charlton sometimes uses chalkboard paint, on which children can write to-do lists or keep track of chores. Drawer surfaces and inserts are similar to what's found on patio furniture so they're durable and easy to wipe down. Kids' closets "need to be a little more bulletproof," she says. She also looks at shoe sizes and children's heights to devise a shelving system that can be adjusted with age by taking out dividers.

Likewise, Ms. Adams, the L.A. designer, makes sure that half of the closet is built at or below a child's current eye-level, with adjustable shelves to accommodate kids as they grow, she says. Often, she carries the theme of sports into a boy's closet by installing a locker-room style setup or adds gold-framed mirrors for girls along with their favorite color and acrylic accents. Carefully placed slide-out hampers encourage even the messiest kids to find time to throw in their dirty clothes, she adds.

In Manteno, Ill., Theresa Shulteis turned an exercise room into 500-square-foot dressing area shared by Sariah, 14, Skylar, 17, and Serena, 19, to keep clothing that overflows from their closets. Since the closet is next to the home's laundry room, Ms. Shulteis saves time by leaving washed, sorted laundry in front of each child's portion of the closet, which also has a built-in makeup vanity and window seating. A smaller portion of the room is also used by her and her husband, she adds.



ALL READY Stefanie Termini, shown with her dog Chloe, inside the nursery of her soon-to-be baby girl. 'We wanted more of a glamorous look; we wanted the bling,' Ms. Termini says. Below, the baby's crib and pull-out shelves for shoes.



ROBERT BENSON FOR THE WALL STREET JOURNAL (3)

"It's a community closet," says Ms. Shulteis, a 42-year-old online retail-business owner who worked with Closet Organizing Systems, a local firm, on the project.

Some parents are also creating Pinterest-worthy nurseries, says New York-based nursery designer Vanessa Antonelli. Infant closets tend to be reach-in closets, but can still be outfitted with high-end details. Often that means adding darker leather lining for boys and beaded or acrylic accents for girls.

"At least half of what my clients are thinking about is, 'How good

will this look?' and 'When I get it up on the internet, how many likes will I get?'" says Ms. Antonelli.

Getting the closet completed before giving birth was a relief for Stefanie Termini, 32, who worked with California Closets to create a reach-in closet for a baby girl due later this month who she plans to name Scarlett. The closet has a metallic rug, wallpaper with metallic dots and sparkly knobs, she says. "We wanted more of a glamorous look; we wanted the bling," says Ms. Termini, a stay-at-home mother who paid \$5,000 for the

infant closet in her Encinitas, Calif., home. The result, she hopes, will make it "easy to access stuff in the middle of night."

Paloma Contreras, a Houston-based interior designer, says that parents take more design risks when creating spaces for their children, including closets and bathrooms that are done in turquoise or pink hues and more playful than the rest of the home. "Even the client with a more restrained palette will be more adventurous in a child's room," she says. Many clients decide to rebuild the closets

"as a matter of necessity" after developers create a space without any drawers and hanging rods that are too high for younger children to reach, she says.

'At least half of what my clients are thinking about is, "How good will this look?" and "When I get it up on the internet, how many likes will I get?"'

-Vanessa Antonelli

After weeks of back-and-forth with the designer, Lori Underwood worked with Ms. Contreras to create two walk-in closets for daughter Ava, 13, and son Drew, 10 in their Houston home. The two walk-ins have display shelves for her kids' trophies and photographs, while dresser-like drawers allow "knick-knacky things" to be off the floor, says Ms. Underwood, a 39-year-old stay-at-home mother. "If we go on vacation and they bring home a rock or a seashell, it's always able to be tucked away and closed up," she adds.

Washington, D.C.-based professional organizer Rachel Rosenthal includes lots of space for accessories in kids' closets. She says she adds extra hooks, pegboards for hanging necklaces or purses, and baskets for storing action figures or dolls. She also designates hanging space near the front of the closet for children to play dress up. For day-to-day clothing, she adjusts hanger-rod heights to allow children to reach it on their own, and provides plenty of drawers and shelf space to create an easy-to-maintain area. "It's empowering to kids to get themselves dressed," she says.

When her youngest clients opt for pink, velvet-lined jewelry drawers, Ms. Rosenthal plays along as if she's protecting diamonds: "Their jewelry is plastic," she says, but "they will be excited when putting something away."

HOUSE CALL | JOHN OATES

It Started With An Elvis Flick

Hearing girls scream during 'Love Me Tender' inspired the future singer-songwriter; becoming Hall & Oates

My parents saved my life—and my career. When I was 13 months old, I had my tonsils removed. Rather than return to our Manhattan apartment, my parents stayed at the hospital to watch over me. At some point overnight, my stitches broke and I began coughing up blood. My parents ran into the hall for help.

Minutes later in the operating room, the doctor told my parents he'd have to cut open my throat to repair the stitches. In tears, my mother begged him not to do that.

The doctor relented and operated through my tiny mouth. Had my parents not been there, I probably would have drowned in my blood or wouldn't have had much of a singing voice.

We lived near the hospital on 24th Street between 2nd and 1st Avenues. It was an Italian neighborhood then. My mother, Ann, was Italian, and my father, Alfred, was British. She wanted to live near her family. Growing up, I spent much of my time looking out the window at the street below or visiting my grandmother, Clementina, on 26th Street. She fed me. I was the boy king.

My father worked for an airplane-parts maker. In 1952, the company was awarded a big contract and moved to Pennsylvania. They offered any employee who relocated a promotion. So one af-



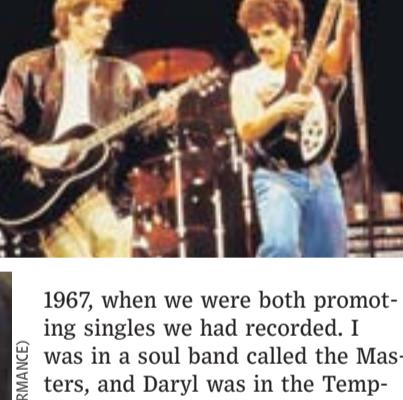
ternoon, as I returned to our building after playing, I saw my parents in their car with my baby sister, Diana. They were waiting for me, and we left, just like that.

About 2½ hours later we moved into a house in North Wales, Pa., an hour northwest of Philadelphia.

Moving wasn't a big deal for me. I missed my grandmother, but not for long. We began driving back to New York every weekend. My parents were homesick. The rest of the world was a jungle to them compared to the old neighborhood.

In North Wales, we first lived in a house my parents rented with a small yard. It was in the old part of town, which was separated from the new part by railroad tracks. At night, I loved listening to the trains pass by.

We were there for about two years. When I turned 6, we moved to a bigger house on 10th Street on the other side of the tracks. It was a spec house—a two-story Cape Cod with white siding and



1967, when we were both promoting singles we had recorded. I was in a soul band called the Masters, and Daryl was in the Temples. We both were booked to play a gig when a gang fight broke out. Daryl and I escaped in a service elevator. We both went to Temple University and decided to team up.

In the 1990s, I discovered I had little money to show for all our hits. I needed to rethink my life and career. At the time, I had a little vacation condo in Aspen and decided I'd live out there.

Soon after relocating to Colorado from New York, I met my wife, Aimee. We built a five-bedroom log house in Woody Creek that matched my dream of a laid-back future. It's on a dirt road, with views of the mountains.

Last year, we also bought a three-story, four-bedroom 1925 Tudor Revival in Nashville, Tenn. We spend much of our time there, where I do most of my composing, producing and recording. We're in the city's oldest neighborhood. The tree-lined streets remind me of North Wales.

The kitchen has wraparound paned windows that give us a 180-degree view of the garden and the birds out there. Best of all, when it's quiet late at night, the last thing I hear before falling off to sleep is a train in the distance.

—As told to Marc Myers

Elvis Presley in "Love Me Tender." Even though it was a movie, the girls were screaming. I knew what I wanted to do.

I began by taking voice lessons. The teacher taught me breath control and to sing using my diaphragm, not my throat. I also took a few guitar lessons, but I wasn't into playing the stuff the teacher gave me. I taught myself to play using chord books.

I first met Daryl Hall at the Adelphi Ballroom in West Philly in

John Oates, 69, is a guitarist and singer-songwriter who, as half of the Hall & Oates duo, co-wrote many of their hits in the 1970s and '80s, including "She's Gone" and "Maneater." He is the author of the memoir "Change of Seasons" (St. Martins Press).

CHRISTIE'S INTERNATIONAL REAL ESTATE

EXTRAORDINARY ART. EXCLUSIVE HOMES.



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Massbrook House 6,781 sq. ft. on approx. 113 acres enjoying 1-mile lake frontage. Original gate lodge. Guest/staff apt. US\$2,094,972. Roseanne de Vere Hunt. +353 1 237 6402

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Sherry Fitzgerald



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FERRYBANK, WATERFORD, IRELAND
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MAUI, HAWAII
Magnificent, 13,000+ sq. ft. estate on the beach with 9 beds, 10 baths, pool, sun-deck, on 0.53 acres. Ideal, exclusive. \$28M. Zackary Wright. +1 310 385 2690

Christie's International Real Estate



SHELTER ISLAND, NEW YORK
Four separate waterfront lots 2.39± to 5.04± acres. Peter M. Turino +1 631 903 6115. pturino@bhsusa.com. \$2M-\$4M. Christine M. Saar. Web ID: 3550 +1 631 903 6148

Brown Harris Stevens of the Hamptons



TANGIER, MOROCCO
Villa Putman - Villa overlooking the Mediterranean Sea from a cliff above the Strait of Gibraltar. Sea-view terraces on all 6 levels. €10M. Marc Leon +212 524 422 229.

Kensington Luxury Properties



LONGBOAT KEY, FLORIDA
Extraordinary life of luxury on over 134 ft. of beachfront at The Longboat Key Club. \$8.5M. Kim & Michael Ogilvie. +1 941 376 1717

Michael Saunders & Company



DARIEN, CONNECTICUT
6-acre waterfront estate - Pear Tree Point, 8-bed Victorian w/ dock, pool & tennis court w/ views of Li Sound & NY. \$24M. Co-List Carolyn Sarsen. Web ID: 96706 info@davidogilvy.com

David Ogilvy & Associates Realtors



WILSON, WYOMING
Aspensong is Jackson Hole's most distinctive contemporary residence on 35 private acres in Crescent H. Ranch. \$18M. The Neville Group. +1 307 690 3209 · tng@jhrea.com

Jackson Hole Real Estate Associates



SAGAPONACK, NEW YORK
Outstanding 1.6 acre Hamptons estate moments from ocean. 7,123 sq. ft. home, pool, poolhouse & tennis. \$14.25M. Christopher J. Burnside. Web ID: 14390 +1 631 537 4320

Brown Harris Stevens of the Hamptons



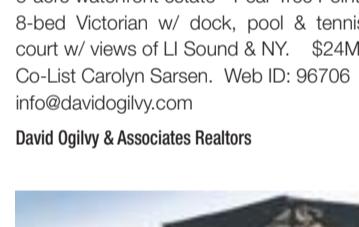
CLEARWATER BEACH, FLORIDA
Welcome to Villa Eldorado with tropical breezes & breathtaking sunsets of the Gulf of Mexico. \$3.195M. Pattie Meek. Web ID: www.waterfront.house +1 727 642 8971 · pattie@meekegroup.com

Coastal Properties Group International



PARIS, FRANCE
This 112 sqm apartment comprises a double living room opening onto a balcony and 2 bedrooms. €2.25M. Marie-Hélène Lundgreen. Web ID: 1623291 mhl@bdfrance.fr · +33 (0) 6 34 14 62

Belles Demeures de France



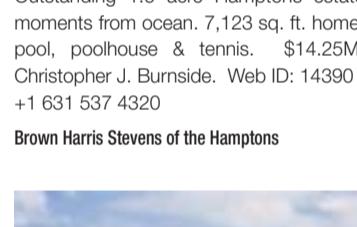
VICTORIA, CANADA
Architectural marvel. Waterfront w/ private beach access; 4,800+ sq. ft. infinity pool, giant master suite, chef's kitchen, dazzling views. C\$6.995M. Zackary Wright. zwright@christies.com

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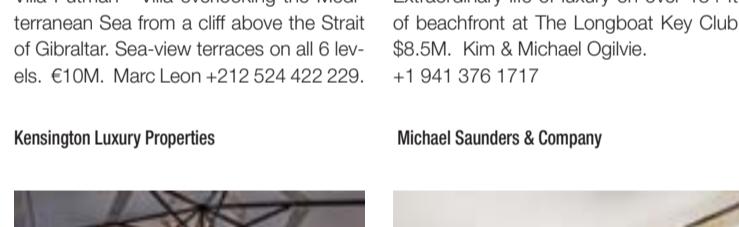
MAIDENHEAD, ENGLAND
Historic country house set on around 20.75 acres, idyllic location on edge of Holyport, with excellent access to London. £5.95M. James Mackenzie. james.mackenzie@struttandparker.com

Strutt & Parker +44 20 7318 5190



SELMA, OREGON
Award-winning vineyard and winery on 135 acres; 40 acres of grapes, tasting room & retail sales, spring-fed irrigation, main residence. \$4.95M. Zackary Wright. zwright@christies.com · +1 310 385 2690

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MANSION

CASSATT'S VILLA ON THE FRENCH RIVIERA



Continued from page W9
and philanthropist who moved to Paris in the 1860s to set up a branch of his bank, Drexel, Harjes & Co. The Harjes family wintered at Villa Angeletto, but starting in 1911, with Mr. Harjes' health failing (he died in 1914), they agreed to lease the house to another American expatriate, the artist Mary Cassatt.

Cassatt was born in Pennsylvania in 1844 and art was her passion from an early age. Encouraged by her parents, Cassatt traveled Europe in her teens. She then studied painting at the Pennsylvania Academy of the Fine Arts in Philadelphia. In 1866 the artist—rather shockingly for the times—announced her intention to move to Paris to continue her training.

As a woman, and a foreign woman at that, Cassatt struggled to gain recognition in France. Her big break didn't come until 1874, when she came to the attention of the painter Edgar Degas. He invited her to show her work alongside the impressionists, a collective of experimental and rather outré artists whose number included a young Claude Monet.

Degas was to become her lifelong friend and mentor. Under his tutelage her career flourished. In 1904 Cassatt was awarded the Legion of Honor, one of France's highest awards, in recognition of her contribution to the arts.

Her success—plus an inheritance from her parents—allowed her to lease Villa Angeletto. During World War I she decamped to the south almost full time to escape the privations of war. There she was visited by friends, including August Renoir and the Degas family.

In his diary, published posthumously in 1966, French art dealer René Gimpel wrote enthusiastically of Cassatt's "enchanting villa perched on the mountains like a nest amongst branches."

The current owners of Villa Angeletto are also expatriates, Rosemary and Patrick Ireland, who bought the property in 2006. The Irelands are British by birth and moved to France from Hong Kong in 2000 because their two daughters were approaching school age and they admired the French education system. Dr. Ireland is a physician and Mrs. Ireland has worked in publishing;

IN THE HILLS The villa was built in the late 19th century by John H. Harjes, an American banker. Above, an outdoor terrace and a living room. Below, 'Little Girl in a Blue Armchair,' painted by Mary Cassatt in 1878; bottom, the home's swimming pool.



ing; both are in their 60s.

Like Mr. Gimpel, the Irelands were enchanted by Villa Angeletto. "It is an open, light, bright house, with high, high ceilings so different from some of the old farmhouses in this region, which are lovely but can be quite dark," said Mrs. Ireland. "I just thought it was the most lovely house I had ever seen."

The five-bedroom, four-bathroom villa was well maintained when the Irelands bought it, which meant they could simply begin enjoying it, breakfasting in the backyard and swimming in the pool.

Its main spaces include a sunny morning room and a living room with sea views and a marble fireplace. Villa Angeletto also has flaws. Its layout is unwieldy, with the main entrance leading directly to a slightly old-fashioned kitchen. And some period-inappropriate features, notably plastic-polymer windows, detract slightly from the home's allure.

Upstairs are three bedroom suites, with wooden doors that lead out onto the upper-floor terrace. There are two

attic bedrooms above, plus a fourth bathroom. Then, up a tiny flight of spiral steps, is a final surprise—a tiny aerie of a room in the tower, with windows to catch the full panorama of mountains and sea.

The Irelands, who moved to France for the sake of their family, are now selling Villa Angeletto for the same reason. Both daughters have recently had babies, and the couple wants to spend more time visiting their grandchildren at their homes in Singapore and Dubai. They plan to buy a smaller property nearby, giving them the freedom to globetrot.

The property has been listed with Sotheby's International Realty for about \$2.65 million for around a year—the couple's decision to sell coincided with a very slow real-estate market in France.

Ultimately Mrs. Ireland believes the house's history will help sell it. "Who do I think will buy it? Someone who likes big spaces, and who loves entertaining," said Mrs. Ireland. "Someone really who is not interested in something frightfully modern but who likes history and wants to be surrounded by it."

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Tommy Mottola Lists Connecticut Estate



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Music executive Tommy Mottola is best known for guiding the careers of artists like Céline Dion and Gloria Estefan, but one of his lesser-known interests is real estate: The former chairman and CEO of Sony Music Entertainment has built or renovated some 14 houses over the years.

"It's really one of my passions," said Mr. Mottola, who quipped: "Instead of talking to you I should be having my head examined." His latest creation, a Georgian-style estate in Greenwich, Conn., is hitting the market for \$19.95 million.

Mr. Mottola said he bought the 5.7-acre property for \$2.85 million in 2010.

Mr. Mottola, 67, and his wife, Mexican pop star Thalia, moved into the estate several years ago with their two children after spending about three years designing and building the house.

The exterior of the house, with a columned portico, is meant to reflect "the tradition of backcountry Greenwich," Mr.

Mottola said. Inside, it has gallery-like, contemporary interiors to display the couple's art collection, which includes works by Andy Warhol and Keith Haring.

The nine-bedroom house spans roughly 12,300 square feet, not including a lower level that contains a gym, play room, and beauty salon/massage room where Thalia gets her hair and makeup done, according to real-estate agent Lyn

Stevens of Douglas Elliman Real Estate, who has the listing with colleague Robin Kencel.

A large entertaining space has 30-foot-high ceilings topped by a cupola. Thalia and Mr. Mottola each have their own two-story dressing room. The home's four levels are accessed by an elevator. A terrace with an outdoor kitchen and fireplace overlooks the lake.

The gated estate also includes an outdoor swimming pool with a covered dining area where the family eats dinner most evenings in good weather, Mr. Mottola said.



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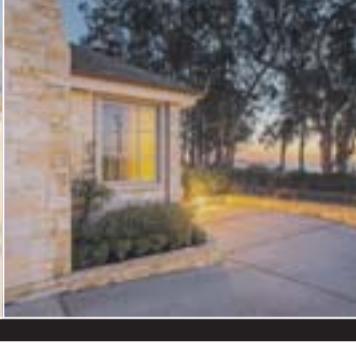
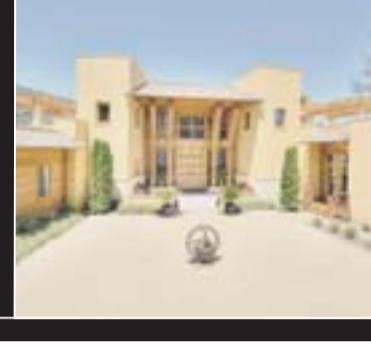
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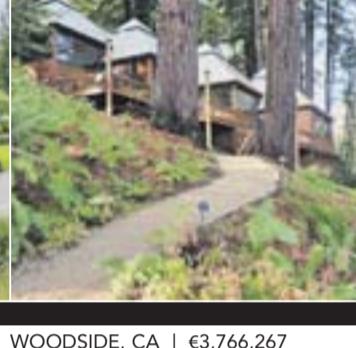
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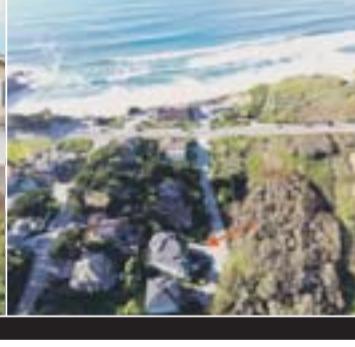
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MANSION

ANNOTATED ROOM | KRISTIANO ANG

Into the Woods in the Hudson Valley

Rosewood, walnut and teak root set the scene at a Brooklyn couple's weekend home in upstate New York

SHEENA MURPHY and her husband have long enjoyed weekends in the Hudson Valley, a few hours north of New York City, staying in AirBnB rentals while visiting friends.

When a baby came in the summer of 2015, Ms. Murphy, 36, an interior designer, and her husband, Paul, 37, a game developer, decided to look for a more permanent second home in the area—a getaway in addition to the Brooklyn home they own.

That year they paid \$775,000 for a two-story, 2,500-square-foot, three-bedroom, three-bathroom house on 6 acres in Hudson Woods, a development by Drew Lang's Lang Architecture, and moved in this past summer. Mr. Lang designed each home from locally sourced materials and, since it launched in 2013, has given home buyers the option to buy furnishings. (Of the 26 planned homes, 15 are completed; the rest are set for 2018.)

Ms. Murphy had her own ideas. "We wanted a comfortable weekend home with furniture that looks like it belongs to the 1950s," she says.



DOROTHY HONG FOR THE WALL STREET JOURNAL (2)

1. A fireplace from Wittus is designed and made in Denmark. "It's based off old wood-burning stoves," says Ms. Murphy, who bought it with the house. "There are so many windows in the room, so we wanted something heavy that would anchor the lounge." **Price:** \$10,000

2. The vintage bleached teak-root coffee table is from South of Market, a furniture retailer in Charleston, S.C. "The bleached wood contrasts with the darker elements and it is very durable," says Ms. Murphy. She estimates the table weighs over 500 pounds. **Price:** \$3,950



3. The lighting fixture on the wall is a **double-shaded bent brass lamp** from Brooklyn design studio Workstead. "It's based off a Midcentury style that's slightly modernized," says Ms. Murphy. She likes that it was made in New York and has a sculptural feel. **Price:** \$1,150

4. The couch, a recent addition to the home, is an original 1950s piece designed by Hans Wegner, a proponent of the Danish modernist aesthetic. The frame is made from rosewood and the leather has been reupholstered. **Price:** \$10,000

5. The walnut chair is made by Sawkill, a furniture company located in the Catskills. "The finish is really beautiful and consistent," says Ms. Murphy, adding the custom-made cushion is a "lovely soft detail on an otherwise hard, rigid chair." **Price:** \$1,800

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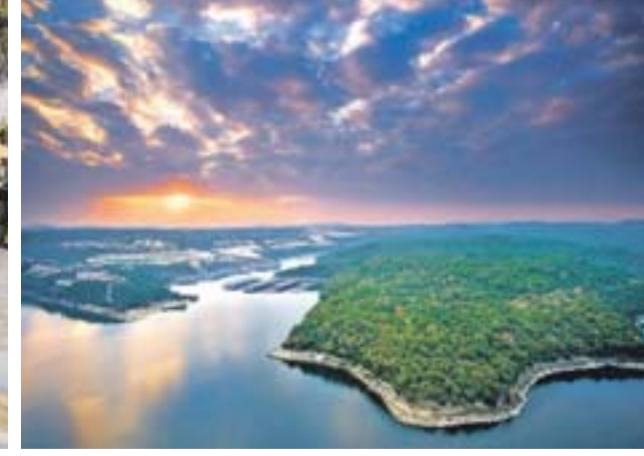
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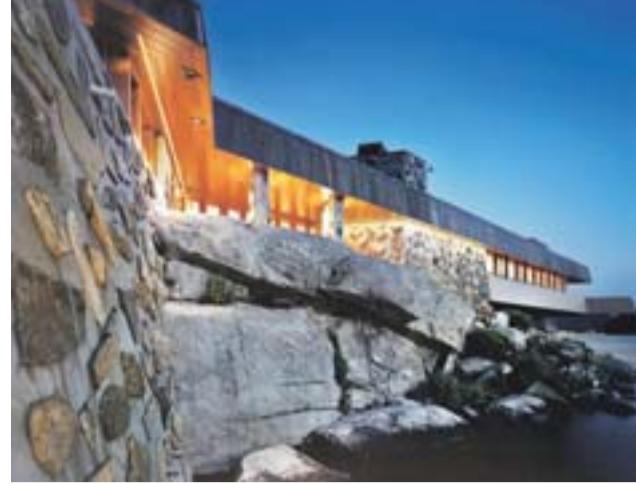
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CALIFORNIA



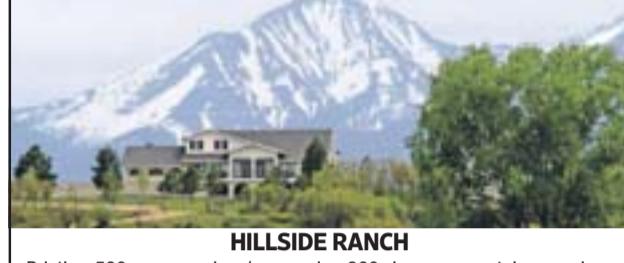
45 ACRES - GOLD AWARD WINNING OLIVE OIL ESTATE

Enjoy the next Napa w/o the high price! One hour from SF, main house, guest house, 75ft lap pool, spa, pool house, tennis court, bocce, pig hunting, hiking. Room for orchard expansion. Year round creek. Net credit solar, on-site caretaker possible. Olive oil sales & rental income.

\$2,750,000

Zafar Haider - www.7944PVRfamilyfarm.com
phone: 916.600.2340

COLORADO



HILLSIDE RANCH

Pristine 580 acre ranch w/ expansive 360 degree mountain, meadow, foothill views; open & bright 7350 sf, 3 bed, 3.5 bath home; gourmet kitchen; sunroom; luxury master suite. Heated barn w/office; 3 horse stalls. Water rights & 40 acres hay. Loafing shed; Elk and More!

\$2,800,000

Wild West Properties

Bob Joslen

phone: 719.783.0801 - www.wildwestproperties.net

COLORADO



VICKERMAN HIGH COUNTRY RANCH

1435 ac cattle/horse ranch Borders National Forest. Land consists of rolling hills, tall fir & aspen, Lapin Creek & 3 ponds. The ranch & San Isabel National Forest are a haven for turkey, elk, mule deer, antelope & bear. The hiking & equestrian enthusiast could spend months wandering through tens of thousands of acres that adjoin the ranch!

\$1,350,000

Wild West Properties

Bob Joslen

phone: 719.783.0801 - www.wildwestproperties.net

GEORGIA



CABIN BLUFF - 10,300± COASTAL ACRES

Recognized as "America's Oldest Hunting Club", this historic saltwater plantation is located adjacent to Cumberland Island National Seashore, between Jacksonville and Saint Simons Island. Cabin Bluff offers some of the world's most iconic, unrivaled, hunting and fishing experiences on one of the largest undeveloped properties on the Georgia coast.

\$55,000,000

LandVest

Jonathan Burt - Project Manager

phone: 404.545.6300 email: jburt@landvest.com

LIVY NORASHINGH PHOTOGRAPHY



Brandon Rogillio.

MISSISSIPPI



SPARKS RANCH - 9498 ACRES IN MISSISSIPPI

Working Cattle ranch, Estate home, multiple facilities & headquarters, Calf feeding operations, auction facility, 10 mths grass, 57" avg rain, supports 4000 cow units. Deer, Turkey, 32 miles from Memphis.

Owner financing possible.

www.sparkscattleranch.com

\$25,170,000

Bob Turner

phone: 901.335.1384

MONTANA



BIG SKY MONTANA, YELLOWSTONE PRESERVE

1,580 Acres Adjacent to Yellowstone Club. Borders National Forest, 1 mile of riverfront. World class amenities within minutes. Ski, hunt, fish & recreate on one of the most beautiful land holdings in the West. 5 minute drive to restaurants, shopping and hospital. Entire parcel consists of 8 homesites, plus caretakers. Sold in its entirety of 1580 acres.

Price Upon Request

The Big Sky Real Estate Co.

Martha Johnson, Founding Broker, VP of Sales

phone: 406.580.5891 email: martha@BigSky.com

GEORGIA



PEACEFUL, PRIVATE, "PARKER HOUSE SOUTHERN RANCH"

45 +/- acres, 4174 sqft house overlooking 3 acre super fishing pond & verdant pastures, pool, spa, nature trails, 1358' paved road frontage, 1/3 mile paved drive. Brokers welcome. See extensive photos & info at www.parkerhousesouthernranch.com or www.estatesouth.com.

\$1.89M

Dan Parker

phone: 706.436.4641 email: danparkerlaw@hartcom.net

KANSAS



KANSAS CITY/TOPEKA, KANSAS

Teal Lake Ranch boasts world class fishing, trophy wildlife, and recreational opportunities on a picturesque 55 acre watershed lake. The 640 acre ranch is a nature lovers dream with rolling flint hills, native grasses and wildflowers. Mature hardwoods surround the rock bottom creek in the center of the ranch. Commanding views provide excellent building sites.

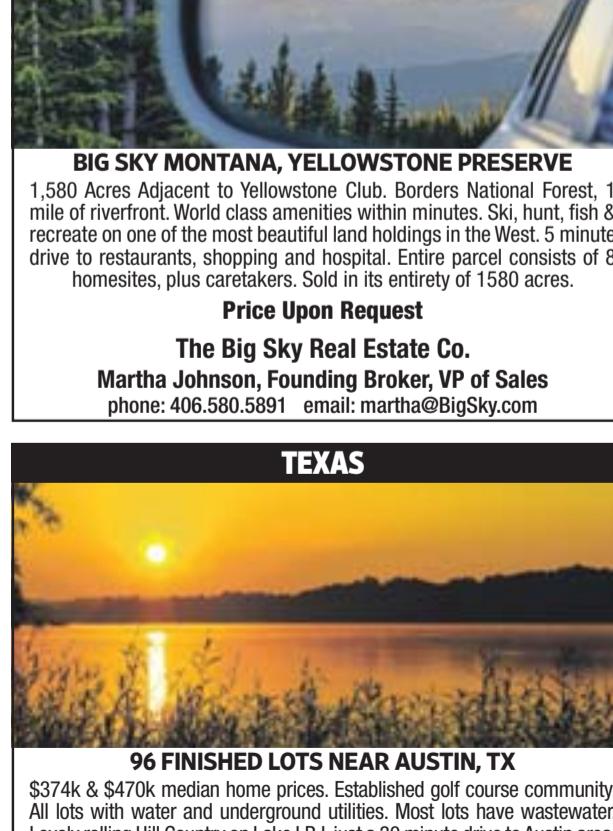
Price Upon Request

Whitetail Properties

Billy O'Connor

phone: 785.766.2382 email: billy.oconnor@whitetailproperties.com

TEXAS



96 FINISHED LOTS NEAR AUSTIN, TX

\$374k & \$470k median home prices. Established golf course community. All lots with water and underground utilities. Most lots have wastewater. Lovely rolling Hill Country on Lake LBJ, just a 30 minute drive to Austin area.

Available all or part.

\$1,550,000

phone: 512.288.5353 email: Jim@LandLawTexas.com

UTAH

VIRGINIA



VICTORY RANCH - RIVER RANCH COLLECTION

Three of Victory Ranch's largest, most private ranch homesites, ranging from 45-acres to 54-acres, with majestic views of Deer Valley Mountain. Secluded amidst breathtaking landscape above the river corridor on the western edge of Victory Ranch, this is magnificent Utah ranchland for building your legacy mountain home.

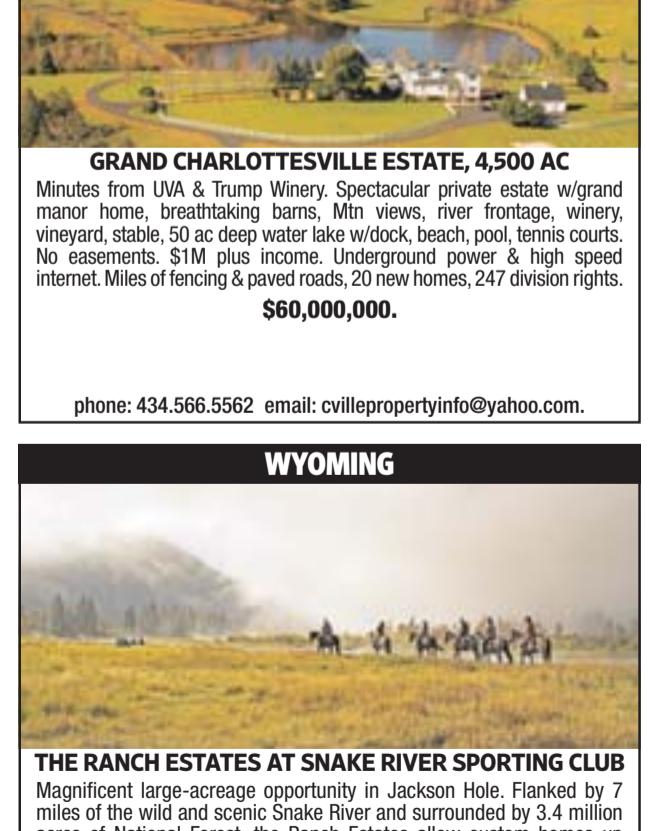
Priced from \$4,800,000

Victory Ranch

Jim Moran, Summit Sotheby's International Realty

phone: 435.785.5000 email: info@victoryranchutah.com

WYOMING



Magnificent large-acreage opportunity in Jackson Hole. Flanked by 7 miles of the wild and scenic Snake River and surrounded by 3.4 million acres of National Forest, the Ranch Estates allow custom homes up to 10,000 SF. Dedicated water rights included with irrigated pastures, landscaping, and equestrian features.

Starting From \$1.495M

Jackson Hole Real Estate Associates

Jeff Heilbrun

phone: 307.733.3444 email: jheilbrun@srsportingclub.com

Special Advertising Feature

Clarifying Water Regulations On Private Land

By Tonie Auer

Determining how the government can regulate small streams, headwaters, and other water sources such as wetlands on private property has caused more than just headaches for land owners. That issue is set to be addressed by the new administration, which issued an executive order on Feb. 28 to begin a formal review of the regulation known as the Waters of the U.S. (WOTUS), which was one of the most controversial rules under the Clean Water Act.

In 2015, the previous administration enacted the regulation designed to protect American waterways by giving the federal government authority to limit pollution in major bodies of water, as well as in streams and wetlands that drain into larger waters.

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"THE LAND INDUSTRY WILL BENEFIT FROM HAVING COMMON-SENSE SOLUTIONS TO PROTECT OUR NATION'S WATER RESOURCES."

This latest order begins the process of rewriting the WOTUS to clarify the reach of federal regulators over wetlands and waterways under the Clean Water Act.

"Since the rule was enacted, property owners have suffered from a lack of clarity about what is needed or required to not be regulated by the Army Corps of Engineers or the Environmental Protection Agency," says Brandon Rogillio, owner/broker of Baton Rouge, La.-based Rogillio Real Estate and the 2017 REALTORS® Land Institute (RLI) national president.

"That jurisdiction—by unclear definitions—has extended from what used to be a navigable waterway to what is now a puddle in a field that, if it rains enough, may get to a stream that

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Water governance on private property is a topical issue.

may get to a waterway. It has created a nightmare scenario with tremendous expense and gridlock," he says.

The RLI, along with the National Association of REALTORS® and the National Association of Home Builders, has strongly advocated for the rule to be withdrawn to eliminate the need for costly and time-consuming permits on waters that were previously unregulated by the federal government and to protect private property rights.

Mr. Rogillio is hoping there will soon be clear, concise definitions of what is a wetland and what is not.

"The land industry will benefit from having common-sense solutions to protect our nation's water resources while balancing private property rights and the needs of communities nationwide," he adds.

Tonie Auer is a freelance real-estate writer.