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## What's News

Business & Finance

Unilever said it would shed its margarine unit, which could fetch up to \$8.5 billion, as part of a broader restructuring. A1

◆ Spotify is considering an unusual IPO by year-end in which the music-streaming firm would list shares directly on an exchange. A1

◆ Deutsche Bank closed in on a successful \$8.5 billion share sale, long seen as necessary to put the lender on firm financial footing. B1

◆ Trump economic adviser Cohn said he could support legislation breaking up the largest U.S. banks. B1

◆ Developing nations are selling dollar-denominated debt at a record pace. B5

◆ Wall Street firms are balking at an NYSE attempt to assert great control over market data. B5

◆ Twitter's co-founder said he plans to sell up to 30% of his shares in the social-media firm over the next year. A4

◆ Top ECB officials clashed over how quickly to wind down the bank's massive monetary stimulus. A3

◆ Amazon plans to create 30,000 part-time positions in the U.S. over the next year, nearly doubling the total. B2

◆ Lyft is completing a \$500 million funding round that sharply increases the ride-hailing firm's valuation. B3

◆ Theranos's founder owes her blood-testing company about \$25 million stemming from a stock-option pact. B3

## World-Wide

◆ Senate Republicans eliminated the filibuster for U.S. Supreme Court nominees, removing a key pillar of minority-party influence and clearing the way for Gorsuch's confirmation. A1

◆ The U.S. military is crafting options for Trump to strike Assad's regime in the wake of the chemical-weapons attack in Syria. A1

◆ U.S.-EU tensions escalated over the prospect of limiting visa-free travel for the bloc's citizens due to U.S. security concerns. A3

◆ The European Parliament voted to allow Ukrainians to visit the EU without a visa beginning in June. A3

◆ Duterte said he would stake the Philippines' claim to disputed islands in the South China Sea by ordering troops to occupy them. A3

◆ U.S. House intelligence head Nunes is stepping aside from a probe of Russian election interference due to an ethics inquiry. A5

◆ The Republican Party raised more than \$53 million in the first quarter, fueled by small-dollar online supporters. A5

◆ The White House is taking a lead role in shaping tax legislation amid rifts in the GOP over policies. A5

◆ Amtrak's CEO apologized for train derailments at New York's Penn Station that caused severe delays. A6

◆ A U.S. appeals court blocked Ohio from using its lethal injection protocol to execute three inmates. A6

CONTENTS Markets B8

Books A7-9 Off Duty W1-8

Business News B3 Opinion A10-11

Crossword A12 Technology B4

Heard on Street B8 U.S. News A5-6

Life & Arts A12 Weather A12

Mansion W9-14 World News A2-4

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FRIDAY - SUNDAY, APRIL 7 - 9, 2017 ~ VOL. XXXV NO. 49

# Unilever Joins Race to Shed Foods

Company answers calls to boost returns by putting its spreads business on the block

By DENISE ROLAND  
AND ANNIE GASPARRO

LONDON—Unilever PLC added a big dollop of margarine to the pile of packaged-food businesses up for sale around the world, as the industry grapples with fast-

changing consumer tastes and slowing sales.

The Anglo-Dutch giant said Thursday it would divest its margarine and spreads business—a unit that analysts say could fetch in the range of \$7.5 billion to \$8.5 billion.

The move is part of a broader restructuring, including cost-cutting, a dividend boost and a share buyback, that aims to bolster returns after Unilever walked away from a \$143 billion takeover offer from Kraft Heinz Co.

The decision to part ways with margarine, a 145-year-old business for Unilever, comes at a time when packaged-food and beverage titans around the world are struggling to appeal to shoppers now favoring fresher food.

Smaller brands, meanwhile, are stealing shelf space. And food prices in many markets have been falling, making it hard to compensate for lower volumes.

In February, Nestlé SA, the world's largest packaged-food

company by sales and an industry bellwether, abandoned its long-running target for sales growth amid sluggish food revenue. Last year, Nestlé's prepared-food division, which includes brands like Stouffer's and Lean Cuisine, grew just 2.7% stripping out currency changes and acquisitions. In 2016, the company as a whole posted its weakest comparable growth rate in at least two decades.

Last year "wasn't easy," said Nestlé Chief Executive

Ulf Mark Schneider at the company's annual meeting Thursday.

Companies have responded largely by cutting costs or shedding their slowest-growing units. Private-equity firm 3G Capital Partners LP, which gobbled up Kraft and Heinz, proved that its zero-based budgeting—essentially justifying each expense from Please see REVAMP page A2

◆ Heard: New look suggests more deals are to come..... B8

## U.S. Rolls Out Red Carpet for China Summit



BIG VISIT: U.S. Secretary of State Rex Tillerson, left, welcomed Chinese President Xi Jinping for his summit with President Trump. A11

## Trump Vows Response on Syria

By DION NISSENBAUM  
AND MARGARET COKER

The U.S. military is crafting options to strike Syrian President Bashar al-Assad's regime as President Donald Trump vowed a U.S. response to this week's suspected chemical-weapons attack in Syria and said "something should happen" with the Syrian leader.

Secretary of State Rex Tillerson said Mr. Assad has no role in Syria's future, backing away from the Trump administration's position days ear-

lier that he could remain in power. Mr. Tillerson said Washington backs a political process that would lead to Mr. Assad leaving power.

"With the acts that he has taken, there would be no role for him to govern the Syrian people," Mr. Tillerson said.

Pentagon officials said Thursday that planning for a possible military strike accelerated after Mr. Trump said the day before that the suspected Syrian regime strike went "beyond a red line" for him.

The new Pentagon activity came as the Turkish health ministry said Thursday that autopsy results of three victims of Tuesday's gas attack in Syria suggest the banned chemical agent sarin was the cause of death and as international pressure mounts for a wider investigation into who was responsible for the mass civilian death toll.

U.S. defense officials said that they have little doubt that the attack, which killed at least 85 people, was carried out by Mr. Assad's air force.

The Pentagon has determined that Syrian pilots carried out airstrikes on a village in northwestern Syria and that victims were killed by suspected chemical weapons.

They have also rejected the Russian contention that the victims were killed because an airstrike hit a rebel chemical-weapons depot.

"The case is pretty concrete," one U.S. military official said Thursday.

The U.S. military already has

plans for striking the Assad re-

Please see SYRIA page A4

## Nunes Steps Aside From Russia Probe

The chairman of the House Intelligence Committee cited the need to confront an ethics inquiry. A5

In a showdown on the Senate floor that unfolded over 2½ hours, Democrats initially sustained a filibuster of Judge Gorsuch, whom they call an out-of-the-mainstream judge, by denying him the 60 votes needed to advance his nomination to a final vote.

Majority Leader Mitch McConnell (R., Ky.) then triggered a rules change to eliminate the 60-vote threshold on Supreme Court nominees, a move often called the "nuclear option" because it upends a longstanding Senate tradition rooted in bipartisanship.

The Senate voted for the rules change along party lines, 52-48, paving the way

Please see COURT page A5

## Spotify Considers Unorthodox IPO

By MAUREEN FARRELL  
AND TELIS DEMOS

Music-streaming service Spotify AB is readying an initial public offering that is expected by year-end. The rub is this: It may not really be an IPO.

Spotify is seriously considering a direct listing, in which the company would simply register its shares on a public exchange and let them trade freely, according to people familiar with the matter. The company wouldn't raise any new money or use underwriters to place new blocks of stock.

That would mark a depar-

ture from the typical IPO, in which new investors buy shares from the company or its early investors, or both, the night before they start trading. The initial price is set by underwriters following extensive meetings with potential new investors.

In a direct listing, investors purchase shares in the open market after they are listed. The price is set organically based on supply and demand. Spotify, which has raised more than \$1 billion in equity, was last valued privately at \$8.5 billion in June 2015.

The Swedish company is tar-

Please see IPO page A2

## Venezuela Opposition Defies Crackdown



MASS ACTION: Some 100,000 protesters blocked Caracas's main highway Thursday to demand elections.

## Want a Masters Winner's Jacket? It Just Takes Some Green

\* \* \*

Augusta tries to keep its blazers in the club, but \$20,000 can buy one

By BRIAN COSTA

For a day, Keith Millhouse was a revered figure in golf. At a professional tournament outside Los Angeles several years ago, spectators gawked at him. Players did double-takes as they walked past, he said, and Tiger Woods smiled at him.

No one recognized Mr. Millhouse, a 55-year-old environmental attorney. They did recognize his garb: a green jacket from Augusta National Golf Club, one of the rarest and most prestigious garments in the world of sports.

Officially, only the winner of the Masters tournament, which began Thursday, and the club's roughly 300 members receive the jackets. Mr. Millhouse doesn't play much golf. He has never set foot inside the club's gates.

All he had to do was pay \$11,000 for it at an auction.

Some people were kind of looking at me like, 'Is he weirdo?' he said. "I don't know if they appreciated what it was that they were looking at."

Augusta National is fa-

mously exclusive and stringent. It prohibits those who receive green jackets, which bear breast patches featuring the club's iconic logo, from taking them off the premises. An exception: A Masters winner may take it home and return it the next year.

In recent years, a small number of jackets have found their way onto the market.

Ryan Carey, co-founder of a golf-memorabilia company,

Please see GREEN page A6

## INSIDE



WSJ. MAGAZINE  
DESIGNS OF A MASTER ARTIST

## WORLD NEWS

# Trump's Middle East Push Vexes Israeli Right



MIDDLE EAST CROSSROADS  
YAROSLAV TROFIMOV

BEIT EL, West Bank—President Donald Trump's interest in solving the Israeli-Palestinian problem is running into a stubborn fact: Much of Israel's governing coalition is pretty

happy with the status quo.

The Israeli economy is booming.

Jewish population growth has nearly caught up with Palestinian birthrates. And the level of violence remains at historic lows. The wars ravaging the wider Middle East, meanwhile, have distracted re-

gional attention from the Palestinians' predicament and have even pushed countries such as Egypt and Saudi Arabia toward more cooperation with Israel.

To many Israeli voters who have repeatedly elected Prime Minister Benjamin Netanyahu, and particularly to the influential lobby representing more than 400,000 Jewish settlers in the West Bank, this means there is little reason to fix what they see as working just fine.

"There is nothing more sustainable than the current situation that has already existed for 50 years and that is getting better all the time," said retired Brig. Gen. Effie Eitam, Israel's former minister of national infrastructure and housing who now runs a private intelligence company in Jerusalem.

That's why Mr. Trump's ambition to resolve the intractable dispute—a solution that would likely require Is-

rael to accept Palestinian statehood and give up most of the territory it has occupied since 1967—has confounded Israel's right-wing coalition just months after it celebrated the U.S. election as divine deliverance from international pressure.

"They've been surprised. They're a bit uneasy," said Daniel Shapiro, who served as U.S. ambassador to Israel until January and is now a visiting fellow at the Institute for National Security Studies in Tel Aviv.

"They have to be concerned that there will be additional pressure, even if it's not as public as it was sometimes the case during the Obama administration," he added. "There is certainly potential for a major disagreement later on."

In a March phone conversation with Palestinian Authority President Mahmoud Abbas, Mr. Trump "emphasized his personal belief that peace is possible and that the time has

come to make a deal," according to a White House readout.

Mr. Abbas later told a U.S. special envoy that such a "historic deal" is indeed achievable "under President Trump's leadership."

The sentiment in the Israeli government is different. Gilad Erdan, Israel's minister of public security and strategic affairs and a senior member of Mr. Netanyahu's Likud party, said he didn't expect the Trump administration to achieve a breakthrough soon.

"We respect [the Trump administration] and if they can promote it, we can be very happy, but we are not naive," Mr. Erdan said. "In the immediate future, I don't see a solution that can be viable."

White House moves to seek a Middle East peace deal began shortly after Mr. Netanyahu visited Mr. Trump in February.

"Trump has really put his family name, his brand on this issue. They are serious

about getting something done," said Tamara Cofman Wittes, a senior fellow at the Brookings Institution and former deputy assistant Secretary of State for Near Eastern affairs. Mr. Trump has tapped his son-in-law Jared Kushner to oversee the Israeli-Palestinian effort, among other tasks.

Mr. Netanyahu's cabinet—seeking to accommodate American requests—has already imposed modest new limits on West Bank settlement expansion.

That's not something that the West Bank settlers' leaders had expected from a Trump White House. Oded Revivi, head of foreign affairs at the settlement movement's umbrella group, the Yesha Council, said it was disappointing that Washington still wanted to halt settlement growth instead of looking for new "out of the box" solutions.

"I don't have an answer for why they are so eager to solve this dispute," said Mr. Revivi. "To be honest," he said, "nobody knows what will happen with Trump tomorrow."

who serves as mayor of one of the bigger settlement towns, Efrat. "If you do what you have always done, don't expect a different solution, no matter what administration it is."

Unlike the Obama administration, Mr. Trump's Middle East team includes senior officials with a deep personal connection to these West Bank settlements. Plaques commemorating donations by the new U.S. ambassador to Israel, David Friedman, grace several buildings in the settlement of Beit El north of Ramallah. Jason Greenblatt, Mr. Trump's special envoy for the Israeli-Palestinian conflict, studied Judaism in another West Bank settlement in the 1980s. Settler leaders say they still hope these connections will influence U.S. policy.

Lawmaker Ayman Odeh, the head of the Arab parties' alliance in the Israeli parliament, wasn't so sure.

"To be honest," he said, "nobody knows what will happen with Trump tomorrow."

## Students and Parents Make Their Move in Chess Contest



CHECK: Chinese children and their parents took part in a chess competition at a primary school in the northeastern city of Shenyang.

## REVAMP

Continued from Page One

scratches every year—can yield fatter margins even amid weak sales. Mondelez International Inc. has closed or sold 40 factories in the last four years. Kellogg Co. recently said it has "chopped and cut all the waste."

But the cutting can only go so deep, and it is no longer enough to offset the sales drop-off, said Bernstein analyst Alexia Howard.

Even Kraft Heinz's margin expansion has slowed as of late, a development that analysts say prompted it to start looking for big acquisitions like Unilever, where it can do more cost-cutting.

Unilever had already embarked on its own version of zero-based budgeting. On Thursday it said various new initiatives—including combining its foods and refreshments units, more efficient marketing spending and supply-chain savings—means it can increase its cost-savings projection through 2020 from €4 billion (\$4.26 billion) to €6 billion. The company said it expects to improve margins by at least eight-tenths of a percentage point this year.

The company is aiming for 20% operating margins, excluding restructuring costs, by 2020, compared with 16.4% in 2016. Unilever shares rose 1% in London trading on Thursday.

But the company's biggest

move was the decision to shed its margarine and spreads business.

An array of food assets are already up for sale as rivals pivot toward faster-growing personal-care and home products or focus on building up certain food lines.

Reckitt Benckiser Group PLC on Monday put its food unit, which includes French's, the best-selling mustard in the U.S., on the block. Reckitt is consummating its \$16.6 billion agreement to buy baby-formula maker Mead Johnson Nutrition Co.

France's Danone SA last week put its Stonyfield organic yogurt unit up for sale, seeking to clear antitrust hurdles to its \$10.4 billion acquisition of WhiteWave Foods Co.

ConAgra Brands Inc., the owner of Slim Jim jerky and

Chef Boyardee canned pasta, spun off its frozen-potato business and sold its private-label division. It is considering divesting other brands.

At Unilever's spreads business, which includes brands like Country Crock and I Can't Believe It's Not Butter, sales have declined steadily for years in developed markets such as Europe and the U.S. That is despite attempts to restructure the business, launch new products and buoy sales through marketing campaigns.

Still, Chief Executive Paul Polman had previously said he would consider selling the unit only if he found someone willing to pay the right price. That changed after the Kraft bid.

"We need to accelerate our plans to unlock further value, faster," Mr. Polman told reporters Thursday. He said the

Kraft offer "raised expectations" among investors.

Margarine is no ordinary business for Unilever. The world's second biggest consumer-goods company behind Procter & Gamble Co., Unilever was founded in 1929 through the combination of a British soap company and a Dutch margarine maker, which in turn dates back to 1872. Unilever is the largest margarine seller in the world.

Unilever could have a tough time selling the unit—with sales of \$3.2 billion a year—on its own, given today's headwinds, including consumers' push for more natural foods. Since 2010, Americans have chosen real butter over spreads and margarine—reversing a decadeslong pattern.

—Brian Blackstone in Zurich contributed to this article.

## Spread Around

Unilever has bulked up on personal and home care but still has big food, beverage and spreads businesses.

Segment	Sales by region, in billions	Total
Personal care	\$21.6	
Home care	\$10.8	
Refreshment	\$10.7	
Other foods	\$10.3	
Spreads	\$3.3	

Note: Converted from euros at €1 = \$1.07. Numbers are rounded. Source: Jefferies analysis & estimates

THE WALL STREET JOURNAL.

# WORLD NEWS

## U.S., EU Scuffle Over Visa-Free Travel

Trans-Atlantic spat comes as Trump administration looks to tighten security

By VALENTINA POP

BRUSSELS—Tensions between senior U.S. and European Union officials escalated over the prospect of limiting visa-free travel for EU citizens amid U.S. security concerns.

European Migration and Home Affairs Commissioner Dimitris Avramopoulos on Thursday rebuffed comments made by Homeland Security Secretary John Kelly about possibly reconsidering visa-free travel for EU citizens.

The trans-Atlantic spat comes as the Trump administration is seeking to ramp up security checks at U.S. borders, while the EU has just expanded its visa-free regime to Ukraine and its 45 million people.

Testifying before the U.S. Senate on Wednesday, Mr. Kelly suggested that the so-called Visa Waiver program allowing citizens from nearly all EU countries to travel to the U.S. without a visa could be reconsidered because of the potential risk that terrorists with EU passports could enter the U.S. unchecked.

He said some 10,000 European citizens are fighting for Islamic State and could hop on a plane and travel visa-free to the

U.S., because of borderless travel in Europe and the fact that "in many cases the countries where they're citizens don't know that they've been out of the country fighting in Syria."

"That doesn't keep me up at night too much but it does keep me up, so we're looking at Visa Waiver," Mr. Kelly said.

Mr. Avramopoulos, who recently met Mr. Kelly to discuss extending visa-free travel to all EU countries, reacted with surprise to this statement.

*European officials are trying to get five EU nations into the U.S. Visa Waiver program.*

"We should be careful when using numbers. We estimate that around 5,000 EU citizens traveled to Syria and Iraq—not 10,000. But not all will come back: We estimate that about half of them are still there, many have died in fighting, some of those have returned to Europe," Mr. Avramopoulos said. "We know who is back, and they are under very close scrutiny by national security services, flagged in security databases and monitored."

He added that as of April 7, all travelers, be they EU citizens or not, will have their passports

checked against security databases upon entering and leaving the bloc. Until now, EU citizens were exempt from such checks at the borders.

"The overwhelming majority of EU citizens do not pose a threat to the United States. This also works vice-versa for U.S. citizens coming to Europe," he added.

Mr. Avramopoulos said he is still pursuing efforts to get the five remaining EU countries—Cyprus, Poland, Bulgaria, Romania and Croatia—into the U.S. Visa Waiver program. "Discussions with all parties involved will now continue in the coming weeks in a spirit of good cooperation and partnership."

The European Parliament in March said the EU should impose visas on U.S. citizens traveling to the continent if those five countries aren't included in the Visa Waiver program.

A two-year deadline obliging the EU executive to scrap visa-free travel for U.S. citizens, which expired in April 2016, was pushed back last year, when the Obama administration didn't commit on the issue before November's presidential election.

Mr. Avramopoulos recently got Canada, as part of negotiations on an EU-Canada free-trade deal, to include all EU countries in its own Visa Waiver program. Japan, Australia and Brunei also extended their visa-free regime to the entire bloc.



ALEXANDER ERMOCHEKOV/REUTERS

Military reservists attended a gathering at a training ground near Shakhtyorsk, Ukraine, on Thursday.

### Ukrainians Granted More Europe Access

Parliament votes to allow 90-day visits without visas

BRUSSELS—Ukrainian citizens are set to visit the European Union without a visa starting in June, following a vote on Thursday that represents a major victory for Ukrainian President Petro Poroshenko.

The European Parliament voted to allow Ukrainians with so-called biometric passports to

visit the EU without a visa for as long as 90 days for tourist or business purposes. The deal was agreed after changes to EU rules that mean the visa deal can be suspended if there is a huge spike in arrivals or abuse of the system. It doesn't allow Ukrainians to seek jobs in the bloc.

The Parliament said it expected the measure to take effect in June. It needs a signoff by EU capitals, but they have already backed the plan.

The visa-free promise was one of the central prizes the EU offered Ukraine when a pro-Western government came to

power in Kiev in early 2014. The negotiations dragged on as the government battled pro-Russian rebels in the east of the country in a conflict that has caused thousands of deaths.

The EU made its offer conditional on Ukraine pushing through anticorruption measures and economic overhauls—steps Kiev has found difficult to push through the Parliament over the past year.

EU governments have become much warier about border issues following the 2015 migration crisis.

—Laurence Norman

## Top ECB Officials Disagree on Level Of Stimulus Needs

By TOM FAIRLESS

FRANKFURT—Top European Central Bank officials clashed over how quickly to wind down the bank's massive monetary stimulus, underlining the challenge in communicating a policy shift as the eurozone economy heats up.

The disagreements within the world's second-most-powerful central bank—underlined by minutes of its March policy meeting, published on Thursday—come as economic data raise questions about whether the ECB will reach its inflation target.

ECB President Mario Draghi told economists and financiers in Frankfurt that it was too early for the central bank to change course because policy makers weren't yet convinced that higher consumer-price inflation was here to stay. His chief economist, Peter Praet, struck a similar tone, warning that the region's economy still faced considerable risks.

But at a banking conference in Berlin, Jens Weidmann president of Germany's influential Bundesbank, said he would favor reining in the monetary stimulus given the improved economic outlook.

"I could absolutely have envisaged a less expansionary monetary policy, especially since many economic indicators are developing positively," Mr. Weidmann said.

Some policy makers, particularly in Northern Europe, are eager to start reining in the bank's aggressive policies as inflation approaches the ECB's target of just below 2%. Those policies include subzero interest rates and a €2.3 trillion (\$2.45 trillion) bond-purchase program.

But other officials worry that underlying inflation is still weak, and that any misstep in communications could send interest

## European Nationalism Isn't Just a Fad

Has Europe's populist wave peaked?

French and German opinion polls, improving economic data, and last month's Dutch elections are encouraging some observers to predict that Europe's political mainstream will fend off the nationalist, antiestablishment revolt.

Some Europeans even suggest that the stability-minded continent is less susceptible than Anglophone

countries to populist upsets such as Donald Trump's election as U.S. president or the U.K.'s vote to leave the European Union.

Victory for Marine Le Pen, the far-right National Front candidate in France's unpredictable presidential election, would refute such notions instantly. Yet even if she loses and support for Europe's nationalist parties stagnates in 2017, the challenge to the region's old political order is probably here to stay and may strengthen in coming years.

Opinion polls suggest Ms. Le Pen would be beaten by centrist candidate Emmanuel Macron by 20 percentage points or more in the French election's second round on May 7, even if she leads in the first round on April 23. So unless there is a huge swing among French voters in the next month, it looks like 2017 won't be "the year in which the peoples of the



CHRISTIAN HARTMANN/REUTERS

European continent awake," as Ms. Le Pen predicted in January at a gathering of Europe's leading nationalist parties.

Dutch nationalist Geert Wilders, who was at that gathering, fared worse than opinion polls had predicted in his country's March 15 parliamentary elections, finishing a distant second behind the incumbent center-right.

Meanwhile in Germany, which holds federal elections in September, the anti-immigrant Alternative for Germany is losing ground in opinion polls as the race heats up between the country's two traditionally dominant parties, the Christian Democrats and the Social Democrats.

Throw in recent setbacks for Austria's Freedom Party and Finland's far-right Finns Party, and the data tenta-

tively suggest populism might be faltering in Europe, analyst Peter Kellner argued recently in a post for think tank Carnegie Europe.

While Europe's long economic travails and the refugee crisis boosted support for parties that oppose immigration and the EU, most political scientists argue that longer-term factors are behind the steady rise of anti-system parties, a trend reaching back 20 or 30 years. European voters are less and less attached to center-right and center-left parties that were rooted, in much of the continent, in Christian churches and organized labor. Those parties have become increasingly similar in policies.

Election contests focused on centrist swing voters have often ignored people who aren't comfortable with the establishment consensus in

support of immigration and European integration.

"All you needed was clever political entrepreneurs to come in and exploit that," said Sara Hobolt, professor of European politics at the London School of Economics. "We're not going to see the center-left and center-right regain 80%-plus of the vote and dominate politics in the old way. New cleavages over cultural identity and globalization are here to stay."

Establishment parties' methods for containing populist rivals could also legitimate the latter's positions over time, even if it keeps them at bay in 2017. Incumbent Dutch Prime Minister Mark Rutte won his March re-election bid after adopting a milder version of Mr. Wilders's rhetoric against Muslim immigrants.

What's more, the complicated coalition of moderate parties that Mr. Rutte is now assembling could burnish Mr. Wilders's standing as the only alternative to incumbents. Austria offers a warning to other mainstream parties in Europe: After years of coalitions between the center-left and center-right, the far-right Freedom Party is more popular than ever.

"In France and the Netherlands, the big issue might be the next elections, not this year's," said Anand Menon, professor of European politics at King's College London. "Populism is a slow-burn phenomenon. We're far from seeing the end of it."

## Duterte Presses South China Sea Claim

By JAKE MAXWELL WATTS

MANILA—Philippine President Rodrigo Duterte said he would stake his country's claim to disputed islands in the South China Sea by ordering Filipino troops to occupy and fortify all ocean features controlled by Manila, a remark that appeared to be aimed at China.

The president, speaking on Thursday during a visit to a west Philippines island, struck a more assertive tone than he has in the past, one that risks upsetting his newfound closeness with Beijing.

"It looks like there's a race to grab islands," Mr. Duterte said. "What is ours now, we should get and make a strong point that it is ours."

Mr. Duterte said he had ordered the military to place the national flag on all of the islands controlled by the Philippines, which he said numbered about nine or 10. "I must build bunkers there or houses and provisions for



EUROPEAN PRESSPHOTO AGENCY

Philippine naval personnel saluted at a Manila port on Thursday.

habitation," he said.

The president said he

might also visit one of the

islands, Pag-asa, to mark independence day in the Philippines on June 12.

The Philippines is one of several claimants to islands and features in the South China Sea. Its claims compete with those of Beijing, which main-

tains that China has historical rights to almost the entire sea.

While Mr. Duterte didn't

make clear who specifically he

was referring to when he

spoke of a race to claim territory, Beijing in late March sought to quell alarm in Manila after a Chinese mayor raised the prospect of building on the disputed Scarborough Shoal.

In 2012, China seized control of the Scarborough Shoal from the Philippines and blocked access to Filipino fishermen. The island, known as Huangyan in Chinese, is about 12 nautical miles from the Philippines' northwestern coast and sits near valuable fishing grounds.

China's foreign ministry didn't respond to a request to comment on Thursday.

Chinese island-building over the past three years has raised fears in the U.S. and among its Asian allies including the Philippines that Beijing plans to use its expanding military power to enforce its territorial claims in the South China Sea and to take control of a shipping route that carries more than \$5 trillion of world trade annually.

Since taking office at the end of June, Mr. Duterte has sought to bring the Philippines closer to Beijing, winning billions of dollars in investment commitments from China.

—Sofia McFarland contributed to this article.



FRANCOIS LENOIR/REUTERS  
ECB President Mario Draghi says it is too early to change course.

## WORLD NEWS

# Global Crises Force Trump To Rethink Foreign Policy

BY CAROL E. LEE  
AND FELICIA SCHWARTZ

**WASHINGTON**—A confluence of crises in Syria and North Korea is forcing President Donald Trump to re-evaluate his fledgling foreign policy, deciding which advisers he will listen to and which campaign pledges to jettison.

The apparent chemical-weapons attack in Syria and the latest ballistic missile test by North

**ANALYSIS** Korea raise the stakes for two upcoming events: Mr. Trump's summit this week with Chinese President Xi Jinping, a key ally of North Korea, and Secretary of State Rex Tillerson's planned visit next week to Russia, a patron of the Syrian regime.

The president has signaled in recent days that he is willing to scramble the U.S. approach to North Korea, including by using military force, and he put his stance on Syria in play as well in a news conference on Wednesday.

Mr. Trump thus showed a readiness to shift from positions he held during his presidential campaign, when he entertained the prospect of talks with North

Koreans and others. But the crises also will help indicate whether there has been a change in how—and by whom—the administration's foreign policy is developed.

On Wednesday Mr. Trump approved changes that removed adviser Steve Bannon from the operations of the White House National Security Council and restored the roles of traditional U.S. security officials. The administration portrayed the move as long-planned, but others said it was the result of shifting White House dynamics.

"It looks like it's snapping back to the mean of more regular order in the foreign-policy-making process," said Richard Fontaine, president of the Center for a New American Security and a former foreign-policy adviser to Sen. John McCain (R., Ariz.). "The question is going to be how does all of this connect with the president and rest of the White House?"

In recent months, Mr. Trump roiled U.S. ties with many allies through Twitter messages and public comments, eclipsing the more sober and cautious statements by senior advisers such as Defense Secretary Jim Mattis, Mr. Tillerson and others.



President Trump has signaled that he is willing to scramble the U.S. approach to North Korea and take a tougher tack on Syria.

But the situations in North Korea and Syria require effective, reliable cooperation from key allies, such as Japan and South Korea, or European and Arab nations, said R. Nicholas Burns, a former career diplomat and undersecretary of state during the administration of President George W. Bush.

"This is a brutal experience; hopefully it will empower the pragmatic, expert part of the administration," Mr. Burns said.

Mr. Trump has yet to develop a broad policy on Syria, which overlaps with his strategy against Islamic State, his goals for relations with Russia and his efforts to engage the Persian

Gulf states, which have long wanted the U.S. to force out Syrian President Bashar al-Assad.

Mr. Trump has filled the top slots in his foreign-policy team, but many positions remain empty. Mr. Trump's choice for ambassador to Israel, David Friedman, was recently sworn in, but his pick for ambassador to China hasn't been confirmed; he has yet to nominate an ambassador to Russia.

On China, Mr. Trump's son-in-law and senior adviser in the White House, Jared Kushner, has played a leading role in formulating the administration's policy. The president's top diplomat, Mr. Tillerson, also tried to

lay groundwork for this week's visit by Mr. Xi during a recent trip to Beijing.

Susan Thornton, the acting assistant secretary of state for East Asian and Pacific affairs, said the Trump administration wants China to close off its financial pipeline to North Korea, because "they are going to have an important part to play in the international effort to do something about North Korea's increasingly provocative moves."

Mr. Trump has otherwise taken a traditional U.S. approach to China—recognizing, for instance, the "One China" policy he initially said was up for negotiation—despite fiery campaign

rhetoric against Beijing's over its trade and economic policies.

Mr. Trump's swiftest policy turnaround has been on Mr. Assad's future. Just days ago, his administration dropped the longtime U.S. demand that Mr. Assad must relinquish power as part of any political resolution to the Syrian conflict. On Wednesday, Mr. Trump said the gas attack had changed his view.

"It's extraordinary to me that they could pivot so quickly," said Aaron David Miller, an expert at the Wilson Center and former adviser to Republican and Democratic secretaries of state. "We've gone from risk aversion to risk readiness in 24 hours."

## Images of Children Prompt Outrage

America's ambassador to the United Nations brandished two grim photos—including a close-up of a shirtless dead child, arms outstretched—when she addressed an emergency session of the Security Council on Wednesday in the aftermath of a suspected chemical attack in Syria.

"We cannot close our eyes to the picture," said the ambassador, Nikki Haley. "We cannot close our minds to the responsibility to act."

The grisly images taken in the wake of Tuesday's deadly assault were splashed across front pages and television screens, and shared widely on social media. The images spurred sharp outrage that fed calls for a stronger international response to the Syrian conflict.

The U.S. and others blamed the attack, which killed at least 85 people and left hundreds of others ill, on the government of Syrian President Bashar al-Assad.

President Donald Trump said the attack, and the images of "women, small children, and even beautiful little babies" had changed his view of the Syrian conflict and Mr. Assad. "That attack on children yesterday had a big impact on me," Mr. Trump said. "I've been watching it, and seeing it, and it doesn't get any worse than that."

In Washington, Sen. Marco Rubio (R., Fla.) and Sen. Ben Cardin (D., Md.) stood in front of poster-size photos of victims of the attack and urged the Trump administration to take action. Statements from the administration are "not enough," Mr. Rubio said.



A man carries a child into a makeshift hospital in Khan Sheikhoun after the suspected chemical attack.

EDLIB MEDIA CENTER/ASSOCIATED PRESS

"There needs to be a level of outrage, this needs to become a priority," he said. "Otherwise we have lost our compass as a people and as a nation and more importantly for those who care deeply about our national security."

Diplomats gathered in Brussels for a conference this week aimed at raising funds for Syrian refugees expressed outrage.

European Union foreign-policy chief Federica Mogherini said the images from Syria "remind us all that here we have a responsibility to unite" to make peace. "What we've seen yesterday has horrified all of us," she said. "I can say this as a politician, but first of all as a mother."

But some diplomats said they were skeptical the latest violence—and the images of its toll—would be a turning point in a long-running conflict that

has killed more than 400,000.

The international divisions that have stymied a resolution to the conflict played out in how the apparent chemical attack was covered by the media of different nations.

Russia's state-dominated broadcasters gave little airtime to the images of civilian victims of the chemical attack. Russian officials have put forward two narratives in response to the photos and videos of the bodies offered by rescue workers: either casting doubt on their credibility, or suggesting that the victims had been affected by a Syrian government strike against a rebel chemical-weapons facility.

Maria Zakhrova, spokeswoman for the Russian Foreign Affairs Ministry, attacked the White Helmets, a civil-defense organization that operates in parts of rebel-con-

trolled Syria. "(A)ll falsified reports on this issue come only from the notorious 'White Helmets' and the odious Syrian Observatory for Human Rights, based in London," she said in a briefing.

Many news agencies in Iran, an Assad backer where state-owned or semi-official outlets dominate, avoided reporting on the chemical attack.

Still, graphic pictures of tragedies have sparked public outrage and helped drive policy change in the recent past.

In September 2015, the picture of a lifeless boy facedown on a Turkish beach helped drive the EU response to the migration crisis. Days later Germany's government signaled it was willing to give asylum to any Syrian refugees who wished to come.

—Farnaz Fassihi contributed to this article.

## SYRIA

Continued from Page One

game that it can use as a template for hitting Syria, U.S. officials said. In 2013, the Pentagon crafted plans to hit Mr. Assad's chemical-weapons storage sites after the Syrian leader used sarin gas in a strike near Damascus, killing 1,400 people, according to U.S. estimates.

One big concern for the U.S. military is the potential for a backlash from a U.S. strike on Mr. Assad for American forces operating in northern Syria. The U.S. has been sending more forces into northern Syria as part of an intensifying campaign against Islamic State.

The U.S. is militarily capable of striking Mr. Assad quickly. The USS George H.W. Bush is already in the Persian Gulf, where the aircraft carrier is launching airstrikes against Islamic State extremists in Iraq and Syria. The Bush is accompanied by destroyers equipped with guided missiles that also could be part of a U.S. response.

A major complication for any strike is Russia, which is aiding Mr. Assad. Russia has created a sophisticated air defense system for the Syrian regime.

The Turkish health ministry said the autopsies showed that victims suffered excess fluid in the lungs, increased lung weight and internal bleeding before death, which it said suggested poisoning by sarin. It didn't provide any further details, or reasons why the ministry is pointing to sarin as opposed to other nerve agents or poisonous gases.

"Based on the test results, evidence was detected in patients which leads one to think they were exposed to a chemical substance [sarin]," the ministry said.

Biological samples from the victims, a 35-year-old Syrian woman and two Syrian men, 25 and 26, were taken during autopsies that started late Wednesday and continued until Thursday morning. The tests were conducted by forensics teams in the southern city of Adana with representatives from the U.N.'s Organization for the Prohibition of Chemical Weapons and the World Health Organization in attendance, according to the Adana prosecutors office.

Mr. Trump on Wednesday said at a news conference with the visiting King Abdullah II of Jordan that the suspected chemical attack had changed his views about Syria and Mr. Assad. The Trump administration had said days earlier that they were not focused on removing Mr. Assad from power, a departure from Obama administration policy.

**A major complication for any strike is Russia, which is aiding Mr. Assad.**

Mr. Tillerson is heading to Russia next week for meetings where discussions about Syria are likely to be tense. In Washington, Democratic and Republican lawmakers in Washington are pressing Mr. Trump to strike.

"This is a test for the new administration, but also for the entire country," said Sen. John McCain (R., Ariz.), chairman of the Senate Armed Services Committee, which oversees the U.S. military. "Assad is trying to see what he can get away with. The rest of the region and the world is also watching to see how our country will respond."

## WORLD WATCH



### EUROPEAN UNION

#### EU Raises Duties On Chinese Steel

The European Union slapped Chinese steel imports with new anti-dumping duties, heightening a conflict in which each side accuses the other of unfair trade practices.

The European Commission—the EU's executive arm—introduced levies ranging from 18.1% to 35.9% for five years starting Friday on certain hot-rolled flat steel products from China. The definitive duties increased from provisional tariffs of 13.2% to 22.6% imposed in October.

The EU's move comes amid a

global steel glut. Major producers, including China, are trying to sell their products at low prices, undercutting European firms.

The measures follow tariffs on heavy steel plates from China in February and duties imposed in August against Chinese and Russian exports of cold-rolled steel products used in packaging, automotive, and construction.

The latest move, expanding duties to hot-rolled flat steel, is poised to affect manufactured goods such as steel tubes used in construction, shipbuilding and energy pipelines.

Manufacturers from China are targeted by 18 of the EU's 41 anti-dumping and antisubsidy measures on steel products that

are already in place. In a sign of ongoing China-EU trade tensions, 23 of the commission's 31 ongoing investigations, which could yield new tariffs, are aimed at Chinese exporters ranging from metals to coated-paper, footwear, solar panels and ceramic tiles.

An official at the Chinese mission to the EU couldn't be reached for comment.

—Emre Peker

### ARGENTINA

#### Government Faces First Labor Challenge

Labor unions launched a nationwide strike in Argentina,

shutting down schools, banks and public transportation to protest austerity measures that have taken a toll on consumption and sharply increased public-service prices.

The strike, the first against President Mauricio Macri's 16-month-old government, comes as unions demand higher wages to compensate for high inflation, which has pushed an estimated 1.5 million people into poverty.

It also comes amid rising political polarization ahead of congressional elections in October that could determine how much leverage Mr. Macri has to continue pushing market-oriented policies.

—Taos Turner

TIME PASSAGE: A technician inspects the clock at Prague's 14th Century Old Town Hall before work starts to restore the building. The job is expected to take 18 months and cost about €1.85 million.

MARTIN DIVISEK/EUROPEAN PRESSPHOTO AGENCY

## U.S. NEWS

# Nunes Cedes Role in Russia Probe

House intel chair said he would temporarily step aside to confront 'false' ethics claims

BY BYRON TAU  
AND PAUL SONNE

WASHINGTON—House Intelligence Committee chairman Devin Nunes is stepping aside from the panel's probe of possible Russian interference in the 2016 election, citing the need to confront a congressional ethics inquiry into allegations that he improperly disclosed classified information to the public.

Mr. Nunes's handling of the Russia probe has been criticized in recent weeks by Democrats who accuse him of providing political cover to the Trump administration rather than leading a serious, independent inquiry. The committee's work nearly ground to a halt last week over disagreements between Democrats and Republicans over witnesses, evidence, and the perception that Mr. Nunes, who served on Donald Trump's transition team, was inappropriately close to White House staff who were potential subjects of the investigation.

Mr. Nunes in a statement Thursday described the allegations against him as "entirely false and politically motivated," and that he wanted to meet with the Ethics Committee "at the earliest possible opportunity" to have the complaints dismissed.

The Senate and House intelligence committees are running separate but parallel investigations into the U.S. intelligence community's assessment that Russia ran a campaign designed to help Mr. Trump win the election.

The Russian campaign, according to U.S. intelligence officials, included cyberattacks on the email accounts of senior Democrats and a propaganda effort aimed at demonizing Mr. Trump's Democratic opponent, Hillary Clinton. The Russian government denies the allegation. The White



Devin Nunes on Thursday after he released a statement that he is stepping aside from the probe of Russian interference in the election.

House said the Trump campaign didn't collude with Russia on any alleged meddling.

The congressional panels have sought testimony from a string of former Trump aides and associates in connection with the investigation.

With Mr. Nunes's withdrawal, a trio of veteran House Republicans will temporarily take charge of the investigation while the House Ethics Committee looks into the accusations lodged against the California congressman.

"The committee is aware of public allegations that Rep. Devin Nunes may have made unauthorized disclosures of classified information, in violation of House Rules, law, regulations, or other standards of conduct," the top Republican and Democrat on the House Ethics Committee, Reps. Susan Brooks (R., Ind.) and Ted Deutch (D., Fla.), said in a statement. "The committee notes that the mere fact that it is investigating these allega-

tions, and publicly disclosing its review, does not itself indicate that any violation has occurred, or reflect any judgment on behalf of the committee."

His departure, though welcomed by many congressional Democrats, is unlikely to quell the controversy over the House investigation, which is still beset by partisan disputes over what it should be investigating and how it should go about its work. The Senate investigation, meanwhile, is proceeding apace.

"The White House made a fool of Chairman Nunes, and he has deeply tarnished his credibility as Chairman and the credibility of his Republican colleagues," said House Democratic leader Nancy Pelosi. "Instead of serving as a pawn of a White House desperate to change the subject, the House Intelligence investigation must get on track."

House Speaker Paul Ryan (R., Wis.) said he fully sup-

ported Mr. Nunes's decision, adding he didn't believe Mr. Nunes had mishandled classified information or made mistakes.

"He wants to go clear himself while this investigation continues on without any kinds of distractions," Mr. Ryan told reporters.

The probe will now be led by Rep. Mike Conaway (R., Texas), with assistance from Reps. Trey Gowdy (R., S.C.) and Tom Rooney (R., Fla.). Mr. Nunes will remain the chairman of the intelligence committee and participate in the panel's other activities.

Mr. Conaway, who has been in Congress since 2005, chairs the House Agriculture Committee and is known on Capitol Hill for his expertise on agricultural policy, although he has also carved out portfolios on the Armed Services and Intelligence committees. Mr. Gowdy, a former prosecutor, is a veteran of the congressional investigation process, having led

the special investigation into the 2012 terrorist attacks in Benghazi, Libya, a probe many Democrats alleged was aimed at damaging Mrs. Clinton.

The furor surrounding Mr. Nunes began March 22, when he held news conferences on Capitol Hill and at the White House, a day after viewing classified information on the White House grounds.

Mr. Nunes told the press that day he had reviewed material gathered under the Foreign Intelligence Surveillance Act. Mr. Nunes said the materials confirmed U.S. intelligence officials had "incidentally" collected information about Trump transition aides while spying on foreign officials and improperly disseminated details about the Americans.

White House spokesman Sean Spicer declined to comment on Mr. Nunes's withdrawal.

—Kristina Peterson, Siobhan Hughes and Carol E. Lee contributed to this article.

# White House Takes Lead Role on Tax Plan

The Trump administration, stung by its failure to advance a health-care overhaul through Congress last month, is trying to lay a stronger foundation for a tax-code rewrite by taking a lead role in shaping the legislative push, according to several senior administration officials.

By Peter Nicholas,  
Nick Timiraos  
and Richard Rubin

Despite the ramped-up effort, no consensus has emerged yet among senior White House advisers about either the shape of the tax plan or the strategy for building a coalition on Capitol Hill. Administration officials are courting Democrats, but the two parties face wide fissures that could be difficult to close.

Meantime, divisions have emerged within the Republican Party and inside the White House itself, where members of the GOP establishment and Wall Street moderates have been jockeying for primacy against economic nationalists in the new administration.

Much remains unsettled, and the timing is tight. One White House official said that the cur-

rent August goal for a plan to pass could slip, and that it might be difficult to pass anything after December.

"If it slips to the next year, it becomes harder and harder," the official said. "So we're really going to push aggressively to get something done," the official said.

Last week, President Donald Trump met with Treasury Secretary Steven Mnuchin, National Economic Director Gary Cohn and senior advisers Steve Bannon and Jared Kushner to review the state of play on the administration's tax plan. Meanwhile, the president's legislative advisers met this week with a group of House Democrats on Capitol Hill, sounding them out on ideas and options.

If it succeeds, the tax legislation could become a model for Mr. Trump's administration. Its failure would mark another political setback for Mr. Trump.

The main blueprint for a bill now is a plan pushed by House Speaker Paul Ryan (R., Wis.), but the White House is wary of one of the bill's key components: a border-adjusted tax proposal that would subject imports to a 20% corporate-tax rate while ex-

empting exports from U.S. taxation. Any change on so sweeping a scale needs more widespread backing than has been evident to date, Mr. Trump's aides said.

Revenue-raising alternatives to border adjustment, such as a carbon or consumption tax, are getting nowhere in internal discussions.

Wooing Democrats now seems part of the playbook—a lesson learned from the failure of the health-care bill. Administration officials have stepped up outreach in recent days.

"Over 70% of Americans support action on tax reform this year," said Tony Sayegh, a Treasury spokesman. "Clearly, this is

going to be an effort that should attract significant bipartisan support."

But some moves that might appeal to Democrats, such as higher taxes on the wealthy, risk losing key GOP support. Many Democrats also want the tax overhaul to be tied to an ambitious infrastructure package, but for now, Mr. Trump's administration seems committed to keeping them separate, mindful of the difficulty involved in passing either one.

That posture could scare off Democrats.

"It's harder to come to the table and find a bipartisan solution if tax reform and infrastructure don't move together," said Rep. Josh Gottheimer (D., N.J.), who was part of a group of House Democrats who met this week with Mr. Trump's legislative aides.

Broadly, Mr. Trump wants a simpler tax code and lower business-tax rates to stimulate investment and spur manufacturing. Coupling those moves with a middle-class tax cut, the White House appears ready to pitch the plan in populist terms—a vehicle for job creation and relief for struggling families.



President Donald Trump, at the White House Wednesday, has said he backs a simpler tax code and lower business-tax rates.

Continued from Page One  
for Judge Gorsuch to be confirmed Friday by a simple majority. President Donald Trump nominated Judge Gorsuch to fill the vacancy left by the death of Justice Antonin Scalia last year.

Last year, former President Barack Obama, a Democrat, nominated Merrick Garland, chief judge of the U.S. Court of Appeals for the District of Columbia, to fill Justice Scalia's seat, but Republicans, who hold the Senate majority, declined to consider the nomination.

Friday's expected confirmation of Judge Gorsuch, who sits on the 10th U.S. Circuit Court of Appeals in Denver,

would allow Mr. Trump, a Republican, to quickly put his stamp on the court, replacing one conservative justice with another and keeping a promise to conservative activists that he made during last year's presidential campaign.

The fast-moving developments on Thursday culminated decades of escalating partisan warfare over presidential nominees and court picks.

In 2013, the Democrats ended filibusters for lower-court judges and executive branch nominees due to frustration over what they saw as Mr. McConnell's obstruction of Mr. Obama's appointees.

On Thursday, four Democrats sided with Republicans in favor of advancing Judge Gorsuch's nomination: Heidi Heitkamp of North Dakota,

Joe Manchin of West Virginia, Joe Donnelly of Indiana and Michael Bennet of Colorado. All except for Mr. Bennet are up for re-election next year in states that Mr. Trump won; Mr. Bennet is from Judge Gorsuch's home state.

Senators on both sides of the aisle bemoaned the partisanship that led to the filibuster and rules change, saying the harm would be lasting in the Senate, a chamber traditionally known for collegiality and compromise in an otherwise polarized Washington.

"I find myself torn between protecting the traditions and practices of the Senate and the importance of having a full complement of justices on the U.S. Supreme Court," said Sen. John McCain, an Arizona Republican who has been part of deals to avert rules changes

in the past.

This time, said Mr. McCain, who voted for the rules change, "I am left with no choice."

# Trump, RNC Get Flood of Donations

BY REBECCA BALLHAUS

The Republican National Committee, together with President Donald Trump's reelection campaign, raised more than \$53 million in the first quarter of 2017, according to party and campaign officials, fueled by the same class of online donors who flocked to Mr. Trump last year.

Of that, the RNC raised \$41.3 million in the first three months of the year—more than double what its Democratic counterpart raised in the quarter after former President Barack Obama was elected in 2008—while Mr. Trump's campaign raised \$3.3 million and a joint committee between the two raised more than \$9 million.

Some \$12 million of the party's haul came in March alone, up from \$9.5 million in February but down from a whopping \$20 million in January—the month Mr. Trump was sworn into office.

Republicans' fundraising success suggests Mr. Trump's small-dollar supporters are continuing to flock to the party, even as several of the president's initiatives have been stalled and as his approval rating has slid below 40%—an unusually low figure so early into a presidency.

Frequent fundraising emails bearing Mr. Trump's name brought in about 250,000 new online donors to the RNC, campaign and their joint committees, according to an RNC official.

That marks a 398% increase over the number of new donors the RNC won in 2016—an election year.

The comparison with past GOP fundraising hauls in the years following an election is stark. In the first quarter of 2001, when former President George W. Bush, a Republican, had been elected to his first term, the party raised \$17.2 million.

The RNC in the first quarter of 2017 also raised more than double what its Democratic counterpart raised in the quarter after Mr. Obama was elected in 2008. And Mr. Trump's campaign haul nearly triples Mr. Obama's campaign fundraising that quarter.

Campaigns and party committees aren't required to report fundraising totals to the Federal Election Commission until later this month.

For a Republican candidate, Mr. Trump had unusual appeal among small donors, who typically give online.

Donors giving \$200 or less accounted for 65% of his total donations during the 2016 campaign, compared with 26% of the total donations to GOP nominee Mitt Romney in the 2012 cycle.

Republicans' continued success among those donors is also in large part due to a steady stream of often provocative emails bearing Mr. Trump's name that the campaign and party send to supporters on roughly a daily basis.

"Vindicated," read the subject of an email sent amid questions about Mr. Trump's unsubstantiated claims that he had been wiretapped by his predecessor.

Senate Majority Leader Mitch McConnell, a Kentucky Republican, led the decision to change the rules for Supreme Court nominees.



## COURT

Continued from Page One  
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in the past.

This time, said Mr. McCain, who voted for the rules change, "I am left with no choice."

The decision to lower the threshold for Supreme Court confirmations has sparked fears among both Democratic and Republican senators that one party will sooner or later force the same change to the rules governing the passage of legislation.

Mr. McConnell said earlier this week he wouldn't move to alter the rules on the legislative process as long as he remains the majority leader.

"We all understand that's what makes the Senate the Senate," he said, referring to the 60-vote threshold for most legislation. "There's no sentiment to change the legislative filibuster."

## U.S. NEWS

# Cities Hit Pause on Minimum Wage Hike

Local officials who had supported an increase have reversed course, citing business impact

BY SCOTT CALVERT  
AND ERIC MORATH

BALTIMORE—Cities and counties from Portland, Maine, to Los Angeles have successfully passed local minimum-wage increases, but recent resistance in seemingly friendly territory suggests a momentum shift.

The newly elected Baltimore mayor last month vetoed an increase of the local wage floor to \$15 an hour by 2022, despite favoring the policy as a candidate. Earlier this year, the top elected official in Montgomery County, Md., outside Washington blocked a similar measure despite the county previously being at the forefront of local minimum-wage increases.

"I want people to earn better wages," Baltimore Mayor Catherine Pugh, a Democrat, said in an interview. "But I also want my city to survive."

Proponents view increases as a way to ensure low-wage workers earn incomes above the poverty line, and to narrow the disparity between rich and poor Americans. Opponents say raising the minimum wage discourages hiring and encour-



A brewer at Denizens Brewing Co. in Silver Spring, Md.

ages employers to invest in automation or move jobs to lower-wage states or countries.

The federal minimum wage of \$7.25 an hour is set by Congress. It hasn't increased since 2009. The average hourly wage of U.S. workers has increased by almost \$4 an hour, or 18%, since the last federal increase, according to the Labor Department.

Emily Bruno, founder of Silver Spring, Md.-based Denizens Brewing Co., said a minimum-wage increase would disproportionately hurt the local businesses that Montgomery County officials often tout, because small firms have less

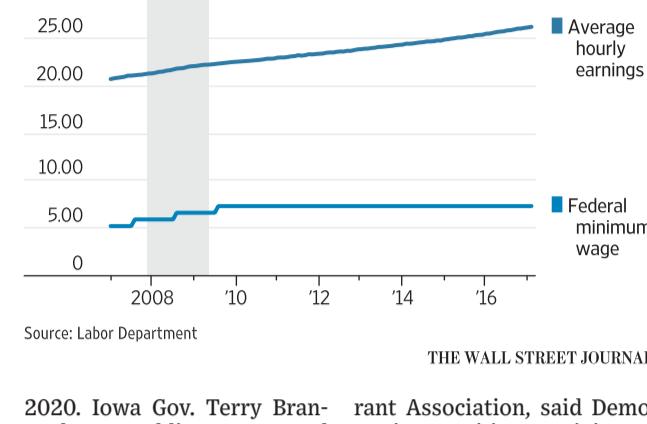
ability to absorb large cost increases than national chains do.

An increase to \$15 an hour would raise her labor costs by \$300,000 a year, nearly equal to the brewery's annual profit, she said. "My employees are like family, I want to pay them as much as I can," Ms. Bruno said. "But I also need to make a profit to remain in business."

Lawmakers in several other states also are pushing back against local minimum-wage increases. At least four municipalities in Cook County, Ill., have opted out of the county government's move to raise the minimum wage in the Chicago suburbs to \$13 an hour by

### Wage Differential

Seasonally adjusted average hourly earnings for all U.S. private sector employees and the federal minimum wage



Source: Labor Department

THE WALL STREET JOURNAL.

mum wage is the trend," said NELP attorney Tsedeye Gebreselassie. "The two vetoes are the anomaly."

In Baltimore, supporters of the bill say the mayor broke her promise by rejecting legislation that the City Council approved in an 11-3 vote. Efforts by council members to override the veto came up short. As a result, the city will continue to follow Maryland's statewide minimum wage, which is set to rise to \$9.25 in July and to \$10.10 next year.

"This was blatant, clear-cut betrayal by an elected official," said Mark McLaurin, political director at the Service Employees International Union, Local 500. The union, which represents workers in Maryland, campaigned on behalf of Ms. Pugh. Mr. McLaurin said the larger concern is the recent actions in Maryland "give carte blanche to Democrats across the country to give short shrift to working people."

The mayor said she worried the wage hike would drive private-sector jobs out of the city, where the 6.6% unemployment rate is far higher than in surrounding counties. In addition, city analysts estimated the bill would have raised municipal payroll costs by \$115 million over four years, as the higher minimum wage was phased in.

## GREEN

Continued from Page One

Green Jacket Auctions, said he and his partner have sold around a dozen since 2006. Jackets owned by former club members, such as one up for auction this week, typically go for around \$20,000.

Those that belonged to Masters champions are rarer. Mr. Carey's company in 2013 sold the jacket awarded to Horton Smith for his 1934 Masters victory, the tournament's first year, for \$682,000.

"Are you serious?" said Jack Nicklaus, a six-time Masters champion and Augusta member, who said he had no idea jackets were being auctioned. The green jackets are "very sacred," he said, but if an original owner is short on money and "if that's what they need to do, then that's OK." Looking down at his own green jacket, he said: "I wonder what I could get for this?"

An Augusta National spokesman declined to comment on the wayward jackets.

Members started wearing green jackets at the 1937 Masters to make themselves more identifiable to spectators. The club began awarding them to winners in 1949, including to prior champions.

Most auctioned jackets date to when the club was less strict about their being taken off-premises and are consigned by the recipients' heirs. "These are items that for the most part have been hanging in closets for decades," Mr. Carey said. "Families say, 'Wait a minute, this should probably be sold.'"

Because jackets can usually be traced to the original owners' families, auctioneers say, authentication isn't difficult.

Mr. Carey said people sometimes approach with replicas, but the jackets are nearly impossible to forge. They have distinctive features, which he and other auctioneers scrutinize before taking them on.

Most have the name of the member or champion stitched inside. A manufacturing number is inside the right breast pocket. Most were made by Ohio-based Hamilton Tailoring Co. The brass buttons featuring Augusta National's logo are made by Connecticut-based Waterbury Button Co. The color is particular: Pantone 342.

The jacket Mr. Millhouse bought in 2009 belonged to W. Ron Alexander, a Scottish

businessman and Augusta National member who died in 2006. Mr. Millhouse had it tailored to size 40 from 42 so he could wear it around Masters time every spring.

His jacket became a recurring sight at local government proceedings near his Southern California home. One year, he wore it to a meeting of the Moorpark City Council, of which he was a member. Another year, he wore it to a session of the Ventura County Transportation Commission, which he chaired.

"In Keith walks in this green jacket and everyone is looking at it going, 'Where the heck did you get that?'" said Darren Kettle, the commission's executive director. "We go through roll call and he says, 'I'm here today because I didn't make the cut.'"

Mr. Millhouse wouldn't eat or drink wearing it. In 2015, it was time to let it go—keeping it longer, he said, would be akin to keeping the Mona Lisa for himself. He sold it at auction for around \$17,000.

The buyer, private-equity executive Christopher O'Brien, 58, keeps it on a mannequin in a two-story sports-memorabilia display inside his Greenwich, Conn., home. "My perception was that the jackets couldn't be sold because they couldn't get out of the locker room," Mr. O'Brien said. "When they were sold, my impression was Augusta pursued people over it."

There is only one known instance of the club's trying to take a jacket off the block. In 2013, it sued a Dallas auction house offering the jacket Art Wall Jr. won at the 1959 Masters, which Mr. Wall's family said disappeared years earlier. The matter was settled out of court, and the jacket returned to the club, said a person familiar with the case.

In 2015, heirs of a late Augusta member left a jacket among clothes it donated to a Houston thrift store. After a volunteer recognized it, said Claire Hughes, the shop's comptroller, the store sold it to a Pennsylvania car dealer last year for around \$20,000.

Players who haven't won a green jacket can only dream of what it would be like standing alongside the world's greatest golfers while wearing one. Or they could ask Mr. Millhouse what it's like.

"I was going to offer a player who hadn't won the Masters an opportunity to wear it," Mr. Millhouse said, "but I didn't want to be too obnoxious."



KEVIN DALLY FOR THE WALL STREET JOURNAL

# Indiana Restaurant Owner Deported

BY ALEJANDRO LAZO

Roberto Beristain walked south over the border into Mexico late Tuesday night, 20 years after he crossed the same boundary into the U.S.

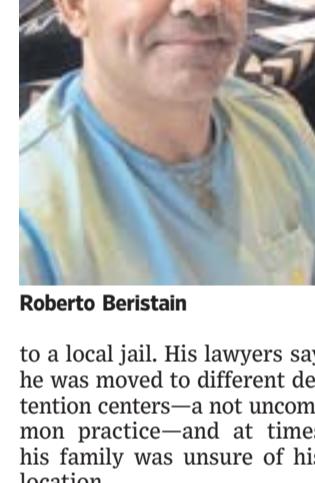
Mr. Beristain, an undocumented immigrant and business owner living in Indiana with his American wife and children, was deported to Mexico despite legal efforts to keep him in the U.S., his attorneys said Wednesday.

Officials with U.S. Immigration and Customs Enforcement said they "turned him over to Mexican authorities" at the border crossing in El Paso, Texas.

Mr. Beristain's case gained attention as an example of the Trump administration's enforcement priorities, which include deporting immigrants who may not have committed violent crimes but have violated U.S. immigration law.

Federal immigration authorities had known for years that Mr. Beristain, 43 years old, was in the U.S. illegally, despite a deportation order from 2000. The Obama administration in 2012 granted him permission to stay as long as he checked in with immigration officials and proved he was staying out of trouble.

Under that order of supervision, Mr. Beristain was per-



Roberto Beristain

mitted a Social Security card, work permit and a driver's license. He paid taxes and had recently purchased Eddie's Steak Shed in Granger, Ind., from his sister and brother-in-law, according to his family.

Attorneys for Mr. Beristain had asked an immigration judge to rescind his removal order and to stay his removal. Attorneys had also filed a habeas petition challenging his detention.

But before his cases could be heard by a judge, ICE officials took him from a detention facility in Texas and dropped him off at the U.S.-Mexico border and had him walk across into Juarez, Mexico, his attorneys said in a statement.

"This was an attempt to short-circuit the justice process by intentionally removing him before a judge could stop his removal," said Adam Ansari, a Chicago attorney advocating for Mr. Beristain's family.

"We were in communication with the government regarding those motions—what they failed to mention was that they were in the process of throwing him out of the country."

ICE officials didn't comment beyond confirming Mr. Beristain's removal.

Mr. Beristain was detained Feb. 6 and transferred

pursue his case in immigration and federal courts, they said.

His family has said that his absence has caused a significant strain on the business and the family. Mr. Ansari, the lawyer, declined to comment about Mr. Beristain's exact whereabouts on Wednesday evening.

Mr. Beristain drove into the U.S. from Mexico in 1997, to visit an aunt in California, said his wife and stepson.

He moved to Fort Wayne, Ind., where, working at a restaurant as a bus boy, he met the woman who would become his wife, Helen, a Greek immigrant, who was a waitress. The couple have three children together, all born in the U.S., ages 15, 14 and 8.

His wife, a naturalized U.S. citizen, voted for Mr. Trump. A Republican, she agreed with the idea that criminals shouldn't be in the U.S. illegally, but said she never imagined her husband, who has no criminal record, would be targeted.

Mr. Beristain came to the attention of immigration authorities during a 2000 family trip to Niagara Falls. After Mr. Beristain crossed the border into Canada, he was questioned on his return by U.S. officers, who determined Mr. Beristain was in the U.S. illegally.

Mr. Beristain, who has family in Mexico City, is banned for 10 years from entering the U.S., though his attorneys are seeking to significantly reduce that time by seeking waivers and are also continuing to

# Amtrak Apologizes for Train Woes

BY KATE KING

Amtrak Chief Executive Charles "Wick" Moorman apologized for two recent train derailments at New York Penn Station, the most recent of which caused severe delays for thousands of commuters in the New York area.

Mr. Moorman said problems with tracks inside Penn Station led to the derailments. Monday's event was caused by a weakening of the timbers connecting the tracks, which Amtrak officials knew was a concern but didn't realize

would cause an "imminent" derailment, Mr. Moorman said on Thursday.

The derailments have drawn the ire of New York's commuter rail services, which have called on Amtrak to do a better job maintaining track in the Northeast corridor.

Amtrak's Mr. Moorman said that he understands Mr. Christie's frustration, but "with-

holding funds is not going to solve any problems."

Mr. Christie has also asked New Jersey's attorney general to consider legal action to recover money paid by NJ Transit to Amtrak, including a \$62 million payment the governor said was made last week to cover capital investments on the Northeast corridor.

Amtrak owns and maintains the tracks and switches at Penn Station, where the two derailments occurred and caused major disruptions to rail travel between New York and New Jersey.

midazolam is sufficient to render a person unconscious at high enough doses. Lawyers for the three inmates didn't immediately respond to requests for comment. An email to the Ohio attorney general's office wasn't immediately returned.

—Joe Palazzolo

ILLINOIS

## A Hyatt Hotel Heir Joins Governor Race

Deep-pocketed Democrat J.B. Pritzker entered the race for Illinois governor Thursday, as the battle for control of an increasingly dysfunctional state mired

in a prolonged budget crisis intensifies.

Mr. Pritzker enters a growing field of name-brand candidates seeking the Democratic nomination—Chris Kennedy, the son of the late Sen. Robert Kennedy, entered the Illinois governor's race in February—to run against incumbent Republican Gov. Bruce Rauner.

Mr. Pritzker and his family have been generous contributors to the campaigns of Barack Obama and Hillary Clinton. Mr. Pritzker is among the heirs to the Hyatt Hotel fortune; Forbes estimates his net worth to be around \$3.4 billion.

—Will Connors

OHIO

## Court Blocks Protocol On Lethal Injections

A federal appeals court blocked Ohio from using its lethal injection protocol to execute three inmates, blessing a constitutional challenge to a drug used in at least five states.

The ruling Thursday by the Sixth U.S. Circuit Court of Appeals in Cincinnati pauses the state's application of the protocol while death row inmates Ronald Phillips, Raymond Tibbets and Gary Otte mount their challenge in a federal trial court.

A lower federal court in Day-

Ohio blocked Ohio's protocol in January, ruling that the inmates were likely to succeed in showing that the use of midazolam—the first of the three drugs—to render them unconscious could cause them to suffer in violation of the Eighth Amendment.

The state appealed. Judge Karen Nelson Moore, writing for the 2-1 majority of the Sixth Circuit, said the lower court had not clearly erred in the January ruling. She credited the testimony of experts for the inmates who said that midazolam is used to sedate patients, but that it can't produce a state of general anesthesia or unconsciousness.

Ohio's experts testified that

# BOOKS

'You are not only responsible for what you say, but also for what you do not say.' —Martin Luther

# The Monk Who Shook the World

A pugnacious wit and the new technology of print made Luther one of history's first media stars

## Martin Luther

By Lyndal Roper  
*Vintage, 540 pages, £14.99*

BY RICHARD J. EVANS

**ON OCT. 31, 1517**, an obscure monk in the small Saxon university town of Wittenberg posted a one-page document on the door of the Castle Church, presenting 95 theses for public debate. The monk's name was Martin Luther, and the event is traditionally taken to mark the launching of the Reformation, which split the previously united Catholic Church and inaugurated more than a century of violent religious conflict in Europe.

There have been many biographies of Luther. This latest one, by the Regius professor of history at Oxford, the Australian-born Lyndal Roper, aims to recover the great Reformer's inner life and character, seeking less to explain why his actions were so influential than to understand what drove him to undertake them. It is a fine achievement, deeply researched and fluently written, and it brings its difficult and cantankerous subject to life as no other biography has.

Ms. Roper uses a vast mass of source material in her quest, including 120 volumes of Luther's collected works. But she also breaks new ground by setting his thought and actions firmly in social context. In some of the best and most illuminating passages in the book, she explores the world of the mining community in and around Luther's home town of Mansfeld, "where wagonloads of charcoal would file along the muddy roads, and where the smell of the fires of the smelters hung on the air." It was a world of casual violence and verbal and physical aggression, she writes, and "since just about all men carried knives, fights tended to become bloody."

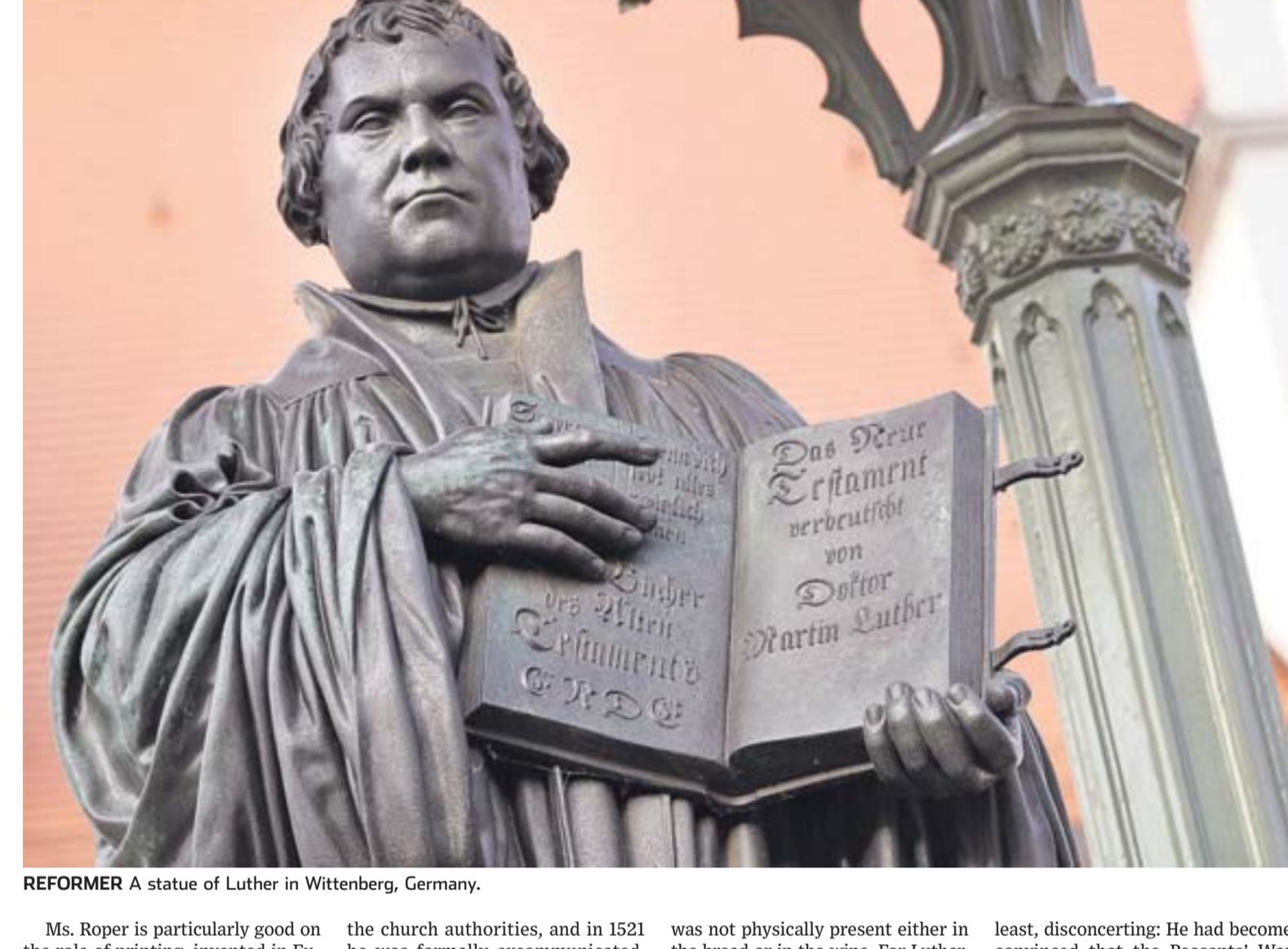
Life and work were dangerous and uncertain, generating a feeling that a man was helpless in the face of God. Politically, the region was under the thumb of the Elector of Saxony, who allowed its towns only a minimum of freedom of action. This was far from the civilized and democratic south German cities whose study dominated our understanding of the Reformation until the fall of the Berlin Wall made it possible to research the rough-and-ready life of eastern towns like Mansfeld.

Luther's journey to the church door in Wittenberg really began in 1505 when, defying the wishes of his father, who wanted him to become a lawyer, he took holy orders and entered the Augustinian monastery in Erfurt after studying at the town's university. There he was subjected to harsh discipline, living in Spartan discomfort, waking at intervals to observe the monastic hours, his days and nights marked by an overwhelming sense of his own sinfulness.

In 1511 he was transferred to another monastery, in Wittenberg, where he soon made his mark as a teacher in the university. He was driven to write his 95 theses by the activities of a Dominican friar, Johannes Tetzel, who was selling "indulgences," documents through which the pope guaranteed remission of sins and entry into heaven in return for a financial contribution aimed at funding the construction of St. Peter's in Rome (though in fact much of the money simply went to pay off the Catholic Church's debts). So efficacious were these indulgences, Tetzel said, that even if a man had raped the Virgin Mary he could still go straight to heaven if he purchased one.

Luther's outrage at such statements went much further than mere anger. Entry into heaven, he declared, depended not on the pope's authority or on that of his priests. It did not depend on the intercession of the saints or acts of penance or good works. On the contrary, it depended solely on true, heartfelt penitence, on sincere belief in God's divine mercy—in short, on faith alone.

Written in Latin, and published in a small and unimportant Saxon town, the 95 theses might not have attracted much attention had they not been printed. Their publication, combined with the fact that Luther sent copies to the church authorities, sparked a public investigation, ensured that they were distributed across Germany within a few weeks.



REFORMER A statue of Luther in Wittenberg, Germany.

Ms. Roper is particularly good on the role of printing, invented in Europe by Johannes Gutenberg only a few decades earlier. Luther became a master of using it to give his views wide currency, switching from Latin to German to appeal to as large a public as possible. His "Sermon on Indulgences and Grace," for example, went through 25 printings between 1518 and 1520. He alone was responsible for one fifth of all works printed in Germany between 1500 and 1530.

Luther's ideas spurred people to action. Copies of Tetzel's defense of indulgences were reportedly being publicly burned by students within a short time of their appearance. But the 95 theses also sparked outrage among conservatives. The more Luther's theses were attacked, the more pugnaciously he defended them, becoming increasingly radical in the process.

Summoned to a formal, public disputation with the papal legate Cardinal Cajetan, in the prosperous south German city of Augsburg, Luther trounced his opponent with his better command of Latin and won a number of influential adherents in the process. Fearing that Rome's denunciation of his ideas as heresy would lead to his arrest and condemnation, his friends helped him climb over the city wall and flee to safety. He left behind an "Appellation to the Pope" posted on the cathedral door, with a copy sent to be printed and distributed, and verbatim minutes of the disputation, also printed and sent all over Germany.

The church authorities arranged another public disputation, this time at Leipzig, with the formidable conservative theologian Johann Eck. Lasting nearly three weeks, it was held in the castle in the presence of the Elector of Saxony. Luther and his second, Andreas Karlstadt, were protected by gangs of students armed with spears and halberds. The arguments were so technical that Eck's supporters were reported to have spent most of their time in the debating chamber fast asleep and had to be woken for their evening meal.

But the outcome was dramatic: Eck forced Luther to deny the authority of the pope and the Papal Council and to appeal to the sole authority of the Bible for his arguments. This drove the radical implications of Luther's stance into the open.

After the debate, he published a string of attacks on the papacy as corrupt and avaricious and denounced practices such as praying to saints, taking monastic vows, holding masses for the souls of the dead, and going on pilgrimages as lacking any biblical sanction. Only faith could justify the sinner. Redemption depended solely on God's mercy.

Formally condemned as a heretic, Luther publicly burned the condemnation along with a copy of the canon law in a carefully staged ceremony at Wittenberg. His own publications were publicly burned by

the church authorities, and in 1521 he was formally excommunicated. He was summoned to the Imperial Diet, the assembly of German princes and sovereigns presided over by Charles V, recently elected Holy Roman Emperor. Speaking in front of the assembled princes and the emperor in the Rhenish town of Worms, Luther refused to retract anything. "Here I stand," he was reported to have said, "may God help me, I can do no other."

Following this, Charles V issued a condemnation of "Dr. Martin" in his own hand. It was a dangerous moment for Luther. He fully expected martyrdom. The emperor had given him a safe-conduct, but Luther was only too aware that a similar guarantee issued to an earlier heretic, the Bohemian Jan Hus, had counted for nothing, and Hus had been burned at the stake.

Luther was convinced that the anti-Catholic Peasants' War was the work of the Devil and also that the pope was the Antichrist—so he married to spite them both.

But as he made his way home, Luther was kidnapped by soldiers sent by his supporter the Elector of Saxony and secretly imprisoned in the Wartburg Castle, both for his own safety and for that of the Elector, who feared the consequences of defying both the emperor and the pope. Here Luther spent his time translating the New Testament into German, a work of genius, as Ms. Roper correctly describes it.

Difficult though it may be to write about Luther's German Bible for an English-speaking readership, one wishes she had devoted more space to this, not only one of the most beautiful of all works of German literature but also perhaps the most influential.

By this stage, a mere five years after the 95 theses, events were beginning to escape Luther's control. There were attacks by his supporters on priests' houses, while monasteries, starting in Wittenberg itself, were emptying as the monks rejected their vocation. Altarpieces, images of saints, crucifixes and other objects were destroyed. People seized chalices and publicly urinated in them.

Services began to be said in German, particularly under the influence of Andreas Karlstadt, who renounced his vows and his doctorates and conducted church services dressed as a peasant. In communion services, Karlstadt and Luther now started to serve congregations not only bread but also wine, which had hitherto been withheld from the congregation by the priest. This was another act of defiance against papal authority.

But Karlstadt now began to argue that the communion service was only an act of remembrance; Christ

was not physically present either in the bread or in the wine. For Luther, this was the sticking point. He believed passionately in the real presence of Christ in the bread and wine, asserting his belief in an aggressive sermon directed against Karlstadt and other "crazies" at Jena in 1524. Some years later, indeed, when communion wine was accidentally spilled on a woman's jacket, Luther rushed forward and began licking it off before cutting away the fabric he was unable to clean and burning it.

He also defended the use of images in church, rejecting the bare whitewashed walls favored by more radical Reformers. In 1525, some of these radicals, led by the theologian Thomas Müntzer, rose in a massive peasant rebellion against the feudal aristocracy in southwestern Germany, with the unrest spreading rapidly further east. Luther issued a

least, disconcerting: He had become convinced that the Peasants' War was the work of the devil, and so he married to spite him, as Ms. Roper writes, in an "affirmation of his courage and joy" amid death.

Nevertheless, he clearly enjoyed married life: Katharina rapidly fell pregnant and did so again every couple of years. Her husband filled out physically with good eating and drinking. His household grew as friends, students and disciples arrived and stayed. His embrace of physical pleasure marked him out from the asceticism of many of the other leading Reformers.

At another Imperial Diet, held at Augsburg in 1530, Charles V gave the Reformers one last chance. Luther was kept away for his own safety, and his followers made concessions he would perhaps not have allowed. But after lengthy negotiations the emperor rejected these, and the Reformers were too suspicious of the church authorities in any case to agree to a deal.

The split proved permanent. The Augsburg Confession, written for the occasion by Luther's principal lieutenant, Philipp Melanchthon, became the fundamental document of Lutheran Protestantism. Luther began to build his own church organization with its own liturgies and ceremonies, while the princes who followed him formed an armed pact in their own defense, the League of Schmalkalden. By the time of Luther's death in 1546, Christianity was divided beyond repair.

Ms. Roper suggests, as many have done before, that Luther's deference to authority and his deep anti-Semitism did much to prepare German Protestants to support Hitler and the Nazis many centuries later. But this is to underestimate both Luther's willingness to challenge authority, the hallmark of his early career, and to ignore the fact that millions of Germans born into the Protestant faith belonged in the early 1930s among the Nazis' most committed opponents, the Social Democrats and the Communists. Drawing a line between the 16<sup>th</sup> and the 20<sup>th</sup> centuries does not end in the end convince.

Perhaps, too, Ms. Roper focuses too narrowly on Luther's theology, to the neglect of other sides of his character. One would have liked more discussion, for example, of his talents as a musician; he composed, among other works, the great battle hymn of the Reformation, "Ein Feste Burg Ist Unser Gott" ("A Mighty Fortress Is Our God"). But overall she has given us a fine account of the man, both his good and bad sides, rooted in a profound knowledge of the social milieu from which he came and through which he worked: a magnificent study of one of history's most compelling and divisive figures.

Mr. Evans, Regius professor emeritus of history at Cambridge, is the author of *"The Pursuit of Power: Europe, 1815-1914."*

## BOOKS

'If they substituted the word "Lust" for "Love" in the popular songs it would come nearer the truth.' —Sylvia Plath

# The Yeah Yeah Yeahs

### The Poetry of Pop

By Adam Bradley

*Yale, 414 pages, £22.79*

BY DOMINIC GREEN

**FRANK SINATRA'S** most enduring vocal performance is not "And now the end is near / And so I face the final curtain." It is "Doo-be, doo-be doo." Paul McCartney's most memorable lyric is not "Yesterday / All my troubles seemed so far away." It is "Nah, nah nah, nah-nah nah nah, nah-nah nah nah, Hey Jude." Yet who would claim that "Hey Jude" is Mr. McCartney's best lyric or that "Strangers in the Night" was Sinatra's best performance?

Words and music go together like love and marriage, or a horse and carriage. Songwriters and lyricists split royalties equally, too. But words and music are not equal partners. Pop is music, not literature, and it's a business before it's an art. Without music, the ingenious lyric falls onto the page as doggerel. And even when accompanied by music, words may be less emotionally evocative than vocal noises. Mr. McCartney's vocal signature is a whoop in imitation of Little Richard, whose signature is "A-wop-bop-a-loo-bop-a-wop-bam-boom!"

Adam Bradley's "The Poetry of Pop" is an exhaustive and often enlightening investigation of, as he puts it, "the aesthetic labors of language and performance that create the recordings we cherish or despise." A great recording unites a composition and a performance, but the craft of making songs precedes the art of performing them.

Pop lyrics are clearly related to poetry. Lyrics have meter and rhythm; usually they rhyme. Like teenagers, lyrics sound casual but are very often rigidly conventional. Lyrics resemble parents, too, for the modern song lyric descends from folk music and lyric verse. And though almost all pop music is shallow, cynical and commercially standardized, we often experience it as poetic—as expressing our deepest, most sincere emotions.

Mr. Bradley skillfully breaks down a century of standards and pop songs into their elements to reveal the interaction of craft and art in composition and performance. There are, he writes, three "rhythmic forces" in any pop song: the "musical rhythm" of the beat; the "poetic rhythm" of the lyrics; and the "performative rhythm" of the interpretation. The tempo of the beat is fixed by the composer, but the syllables in the lyrics have their own natural pattern, which is compressed or stretched as the vocalist moves with and against the "rhythmic grid." Soul producer Jerry Wexler once compared this to the "tempo rubato" of Baroque music, in which truncated phrases compensate for



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IAMB THE WALRUS Paul McCartney and John Lennon performing in Manila in 1966, during the Beatles' final world tour.

the "stolen time" of extended expression. Consider The Who's "My Generation." After Roger Daltrey has stretched the rhythm with "Why don't you all f-f-f-fade away," the band go in search of lost time like a herd of angry elephants.

Lyrics are written, but a great performance leaves the writing behind. The elisions, feints and pauses of a performance by Billie Holiday or Van Morrison cannot be transcribed. For that matter, anyone who watches the music video for Fergie's 2016 song "M.I.L.F. \$" will recall that the emotive effects of performance—in this case, the singer writhes in a bath of milk—can eclipse the poetic ones.

Strong lyrics can turn out to be weak: Too much cleverness and the listener will forget to follow the melody. It is easier to remember the words to the mock-opera section of Queen's "Bohemian Rhapsody" than the harmonies. Mr. McCartney was wise in "For No One" to sing his Larkinesque couplet "Your day breaks / Your mind aches" in a monotone.

Worse still, weak lyrics can be strong. The beat demands rhyming lines, and loose rhymes are easier to translate into pure sound. Hence another undying McCartney phrase, "Ob-la-di, ob-la-da."

Worst of all, many successful lyrics are born as what Grace Jones would call slaves to the rhythm. "Bang, bang, the boogie to the boogie / Say up jump the boogie to the

bang bang boogie," the Sugarhill Gang observed on their pioneering "Rapper's Delight" (1979). The sound that ends a line is often implied by the chords, melody and prior lyrics. As the Tin Pan Alley hacks knew, soft open-sounding words are best, because they float away on the rhythm. "I love you just the way you ARE," Billy Joel explained with customary reticence in an interview. "You can't say, 'Da, da, da, da, da, FRED.' Keith Richards calls this extraction of language from sound "vowel movements."

The evolution of "Yesterday" is a case study in vowel movement. Mr. McCartney had the chords and the melody too, but only some "dummy" lyrics with masculine line endings. "Scrambled eggs / Oh you've got such lovely legs" grew into a jingle: "Scrambled eggs / Good for breakfast, dinner-time or brunch / Don't buy six or twelve, buy a bunch." The song's true words arrived months later. The title came to Mr. McCartney as he rode in a car while on holiday in southern Portugal. The rest of the lyrics followed that rhythmic prompt. "I started to develop the idea," he recalled in "Many Years From Now," a 1997 biography by Barry Miles. "Da-da da, yes-ter-day, sud-den-ly, fun-il-ly, mer-il-ly."

The performed lyrics to another 1965 hit, the Rolling Stones' "(I Can't Get No) Satisfaction," syncopate to the rhythmic grid while retaining most of the rhythm of the printed lyric. The repeated line "I can't get

no satisfaction" is, Mr. Bradley tells us, a "trochaic tetrameter (a sequence of four stressed/unstressed syllabic pairs)." The next line, "Cause I try and I try and I try and I try," is an "anapestic tetrameter (four instances of two unstressed syllables followed by a stressed syllable)." The song began as a guitar riff. The written and performed lyrics have almost identical rhythm because both were tailored to fit the riff.

Frank Sinatra's most enduring vocal is not  
'And now the end is near.'  
It's 'Doo-be, doo-be doo.'

A cynic might wonder if applying literary criticism to pop music is like sending a restaurant critic to McDonald's. Yet Mr. Bradley, an English professor at the University of Colorado, finds complex poetic inheritances buried in the most banal songs. Extended metaphor? He cites Duran Duran's "Hungry Like the Wolf," in which the simile of the title runs wild across the whole lyric: "I'm on the hunt. . . . Stalked in the forest, too close to hide / I'll be upon you by the moonlight side." Metonymy? "Baking soda! I got baking soda!" the Long Beach rapper O.T. Genasis cries in his 2014 hit "CoCo," where one part of the recipe for crack cocaine stands for the whole.

While Mr. Bradley demonstrates the poetry of pop lyrics, he fails to erect a "poetics" of pop on these verbal foundations. A lyric may be literally poetic, but a song can only be metaphorically poetic. Jimi Hendrix's lyrics to "Little Wing" aspire to the condition of poetry, but his guitar solo on the 1967 recording reminds us just why, as that old rocker Walter Pater said, all art—poetry included—aspire to the condition of music. Still, Mr. Bradley places words before sounds, against sense and the wisdom of the songwriters. Toying with "poetics" like Chuck Berry with his "Ding-a-Ling," he tells readers they should be "reading with your ears."

The usual term for this sort of theorizing is "aesthetics"—the philosophy of expression and reception. But that would raise the issue of quality. Admittedly, the sentiment and melody of "With a Little Help From My Friends" resemble that of the 1824 hit "Ode to Joy" (lyrics: F. Schiller; music: L. van Beethoven). But the Ninth Symphony is a complex secular prayer for universal fraternity. "With a Little Help From My Friends" was written because Ringo got a filler on every Beatles album. Mr. McCartney called it "a little craft job." Pop's virtues are not those of high art, and that is the secret of its charm.

Mr. Green, a historian and critic, has played guitar with Burt Bacharach and written songs with the James Taylor Quartet.

### FICTION CHRONICLE: SAM SACKS

## Like Fathers, Like Daughters

**SAMUEL HAWLEY** is a retired thief whose middle-aged body is mapped with scars, a souvenir of each of the dozen times he's been shot. It takes both hard luck and dumb luck to be plugged so often and live to tell about it. "Bullets," Hawley observes in Hannah Tinti's "*The Twelve Lives of Samuel Hawley*" (*Tinder*, 376 pages, £16.99), "usually go right through me."

When Ms. Tinti's novel begins, Hawley has moved with his 12-year-old daughter Loo to Olympus, a fishing village on the North Shore of Massachusetts where his dead wife grew up and her mother still resides. He finds a quiet job raking for shellfish, but his history of violence keeps catching up with him, both in the sudden appearance of criminal associates and in the appetite for recklessness his daughter is starting to develop. "There was a taste that filled Loo's mouth whenever she was getting ready to hit someone. Tangy, like rust."

switching between the story lines gives the book an irresistible velocity that Ms. Tinti sustains to the end, by which point she's settled the last of Hawley's old scores.

What works less well is the book's gesturing toward mythology. Ms. Tinti has modeled the flashbacks to Hawley's gunfights on the 12 labors of Hercules, and though those connections are tenuous, there's no missing the influence of "Moby-Dick" in mo-

by bracing her elbow to keep her hand steady, "the same way that [her] father had taught her to hold a gun." In some ways, a washed-up outlaw is the perfect person to raise a headstrong teen-

grows infatuated with one of his interviewees, a television star. Another follows a white sanitation engineer to a cheaply made housing development in a poor black township. In the third an



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age girl. He's already accustomed to suffering and has the scars to prove it.

Ivan Vladislavić's "*The Exploded View*" (*Archipelago Books*, 197 pages, £14.65) joins four trenchant, thematically linked stories about post-apartheid Johannesburg. (The author is a native South African, but of Croatian origin.) The first concerns a worker for the census bureau who

acclaimed black artist exhibits some Jeff Koons-esque work involving the ironic use of kitsch African masks. And finally, a billboard designer is caught on a dangerous stretch of highway on the city's outskirts after nightfall.

The tableaux depict a South Africa in a state of physical construction and cultural reconstruction. "The boundaries of Johannesburg are drifting

away," writes Mr. Vladislavić, as high rises, office parks and townhouse complexes shoot up amidst squatters' camps and still-empty tracts of the veld. The TV star's posh gated community, an Italianized prefab development called Villa Toscana, uncomfortably coexists with rickety housing hastily erected for poor blacks. And the sense of lurking disorder and disorientation is sharpened by the cacophony of languages: Zulu, Sotho, Igbo, Afrikaans, English and more. "He could no longer tell the difference between kindness and cruelty," the sanitation engineer thinks about his dealings with his black colleagues and clients. "Every day he found himself wondering whether people were being nice to him or taking the mickey."

Though "*The Exploded View*" was published in 2004 and is only now appearing in the U.S., the stories do not seem dated. Johannesburg is here a city where the authentic and the ersatz have become hopelessly confused. Thus the artist's mass-produced ethnographic masks create the same effect as the billboards that line the crowded highways. "On a large enough scale, with sufficient repetition, everything became conceptual," the artist thinks. The city evoked in this subtle and provocative book is another work in progress, one inhabiting the chaotic zone between conception and reality.

## BOOKS

'There are decades where nothing happens; and there are weeks where decades happen.' —Vladimir Ilyich Lenin

# The Wheels of Revolution

### Lenin on the Train

By Catherine Merridale

Penguin, 353 pages, £9.99

BY ANDREW STUTTAFORD

**OF ALL THE WEAPONS** deployed in World War I, among the most lethal may have been a train that left Zurich on April 9, 1917. Thirty-two of its passengers—a ragbag of revolutionaries and their family members—were on their way to Russia. At their head was Vladimir Lenin. The czar had just been overthrown, and a new democracy was struggling to be born. But the change in government was less of a revolution than Lenin had in mind. He had been in exile for years, most recently in Switzerland. To put things right, he had to return home.

Switzerland and Russia are not exactly neighbors. Much of the territory lying between them was controlled by states with which Russia was at war, states that wouldn't be expected to offer free passage to someone who was not only an enemy national but also an individual dedicated to the destruction of their own social systems.

Lenin, however, had cut a deal with the kaiser's Germany. In "Lenin on the Train," Catherine Merridale, a distinguished historian of Russia and the Soviet Union, describes Lenin's journey, the reasons it came about and the events it set in motion. Berlin had realized, she tells us, that supporting foreign insurgents could help destabilize Germany's enemies from within. With democratic Russia set on continuing the war Lenin opposed, it seemed sensible to transport the veteran revolutionary like (in Winston Churchill's words) a "plague bacillus" in a "sealed truck" and release him to infect his fragile homeland. And so on that April day began a ride across Europe that led, within months, to catastrophe and, over time, to the loss of thousands, then hundreds of thousands, then millions, of lives.

Ms. Merridale uses the journey as the centerpiece of a broader account of the fall of czarism and the mounting Bolshevik pressure on the government that replaced it, but she does not neglect the details of that time on the rails. She retraces Lenin's route from Switzerland through Germany to neutral Sweden up to Lapland and the frontier with what was still Russian-ruled Finland, then onto Russia proper and arrival at Petrograd. A vivid writer, Ms. Merridale



GETTY IMAGES

depicts the watchful supervision by wary German hosts, as well as Lenin's bossiness—smoking restrictions, mandated sleeping periods, less noise please, enough already with the "Marseillaise"—a tiny hint of totalitarian discipline to come. But in those days, there was still room for dissent: "As the last of the sandwiches was finished, everyone else was reduced to whispering, fidgeting and stifling their giggles."

The revolutionaries' railway carriage was uncomfortable—ostentatiously ascetic, they had opted for cheap seats—and although theirs was not really a "sealed" train, they were kept as far apart as possible from the locals as they traveled through Germany: The authorities in Berlin did not want to risk friendly encounters, even though one did take place between the Reds, parked for one night on a railway siding in Frankfurt, and German soldiers eager to know the prospects for peace.

The border crossing between Haparanda, Sweden, and Tornio, Finland, fits neatly into the world Ms. Merridale re-creates so evocatively in this book, a world of spies, secret policemen, conspiracies, dirty money and disorder: "A lively trade in smuggled war-related

goods already flourished in these forests; a fog that could hide heavy crates could certainly make people disappear. There were plenty of strangers about, too, the kind whom no one could identify."

Today Haparanda is tranquil, a small, remote town in Sweden's northern reaches, but in 1917 it was the only safe European "land bridge" into Russia for its allies. It was so flooded with goods—an "archipelago of containers and sacks," writes Ms. Merridale—that its customs house (which handled "twenty-seven million mail items and packets" in just six months of 1917) was overrun. Meanwhile, British officer Harold Gruner, known as "the Spy" to his colleagues, was waiting in Tornio and set about interrogating the Russians when they arrived. He had been sent by the British as a junior adviser to help out their Russian allies and, of course, to gather intelligence.

London was aware of how destructive Lenin could be to the Russian war effort and knew that a Russian collapse would, by freeing up large numbers of German troops, pose a major threat on the Western Front. But the Brit was no Bond. His efforts to delay Lenin

were confined to questioning and a strip search. With the new Russia touchingly, if naïvely, unwilling to refuse entry to any of its citizens, however dangerous, delay was all that was possible. Lenin was allowed into Finland, cheered into Russia and, on the evening of April 16, the train drew into Petrograd's Finland Station beneath hastily erected triumphal arches and was greeted by a vast crowd of people, few of whom could have grasped

what the returning hero had in mind for them: "[Lenin's] eyes took in the scarlet banners, station lights . . . and the flashing brass of cornets and trombones. Somewhere in this unexpected human sea, a guard of honour from the Second Baltic Fleet had just presented arms. In their blue uniforms and jaunty caps, the lads looked like hangovers from the old empire. Lenin was irritated by the show, which reeked of bourgeois pageantry and pride."

Sometimes Ms. Merridale gives the impression of being overwhelmed by the force of Lenin's personality. Staring out of a modern train window as she follows Lenin's trail, she reflects that "a hundred years have passed since the great

Russian came this way," a curious description of a man who did so much to devastate the homeland for which he held little patriotic affection and who can only be considered great if that word is stripped of all moral meaning.

Ms. Merridale understands the violence that not only ran through Lenin's vision but was integral to it—a violence that, for all her discussion of the hopes he conjured up,

Of all the weapons deployed in World War I, the most lethal may have been a train that left Zurich on April 9, 1917.

was apparent to many of those watching the Bolsheviks with growing dread in the summer of 1917. She draws the necessary contrast between the sanctified Lenin of Soviet mythology and the "mass murderer" that he was, even if she vacillates over the number of killings for which he was responsible in his own lifetime. On two occasions she maintains that the toll ran into the "tens of thousands"—an extreme underestimate, echoed by her calculation that, in its seven decades, the number of "guiltless victims" killed by the Soviet state ran into the "low millions," a claim that takes the word "low" where it should not go. But in another place she refers to the preservation of Lenin's body in that notorious mausoleum in Red Square as "an insult to the countless bodies [he] had destroyed," language that comes far closer to summing up the butcher's bill.

Toward the end of "Lenin on the Train," Ms. Merridale mentions a Stalin-era painting of Lenin stepping out of the train at Petrograd. Just behind and above him stands Stalin, in a pose "suggesting that he could be a mentor or chaperone," but the artist was doing what he had to. Stalin had never, Ms. Merridale explains, been in Lenin's carriage (nor was he, it appears, even at the Finland Station that night). And Stalin was disciple, not mentor: The slaughterhouse he perfected is where Lenin's train was already headed.

*Mr. Stuttaford, who writes frequently about culture and politics, works in the international financial markets.*

# China's Fearsome Dragons

### Fortune Makers

By Michael Useem, Harbir Singh,

Liang Neng & Peter Cappelli

PublicAffairs, 274 pages, £23.59

BY JULIAN B. GEWIRTZ

**THE WORLD'S LARGEST MAKER** of personal computers is a Chinese company called Lenovo. But how many Americans beyond the small community of China analysts have heard of its founder, let alone its founding story, which rivals that of Apple or Microsoft? Lenovo's story began in 1984, when Liu Chuanzhi, a computer engineer, started selling and distributing PCs from the stodgy confines of the state-run Chinese Academy of Sciences. Doing business in the early years after China abandoned central planning was difficult—he had to contend with inexperienced executives, political uncertainty, and abiding anti-capitalist attitudes. "The lowest thing you could do in the early '80s, as a scientist, was to go into business," he says.

Yet Mr. Liu, who had been subjected to hard labor during the Cultural Revolution, proved to be a tenacious, fast-learning executive who relentlessly expanded his business in China and abroad. "We just learned by trial and error, which was very interesting—but also very dangerous," he admits.

By 1990 Lenovo was producing its own computer products, not just selling and distributing others, and they were a big success. In 2005 it bought IBM's PC business.

Though we read stories in the paper every day about China's booming economy, the titans of Chinese business and their tales of entrepre-

neurship remain relatively unknown. Their absorbing stories are recounted in "Fortune Makers: The Leaders Creating China's Great Global Companies" by four business scholars, Michael Useem, Harbir Singh, and Peter Cappelli at the University of Pennsylvania's Wharton School and Neng Liang of the China Europe International Business School. They sketch portraits of dozens of China's major private companies, including the e-commerce giant Alibaba, the auto maker Geely and the property developer Vanke, which are now powerful forces far beyond China's shores.

When Uber tried to buy Didi, CEO Wei Cheng turned down the offer, assuring Travis Kalanick: "There will be a day when we will surpass you."

Their insights stem primarily from the in-depth interviews that they conducted with the companies' executives ranging from Alibaba's Jack Ma to the CEOs of lesser-known businesses producing everything from beer to kitchenware.

Reflecting on Lenovo's stunning ascent, Mr. Liu acknowledges to the authors: "If it were not for Deng Xiaoping's reform and open-door policy, none of us would be able to achieve much, regardless of how capable we are." So it is for the many private enterprises discussed in the book, which quickly distinguished themselves from the sluggish state-owned enterprises that distort China's socialist market economy. Yet without clear

models to emulate, the founders of these firms marched headlong into risky terra incognita.

There was a steep learning curve for nearly every company profiled here. Wang Shi, who started Vanke in 1984, arrived at one early meeting with a client carrying a large bag for the cash payment that he expected to receive. "Instead," the authors recount, "the client came with a check, which Wang had never seen before."

growth at all costs—even if that means slashing profits, marginalizing total shareholder returns, or taking costly risks.

As an example, the authors recount how the ride-hailing service Uber lost out in China to the "fleet-footed" Didi Chuxing Technology, an exemplar of the China Way that proved agile and ferociously willing to burn through cash in order to gain market share. When Uber CEO

panies. Many private businesses in China have developed a lean architecture that can adapt and reorient quickly as strategies evolve, while also prioritizing long-term growth and a zeal for learning over a near-term fixation on maximizing shareholder returns. Western executives, especially those looking to do business in the world's second-largest economy, may find useful teachings in this book's zestful inside stories and thorough case studies.

In the near term, however, American discussions of Chinese business may remain more focused on criticism than emulation, especially amid warranted concerns about the theft of intellectual property and continued government intervention behind the scenes. This is only reinforced by the lack of a level playing field within China and state-led efforts to increase the competitiveness of Chinese firms, including state-owned enterprises, on the world stage.

Yet despite the continued interference of the government, macroeconomic uncertainty, and persistent concerns such as weak employee management systems, dependence on charismatic "big-boss" founders, and rapidly changing worker demographics, the authors are sanguine about these companies' prospects. Still, as they acknowledge, it is simply too early to say conclusively how history will assess China's private companies. As they become bigger and even more important to the country's success, the temptation for the state to intervene will only increase—and the world will be watching.

*Mr. Gewirtz is the author of "Unlikely Partners: Chinese Reformers, Western Economists, and the Making of Global China."*



BLOOMBERG

ALL HAIL The smartphone app for Didi Chuxing.

He got the hang of it before long, and Vanke is now one of the world's largest residential property developers and managers, with revenue of \$23.9 billion in 2014. Other founders were less lucky, losing vast sums, falling into corrupt business practices, or running afoul of the Chinese Communist Party.

What do the success stories have in common? The authors argue that the thriving private enterprises share a set of common traits that they dub the "China Way." Key to the China Way is the pursuit of

Travis Kalanick tried to buy Didi in 2014, CEO Cheng Wei turned down his offer, purportedly assuring Mr. Kalanick: "There will be a day when we will surpass you." Only two years later, that day had come: Didi was drawing four times as many active users in China as the American company. Ultimately Uber sold its China operation to its former foe.

The ability of upstart Chinese capitalists to beat out American business darlings suggests to the authors that the China Way may have important lessons for Western com-

## OPINION

### REVIEW & OUTLOOK

## The Man Who Knows Too Much

**P**oliticians aren't always as dumb or cynical as they sound, but you wouldn't know that from Wednesday's confirmation hearing for Scott Gottlieb. Democrats criticized the nominee to run the U.S. Food and Drug Administration for the "conflict of interest" of knowing too much about the industries he'd regulate.

Washington Senator Patty Murray and other Democrats devoted most of the morning to agitating about Dr. Gottlieb's "unprecedented financial entanglements" because he has consulted for various companies and invested in health-care startups. Rhode Island's Sheldon Whitehouse flopped in with a strange remark about "dark-money operations," which is an amusing way to describe financial disclosures available on the internet.

Bernie Sanders, never one to be hamstrung by knowledge, tweeted Wednesday that it was a "disgrace" to have an FDA commissioner who has taken money from drug companies. These are the same committee Democrats who pummeled Betsy DeVos for not having enough experience in public education.

Dr. Gottlieb disclosed his work in accordance with government rules and will liquidate his investments. He agreed to recuse himself for a year on decisions relevant to his past interests. He also promised Wednesday to follow directives from the Health and Human Services eth-

**Democrats fret that Scott Gottlieb is too expert for the FDA.**

ics office, and to be an "impartial and independent advocate for the public health."

The irony of the claim that Dr. Gottlieb can be bought by the industry is that pharmaceutical companies won't be thrilled by some of his priorities. One is increasing generic-drug competition: On Wednesday he offered a tutorial in how companies exploit regulatory barriers to competition for their commercial advantage. Sounds like something ol' Bernie should like.

Another ugly charge is that Dr. Gottlieb won't address the opioid crisis because he has worked with companies that produce painkillers. Yup—he wants to take a pay cut and subject himself to bureaucratic hassles so he can peddle pills to addict more Americans. Who writes this stuff? In fact, Dr. Gottlieb called opioid abuse "a public emergency on the order of Ebola and Zika" and suggested an "all-of-the-above" strategy that would include inventing less addictive painkillers and better patient care.

Dr. Gottlieb has written lucidly about how FDA can unleash innovation without compromising public safety, which he rightly calls a "false dichotomy." Democrats once believed in expertise, and if they cared about delivering cures for patients as much as they fret that someone is making a profit, they'd confirm Dr. Gottlieb in a millisecond.

## Late Hit on Neil Gorsuch

**D**emocrats haven't found a weakness in Supreme Court nominee Neil Gorsuch, and not even a filibuster seems likely to stop his confirmation. But opponents will try anything, and late Tuesday they used some willing media outlets to claim that a handful of sentences in his book and dissertation were similar enough to suggest plagiarism.

Politico reports—based on "documents provided to Politico," you can guess by whom—that in his book, "The Future of Assisted Suicide and Euthanasia," Judge Gorsuch used another author's words to describe Down syndrome and a condition known as "esophageal atresia with tracheoesophageal fistula." In a 1984 Indiana Law Journal article, Abigail Kuzma wrote that "esophageal atresia with tracheoesophageal fistula indicates that the esophageal passage from the mouth to the stomach ends in a pouch, with an abnormal connection between the trachea and the esophagus."

Judge Gorsuch used the same words in his explanation of the medical condition, a technical description of a specific ailment outside his area of expertise. Ms. Kuzma has issued a statement that she has "reviewed both passages and [does] not see an issue." Because the passages "are factual, not analytical in nature," she writes, and "both describe the basic facts of the case, it would have been awkward and difficult for Judge Gorsuch to have used different language."

**The latest progressive desperation ploy to stop the judge's confirmation.**

Politico also criticizes Judge Gorsuch for citing primary sources when attributing portions of his writing, rather than citing secondary sources. But primary sources are an approved method of citation in academic publications. Judge Gorsuch describes Derek Humphry, a founder of the Hemlock Society and advocate for voluntary euthanasia,

in similar terms as a book on the euthanasia movement written by Ian Dowbiggin, but he credits books by Rita Marker and Sue Woodman as the primary sources.

Politico rolled out some left-leaning academics to call this and a couple of other examples of plagiarism, but this is thin soup. Someone subjected every word in all of Judge Gorsuch's more than 5,000 pages of writing to a Big Data plagiarism analysis, and this is all they found.

Oxford University emeritus professor John Finnis, who supervised Judge Gorsuch's doctoral thesis, reviewed the allegations and says that "in all four cases, Neil Gorsuch's writing and citing was easily and well within the proper and accepted standards of scholarly research and writing in the field of study in which he was working." Georgetown professor John Keown was an outside examiner on Judge Gorsuch's dissertation and called the allegations "entirely without foundation."

Late political hits are a progressive specialty. Republicans should be happy to dismiss this desperation ploy and vote to put the distinguished jurist on the High Court.

## California's Wasted Winter Rains

**R**eservoirs and rivers are overflowing as storms have pounded California this winter, and after years of drought that should be good news. The problem is that misguided environmentalism is wasting the water windfall and failing to store it for a nonrainy day.

Hydrologic records indicate that this year could be the wettest on record in California. Statewide snowpack measures 160% of average. Precipitation in Palm Springs exceeds the historic norm by more than 50%. Lo, the desert is actually blooming. Most of the major reservoirs in the north are full, and some are releasing hundreds of billions of gallons of water to prevent flooding and make room for the melting snowpack this spring.

While farmers and communities downstream can capture some of the discharges, millions of acre-feet will invariably flow into the ocean due to lack of storage capacity and rules to protect endangered fish species. One problem is that while the state population has increased 70% since 1979, storage hasn't expanded. Water districts in Southern California have developed small local reservoirs and groundwater basins, but what's most needed is storage in the north where most of the rain and snow falls.

The Public Policy Institute of California estimates that five proposed reservoirs could add four million acre-feet of storage capacity at a cost of \$9 billion. Yet environmentalists have opposed every significant surface storage project for three decades. The state is even razing four hydroelectric dams on the Klamath River that green groups complain impede fish migration.

Ah, the fish. Regulations intended to protect smelt and salmon have limited pumping at the Sacramento-San Joaquin River Delta. As a result, some seven million acre-feet of water that was once available for Central Valley farmers and Southern California is flushed into San Francisco Bay each year.

Meanwhile, a 60-mile dry riverbed on the San Joaquin River that hasn't borne fish since the 1940s is being restored at a cost of \$1.7 billion to farmers and state and federal taxpayers. The river restoration is expected to divert an additional 170,000 acre-feet each year, but it could be more since the Chinook salmon that environmentalists

want to revive require cool temperatures—meaning more water—to spawn and survive. Government biologists are spending millions of dollars to truck (literally) salmon around the valley while trying to calibrate optimal temperatures and water flows. Yes, these salmon have chauffeurs.

In September, the State Water Resources Control Board proposed limiting the amount of water that farmers and cities in the north could use from three tributaries that feed into the San Joaquin River in order to boost the Central Valley's fall-run Chinook salmon population, which numbers 750,000. The plan would reduce water available to farmers and cities by 250,000 acre-feet on average annually and 500,000 acre-feet during dry years. If all goes according to plan, the salmon population could increase by 1,103.

The affected communities including the Bay Area are represented by Democrats and enjoy senior water rights. So they've been less vulnerable to regulatory cutbacks that have parched farmers in the south. While the state board's plan would cause more farmland to be removed from production, the main casualties would be low-income and Hispanic communities like Merced that rely on groundwater recharged by the tributaries.

What's especially ironic is that all of the water diversions intended to benefit the environment may be causing irreparable environmental damage. Communities and farmers have drilled deeper wells and pumped more groundwater to compensate for reduced imports from the delta, leading to severe land subsidence.

A recent report by the California Department of Water Resources found that the San Joaquin Valley is sinking at a rate of nearly 2 inches a month in some areas. Land around Corcoran dropped 22 inches between May 2015 and September 2016, complicating engineering work on the state's bullet train. Subsidence has also reduced the carrying capacity of the California Aqueduct, which delivers water to Southern California, by 20%.

California has an arid climate, and parched times will return, which is all the more reason to take advantage of the wet years. That greens and politicians won't do so suggests they almost wish for permanent drought.

**The drought is over but the greens keep sending the water out to sea.**

## OPINION

## Benjamin Netanyahu's Told-You-So Moment



**BORDER LANDS**  
*By Sohrab Ahmari*

Benjamin Netanyahu will never be popular in America's major newsrooms. Or among most of the think-tanks who set the tone and parameters of foreign-policy debate. His name is a curse on college campuses. So it's worth asking whose vision of the Middle East has held up better under the press of recent events.

His or theirs?

The question comes to mind as Western governments confront this week's chemical atrocity in Syria, and as footage of children's bodies convulsing in agony once more unsettles the world's conscience. Even President Trump, who generally lacks a moral language, was moved, though whether he will act remains to be seen.

His predecessor had a rich moral vocabulary and a coterie of award-winning moralizers like Samantha Power on staff. But President Obama refused to act when Bashar Assad crossed his chemical red line. He wanted to extricate Washington from the region, and he saw a nuclear deal with Mr. Assad's Iranian patrons as the exit ramp.

Such a deal came within grasp when Hassan Rouhani launched his presidential campaign in Iran four years ago this month. The smiling, self-proclaimed "moderate" was the Iranian interlocutor the Obamaians had been waiting for. Mr. Netanyahu posed the main obstacle.

The Israeli prime minister warned that Mr. Rouhani didn't have the power to moderate the regime even if he had the will. He reminded the world of Mr. Rouhani's role in Iran's repressive apparatus and his history of anti-American rhetoric. He insisted that Iranian regional aggression wouldn't relent if sanctions were removed. Iran, he predicted, would pocket the financial concessions, then press ahead in Syria and elsewhere.

The Israeli could be opportunistic, given to hyperbole and not a little vulgar in pressing his case. He was also right.

It's instructive now to compare his account of the regime with the baseless euphoria in the Western media that greeted Mr. Rouhani's election in June 2013 and marked coverage of the nuclear deal over the next four years.

Start with Iran's role in Syria. Writing in September 2013, the New York Times editorial board suggested that Iran's intentions "could be tested by inviting its new government to join the United States and Russia in carrying out the recent agreement to dismantle Syria's chemical weapons. It seems like a natural convergence: Iranians know well the scourge of poison gas."

Well, apparently they didn't know the scourge well enough to restrain their chief Arab client from systematically gassing his own people, even after the Russian-brokered chemical deal.

And they'll cry for Syria.

Mr. Cohen also argued that the deal "makes the Middle East less dangerous by forestalling proliferation." Iran's Sunni rivals missed that memo, and they've been on an arms-shopping spree ever since. Rare is the Arab diplomat these days who doesn't unburden himself of his fear of the deal and loathing of the ex-president who signed it. In off-the-record briefings, that is.

Then there's democratization. It was in the domestic sphere that Mr. Rouhani's apologists saw the greatest promise.

Wrote Haleh Esfandiari of the Woodrow Wilson Center in August 2013: "Rouhani has acknowledged and identified himself" with Iran's reform movement. "He has talked of releasing political prisoners;

and if this turns out to include the leaders of the Green Movement, under house arrest for over four years, this may open the door to a reconciliation."

Those Green leaders are still under house arrest.

"Mr. Rouhani's rise is in reality the consequence of a critical cultural and demographic shift in Iran away from theocracy and confrontation," wrote Stanford's Abbas Milani and Israel Waismel-Manor of the University of Haifa in a 2014 Times op-ed. The authors went on to suggest that Israel and Iran were trading places, with the Jewish state under Mr. Netanyahu becoming a closed society even as the Islamic Republic was opening up.

Israel still enjoys a multiparty democracy and a vibrant, free press. Iran is still a bloody dictatorship that is underwriting the butchery in Syria. But as the Islamic Republic gears up for its next potemkin presidential "election" in May, prepare for the Western media to reinforce the impression that Iranians have real choices at the ballot box, between moderates and hard-liners. Our hard-liners like Mr. Netanyahu, they'll say, are just as bad as theirs.

And they'll cry for Syria.

## LETTERS TO THE EDITOR

### Could a Faltering Shinzo Abe Achieve All This?

Your editorial "Abe Loses Momentum" (March 31) provides an inaccurate representation. Abenomics is progressing steadily. Japan's gross domestic product has reached record levels since 2013, as nominal GDP has risen by ¥47 trillion (\$423.9 million) and real GDP has risen by ¥27 trillion. The number of people employed has increased by 1.7 million, and women comprise 87% of that increase. The unemployment rate has decreased to 2.8%, or close to full employment. In March, the Nikkei Stock Average closed about 2,150 points above 2015, and 9.4% higher than before the 2008 financial crisis. The latest BOJ Tankan survey shows an upward trend in every sector and company size.

Although the Osaka kindergarten issue covered in your editorial was addressed by many opposition-party members in the current Diet session, the Diet never stalled and the budget was passed without alteration or delay. With this budget, the employment-insurance premium will be lowered beginning this month. Children will be given great opportunities through measures including a new scholarship

system and a plan to eliminate child-care waiting lists.

Furthermore, eight agricultural- and dairy-industry reform bills were just submitted, opening a path to reform on the largest scale. In addition to undertaking work-style reform, Prime Minister Abe is positioning the internet of things and human-resources investment as the core of his strategy.

As a strong believer of free and fair trade, Mr. Abe aims to swiftly reach an agreement on fundamental elements of the Japan-EU Economic Partnership Agreement. This was reaffirmed recently with the leaders of the European Union. While postponement of reforms under the Trans-Pacific Partnership was unexpected, Japan will engage in productive economic talks with the U.S.

The last thing Mr. Abe has in mind is complacency.

EIICHI HASEGAWA  
*Special Advisor to the Prime Minister  
Government of Japan*

### Security Through Obscure, Obsolete Military Computers

Mackenzie Eaglen's "Rebuild U.S. Defenses for the Information Age" (op-ed, March 23) reminds Americans that we are critically vulnerable. Not to lessen the writer's point, those Pentagon systems still using 40-year-old 8-inch floppy drives may be the most secure systems in the building because they are outdated and therefore likely under the radar of bad actors.

I wonder if the real question concerned Americans (i.e., taxpayers) should be asking is: When those 8-inch floppies fail, what are they paying for replacements and why?

BILL HEIKKILA  
*Cumming, Ga.*

### This Immigrant Problem Is More Imagined Than Real

Readers who react negatively to Bret Stephens's column about today's immigrants not assimilating into U.S. culture probably don't know any and have spent no time with them ("Other People's Babies," Global View, March 22).

These readers should challenge themselves to do this: Go volunteer at their local school and meet some of the kids, go to community gatherings and meet the parents. They will be pleasantly surprised.

Many, possibly most, espouse the best of traditional American conservative values: hard work, a focus on education, thrift, industry and a strong interest in engaging with the larger American community.

KIM GOULD  
*Seattle*

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

## OPINION

# A Resolute Message for China

By John Bolton

This week's summit with China's President Xi Jinping is the most important meeting President Trump will have during his first 100 days in office. The 21st century could well be defined by the Washington-Beijing relationship. Things are not going well so far for the U.S. China is on the march globally, and the American Mr. Trump inherited from "No Drama Obama" has been watching it happen.

Remembering Mr. Trump's campaign promises, the White House may be tempted to focus the summit on China's many violations of its multilateral trade commitments, including pirating intellectual property; tilting domestic markets in favor of Chinese companies, especially state-controlled ones; and discriminating against foreign litigants in judicial proceedings. China's mercantilist policies have harmed America and the liberal international trading order generally. All merit extended discussion.

**From Taiwan to North Korea, Trump can make clear to Xi that America is no longer in retreat.**

But it's even more important that Mr. Trump enter the meeting with a coherent strategic plan to address geopolitical and economic disputes. He should feel no pressure to bridge, let alone resolve, any of them now. He should instead focus on conveying clearly his administration's worldview, which is very different from his predecessor's.

Making America's foreign policy great again should mean that apologies, acquiescence, disinterest and passivity are terms that no longer describe or apply to Washington's lead-



AP/GETTY IMAGES

A newsstand in Beijing.

ers. No grandiose final communiqué is needed; a simple statement that the two leaders had a full and frank exchange of views will suffice.

Topping the agenda should be North Korea's nuclear-weapons program, the most imminent danger to the U.S. and its allies. U.S. Secretary of State Rex Tillerson and Defense Secretary Jim Mattis have made clear how seriously they view the prospect of Pyongyang fitting an intercontinental ballistic missile with a nuclear warhead and threatening targets in the U.S. The president must follow up vigorously, or the Chinese may underestimate how strongly the U.S. feels about the North Korean menace.

The only real way to end the North Korean threat is to reunify the peninsula by merging North Korea into the South. China will find that difficult to swallow. But if the Trump administration can demonstrate the many benefits to China flowing from the regional stability and global security that reunification would bring, Beijing should come around.

North Korea has achieved its current nuclear capabilities despite 25 years of American attempts to halt its progress. U.S. options for stopping Kim Jong Un from taking the final step are now severely limited. Moreover, the U.S. and China must bear in

mind that whatever North Korea can do, Iran can do immediately thereafter—for the right price. As Pyongyang inches ever closer to producing deliverable nuclear weapons, the prospect of a pre-emptive U.S. strike against its nuclear infrastructure and launch sites cannot be ruled out.

Beijing has itself threatened to turn the international waters of the South China Sea into a Chinese lake by building bases on disputed rocks and reefs. In the East China Sea, Beijing seeks decisive ways to break through "the first island chain" and into the Pacific. Taiwan is a target; Mr. Xi will repeat the phrase "One China" in hopes of hypnotizing the Trump team into believing it means what Beijing believes it means, rather than America's long-standing interpretation.

The Obama administration's policy was to call for China, the Philippines, Vietnam and others to resolve their territorial disputes through negotiation. This might have worked had U.S. military forces been sufficiently deployed to support the other claimants and manifest America's will not to accept Chinese *faits accomplis*.

Instead, Mr. Obama presided over the continuing world-wide decline of America's naval capabilities. While Mr. Trump is committed to reversing that decline, it won't happen overnight. Ac-

cordingly, as when Ronald Reagan replaced Jimmy Carter, Mr. Trump must display political resolve, buying time until the necessary naval assets are once again at sea. Otherwise, China gets what it wants with cold blue steel, not diplomatic niceties.

China's threatening military buildup has implications well beyond its bordering seas. Its cyberwarfare program is large and growing. Its antisub missiles and other offensive naval weaponry are expressly intended to diminish America's ability to project power into the Western Pacific. China's own naval buildup—its first in 600 years—endangers all its East and Southeast Asian neighbors; its nuclear and ballistic-missile efforts threaten India in unprecedented ways and have major implications for America's nuclear-posture review; and its antisatellite program is aimed squarely at U.S. intelligence-gathering capabilities in space.

For eight years, China's military budget has climbed while America's has fallen. Communist Party leaders drew the inescapable conclusion that they had a free hand to translate China's economic successes into military hardware and then to use, or threaten to use, those capabilities to achieve their international objectives. Who would stand in their way? China's neighbors, from Japan around to India, are incapable of resisting its power without American help. But while Washington has no appetite for conflict, neither should it simply accept Beijing's adventurism.

Mr. Xi must leave Mar-a-Lago with the firm conclusion that he needs to recalibrate China's geopolitical strategy. That alone would be a significant win for the home team. Spring training is finished. For Messrs. Xi and Trump, the real season starts Thursday.

*Mr. Bolton is a senior fellow at the American Enterprise Institute and author of "Surrender Is Not an Option: Defending America at the United Nations and Abroad" (Simon & Schuster, 2007).*

## For Syria, Words Won't Be Enough

By Paul Wolfowitz

Among the many unintentionally profound comments attributed to Yankee great Yogi Berra, one of the best known is, "When you come to a fork in the road, take it."

President Trump may have initially believed that he could avoid the fork in the road presented by the Assad regime's use of chemical weapons in Syria by simply blaming the crime on Barack Obama's failure to enforce his "red line" four years ago. Fortunately it seems he has reconsidered.

Mr. Trump initially responded on Tuesday by condemning the attacks as "heinous" and "reprehensible." He added correctly that little children in Syria wouldn't be dying such gruesome and painful deaths, gasping for breath, if Mr. Obama had followed through on his warnings against the use of chemical weapons in that civil war.

### Trump says attacking civilians crosses 'many lines.' Will he back it up?

That made it briefly appear as though the president might use Mr. Obama's failure as an excuse to avoid action. In a joint press conference Wednesday with Jordan's King Abdullah, however, Mr. Trump said the attacks on Syrian civilians, "innocent little babies" in particular, crosses "many, many lines for me." He continued, "I now have responsibility," and will "carry it very proudly."

Mr. Obama's temporizing has admittedly taken some options away from Mr. Trump. What former U.S. Secretary of State John Kerry once described as an "unbelievably small, limited kind" of military strike probably was never sufficient to fulfill its stated purpose: to "hold Bashar Assad accountable." Certainly something more substantial is needed now. And Russia's presence in Syria makes the situation much more problematic. Escaping this crisis through yet another agreement to eliminate Syria's horrific weapons peacefully is no longer feasible.

Let us hope Mr. Trump will reassess the impact of recent statements by members of his administration indicating that the U.S. is prepared to live with the Assad regime. The Syrians—and their Russian and Iranian backers—might well have interpreted this as a signal that they could continue terrorizing the population. Ominously, doctors and activists in the Idlib area, where Tuesday's attacks took place, say there has been an upswing in the use of chemical weapons since the end of 2016.

The large numbers of Syrians who see Mr. Assad as no better than Islamic State probably believe that the Trump administration has given him a green light. Their seeming acceptance of Mr. Assad must have come as a dash of cold water for America's many allies and potential allies who thought the new U.S. president was a strong, bold leader who would stand up to Iran in a way his predecessor did not.

Mr. Trump now needs to back up Wednesday's strong words with leadership. As president, his statements carry weight that they didn't previously. World leaders make life-or-death decisions based on what they believe the American president's words signify about U.S. intentions. If his actions don't match his rhetoric, critical allies will conclude that Mr. Trump is weak, like his predecessor, which will have a damaging ripple effect for U.S. interests throughout the region and the world.

As with most such situations, the facts of the case aren't yet completely clear. The Russians are claiming that Syrian warplanes targeted rebels who were producing toxic projectiles—an unconvincing story, but the facts do need to be investigated.

While the investigation is under way, the Trump administration shouldn't spend the time hoping that the problem will go away. Instead, it should use this moment to prepare a bold course of action to end these barbaric attacks and restore peace to Syria. That is no small task.

The Trump administration foreign policy is facing its first serious fork in the road. The president seems ready to take on the burden. All Americans should hope that he doesn't fail.

*Mr. Wolfowitz, an American Enterprise Institute scholar, has served as deputy defense secretary and ambassador to Indonesia.*

# Let China and Europe Fight It Out Over Data Privacy

By Stewart Baker

The Trump administration and U.S. tech companies are confronting major trade barriers in Europe and China. The problem in both cases is consumers' right to privacy.

China is fostering national champions that are friendlier to state surveillance than Silicon Valley firms. Meanwhile, Europe is threatening to punish American companies because U.S. surveillance policy doesn't meet its data-protection standards.

The solution is simple: Step back and let America's two biggest trade adversaries fight it out.

China's hostility to U.S. tech companies became clear when Google found itself frozen out of the world's biggest search market. Since then, China has systematically squeezed U.S. internet companies and favored local copycats. Now grown fat in a protected market, many of those local champions are preparing to challenge Silicon Valley for global dominance. That's problem No. 1.

Problem No. 2 is Europe's determination to impose its privacy law on the U.S. The European Union restricts the exportation of personal data to countries whose data-protection policies aren't "adequate" by EU standards.

Perhaps Freud's "narcissism of small differences" explains Europe's 20-year history of threatening to cut off data flows to the U.S. Or maybe it's the leg-up the policy gives to Europe's dwindling tech industry. But there's no doubt that Europe loves the fight. The EU will soon arm its privacy enforcers with the authority to impose data-protection fines on American tech companies. These could run as high as 4% of global revenue. For Google, that's close to \$4 billion.

This massive leverage is increasingly being used not to regulate the use of personal data in advertising

or the private sector but to attack U.S. counterterrorism tools. In a recent lawsuit brought by the Austrian student Max Schrems, the European Court of Justice objected to the way U.S. authorities use data to find terrorists.

Relying on a garbled version of the Snowden leaks, the court declared that U.S. law doesn't adequately protect privacy in the fight against terrorism. Now the EU is threatening to punish U.S. companies with \$4 billion fines if the Trump administration rewrites the Obama administration's limits on intelligence collection.

Instead of rushing to propitiate EU negotiators, Donald Trump's team should try a different approach. Introduce them to Xi Jinping, who makes no bones about using data to keep the Chinese people in line. Before imposing sanctions on U.S. companies over America's human rights practices, maybe the EU ought to investigate China's practices.

There should be plenty of data exports to investigate. China's autarchic policies have made its champions strong in every part of the wireless internet, from back-end switches to consumer phones. In the app economy, WeChat boasts more than 800 million active users and is aggressively penetrating the European mar-

ket. The Chinese company Wish is one of the top three online-shopping apps in the U.K. and is outpacing Amazon in France.

WeChat recently bragged in Brussels about how much data it collected on potential European tourists, and how seamlessly it could move around: "WeChat allows merchants to target a

well-defined audience, based on age, gender, purchasing power, geographical location, likelihood to visit a country soon, etc., attract them as followers and send them personal communication messages, special promotions or coupons both in China and once they are travelling."

If they're traveling in Europe, those tourists are protected by the same European privacy law that has bedeviled the U.S. for 20 years. So if it's sauce for the American goose, why not for the Chinese gander? Hard-nosed Trump-administration negotiators should certainly be asking that ques-

This was a personal success. More important, though, it gave me a platform for building bonds with Jewish youth. The tennis court was an island where everyone felt like they belonged. My teammates and I embraced the same identity. I built trust with my doubles partner and the people on the other side of the net, too.

Once my parents realized the sport's potential to bring people together, they established the Co-existence Program at the Israel Tennis Center in Haifa. It introduced young Arabs and Jews to the game, while transforming on-court partnerships into off-court friendships. The program, which began in 2001 with around 10 children, now operates nationwide with hundreds of participants.

When I was growing up, Israeli high schools and colleges didn't have organized sports. But Americans know well the power of sports, as I learned when I came to Quinnipiac University in Connecticut on a tennis scholarship. Even though my teammates and I came from different corners of the world, we were all Bobcats. Social psychologists have a name for this phenomenon. They call it a "superordinate identity."

Playing sports can help reframe a conflict. It builds the groundwork for cooperation by putting teammates in the same boat. To paraphrase the late Morton Deutsch, a professor at Columbia University, this creates a

positive interdependence: If you swim, I swim, and if you sink, I sink. It galvanizes people to do what is best for the team. If another player is in a better position to score than you are, you will pass the ball.

*Mr. Baker is a partner at the law firm of Steptoe & Johnson.*

## The Arab on the Israeli Tennis Team

By Fahoum Fahoum

Tennis changed my life. Growing up as a Palestinian citizen of Israel, I struggled with an identity crisis, feeling caught between two worlds. But when I was 8, I started playing tennis in Haifa. Eventually I became the first Arab Muslim on the Israeli junior national team, representing the country in European and world championships.

positive interdependence: If you swim, I swim, and if you sink, I sink. It galvanizes people to do what is best for the team. If another player is in a better position to score than you are, you will pass the ball.

## Sports can change the world by helping us see each other differently.

Sports recognizes no language barriers. Drop a soccer ball into a group of kids in Israel, South Africa or Ireland and watch what happens. There will be no need for an introduction, let alone an explanation of the rules. Instead players communicate using their bodies within an established system of rules that makes them "speak" soccer fluently. Just as sports altered my path, it has the power to change the world.

Athletics can provide entertainment and exercise, yes, but also so much more. It can be used as a tool for tackling social issues—fighting obesity, empowering women, integrating refugees or promoting peace. Sports are more than mere games. They're essential to the healthy transformation of society.

*Mr. Fahoum is a graduate of Columbia University's master's program in negotiation and conflict resolution.*

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EDITORIAL AND CORPORATE HEADQUARTERS:  
1211 Avenue of the Americas, New York, N.Y. 10036

Telephone 1-800-DOWJONES

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## LIFE & ARTS

FILM REVIEW | Joe Morgenstern

# 'Their Finest': Storytelling Victorious

This scintillating British comedy turns on the making of a dubiously inspirational propaganda film during the Blitz

**'THEIR FINEST'** is one of the smartest, funniest and most surprising movies I've seen in years. The slightly opaque title refers to "their finest hour," the culminating phrase of an inspirational speech Winston Churchill gave in 1940, during the darkest days of World War II. But it's also taken from the title of the movie's source, a superb comic novel by Lissa Evans—"Their Finest Hour and a Half." That's a cheeky reference to a movie within the movie, a woefully unpromising propaganda melodrama that Britain's Ministry of Information is developing, in 1940, to provide some inspiration for the home front during the Blitz. If this, too, sounds slightly opaque, the movie is anything but, and Gemma Arterton is sublime as Catrin Cole, a Welshwoman who applies for what she thinks is a secretarial job but gets hired to write the film's "slops"—a pungent term of the period for women's dialogue.

There's a strong feminist thrust to Gaby Chiappe's screenplay, stronger than in the book but no less deft. It's thrilling to see Catrin grow from a sidekick who's asked to tidy up the office to a virtuoso storyteller and the brains of the operation—or, rather, the co-brain, since her clever, cynical partner in cinematic crime, Tom Buckley, is supposed to be the melodrama's head writer. He's played by Sam Claflin with such verve that the two performers, and their characters, duel and riff like jazz musicians who are fully worthy of one another. (A romance between Catrin and Tom deepens as their dueling intensifies.)

The director, Lone Scherfig, has done such distinctive comedies as "Italian for Beginners," and the international hit "An Education," for which Nick Hornby wrote an exemplary screenplay. She has never worked with such a scintillating script, though, or such a marvelous cast, which includes includes the definitively droll Bill Nighy as Ambrose Hilliard, an actor whose mo-



Sam Claflin as Tom Buckley and Gemma Arterton as Catrin Cole

ment has long passed; Eddie Marsan as Sammy Smith, Ambrose's grubby émigré agent; Helen McCrory as Sammy's no-nonsense sister, Sophie; Jack Huston as Ellis Cole, an English perpetrator of depressing propaganda paintings whom Catrin has loved foolishly and all too faithfully; Jeremy Irons as Britain's unnamed secretary of war, who decides the movie needs an American hero in its cast to help inspire the U.S. to join the war; and Jake Lacy as Carl Lundbeck, handsomely American but hopeless in front of the camera.

One result of all this talent is a bountiful supply of bon mots. ("Lose half," Tom says of a scene Catrin has just written. "Which half?" she asks. "The half you don't need.") Another is a succession of

lapidary sequences, scenes, moments or, in the case of Ambrose's final exit, tiny delights. (No, he doesn't die, he just walks out the door as only Mr. Nighy can.) Still another result is a textbook illustration of the director's craft. What a director does is like the weather; you may not be able to see it but you can feel it. Here, in a production of flowing rhythms and sharply tuned performances, the direction is close to perfection; it would have been closer if the clunky Yank hero hadn't been played quite so broadly. (The cinematographer was Sebastian Blenkov. Rachel Portman composed the score. The film was edited by Lucia Zucchetti.)

Some of the fun flows from the evolution of the propaganda film, one of those based-on-a-true-story

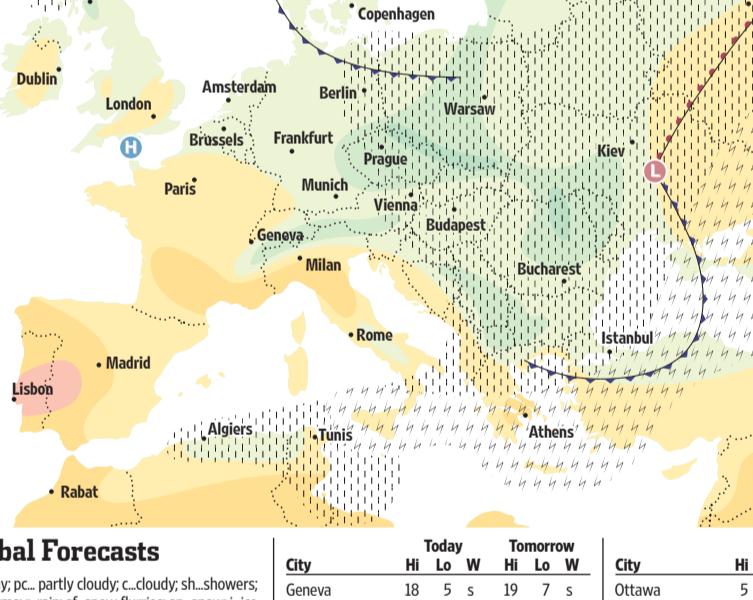
projects about twin sisters who borrow their father's fragile little boat to cross the Channel and help evacuate British troops from Dunkirk. ("Authenticity and optimism" is what the Ministry of Information keeps insisting it wants.) The newspaper account of their exploits turns out to be almost completely untrue, but that doesn't faze Catrin or Tom. Instead, it gives them the freedom to fabricate their own verities, and gives the film outside the film a good game to play with us. Little by little, the thickly varnished truths of the sisters' saga grow less absurd—though they remain stylized and pretty silly—until we begin to think, yes, in that desperate time and beleaguered place, the snippets of silly scenes we see on the screen might well stir moviegoers' souls.

Along the way, "Their Finest" plays a related game of what's real and what isn't. It's not as tricky, or dazzling, as "The Stunt Man" or "F/X," two classics of visual sleight-of-hand, but the reality of war keeps intruding on both layers of make-believe. The first time that happens is when Catrin, making her way through the rubble of a bombed-out neighborhood, comes upon body parts that turn out to be pieces of a shop-window mannequin (though there's more to the scene than that). Much later, in an event of surpassing randomness, another kind of reality crashes in to shattering effect.

The power of storytelling is the movie's main subject, manipulation is its main game. The book that spawned it was a comedy of manners, and Ms. Scherfig runs her show with brisk precision, though she still allows her characters to reveal themselves at their own pace. (At one of many revelatory moments, the hitherto ridiculous Hungarian producer of the propaganda film gives us a glimpse of his soul with a comment on the outwardly foolish American war hero who is brightening his life: "He is a brave boy.") In one of the most affecting passages, Catrin and Tom quarrel passionately beneath what he calls "a bomber's moon."

So how does it feel to be on the receiving end of all this manipulativeness? Absolutely fine for me from start to finish—fine to have my perceptions turned upside down, to be spun around into taking comic characters seriously; to find myself hoping fervently that Catrin and Tom realize how right they are for one another. There's a scene toward the end in which Catrin watches the movie she has written in a theater with a regular audience, sees how it moves those around her and understands the significance of what she's done. I was moved by her and her creation, by the whole unlikely panoply of joking and loving and striving in a nested pair of movies. That's the power of two stories artfully told.

## Weather

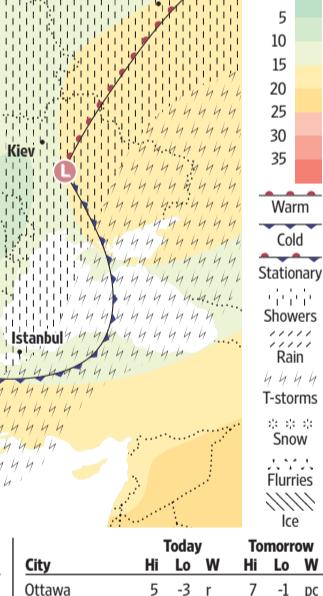


## Global Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	12	6	c	13	5	pc
Anchorage	7	-2	s	8	-2	s
Athens	20	11	pc	19	11	pc
Atlanta	17	5	s	21	7	s
Bahrain	30	15	s	29	16	s
Baltimore	11	2	c	15	3	s
Bangkok	33	25	t	34	27	t
Beijing	21	13	pc	18	5	c
Berlin	12	8	sh	13	6	c
Bogota	22	10	c	20	11	r
Boise	17	4	r	12	1	r
Boston	12	4	c	10	2	c
Brussels	13	4	c	14	6	pc
Buenos Aires	25	18	pc	23	18	t
Cairo	26	16	s	30	19	pc
Calgary	12	1	pc	11	-1	c
Caracas	31	25	pc	31	25	pc
Charlotte	15	2	p	19	4	s
Chicago	13	3	s	20	12	s
Dallas	26	15	pc	29	18	s
Denver	23	8	pc	23	4	pc
Detroit	9	0	c	16	7	s
Dubai	32	23	s	35	25	s
Dublin	14	4	c	16	6	s
Edinburgh	12	4	c	15	6	pc
Frankfurt	14	7	c	17	7	pc

## AccuWeather.com



City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	18	5	s	19	7	s
Hanoi	31	24	pc	32	24	pc
Havana	26	17	s	25	15	s
Hong Kong	26	22	pc	26	22	pc
Honolulu	29	23	pc	29	22	pc
Houston	26	13	pc	28	17	s
Istanbul	13	9	c	15	8	s
Jakarta	31	25	t	31	24	t
Johannesburg	23	12	c	22	12	c
Kiev	17	10	s	24	17	s
Kansas City	17	10	s	24	17	s
Kuala Lumpur	28	17	pc	24	10	pc
Lima	26	20	pc	27	20	pc
London	16	6	pc	17	6	s
Los Angeles	22	14	c	19	10	pc
Luanda	22	6	s	23	7	pc
Manila	34	26	pc	34	26	s
Melbourne	26	17	pc	26	12	sh
Mexico City	27	12	pc	27	12	pc
Miami	26	15	s	25	18	s
Minneapolis	16	8	s	23	12	s
Montevideo	27	14	pc	32	16	pc
Montreal	8	0	r	7	-1	s
Moscow	13	4	sh	8	-2	sh
Nairobi	33	24	pc	34	25	pc
Nashville	16	2	s	21	9	s
New Delhi	34	19	pc	34	19	pc
New Orleans	23	12	s	24	14	s
New York City	10	3	sh	13	3	pc
Orlando	23	9	s	24	10	s
Zurich	16	3	s	18	4	s

## The WSJ Daily Crossword | Edited by Mike Shenk



### TAKEN IN | By Marie Kelly

The answer to this week's contest crossword is a four-letter word.	20 Wedding registry category	39 1964 hit for Andy Williams
Across	21 As it happens	41 Raid target
1 "Get Yer ___ Out!" (Rolling Stones album)	22 Shore activity	42 Violet's cousin
6 Artful	25 Catering container	43 To be safe
9 Packs away	26 Arles article	46 "Il ___ tesoro" ("Don Giovanni" aria)
14 Mission that's a World Heritage Site	27 Like some noisy cats	49 Showy accessory
15 Arlington House honoree	28 Canaries' owner	50 Held in contempt
16 Roman's attire	30 Chart model	51 Hurting
17 Clarify	31 Hopeless undertaking	53 Public outburst
19 Fan's destination	32 First odd prime	54 Rework
20 Wedding registry category	33 Conch	55 Any of eight on a brilliant-cut diamond
21 As it happens	34 Ties	56 Take in
22 Shore activity	35 ___ noche (tonight, to Toledoans)	57 CPO's superior
25 Catering container	36 First odd prime	58 Driving support
26 Arles article	37 Reacts	
27 Like some noisy cats	38 Spur	
31 Hopeless undertaking	39 Home of minor league baseball's Drillers	
32 First odd prime	40 Wedding registry category	
33 Conch	41 Raid target	
34 Ties	42 Violet's cousin	
35 ___ noche (tonight, to Toledoans)	43 To be safe	
36 First odd prime	44 Thanksgiving vegetable	
37 Reacts	45 Iron target	
38 Spur	46 "Il ___ tesoro" ("Don Giovanni" aria)	
39 Home of minor league baseball's Drillers	47 Sporty Mazda	
40 Wedding registry category	48 Shimmy stones	
41 Raid target	50 Hiccup cure, perhaps	
42 Violet's cousin	52 Semicircular space	
43 To be safe	53 Antlered animal	
44 Thanksgiving vegetable	55 Neptune's domain	
45 Iron target	56 Take in	
46 "Il ___ tesoro" ("Don Giovanni" aria)	57 CPO's superior	
47 Sporty Mazda	58 Driving support	

► Email your answer—in the subject line—to [crosswordcontest@wsj.com](mailto:crosswordcontest@wsj.com) by 11:59 p.m. Eastern Time Sunday, April 9. A solver selected at

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday - Sunday, April 7 - 9, 2017 | B1

Euro vs. Dollar 1.0657 ▼ 0.08%

FTSE 100 7303.20 ▼ 0.39%

Gold 1250.30 ▲ 0.39%

WTI crude 51.70 ▲ 1.08%

German Bund yield 0.265%

10-Year Treasury yield 2.343%

## Deutsche Poised to Firm Finances

By JENNY STRASBURG

**Deutsche Bank** AG closed in on a successful \$8.5 billion share sale Thursday, the final day for investors to opt in to a capital-raising long seen as necessary to put the German lender on firm financial footing, according to people familiar with the matter.

The bank and its advisers were prepared to receive pledges for close to 100% of the shares available in the rights offer, in a preliminary tally that will be finalized Friday, the people said.

In at least one way, the capital-raising has diversified ele-

ments of Deutsche Bank's shareholder base. Overall, U.S. investors have participated in the share sale in greater proportion than they were represented as shareholders in the past, some of the people said.

Many of the bank's European investors have been burned by two other Deutsche Bank share sales since early 2013 and were more cautious about buying in this time around, according to people familiar with feedback the bank and its advisers received in recent weeks.

Investors and analysts were generally positive about the capital increase when it

was announced March 5. However, some say they still have questions about Deutsche Bank's ability to meet cost-cutting and profit targets while managing a second investment-bank restructuring in just 18 months.

Executives are also contending with challenges related to employee morale and banker departures following steep bonus cuts, according to people inside and outside the bank. Deutsche Bank has said it is purposely cutting jobs as part of its strategy and has played down other employee exits, saying voluntary staff departures have happened at

near the usual pace and that the lender is still attracting strong talent.

Top shareholders—including members of the Qatari royal family and Chinese conglomerate **HNA Group**—participated in the capital increase, people close to the matter said. HNA increased its stake to about 4.8%, up from 3% in mid-February, according to March regulatory disclosures, and has discussed boosting that amount a bit further, according to people briefed on discussions about the investor. The Qataris own a stake just under 10% through

Please see BANK page B2

KRISTJAN BOCS/BLOOMBERG NEWS

Deutsche Bank's headquarters in Frankfurt. Some analysts question its profit targets.

## Cohn Is Open To Bank Breakup

By RYAN TRACY  
AND EMILY GLAZER

WASHINGTON—The former **Goldman Sachs Group** Inc. executive who is the top White House economic adviser told lawmakers he could support legislation breaking up the largest U.S. banks, according to people familiar with the matter. The development bolsters congressional efforts to reinstate the Depression-era Glass-Steagall law.

The comments by Gary Cohn, director of the White House National Economic Council, came in a private meeting with lawmakers on the Senate Banking Committee Wednesday, these people said. His remarks were reported earlier by Bloomberg News.

Mr. Cohn was asked by Sen. Elizabeth Warren (D., Mass.) whether the administration planned to carry out a promise included in the Republican 2016 platform—and made by the Trump campaign—to restore the law separating traditional commercial banking from Wall Street investment banking. The law was repealed in 1999.

Mr. Cohn expressed an openness to working with Ms. Warren on the issue and said he could support a simple policy completely separating the two businesses, these people said. There are various ideas for restoring some form of Glass-Steagall, running the gamut from splitting apart firms completely to separating their various operations under an umbrella holding company.

A White House spokeswoman said Mr. Cohn "was simply discussing the president's previously stated position," adding, "The president spoke to the need for a simplification of the banking system on the campaign trail, what he called a '21st-century Glass-Steagall,' to make it easier for businesses to grow and create jobs in their communities."

Mr. Cohn's comments are consistent with other statements by Trump administration officials. But it isn't clear how much support there is for the idea among Republicans more broadly. Ms. Warren has in the past introduced a bill she called the 21st Century Glass-Steagall Act. In the last Congress, it received one Republican co-sponsor.

Treasury Secretary Steven Mnuchin has also said the administration is open to implementing some version of President Donald Trump's campaign promise. But in his Jan. 17 confirmation hearing, he expressed concern that "separating out banks and investment banks right now under Glass-Steagall would have very big implications to the liquidity in the capital markets and banks being able to perform necessary lending."

While the Trump team has endorsed the Glass-Steagall idea, it hasn't come forward

Please see COHN page B2

## Don't Bet Against Another Bubble

When the market value of money-losing **Tesla** Inc. passed that of **Ford Motor** Co. this week, it was a perfect illustration of investors' love affair with disruptive technologies. Investors seem to have forgotten another valuation comparison they should think about more often: In October 2008, the market value of **Mattel** Inc.,

maker of Matchbox toy cars, passed that of heavily indebted Ford.

Old hands in the markets like to say that one year in seven, investors worry about balance sheets, rather than profit. It has been eight years since that last applied, but as the Federal Reserve starts to discuss running down its own balance sheet, it is a good time to think about corporate indebtedness again.

Companies have been loading up on debt based on two assumptions, shared by investors: that economic growth will be slow and it will be steady. This is the perfect environment for leverage, as low growth keeps interest rates low relative to inflation, while the expectation of steady growth means few worry about a bad year interrupting repayments.

The danger is that either assumption proves wrong, and the focus shifts back from profit to balance sheet. Such a shift could be ugly, because there is so much more debt than usual being piled up by companies outside the finance sector. The ratio of debt to operating cash flow of the highest-quality U.S. companies is just slightly down from a record reached last year, Morgan Stanley calculates. Given leverage has in the past jumped in recessions, this is particularly unusual.

Rather than expanding overall profit, companies have been boosting the return to shareholders by replacing equity with debt—a zero-sum transfer that can't be repeated indefinitely.

Consider the bubbles of 2000 and 2007: In 2000, share prices were very (very!) high but debt was relatively expensive. The assumption was that new technology would lead to rapid earnings growth, but it would be volatile and uncertain, so needed to be financed with equity.

The rash of initial public offerings was a natural supply response to the demand for shares, and established companies took advantage, too, financing takeovers far more than usual with new equity. The bust that followed was painful, but share prices bore the brunt of the

Please see STREET page B2

## Inside a Quant 'Alpha Factory'

Igor Tulchinsky's company is part of a renaissance in quantitative investing



MICHAEL BUCHER/THE WALL STREET JOURNAL

WorldQuant founder and CEO Igor Tulchinsky has his people searching for patterns in torrents of data in a connected world.

By BRADLEY HOPE

As a 20-something computer engineer looking for a job in the 1990s, Igor Tulchinsky hit on an idea: Mail thousands of flattering letters to CEOs of companies in the belief that one of them would land on the right desk. The tactic paid off when he scored a job as a trading strategist that set him on track to a successful career on Wall Street.

At **WorldQuant** LLC, a quantitative investment firm Mr. Tulchinsky founded in 2007, the same formula is at the core of the firm's DNA. In searching for patterns in tor-

rents of data coming out of an increasingly connected world, WorldQuant aims to get the maximum number of minds working on problems at any moment. The firm is part of the forefront of a quantitative renaissance in investing, in which the ability to make sense of billions of bits of data in real time is more sought after than old-school financial analysis.

"Brilliance is very equally distributed across the world, but opportunity is not," said Mr. Tulchinsky, a 50-year-old Belarusian. "We provide the opportunity."

To do this, WorldQuant de-

veloped a model in which it employs hundreds of scientists, including 125 Ph.D.s, around the world and hundreds more part-time workers to scour the noise of the economy and markets for hidden patterns. This is the heart of the firm. Mr. Tulchinsky calls it the "Alpha Factory."

That is why his Old Greenwich, Conn., firm built a web of international offices unlike any other investment firm. Apart from five offices in the U.S., WorldQuant has 15 foreign outposts in places such as Moscow; Sofia, Bulgaria; Bangkok; Beijing; Mumbai; Hanoi; Seoul; and Ramat Gan, Israel,

where researchers develop code to trade the markets.

It manages more than \$5 billion and has more than 500 employees. By comparison, its competitor Two Sigma Investments LLC manages more than \$45 billion and has more than 1,100 employees.

Quantitative hedge funds have been around for decades but they are becoming dominant players in the markets for their ability to parse massive data sets and trade rapidly. Amid huge outflows, traditional hedge funds are bringing aboard chief data scientists and trying to mimic

Please see INVEST page B2

## Investors Get Juiced Up for Green Power

By RUSSELL GOLD

What if the wind sweeping down the plains of Wyoming could be harnessed to generate enough electricity to power the city of Los Angeles?

It soon could, thanks to a

its urban centers.

Near Rawlins, in rural Wyoming, crews are prepping land near the state line with Colorado so they can build a 3,000-megawatt wind farm, which could be the largest ever constructed in the U.S.

Crucial for moving all that renewable power to market: Mr. Anschutz's proposed 730-mile transmission line—a giant extension cord of sorts that will deliver the electricity to a point near Las Vegas. From there, the power can easily flow into Southern California's grid. Mr. Anschutz isn't the only wealthy investor pumping money into power-line projects in an effort to bring green energy to big cities. The Ziff family, whose fortune harks back to the glory days of magazine publishing, also is partly funding a green-power project between Oklahoma and Tennessee.

Altogether, these and other merchant-transmission projects could cost upward of \$17 billion, plus at least a further \$20 billion in wind, solar and hydro projects to fill these lines. Despite deep pockets and state mandates for more renewable energy, fortifying the grid to move green power from the middle of the country where it is reliable and cheap to produce to metropoles where it is needed has proved problematic, said Bill Miller,

Please see POWER page B2



MARK PETERS/THE WALL STREET JOURNAL

Bill Miller in 2013 at Anschutz's Wyoming wind-farm project, which would deliver electricity to cities.

## INSIDE



DEBT SALES UP IN EMERGING MARKETS

FINANCE & MARKETS, B5

## INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	E	P
Alibaba Group Holding.....B3	Fannie Mae.....B8	Peloton Technology....B3
Amazon.com.....B2,B3	Federal Reserve.....B8	Pivot Investment Partners.....B7
Amtrak.....A6	Ford Motor.....B1,B2,B8	PNC Financial Services Group.....B7
Anbaric.....B4	G	Saudi Aramco.....B5
Andreessen Horowitz.....B3	General Motors.....B3	Seven & I Holdings.....B3
Anschutz.....B4	Graham Holdings.....B3	Sompo Holdings.....B7
Anthemis Group.....B7	H	Space Exploration Technologies.....B3
Apple.....B7	HNA Group.....B2	Spotify.....A1
AT&T.....B7	I	Suncor Group.....B7
BAT.....B4	Intercontinental Exchange.....B5	T
Aviva.....B8	K	Tesla.....B1
AXA.....B7	KPMG.....B7	Theranos.....B3
Baidu.....B7	Kraft Heinz.....B8	Trov.....B7
BlackRock.....B7	L	U
Blue Origin.....B3	Lucas Venture Group.....B3	Uber Technologies.....B3,B7
Bluescape Energy Partners.....B4	Lyft.....B3,B7	Unilever.....A1,B8
BP.....B3	M	V
Cisco Systems.....B7	Macromedia.....B7	Verizon Communications.....B4
Clean Line Energy Partners.....B4	Munich Re.....B7	W
Comcast.....B4	N	Walgreens Boots Alliance.....B3
D	National Grid.....B4	Williams & Jensen.....B5
Denizens Brewing.....A6	O	WorldQuant.....B1
Deutsche Bank.....B1	Oak HC/FT.....B7	

## INDEX TO PEOPLE

A	H	S
Anschutz, Philip.....B1	Fransasiak, David.....B5	Rear, Andy.....B7
B	Hazelpin, Will.....B4	Robbins, Chuck.....B7
Bareau, Pierre-Yves.....B5	Holmes, Elizabeth.....B3	S
Bezos, Jeff.....B3	Moroney, Tim.....B7	Schiff, Adam.....A5
C	O'Brien, Thomas H.....B7	Sewing, Christian.....B2
Cohn, Gary.....B1	P - R	Skelly, Michael.....B4
Colman, Robert.....B3	Parker, Ed.....B5	T
D - F		Tiftik, Emre.....B5
Dudley, Bob.....B3		Tulchinsky, Igor.....B1
Fields, Mark.....B8		Walchek, Scott.....B7

## BANK

Continued from the prior page  
two investment vehicles.

A Deutsche Bank spokeswoman declined to comment on the capital-increase participation or individual shareholders. Representatives of the shareholders couldn't be reached or declined to comment.

Deutsche Bank's shares rose 0.2%, to €15.68 (\$16.72), Thursday, and during the share sale have traded well

including Chief Executive John Cryan sought to avoid a share sale for much of last year but were forced to consider the option in part because they gave up plans to sell the lender's Postbank retail-banking business in Germany.

The bank suffered from persistent skepticism about its ability to handle potential losses and other financial shocks and still meet key interest payments and other obligations and hold on to clients. Legal settlements and related costs have weighed heavily on the lender.

In considering the timing and advantages of a capital raise, Mr. Cryan wanted to resume paying shareholders a dividend this year and put the capital question to rest, people close to the bank say. Also, by late January, Deutsche Bank's shares were trading above €19, compared with multiyear lows near €10 in the fall.

Along with the capital increase, Deutsche Bank last month promoted two senior executives, retail-banking chief Christian Sewing and finance chief Marcus Schenck, to new roles as deputy CEOs. Deutsche Bank plans soon to name a new CFO and move Mr. Schenck over to co-head the recombined investment bank and trading business with markets chief Garth Ritchie.

above the steeply discounted €11.65 subscription price for the 687.5 million new shares issued.

The capital increase was led by Credit Suisse Group AG, along with Barclays PLC and Goldman Sachs Group Inc., initially with a total of eight underwriting banks. That number was later expanded to 30 banks, Deutsche Bank said March 19.

Deutsche Bank executives

ance sheet today, although its finance arm, a separate source of trouble amid the banking collapse, is big again.

Today's market is different from both 2000 and 2007. Equities are expensive, but still look relatively cheaper compared with debt on widely used models that compare bond yields to the "earnings yield," forecast earnings as a percentage of share price. Finance chiefs like to issue whatever investors will pay the most for, and at the moment that is debt, so companies have been selling debt to buy back shares.

If and when there is a nasty surprise from the economy or the Fed, highly valued shares in companies with a lot of debt and a mistaken assumption of solid earnings will be the most vulnerable.

The market isn't yet repeating the 2000 equity bubble or the 2007 debt bubble, but it has some of the worst features of both. If investors turn out to be mistaken in thinking the economic cycle won't turn down for years yet, it is going to hurt.

In 2007, debt was cheap compared with equity, so companies chose to issue debt to buy back shares, and to finance the takeover boom with loans. Worse, the finance bubble boosted earnings to unsustainable levels and left the banks vulnerable. When the bust came, the assumption that earnings growth was sustainable proved wrong, and the sudden focus on the balance sheet forced companies to replace debt with equity.

Ford was doubly caught out by the 2008 crash, with earnings plunging and debt too high. Ford has learned a lesson, with more cash than debt on its automotive bal-

ances.

Global outposts are just one part of the operation.

WorldQuant also draws in amateur quantitative traders through a platform called WebSim, which gives people access to data and a system to test ideas. From there, it found more than 450 paid consultants to WorldQuant whose algorithms are added into the company's central database and often used in trading. That approach lets engineers, computer scientists and mathematicians working in any field work on quantitative investing on the side.

The "Alpha Factory" breaks up the process of investing into a quantitative-trading assembly line. The inputs are data acquired by a special group that scours the globe for interesting and new data

sets, including everything from detailed market-pricing data to shipping statistics to footfall in stores captured by apps on smartphones.

Researchers around the world attack the data with computing power and mathematical techniques to find patterns. They write algorithms that purport to predict similar patterns in the future, test them extensively and then add them into a central repository.

Mr. Tulchinsky said the company has four million "alphas" to date and is aiming for 100 million. Each alpha at WorldQuant is an algorithm

that seeks to profit by predicting some future change in the price of a stock, futures contract or other asset.

Other groups combine alphas into strategies and strategies into bigger portfolios.

The "Uber" team then works on perhaps the most crucial system of allocating funds among them and balancing the whole company's trading to weigh risk and avoid strategies cannibalizing each other. WorldQuant largely focuses on stocks.

"It comes down to turning data into ideas into investments," Mr. Tulchinsky said.

"When we started out with very few alphas, we were concerned with secrecy, but now that we have millions, no one alpha is important. Our edge is putting things together."

The idea is that with so many "alphas," even weak signals can be useful. If counting cars in parking lots next to big box retailers has only a tiny predictive power for those retailers' stock prices, it can still

## BUSINESS & FINANCE

# Amazon to Add Workers

Online retailer to nearly double its part-time workforce in U.S. as business expands

BY LAURA STEVENS

**A**mazon.com Inc. said it would create 30,000 part-time positions in the U.S. over the next year, nearly doubling the total as its customer base and sprawling warehouse network expand.

Of the jobs, 25,000 will be warehouse positions and the remaining 5,000 home-based positions answering customer calls, emails and chats in what the online retailer calls its virtual customer-service department.

Companies from **Ford Motor Co.** to **Charter Communications Inc.** have been touting plans to expand their U.S. workforces since the election of President Donald Trump, who emphasized job creation during the campaign and has chastised companies for sending jobs abroad.

Amazon itself said in January that it would create 100,000 full-time positions over 18 months.

Many were already in the works, and analysts at the time said the announcement was part of an effort to patch up the company's contentious relationship with Mr. Trump.

Amazon's workforce has been expanding rapidly in recent years as it builds dozens of warehouses to be closer to



An Amazon warehouse in California. The e-commerce firm plans to create 30,000 part-time jobs.

customers, which reduces shipping costs and allows the company to deliver more of its own packages. Last year, the world-wide workforce rose 48%, to 341,400.

Tom Weiland, vice president for world-wide customer service, said a rapidly increasing customer base is the reason for more than doubling the size of the U.S. virtual customer-service program.

"Our work-from-home program, just like our customer-service program generally, continues to grow because the Amazon business continues to grow so fast," he said. "We just need to keep up

with the pace."

Mr. Weiland said expanding the virtual customer-service workforce specifically allows Amazon to tap workers who have difficulty leaving the house for a job or face other obstacles, such as stay-at-home parents, military spouses and veterans. More than 70% of such virtual employees at Amazon receive benefits, he said.

Amazon has nearly 40,000 part-time U.S. employees, and those working more than 20 hours a week receive benefits, including dental and vision insurance and cash to purchase medical insurance or pay medical costs.

Amazon hasn't previously disclosed its part-time hiring plans.

Amazon said pay for its part-time positions varies. A job posting for work-from-home positions says wages start at \$10 an hour nationwide. Rates for other jobs change by location.

Amazon and its chief executive, Jeff Bezos, have had notably contentious interactions with Mr. Trump, who during the campaign accused Mr. Bezos of buying the Washington Post to influence politics.

Weeks before the election, Mr. Bezos said the candidate's behavior "erodes democracy around the edges."

## COHN

Continued from the prior page with its own proposal. Meanwhile, Treasury officials are meeting with financial-industry officials to discuss ways to roll back rules adopted under the Obama administration. They are due to make recommendations to the White House in early June.

Some observers said they didn't view Mr. Cohn's comments as a threat. "We continue to believe that a return of some form of Glass-Steagall remains more of a headline risk rather than a real policy risk and we think the odds are against the reinstatement of the law," Brian Gardner, an analyst with Keefe, Bruyette &

Woods, said in a note to clients Thursday.

"I don't think we're concerned," said one banker at a large firm. The bank is "pleased with the direction" of Mr. Trump's administration and its executives aren't racing to change strategy or make a big new lobbying push. "It's the same day as it was yesterday," this person said. "It's not a time to go crazy."

Tim Pawlenty, president of the Financial Services Round-table trade group, said Thursday:

"Large financial institutions play a role in the American economy other institutions are not able to fill. We are working with Congress and the administration on a common-sense approach to financial regulation modernization and look forward to more

progress."

Mr. Cohn's comments will give Ms. Warren and other supporters of the idea more momentum. He was until recently the No. 2 executive at Goldman Sachs, the Wall Street investment bank that took on more traditional banking businesses—and the additional regulation that comes with them—after converting to a bank holding company to get government help during the 2008 financial crisis.

Mr. Cohn "was the most likely obstacle within the Trump White House" to restoring Glass-Steagall, said Jaret Seiberg, an analyst with Cowen & Co., in a note to clients. "With him supporting Glass-Steagall's restoration, there is no one in the inner circle left to fight it."

Mr. Seiberg said banks may be underestimating the threat: "At some point the market is going to have to accept that the Trump administration is serious about restoring the Glass-Steagall separation between commercial and investment banking."

Glass-Steagall was adopted in the 1930s as a way to keep securities businesses separate from taxpayer-insured banks.

The separation of lending and investment banking eroded in the latter part of the 20th century, as banks won exceptions to diversify their businesses.

Since Congress repealed the law in 1999, liberals have pushed to reinstate it, calling such a move a simple way to make the economy more stable by removing a taxpayer backstop to risky activities.

## INVEST

Continued from the prior page with quant techniques to keep up, fund executives say.

Some critics of quants believe their strategies are over-hyped and are highly susceptible to finding false patterns in the noise of data. David Leinweber, a data scientist, famously found that the data set with the highest correlation with the S&P 500 over a 10-year period in the 1990s was butter production in Bangladesh.

WorldQuant has stayed below the radar, because it has always exclusively managed money for one client, Israel Englander's \$34.6 billion hedge fund, Millennium Management LLC. It has never published performance numbers, but people briefed on the matter say the firm has never had a down year.

The firm began as a handful of traders within Millennium that Mr. Tulchinsky spun out in 2007. It is exploring handling money from other investors but hasn't finalized any products, he said.

Global outposts are just one part of the operation.

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WorldQuant has five offices in the U.S. as well as 15 foreign outposts.

The "Uber" team synthesizes, allocates funds and balances risk

Trade is executed

Strategies are turned into portfolios

Portfolios

Alpha is a prediction of market activity based on data inputs

Alpha team brings in data sets, ranging in hundreds in total

Researchers around the world analyze the data, coming up with 'alphas'

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Alpha is a prediction of market activity based on data inputs

## BUSINESS NEWS

# Lyft Lifts Funds By \$500 Million

BY ROLFE WINKLER  
AND GREG BENSINGER

Ride-hailing company **Lyft** Inc. is completing a new \$500 million funding round that sharply increases its valuation at a time when larger rival **Uber Technologies** Inc. is reeling from a series of scandals.

Lyft's new round puts its valuation at about \$7.5 billion including the funds raised, up from a previous valuation of \$5.5 billion early last year, according to a person familiar with the matter.

The company disclosed the new funding in a corporate filing, according to Equidate Inc., a stock market for private companies.

The San Francisco company, which bills itself as a kind of anti-Uber, had been discussing with investors a valuation of between \$6 billion and \$7 billion, The Wall Street Journal reported last month.

As measured by share price, the company boosted its value by 20% from the prior round, according to corporate filings.

It isn't clear who invested in the new round. Lyft's investors include companies such as **Alibaba Group Holding** Ltd. and General Motors Co., and venture firms such as **Andreessen Horowitz** and Peter Thiel's Founders Fund.

Lyft and Uber compete fiercely for drivers and customers, but Lyft only operates in the U.S. and generally has about 15% of the market based on dollars spent, as measured by credit-card data firm Second Measure.

Uber, which operates around the world, is valued roughly 10 times higher by investors at nearly \$70 billion. Last year, it raised more capital in a single investment—\$3.5 billion from the Saudi

government—than the roughly \$2.5 billion that Lyft has collected in its lifetime.

But Uber has lately been buffeted by bad headlines. The company is investigating allegations that it tolerates sexual harassment and sexism and is dealing with several executive departures.

It is also reviewing an internal program that was used to evade government officials and is fighting a lawsuit by rival Alphabet Inc. that claims Uber stole proprietary self-driving car technology.

Uber is searching for a top deputy to Chief Executive Travis Kalanick, who after a video surfaced showing him yelling at an Uber driver publicly admitted he needs management help and vowed to "grow up."

Lyft has sought to take advantage of Uber's missteps by marketing itself as a kinder, gentler alternative. When Uber was facing a backlash earlier this year for appearing to undermine a taxi driver protest at New York's John F. Kennedy International Airport over President Donald Trump's travel ban, Lyft quickly said it was donating \$1 million to the American Civil Liberties Union.

Last November Lyft spoofed Uber in a series of TV commercials portraying executives at a fictitious competitor scheming to take down Lyft with lasers and spike strips. Company President John Zimmer said in a March interview in Time magazine that Lyft is "a better boyfriend" than Uber.

Lyft has been pushing into new U.S. markets, like Birmingham, Ala., and recently introduced a method for passengers to donate to favored causes by rounding up their fares to the nearest dollar and giving away the difference.



Changan Ford Automobile's factory in Chongqing, China, shown in 2014. The venture will start building a hybrid next year.

CHEN CHENG/XINHUA/ZUMA PRESS

# Ford's Latest Plan for China

BY TREFOR MOSS

SHANGHAI—**Ford Motor** Co. said Thursday that it would start building electric cars in China to tap into a state-sponsored boom in green-energy vehicles.

In doing so, the Detroit-based company signaled that it had swallowed industry concerns about bringing proprietary electric-car technology to China, despite misgivings among foreign auto makers about intellectual-property protection in the world's largest auto market.

"It's manifest destiny" for foreign car makers to get past those fears and start building electric cars in China, said Bill Russo, managing director of Gao Feng Advisory, a Shanghai consulting firm.

Mass uptake of electric vehicles is set to happen in China first, he said, "and none of those companies can afford not to be relevant to the future of their industry."

Ford's local joint venture, Chang'an Ford Automobile Co., will start building the Mondeo Energi plug-in hybrid vehicle in China next year, with a new all-electric sport-utility vehicle

set to follow within five years, the company said.

Electric powertrains will be manufactured locally by 2020, and by 2025 all of Chang'an Ford's vehicles will come in electrified versions, it said.

"The time is right for Ford to expand our EV lineup and investments in China," said Chief Executive Mark Fields.

China is already the world's largest market for electric vehicles, with over half a million electric or hybrid cars sold there last year, according to the China Association of Automobile Manufacturers.

The government is encouraging their uptake by heavily subsidizing electric cars through payments to manufacturers, which are then able to sell EVs more cheaply. It is also far easier to obtain a license plate for an EV than for a traditional gasoline car in congested cities such as Beijing and Shanghai.

Local authorities have also set ambitious targets for electrifying bus and taxi fleets over the next few years, and for the rollout of EV charging facilities. There could be as many as 32 million new-energy vehicles in China by 2025, according to Gao Feng

Advisory—a total that is likely to be a substantial share of the global fleet, with uptake of EVs in the U.S. and Europe happening more slowly.

Yet while most gasoline cars sold in China are built by foreign auto makers operating through local joint ventures, almost all of the electric cars sold in China last year were made by Chinese companies operating without foreign input.

Silicon Valley electric-car maker Tesla Inc. was the one notable exception: Without disclosing how many cars it had sold, the company said in a March 1 filing that its 2016 revenue topped \$1 billion in China for the first time last year, leading auto-industry analysts to estimate China sales of around 11,000 imported vehicles. Chinese tech company Tencent Holdings Ltd. last week revealed it had taken a 5% stake in Tesla.

But Tesla, like most other foreign auto makers, has so far held back from building EVs in China. Beijing had sought to spur EV manufacturing by telling auto makers that a certain proportion of the cars they build in China would have to be electric in the near future,

although officials have recently signaled that those moves might be delayed amid complaints from the industry and from foreign governments.

Imported cars incur a 25% tariff, making them less competitive, and so auto makers naturally want to build in China, said Michael Dunne of Hong Kong-based Dunne Automotive. But they have been holding out for some relaxation of China's strict joint-venture rules before committing to large-scale EV manufacturing in China, he said.

Foreign car makers and the Chinese authorities have been "sitting around the poker table," said Mr. Dunne.

It is the foreign car makers who appear to have blinked.

In March, Buick, a unit of General Motors Co., announced plans to start building plug-in hybrid and electric vehicles in China. Last year, GM said it wanted to have 10 new-energy vehicles in China by 2020, though it has yet to reveal any plans to start manufacturing its highest-profile EV, the Chevrolet Bolt, in the country.

♦ Heard: Ford's China strategy could hit speed bumps. .... B8

## BUSINESS WATCH

### ALPHABET

#### YouTube Blocks Ads On Some Channels

YouTube said Thursday that video channels on its site must now have more than 10,000 total views before the company will place ads on their videos, a major shift in policy the company said is designed to punish rule breakers.

The move by YouTube, owned by **Alphabet** Inc.'s Google, comes amid a backlash from advertisers over the company's placement of ads on objectionable videos. The change is likely to reassure some advertisers, though it could also upset many of its millions of creators.

YouTube said the policy has been in the works since November and is designed to block channels that steal others' content for revenue.

—Jack Nicas

BP

#### CEO's Pay Cut 40% To \$11.6 million

**BP** PLC said Thursday that it shrunk its chief executive's pay package for 2016 by 40% and announced plans for a new executive remuneration policy that would lower the cap on maximum earnings.

The move comes after shareholders revolted over a decision to bump CEO Bob Dudley's compensation by 20% in 2015—a period when the energy company incurred a loss of \$5.2 billion. At the company's annual general meeting last year, 59% of investors voted against its policies on executive pay in a stinging, though nonbinding rebuke.

"Last year's AGM remuneration vote was a clear message about how we manage executive pay," the chair of the company's remuneration committee, Professor Dame Ann Dowling, wrote in BP's annual report. "We made a commitment to respond in a constructive way."

Mr. Dudley will receive \$11.6 million for 2016, compared with the \$19.6 million he received in 2015.

—Sarah Kent

# Founder of Theranos Owes Her Company \$25 Million

BY CHRISTOPHER WEAVER

**Theranos** Inc. founder Elizabeth Holmes, whose once-\$5 billion stake in her blood-testing firm has shriveled amid regulatory and legal challenges, also owes her company about \$25 million, people familiar with the matter said.

The disclosure of the debt was included in a deal document Theranos circulated to a select group of current investors with whom the firm seeks to trade shares from Ms. Holmes's personal stake in exchange for a promise not to sue the company or its executives, the people said.

A Theranos spokeswoman declined to comment on the debt or to make Ms. Holmes available to comment.

The \$25 million Ms. Holmes owes Theranos comes from an agreement between her and the company that allowed her to exercise options to buy more stock without having to pay upfront. Instead, she agreed to pay the company for the shares later, one of the people said.

Ms. Holmes didn't get any company cash from the arrangement, the person said. It isn't clear when the pact was struck. The company has the ability to release Ms. Holmes from the debt or cancel the shares, the person said.

"It subverts the entire premise of an option grant," said Neil Minow, vice chair of ValueEdge Advisors, a corporate governance consulting firm, who said such grants are traditionally meant to encourage executives to produce results for their shareholders. The deal between Theranos and Ms. Holmes means "any downside is someone else's risk," Ms. Minow said.

Closely held companies like Theranos often make loans and other agreements to top executives, said Charles Elson, a management professor at the University of Delaware. Publicly traded companies are generally barred from financ-

ing executives' exercise of stock options by the Sarbanes-Oxley law, he said.

Ms. Holmes has never sold any of her shares, including those associated with the debt, people familiar with the matter said.

Investors who agree not to sue Theranos would receive a significant portion of Ms. Holmes's holdings, which currently amount to over 50% of the company, people familiar

*The debt owed by Elizabeth Holmes stems from a pact for stock options.*

with the pending offer said. Investors have until April 14 to choose whether or not to accept the deal, which would go into effect then.

The Wall Street Journal first reported on the planned deal last month.

People close to Ms. Holmes say she has lived an austere lifestyle and has been intensely focused on the company since she founded it in 2004.

She has led Theranos through increasingly intense scrutiny from investors, regu-



Elizabeth Holmes's stake in the blood-testing firm has shrunk.



The ride-sharing service's valuation is now pegged at \$7.5 billion.

# Bezos Touts Plans For Space Tourism

BY ANDY PASZTOR

COLORADO SPRINGS—Looking to start space-tourism flights in 2018 that he predicts will open the gateway to this new generation of people eager to start businesses involving space.

Wearing dark glasses, casually dressed and sometimes cracking jokes, an upbeat Mr. Bezos reiterated his argument that lowering launch costs promises a revolution in entrepreneurship and could provide a major boost for an array of startup companies world-wide. He said reaching the goal of affordable space access depends on three variables: talented people, money and patience. "And we have all three," he said.

As one of the world's most successful and widely known entrepreneurs—and a self-described "space geek" who became fascinated by human exploration of the heavens as a youngster after watching Apollo moon landings—Mr. Bezos has pumped big chunks of his fortune into Blue Origin. Until Wednesday, however, he kept the amount confidential.

But in his remarks, the often secretive Amazon chairman also laid out a much broader, longer-term vision of how Blue Origin's accomplishments so far and its plans for the future are poised to usher in a "golden age of space exploration."

Spurred by dramatic drops in the cost of access to space—which he predicted ultimately could be one-hundredth of current prices—he said "you will be living in a completely new world" that

## TECHNOLOGY

WSJ.com/Tech

# Twitter's Williams To Sell Chunk of Shares

BY DEEPA SEETHARAMAN

Twitter Inc. co-founder and board member Evan Williams disclosed Thursday that he plans to sell up to 30% of his shares in the social-media company over the next year.

Mr. Williams, Twitter's largest individual shareholder with a 6% stake, cited personal reasons for the selling plan, which kicked off Monday. He said he plans to remain on the company's board and intends to keep the "vast majority of my assets" tied up in Twitter shares.

"It actually pains me to be selling at this point, but this sale is all about personal context, not company context," Mr. Williams wrote in a post on Medium, the blogging startup he now runs as chief executive.

After selling roughly \$4 million worth of stock this week, Mr. Williams's current stake is worth about \$623 million at the current share price. This week's sale accounted for less than 1% of his holdings in Twitter, according to securities filings.

"The plan is not expected to result in the sale of more than 30% of Ev's holdings," a Twitter spokeswoman said in a statement.

She said the sales are part of Mr. Williams's "continued efforts to diversify his financial positions and focus on his charitable organization and

# How Grade Inflation Dogs the Internet

You know what I'd award zero stars? Most of the star ratings you see online.

I ran a little experiment tallying all the duct tape sold on Amazon. Of the 250 types and sizes, the average rating was 4.2 stars. On Yelp, I looked up gelato joints in San Francisco: More than half get either 4.5 or 5 stars. And I can't recall ever seeing an Uber driver with a rating lower than 4.3 stars.

But wait, there's less:

Online product ratings average about 4.3 stars all together, says PowerReviews, which runs ratings for more than 1,000 online shops.

No doubt, online ratings can help weed out bad products, put sketchy restaurants out of business and keep dangerous drivers off the road. But I refuse to accept that everything on the internet is above average.

On Wednesday, Netflix officially put its five-star system out to pasture. After extensive testing, it's replacing it with a simple thumbs up and thumbs down. "You get more ratings when you have fewer decision points," says Todd Yellin, Netflix's vice president of product innovation. More data, plus actual viewing behavior, allows Netflix to make personalized suggestions, represented as a percent match. It's like a dating site for movies.

Star ratings were borrowed from professional critics and now are often misused to harvest the wisdom of the crowd. But people need help interpreting



Netflix has replaced its five-star system with a simple thumbs up and thumbs down to get more ratings on its video offerings.

the results. "Is three stars good or bad? I can't think of a platform that has nailed it," says Michael Luca, an assistant professor at Harvard Business School who studies information design.

### Blame Yourself

It's partly our fault: We're far too nice. Evidence shows we're much more likely to give positive ratings than bad ones. Yelp says 46% of the reviews we give local businesses are five stars. That may just be human nature: You chose this restaurant, so how could it be anything less than a five-star decision?

It gets worse when apps use ratings to evaluate workers. Uber drivers can get the boot for relatively minor ratings dips, though the company won't specify the cut-off. It feels socially awkward to give less than five stars. Uber's stars aren't for finding good drivers, they're for flagging bad ones.

Yelp is using star ratings

to surface the best local businesses. But when every gelato shop has an above-par rating, we need other factors to pick a winner. That's one reason Yelp requires participants to leave written reviews. The downside: We have to trust the taste of people who have time to write Yelp reviews.

And then there's cheating. Apps inflate ratings by asking if users are happy before prodding them to write a review. (Not happy? Here's customer service.) I've seen Uber drivers offer to end the ride early, shaving a bit off the price, in exchange for a five-star rating. And that's not counting reviews by paid shills or internet trolls.

### Better Ways

Amazon brought lawsuits against over 1,000 defendants for abuses such as purchasing fake reviews; last year, it changed its star system to give more weight to the most helpful reviews and those from verified purchasers.

Airbnb discovered it got more accurate reviews when it made them double-blind in 2014: Hosts and guests don't see each others' reviews before posting.

There's tension between simplifying ratings to get more people involved, and asking for more details to make ratings more useful. When Netflix tested thumbs, it found participation rates doubled to 40%. Despite the loss of star-specific granularity, Netflix says people are also more honest with thumbs, which allows its software to make suggestions that actually stick.

Uber also tested thumbs, along with smiley-face emojis, but says the alternatives made riders even more overly positive—and resulted in lost feedback for drivers. Uber did add menus to its five-star system for rider compliments and specific criticisms.

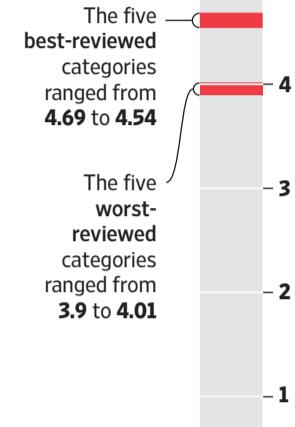
To make star ratings less inscrutable, TripAdvisor presents both averages and rankings. San Francisco's Maritime Museum has 4.5 stars, for example—but is actually only the city's 152nd best attraction.

Yelp's search results are ordered not just by average rating, but also by number of reviews, how recent they are and your distance from the business. Its top-listed SF taco joint, El Farolito, has just four stars... but more than 4,000 reviews.

Replacing star systems won't be easy, because we have become accustomed to them. "All kinds of companies have attempted to create other scales, and most of them end up reverting back to five-star ratings," says Matt Moog, chief executive of PowerReviews.

### Everything Is Awesome

The average ratings of the most positively and negatively reviewed products are not far apart, says PowerReviews, which runs ratings systems for over 1,000 retailers.



Top categories are digital SLR cameras (4.69), camera lenses (4.6), electric guitars (4.6), soaps, sanitizers, lotions, wipes (4.54) and dog food (4.54). Bottom categories are bras (3.9), cigars (3.92), mascara (3.96), cell phones (3.96) and swimwear (4.01).

Source: PowerReviews

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What we really want is for these companies to get us. Alas, ratings get better when companies track more about what you are doing—whether you actually bought the product or ate at the restaurant. Netflix's insights are brilliant because the company knows what you stopped watching after 10 minutes.

A personalized recommendation is better than a four-point-whatever star rating any day of the week, but you only get it when you're really plugged in.

# Cable's Comcast Joins Mobile-Phone Business

BY SHALINI RAMACHANDRAN AND RYAN KNUTSON

Comcast Corp. is entering the fiercely competitive wireless phone market, just as big carriers such as AT&T Inc. and Verizon Communications Inc. are pushing unlimited data plans and jockeying for a piece of Comcast's television turf.

The largest U.S. cable-television company by subscribers unveiled Thursday details of a service, dubbed Xfinity Mobile, that it has been preparing to launch for years. The service will be available to customers only in combination with at least the company's home internet service.

Comcast will offer unlimited calling, texting and data plans that cost either \$45 or \$65 a month per line, depending on how many other Comcast services are bundled together.

Comcast also has a unique offer: the chance to pay just \$12 a gigabyte. That means some customers who don't use a lot of data can opt for a plan that is much cheaper than what major carriers offer.

Comcast's \$65-per-line option is \$15 less than what Verizon charges for a single unlimited line and undercuts AT&T by \$25. Customers can get the \$45 option only if they have one of Comcast's high-end internet and cable bundles, which start at \$150 a month.

Comcast hopes that by offering a "quad play"—cable TV, home internet, home

phone and wireless service—customers will be more likely to stick with Comcast and less likely to cut the cord. While AT&T and Verizon have the ability to bundle all four services in some markets, neither firm has done so aggressively.

Wireless carriers are contending with slowed growth and a cutthroat price war for mobile customers, while cable companies such as Comcast are navigating a saturated pay-TV business under assault from cord-cutting and inexpensive online video options. For both groups, the other's turf looks ripe for disruption.

"The view is completely different if you're an incumbent versus if you're a challenger," said MoffettNathanson analyst Craig Moffett. "For a challenger, all you can see is green grass and wide open spaces."

AT&T, which bought DirecTV in 2015, has been aggressive in going after cable. In November, it started selling a streaming-video service called DirecTV Now. AT&T lets its wireless customers stream unlimited amounts of video from the service without counting against data caps.

Verizon is also laying the groundwork for a similar streaming-video service that could compete with cable-TV bundles, people familiar with the matter said. It has also touted plans to build ultra-high-speed wireless connections, known as 5G, that could one day compete with home broadband services.



Comcast tested a service in Philadelphia last year that would deliver free Wi-Fi during events.

Comcast views wireless phone service as an opportunity to create a business that will help it retain customers and sell more of its other products into homes. Charter Communications Inc., the second-largest cable company, has said it will follow suit with a mobile offering in 2018.

Comcast's wireless service will have nationwide coverage but would be offered only to customers who buy at least its internet service. Its least expensive home service is a \$40 monthly broadband plan. The company's cable network passes 50 million homes.

Comcast will deliver the service using Verizon's cellular network, under a reseller pact the companies struck over five years ago. Comcast will also rely on millions of Wi-Fi hotspots it has built to help manage data traffic.

The company will use its hundreds of remodeled retail stores to sell the wireless service. Seeking to counter the negative stereotypes about cable companies' customer service, Comcast plans to mail new customers personalized phones already signed in to access Comcast's TV streaming apps and Wi-Fi hot spots.

"This is about changing perceptions around our brand," said Greg Butz, president of Comcast Mobile.

Many analysts and investors are skeptical such a partnership can work long term, because Verizon can potentially raise costs if Comcast is successful in winning cellular customers. Similar offers from other cable operators in the past have failed. Comcast executives have played down such concerns, saying their Verizon agreement gives them access to all future technologies and upgrades Verizon makes to its network.

which is "more than what private equity guys want to do," he said.

The trouble with transmission projects is they can get bogged down in lengthy government reviews.

The SunZia Southwest Transmission Project—a 500-mile power line that will span New Mexico and Arizona—was proposed 10 years ago but "regulatory hurdles, plus the threat of lawsuits" stymied it, said Ian Calkins, a spokesman for the project. He said he hopes the line will be operational by 2020.

The future of such projects depends on whether power lines that have taken nearly a decade to develop produce a profit or not for investors.

"I think success will beget success," said Mr. Skelly of Clean Line. "The corollary is true as well."

other endeavors."

In New York trading, Twitter's shares were off less than 1% at \$14.39 on Thursday. The shares are down about 12% this year and down about 45% from its IPO price of \$26.

Mr. Williams's disclosure comes as Twitter struggles to cash in on its cultural influence, including its heightened visibility as the chosen mouthpiece for President Donald Trump.

In February, the company said it was revamping its advertising strategy after 10 consecutive quarters of slowing revenue growth.

Twitter also has been under fire for its lax abuse policies, but has moved more quickly in recent months to introduce tools to combat online harassment.

Medium, which Mr. Williams launched in 2012, is also in the midst of a turnaround. In January, Mr. Williams announced that Medium was overhauling its business model and cutting about one-third of its staff.

On Thursday, Mr. Williams said he doesn't plan to invest the proceeds of his Twitter share sales back into Medium.

Mr. Williams plans to invest in companies and to donate money to political and charitable causes.

Donald Trump's support for large-scale infrastructure. Several renewable-energy lobbying groups, including the American Wind Energy Association, asked Congress in March to make sure transmission upgrades were included in any proposed infrastructure bill.

Transmission lines have some of the same issues as pipelines—they move long distances, across many jurisdictions and require rights of way that can spur contentious land disputes. The projects have encountered some local opposition, mainly from groups that oppose overhead power lines. Environmental groups generally support the renewable-energy focus of these projects.

Unlike big transmission projects of the past, these lines aren't proposed or paid for by utilities that can pass

along the cost to customers and take a guaranteed profit. New power lines are privately financed, similar to oil and gas pipelines. The projects are driven by "competitive energy markets and demand for clean energy," said Will Hazelip, vice president of U.S. business de-

velopment for National Grid PLC. The company is developing two transmission lines, in Maine and Vermont to bring more wind and hydro power to New England.

National Grid also is back-

ing a giant transmission line proposed between western Oklahoma and Memphis, Tenn. Preliminary work has started on a 4,000-megawatt wind farm to feed power into it, which would eclipse the Wyoming wind farm.

Houston-based Clean Line Energy Partners is developing the project, with additional backing from Bluestem Energy Partners, a fund that invests university and endowment money, and the private investment vehicle of the Ziff family. Together, that wind farm and line are expected to cost \$9.5 billion. Transmission investors hope to position themselves as suppliers of jobs and buyers of materials that will boost economic growth in the U.S.

Michael Skelly, president of Clean Line, said the wind tur-

bines and its Oklahoma-to-Tennessee power line will use 500,000 tons of steel, enough to build four aircraft carriers.

French company Sediver has built a factory in Arkansas to provide the project with specialized transmission equipment. The companies expect to generate thousands of jobs over the course of project construction.

"There is tons of money in the world for infrastructure and this is one way for electric transmission to tap into that," said Edward Krapels, chief executive of Anbaric, a Boston-based infrastructure developer. In March, Anbaric announced a partnership with the Ontario Teachers' Pension Plan to provide long-term investments for future transmission projects. A private power line can take five to 10 years to develop and put in service,

## FINANCE & MARKETS

# Debt Sales Boom for Emerging Markets

Strong investor demand combined with low rates propel offers at a record clip

BY CAROLYN CUI

Emerging-market countries are selling dollar-denominated debt at a record pace, taking advantage of rising investor demand to issue bonds at some of the lowest rates in years.

Governments and companies in the developing world have sold \$179 billion in dollar-denominated debt this year through March 31. That is the most dollar debt ever raised in the first quarter and more than double the amount raised during the same period last year, according to data provider Dealogic.

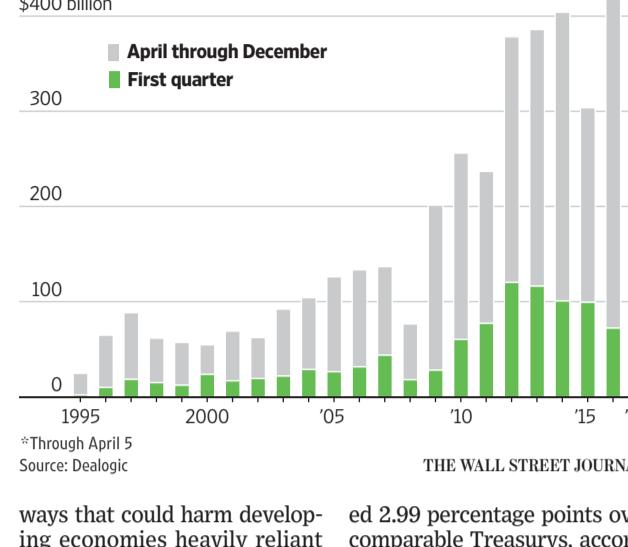
Kuwait, Argentina, Indonesia and Paraguay have already tapped the market this year, while Nigeria, Egypt and big energy companies such as Saudi Arabian Oil Co. and Russia's PAO Gazprom are preparing debt offerings.

With bond yields in most of the developed world still near historic lows, global investors have been pouring money into emerging-market debt. Emerging-market bond funds took in \$2.7 billion during the week of March 22, the largest weekly inflow since July 2016, according to data provider EPFR Global.

Soaring bond issuance is part of a broader emerging-market comeback, which has also boosted stocks and currencies. Few expected this kind of rally after President Donald Trump's victory, when investors feared he would upend global trade policy in

### Jump-Start

Emerging-market debt issuance hit a record in the first quarter.



\*Through April 5

Source: Dealogic

THE WALL STREET JOURNAL



Grain is loaded onto ships in Argentina, one of several nations that has sold debt this year.

MARCOS BRINDICCI/REUTERS

ways that could harm developing economies heavily reliant on exports. These markets sold off after the election.

Yet the Trump administration appears to have softened some of its protectionist talk, while the Federal Reserve has indicated it may raise interest rates at a slower pace than expected. Higher U.S. rates can lift the dollar and make it more expensive for foreign borrowers to pay back dollar debt.

Economic fundamentals for these countries have also improved with higher commodity prices and a stabilizing Chinese economy.

The aggregate manufacturing purchasing managers index in emerging markets shot up to a 32-month high in March, according to data provider Markit.

In the bond market, borrowing rates have tumbled for developing countries as yields come down. In early March, emerging-market bonds yield-

ed 2.99 percentage points over comparable Treasuries, according to the J.P. Morgan Emerging Markets Bond Index, the lowest level since September 2014.

Spreads for emerging-market corporate bonds are hovering around their lowest level in more than five years.

The widespread investor interest has led to favorable terms for several issuers. Paraguay, which is rated below investment grade, sold \$500 million of 10-year debt last month with a yield of 4.7%. It was six times oversubscribed, according to investors who looked at the deal.

Lebanon received \$17 billion of orders for its \$3 billion offer. That enabled the government to raise twice as much capital as expected and lower its yields.

"People are just trying to lock in low overall yields and get ahead of any potential further increases in interest rates," said Yacov Arnopolin,

an emerging-market portfolio manager at Pacific Investment Management Co.

But the recent borrowing spree is also making some investors nervous. They worry it will aggravate an already heavy debt load in emerging markets that has increased to its highest level since the financial crisis.

**\$179B**

Dollar debt sold in developing countries through March 31

Total emerging-market debt, including bank loans and bonds, reached 215% of these countries' gross domestic products last year, up from 146% in 2006, according to the Institute of International Finance.

Piling on more debt could

lead to a rise in nonperforming loans and even defaults, some analysts warn.

"The pace of the increase is worrisome," said Emre Tiftik, deputy director of global capital markets at the Institute of International Finance.

The challenge is that some debt will go sour if a nation's economy slows, which will then affect banks' balance sheets and could eventually lead to a banking crisis, he said.

Raising funds in dollars also makes these countries more vulnerable if the dollar rally resumes, making it more expensive to pay back that debt.

Argentina, Turkey, Brazil and Indonesia have dollar-denominated debt representing more than 20% of their GDPs. They could be among the hardest hit by a rising dollar, according to Ed Parker, head of sovereign ratings for the Europe, Middle East and Africa at Fitch Ratings.

Some investors suggest the

concerns are overstated. The debt-to-GDP ratio rose in recent years, in part due to slower growth in emerging markets, rather than merely a large increase of debt, said Pierre-Yves Barreau, chief investment officer of emerging-market debt at J.P. Morgan Asset Management.

There are some areas in emerging markets, such as China's housing sector, where the leverage is unsustainable, he said. "But on aggregate, this idea that there is too much debt in emerging markets is not true."

Much of the interest in emerging-market debt is coming from global investors who usually buy the debt of developed countries but are looking to pick up additional yield, analysts said. At the end of the first quarter, the yields for the Barclays world-wide government bond index was 1.1%, compared with a 5.5% yield in emerging markets, J.P. Morgan data showed.

## FINANCE WATCH

### LIBOR SCANDAL

#### Ex-Bank Employees Acquitted in Retrial

Two former Barclays PLC employees were acquitted of conspiracy to defraud in connection with the manipulation of the London interbank offered rate after a retrial in London.

Ryan Michael Reich was acquitted Wednesday and Stylianos Contogoulos was acquitted Thursday, a spokeswoman for the U.K.'s Serious Fraud Office confirmed.

The acquittals conclude the agency's final outstanding trial over Libor manipulation but its investigation continues, it said.

—Philip Georgiadis

2015 to drop its franc ceiling without warning—which caused the euro to collapse as much as 30% intraday against the franc and Switzerland's stock market to plunge nearly 9% the day it occurred—the Czechs had telegraphed their intention for months.

The Czech currency rose only slightly after the announcement and Czech stocks hardly moved.

The central bank adopted the target of around 27 koruna to the euro in November 2013 as a way of boosting inflation by ensuring the koruna didn't strengthen against the euro, which would have lowered the prices of imported goods and services.

—Paul Hannon

### NATURAL GAS

#### Stockpile Increase Is Short of Estimate

The U.S. Energy Information Administration said natural-gas stockpiles rose by 2 billion cubic feet in the week ended March 31, compared with the 7.8 billion cubic feet expected by forecasters surveyed by The Wall Street Journal.

The report is a widely watched measure of supply and demand. A smaller-than-expected addition to storage likely indicates smaller supply or greater-than-expected demand.

—Timothy Puko

### CURRENCIES

#### Czechs Abandon Koruna-Euro Peg

The Czech central bank dropped its target for the koruna's exchange rate against the euro, a fresh sign that Europe has put the threat of deflation behind it and is looking forward to a more-normal monetary policy.

The Czech National Bank on Thursday became the second noneuro central bank to abandon a euro peg in a little over two years. But unlike the Swiss National Bank's decision in January



MARTIN DIVISEK/BLOOMBERG NEWS



MICHAEL NAGLE/BLOOMBERG NEWS

## Banks' Clash With NYSE Heats Up

BY ALEXANDER OSIPOVICH

Some of Wall Street's biggest firms are balking at an attempt by the New York Stock Exchange to assert greater control over market data—a behind-the-scenes spat that highlights the growing importance of Big Data in today's financial markets.

J.P. Morgan Chase & Co., Citigroup Inc., Goldman Sachs Group Inc. and electronic traders Virtu Financial Inc. and KCG Holdings Inc. are among the firms concerned about the exchange's move, people familiar with the situation said. Virtu confirmed its opposition to NYSE's move, while none of the others would speak on the record.

The dispute centers on a new contract called the NYSE Master User Agreement, which the exchange operator is requiring firms to sign to keep trading on its markets.

At the heart of the dispute is legal language about who owns the data that brokers submit to the exchange when they buy and sell stocks. The contract implies that NYSE owns the data. Brokers and trading firms say the data are rightfully theirs.

Exchanges aggregate such data and sell it in the form of high-speed feeds—often to the same firms whose trading activity generated the data in the first place. Such data feeds have become a growing source of revenue for exchanges in re-

cent years, prompting complaints from Wall Street firms that they are being overcharged.

"This dispute demonstrates the fundamental point market participants have been making about the exchange's unchecked control over market data and its pricing," Virtu Chief Executive Doug Cifu said in an email.

"You'd be hard pressed to find another industry where a government-licensed entity can take your intellectual property and sell it back to you at an arbitrarily high markup," Mr. Cifu said.

The master user agreement, a seven-page document available on NYSE's website, differs from similar contracts from the Big Board's competitors, lawyers say.

"It appears that NYSE could be going further than other exchanges," said David Fransasiak, a lawyer who reviewed the agreement for The Wall Street Journal. Mr. Fransasiak is a principal at Williams & Jensen PLLC, a law and lobbying firm that has worked for brokerage firms, but he isn't involved in the dispute.

Dozens of other firms have already signed the agreement, a person close to NYSE said.

The clash began early this year when NYSE released an update to the contract, replacing a previous version that brokers had found acceptable and surprising them with the new language, according to ICE,

one of the people familiar with the dispute.

Upset brokers reached out to one another and held conference calls, including as recently as March 30, people briefed on the discussions said. One person said NYSE was set to take part in the call last week but backed out. The person close to NYSE said the exchange has been engaged in dialogue with the firms.

Another call involved the Securities and Exchange Commission, which is monitoring the situation and remaining neutral, a person familiar with the matter said.

NYSE has linked the agreement to a technology overhaul called Pillar. The market operator has told firms they must sign the agreement to use new, faster networking hardware being introduced as part of the Pillar rollout.

The new hardware was set to go live on NYSE's Arca marketplace on Feb. 13, but that was delayed to March 13 and then March 27. A March 20 glitch on Arca caused another delay. NYSE has yet to announce the new date.

Controversy over the cost of market data has been brewing for years. Brokers complain that exchanges like NYSE, which was a nonprofit until 2006, have become more aggressive about raising data fees since they turned to for-profit corporations.

NYSE's owner, Intercontinental Exchange Inc. or ICE,

has beefed up its data business since completing its acquisition of the Big Board in 2013. Last year, 44% of ICE's net revenue came from market-data sales and related fees, up from 9% in 2011. Much of that increase is due to acquisitions of data companies, but some is attributable to price increases and new data products, according to the company's SEC filings.

Stock exchanges are "exploiting their monopoly over market data," the Securities Industry and Financial Markets Association, a lobbying group for banks, brokers and asset managers, said in a filing submitted to the SEC last year as part of a long-running legal battle with NYSE and Nasdaq Inc. over fee increases.

ICE has said in the past that its data fees are reasonable, and exchanges reject claims that they are abusing their market power.

—Dave Michaels contributed to this article.

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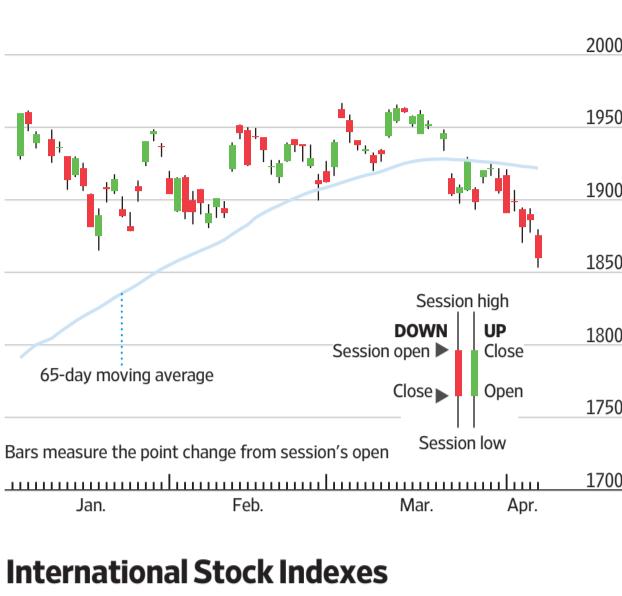
2504; email: [freda.fung@wsj.com](mailto:freda.fung@wsj.com)

## MARKETS DIGEST

### Nikkei 225 Index

**18597.06** ▼ 264.21, or 1.40%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

### STOXX 600 Index

**380.77** ▲ 0.68, or 0.18%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

### S&P 500 Index

**2357.49** ▲ 4.54, or 0.19%

High, low, open and close for each trading day of the past three months.



Data as of 4 p.m. New York time

Last Year ago

Trailing P/E ratio \* 24.75 23.82

P/E estimate ° 18.28 17.49

Dividend yield 1.97 2.20

All-time high: 2395.96, 03/01/17

\* P/E data based on as-reported earnings from Birinyi Associates Inc.

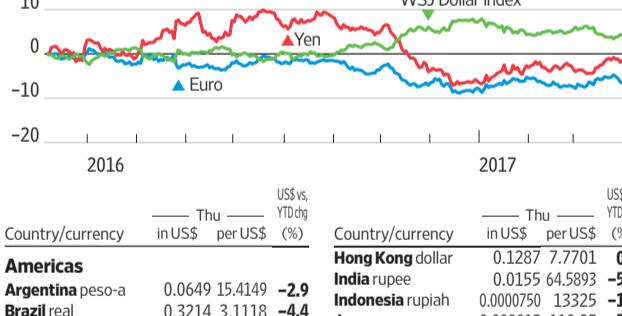
### International Stock Indexes

Region/Country	Index	Data as of 4 p.m. New York time					
		Close	Net Chg	% chg	52-Week Range	YTD High	% chg
<b>World</b>	<b>The Global Dow</b>	2681.19	-3.28	<b>-0.12</b>	2193.75	2720.47	6.1
	<b>MSCI EAFE</b>	1778.55	-7.03	<b>-0.39</b>	1471.88	1956.39	3.6
	<b>MSCI EM USD</b>	963.11	-6.11	<b>-0.63</b>	691.21	1044.05	21.3
<b>Americas</b>	<b>DJ Americas</b>	568.55	1.28	<b>0.23</b>	480.90	577.65	5.2
Brazil	<b>Sao Paulo Bovespa</b>	64016.94	-757.83	<b>-1.17</b>	48066.67	69487.58	6.3
Canada	<b>S&amp;P/TSX Comp</b>	15705.34	62.35	<b>0.40</b>	13217.17	15943.09	2.7
Mexico	<b>IPC All-Share</b>	49003.60	-204.01	<b>-0.41</b>	43902.25	49560.90	7.4
Chile	<b>Santiago IPSA</b>	3780.51	19.16	<b>0.51</b>	2998.64	3783.57	17.3
<b>U.S.</b>	<b>DJIA</b>	20662.95	14.80	<b>0.07</b>	17063.08	21169.11	4.6
	<b>Nasdaq Composite</b>	5878.95	14.47	<b>0.25</b>	4574.25	5936.39	9.2
	<b>S&amp;P 500</b>	2357.49	4.54	<b>0.19</b>	1991.68	2400.98	5.3
	<b>CBOE Volatility</b>	12.39	-0.50	<b>-3.88</b>	9.97	26.72	-11.8
<b>EMEA</b>	<b>Stoxx Europe 600</b>	380.77	0.68	<b>0.18</b>	308.75	381.14	5.4
	<b>Stoxx Europe 50</b>	3158.96	2.73	<b>0.09</b>	2626.52	3174.79	4.9
Austria	<b>ATX</b>	2897.08	11.95	<b>0.41</b>	1981.93	2905.63	10.6
Belgium	<b>Bel-20</b>	3820.80	12.05	<b>0.32</b>	3127.94	3824.58	5.9
France	<b>CAC 40</b>	5121.44	29.59	<b>0.58</b>	3955.98	5132.93	5.3
Germany	<b>DAX</b>	12230.89	13.35	<b>0.11</b>	9214.10	12375.58	6.5
Greece	<b>ATG</b>	671.15	1.18	<b>0.18</b>	517.10	674.97	4.3
Hungary	<b>BUX</b>	32553.53	148.40	<b>0.46</b>	25126.36	34334.92	1.7
Israel	<b>Tel Aviv</b>	1400.30	-9.60	<b>-0.68</b>	1372.23	1504.42	-4.8
Italy	<b>FTSE MIB</b>	20296.97	43.60	<b>0.22</b>	15017.42	20540.39	5.5
Netherlands	<b>AEX</b>	516.30	1.41	<b>0.27</b>	409.23	518.88	6.9
Poland	<b>WIG</b>	59406.36	36.70	<b>0.06</b>	42812.99	60631.65	14.8
Russia	<b>RTS Index</b>	1148.75	-3.74	<b>-0.32</b>	852.98	1196.99	-0.3
Spain	<b>IBEX 35</b>	10518.90	116.20	<b>1.12</b>	7579.80	10534.50	12.5
Sweden	<b>SX All Share</b>	558.64	1.92	<b>0.34</b>	443.66	564.93	4.5
Switzerland	<b>Swiss Market</b>	8638.37	-2.14	<b>-0.02</b>	7475.54	8710.26	5.1
South Africa	<b>Johannesburg All Share</b>	52918.42	-71.66	<b>-0.14</b>	48935.90	54704.22	4.5
Turkey	<b>BIST 100</b>	88679.04	-358.41	<b>-0.40</b>	70426.16	91497.00	13.5
U.K.	<b>FTSE 100</b>	7303.10	-28.48	<b>-0.39</b>	5788.74	7447.00	2.2
<b>Asia-Pacific</b>	<b>DJ Asia-Pacific TSM</b>	1540.17	-11.70	<b>-0.75</b>	1308.52	1570.38	8.3
Australia	<b>S&amp;P/ASX 200</b>	5856.30	-19.90	<b>-0.34</b>	4931.50	5896.20	3.4
China	<b>Shanghai Composite</b>	3281.00	10.70	<b>0.33</b>	2806.91	3282.92	5.7
Hong Kong	<b>Hang Seng</b>	24273.72	-127.08	<b>-0.52</b>	19694.33	24593.12	10.3
India	<b>S&amp;P BSE Sensex</b>	29927.34	-46.90	<b>-0.16</b>	24673.84	29974.24	12.4
Japan	<b>Nikkei Stock Avg</b>	18597.06	-264.21	<b>-1.40</b>	14952.02	19633.75	-2.7
Singapore	<b>Straits Times</b>	3175.59	-0.96	<b>-0.03</b>	2729.85	3187.51	10.2
South Korea	<b>Kospi</b>	2152.75	-8.10	<b>-0.37</b>	1925.24	2178.38	6.2
Taiwan	<b>Weighted</b>	9897.80	-51.68	<b>-0.52</b>	8053.69	9972.49	7.0

Source: SIX Financial Information/WSJ Market Data Group

### Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



London close on April 6

Country/currency	US\$ vs.		YTD chg (%)
	Thu	YTD chg	
Country/currency	in US\$	per US\$	(%)
<b>Europe</b>			
Bulgaria leva	0.5445	1.8367	<b>-1.2</b>
Croatia kuna	0.1431	6.990	<b>-2.5</b>
EURO zone euro	1.0657	0.9384	<b>-1.3</b>
Czech Rep. koruna-b	0.0400	25.010	<b>-2.6</b>
Denmark krone	0.1433	6.9784	<b>-1.3</b>
Hungary forint	0.003431	291.50	<b>-0.9</b>
Iceland krona	0.008881	112.60	<b>-0.3</b>
Norway krone	0.1161	8.6147	<b>-0.3</b>
Poland zloty	0.2516	3.9746	<b>-5.1</b>
Russia ruble-d	0.01779	56.223	<b>-8.2</b>
Sweden krona	0.1110	9.0058	<b>-11</b>
Switzerland franc	0.9960	1.0040	<b>-1.5</b>
<b>Middle East/Africa</b>			
Egypt pound-a	0.0554	18.0503	<b>-0.5</b>
Israel shekel	0.2744	3.6445	<b>-5.3</b>
Kuwait dinar	3.2799	0.3049	<b>-0.2</b>
Oman rial	2.5973	0.3850	<b>0.01</b>
Qatar rial	0.2747	3.641	<b>0.01</b>
Saudi Arabia riyal	0.2667	3.7502	<b>-0.01</b>
South Africa rand	0.0726	13.7741	<b>0.6</b>
<b>Asia-Pacific</b>			
Hong Kong dollar	0.1287	7.7701	<b>0.2</b>
India rupee	0.0155	64.5893	<b>-5.0</b>
Indonesia rupiah	0.000070	13.235	<b>-1.5</b>
Japan yen	0.090013	110.95	<b>-0.21</b>
Kazakhstan tenge	0.003198	312.71	<b>-6.3</b>
Macau pataca	0.1250	7.9996	<b>1.1</b>
Malaysia ringgit-c	0.2254	4.4365	<b>-1.1</b>
New Zealand dollar	0.6975	1.4337	<b>-0.7</b>
Pakistan rupee	0.0095	104.817	<b>0.4</b>
Philippines peso	0.0199	50.187	<b>1.2</b>
Singapore dollar	0.7133	1.4020	<b>-0.3</b>
South Korea won	0.0008839	113.129	<b>-6.3</b>
Sri Lanka rupee	0.0065859	151.84	<b>2</b>

## FINANCE & MARKETS

# Fintech Firm Trov Raises New Funds

California startup insures personal items with policies that can be turned on and off at will

BY PETER RUDGEAIR

**Trov** Inc., a financial-technology startup aiming to bring on-demand services to property-casualty insurance, said it raised \$45 million to expand to markets such as the U.S. and Japan.

New entrants targeting the insurance sector are in vogue among technology investors. Global venture-capital investment into these lucrative but sometimes lumbering firms totaled \$1.19 billion last year, roughly double what it was in 2015, according to accounting firm **KPMG**.

Trov, which began offering its service in the U.K. and Australia last year, provides a novel type of coverage for individual items of personal property that can be turned on and off with the swipe of a smartphone. The Danville, Calif.-based company offers products that, unlike traditional homeowners' or renters' policies that provide blanket coverage, tailor premiums to the single items being insured.

"From binding a policy to making a claim, the consumer doesn't have to speak to anybody," said Chief Executive Scott Walchek, formerly an executive at software-maker **Macromedia** Inc. and an early investor in Chinese internet company **Baidu** Inc. He likened Trov's vision of unbundling insurance to the way **Apple** Inc. unbundled music albums with iTunes.

Founded in 2012, Trov insures only consumer electronics and photography equipment but expects to eventually cover jewelry, sporting goods and other property that can be priced reliably, Mr. Walchek said.

**Munich Re** AG is leading the latest fundraising round, which is expected to be an-



Scott Walchek pictured in Trov's office in Danville, Calif. The company is preparing to expand into the U.S. and Japanese markets.

nounced through its HSB Ventures unit. The German reinsurer will empower Trov to use its licenses and capital to roll out its services in the U.S. later this year, said Andy Rear, head of digital partnerships at Munich Re.

Japanese insurer **Sompo Holdings** Inc. joined the latest investment round and will provide a similar function to bring Trov to Japan. Trov's 2016 launch in the U.K. and Australia used partnerships with French insurer **Axa** SA and Australian insurer **Suncorp Group** Ltd., respectively.

While startups such as **Uber Technologies** Inc.

popularized the idea of delivering services to consumers on demand and adjusting prices frequently based

*CEO Walchek says he unbundles coverage in much the way Apple unbundled music.*

on market dynamics, bringing similar concepts to insurance is a high hurdle because the business is closely regulated.

For instance, ride-hailing

companies can enact surge pricing on the fly, but in insurance, adjustments to premiums typically need to be approved by regulators, which in the U.S. differ from state to state.

Trov has the technology to determine the replacement value of the goods it helps to insure by tapping into databases that track pricing changes on thousands of items, but it still needs permission before using that information to change premiums.

Tim Moroney, who serves as Trov's top lawyer and previously represented clients such as **Lyft** Inc. on insurance

issues, declined to give specifics on how Trov will structure its policies in the U.S. because it is still going through the filing process with state regulators.

In other markets, it offers monthly policies that are priced as if a consumer kept the coverage running the whole time and issues refunds later for the days the policy was turned off.

With the new investment, Trov has raised more than \$85 million in equity. Other investors in the company include venture-capital firms **Oak HC/FT**, **Anthemis Group** SA and **Pivot Investment Partners**.

## BlackRock Board To Add Cisco Chief

BY JOANN S. LUBLIN  
AND SARAH KROUSE

**BlackRock** Inc. has nominated **Cisco Systems** Inc. leader Chuck Robbins as a director, making him the first technology chief executive on the board of the world's largest money manager.

The expected election of Mr. Robbins at BlackRock's May 25 annual meeting comes as the firm expands reliance on highly sophisticated technology. In one example, BlackRock has long commercialized an internal risk-management system known as Aladdin but is increasingly seeking new ways for its own investors and customers to use it.

The risk-management and technology platform has more than 180 customers and nearly \$20 trillion in assets, BlackRock President Rob Kapito said at an investor conference this February.

The \$5.1 trillion money manager announced the recruitment of Mr. Robbins Wednesday.

Two older board members are also expected to depart this spring, according to a person familiar with the matter. Leaving the board at that time will be Thomas H. O'Brien, a retired CEO of **PNC Financial Services Group** Inc., and David H. Komansky, a retired CEO of Merrill Lynch & Co.

The 51-year-old Mr. Robbins has run Cisco, a Silicon Valley network-equipment maker, since 2015 and currently doesn't have any outside corporate board seats.

Following this year's annual meeting, the BlackRock board will have 18 members. Mr. Robbins will represent the sixth new independent director added since 2012.

## WSJ PRO CYBERSECURITY EXECUTIVE FORUM

THURSDAY, MAY 25, 2017 | LONDON

WSJ Pro's Cybersecurity Executive Forum will bring together senior figures from industry and government to discuss how senior executives can best prepare for hacking threats, manage breaches and work with government cybersecurity authorities and regulators. The forum will offer insights, practical advice, case studies and workshops tailored to the needs of executives and managers.

### SPEAKERS



ELIZABETH DENHAM

UK Information Commissioner



JENNIFER JANSON

Chairman  
Six Degrees



Rt Hon Baroness  
PAULINE NEVILLE-JONES

Minister of  
Security and Counter  
Terrorism (2010-2011)



DAVID OMAND

Visiting Professor,  
Dept. of War Studies  
**King's College, London**



CHARLES PALMER

Senior Managing  
Director and Global  
Head of TMT  
**FTI Consulting**



THOMAS REAGAN

Cyber Practice Leader  
**Marsh**

To request an invitation, go to [CYBER.WSJ.COM](http://CYBER.WSJ.COM)

# MARKETS

# Fed Feels Refinancing Slowdown

Officials look to shed bonds but some argue monetary policy is already tightening

BY BEN EISEN  
AND MIN ZENG

The Federal Reserve has been buying up fewer mortgage bonds in recent months thanks to a flameout of the American refinancing boom, one factor that economists say is likely to help shape Fed officials' thinking as they consider shrinking their giant bond portfolio.

The Fed expects to buy \$18 billion of agency mortgage-backed securities—those issued by government-sponsored enterprises such as Fannie Mae or Freddie Mac—in the month ending next Wednesday. That is less than half the amount it bought in the month ended right after the presidential election, according to data from the Federal Reserve Bank of New York, and the smallest purchase since mid-2014.

Because the Fed is buying up less of the mortgage bonds currently in the market, in many ways monetary policy is already tightening on its own, some traders and analysts say. They add that the Fed could view it as a step toward shrinking its \$4.5 trillion balance sheet, as it considers whether to begin selling some securities later in 2017.

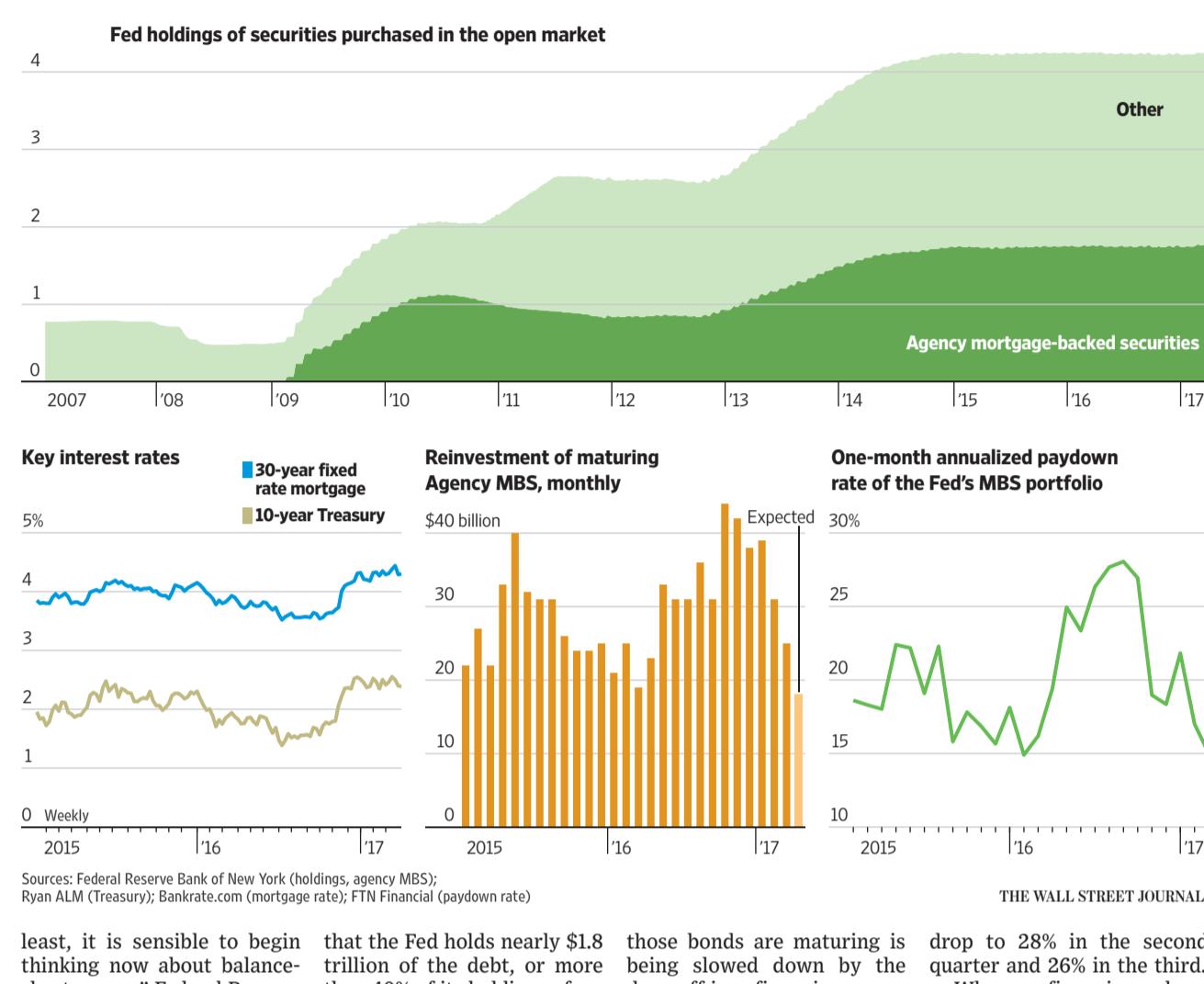
At their policy meeting in March, Fed officials agreed that they would probably start shrinking their portfolio later in the year, but didn't decide on key details of how to do it, minutes released Wednesday show.

The Wall Street Journal reported Friday that the Fed is formulating a strategy to start winding down its portfolio by slowing or stopping reinvestments of maturing debt.

"From my perspective at

## Long Unwinding Road

Federal Reserve officials are discussing what to do with trillions of dollars in mortgage and Treasury securities acquired in stimulus programs. The bank's practice of reinvesting sums received when bonds mature is being slowed by rising interest rates, which have halted a U.S. refinancing boom that boosted bond prepayments. Lower reinvestment spending means less support for the economy, many analysts contend.



least, it is sensible to begin thinking now about balance-sheet moves," Federal Reserve governor Daniel Tarullo said in a CNBC interview on Wednesday, his last day at the central bank.

The Fed's holdings of agency mortgage-backed securities are likely to be a key area of consideration, given

that the Fed holds nearly \$1.8 trillion of the debt, or more than 40% of its holdings of securities scooped up through its open market purchase program, New York Fed data show. Such securities are made up of pools of mortgages and are backed by payments on those home loans.

Now, the pace at which

those bonds are maturing is being slowed down by the drop-off in refinancing.

Refinances are expected to have made up 41% of total mortgage originations in the first three months of the year, down from 51% in the fourth quarter of 2016, according to the Mortgage Bankers Association. That share is forecast to

drop to 28% in the second quarter and 26% in the third.

When refinancing slows down, so does the rate at which mortgage bonds mature, because less mortgage principal is flowing directly back to bondholders in the form of prepayments. That is already hitting the Fed's portfolio of mortgage bonds.

## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: [heard@wsj.com](mailto:heard@wsj.com)

# Insurer Aviva Could Come to Life

Aviva was long known as the European insurer most likely to disappoint. Now the U.K.-based group is showing greatest potential to bring good surprises.

Aviva has spent four years refocusing its life and general insurance businesses and bolstering its balance sheet. The financial fix was mostly done through the 2015 acquisition of a large U.K. life insurance rival.

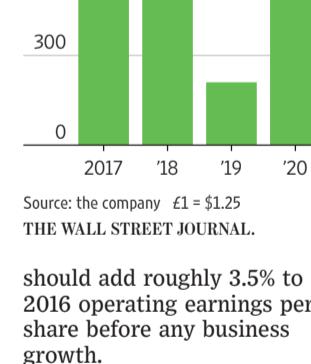
All this work is now releasing capital that Aviva can invest in growth, return to shareholders or use to retire costly debt. In fact, it can do all three. Investors have been kept waiting to hear how much capital they might get back.

The company is now giving them numbers, but still seems to be pitching conservatively.

Aviva already has £800 million (\$997 million) of excess cash likely to be spent in coming months on a share buyback and repaying £530 million debt, which costs about £43 million in interest annually. Those two actions

## Shifting Burdens

Aviva's high-interest junior debt



Aviva headquarters in London

PHOTO: BLOOMBERG NEWS

should add roughly 3.5% to 2016 operating earnings per share before any business growth.

This year and next will also bring another £5 billion in cash collected at the group level, according to the company. From that, after paying dividends, interest and central costs, Aviva will have enough left to repay two more costly bonds that come due in 2018—saving another nearly £70 million a

year in interest—and to buy back another roughly £500 million of shares.

At today's prices that would add about another 5.5% to earnings. UBS analysts expect earnings per share to grow about 7% in 2017 and 4% in 2018 before these effects.

Out of the £5 billion cash Aviva is set to accumulate, £2.1 billion should come from special releases related to merging its U.K. life busi-

nesses and from other business disposals. One French disposal has just been completed and another, Friends Provident International, is attracting higher bids than analysts expected.

The rest should easily come from normal operations. And here is the real potential for surprise: Any better outcome on business sales, capital releases or its operations will allow Aviva to leave more money in its different units to fund investments for growth.

The group has already been spending on better people for its asset-management arm—especially in sales—and in digital development designed to drive more sales in the U.K. and to disrupt the Hong Kong life market via a joint venture with internet company Tencent and Hillhouse, a big Chinese investor.

Aviva is showing the potential for sustained earnings growth. In a European financial company, that really would be surprising.

—Paul J. Davies

## OVERHEARD

Sometimes, extracting the meaning from central-bank communications can be like breaking a code. The clear preference is for measured, steady, even dry language.

So when a message isn't in code, it comes as a shock. The most famous example is former Federal Reserve Chairman Alan Greenspan's warning of "irrational exuberance" in markets back in 1996.

Now, Luiz Awazu Pereira da Silva and Elod Takats, deputy general manager and senior economist, respectively, at the Bank for International Settlements, are having their shot at plain speaking. The most significant risk for financial markets now is that of "complacency and self-delusion," they warn in an article released Thursday, noting the disconnect between markets' low volatility and the high level of uncertainty on policy.

Mr. Greenspan's call went unheeded; stocks went on rallying. The BIS officials' warning may face a similar fate. But the use of strong words is noteworthy in and of itself.

## Ford Takes a Chance on China Plan

When demand for cars starts fading, auto makers turn to the world's largest car market for growth. That reflexive move is unlikely to work so well for Ford Motor.

On Thursday, it announced its China-focused electric-car strategy, including new vehicles. Ford Chief Executive Mark Fields said the "time is right" for his company to beef up in China. It is playing catch-up, though.

Meanwhile, Ford is having trouble at home, where its vehicle sales fell 7% in March. But in China, its retail-car sales fell more than 30% in the first two months of this year and total vehicle sales were down more than 20%. Chinese consumers' preference for Ford cars over the next 12 months is also lower, according to a survey by UBS Group. To entice customers, Ford's credit arm has become more aggressive. But at its joint venture in China, margins are shrinking as price pressures rise. With no new launches expected this year, navigating the Chinese market will be challenging.

So Ford is betting on an "ambitious electrification strategy" in the world's largest electric-vehicle market and has committed to bringing cutting-edge technology to its Chinese joint venture, a sharp reversal from foreign car makers' wariness around sharing intellectual property with their local partners. It is also capitulating to Beijing's electric-vehicle production targets to draw in foreign car makers.

The trouble is, all this comes as electric-vehicle sales in China have slowed and Beijing withdraws subsidies. An aggressive strategy in China, timed incorrectly, could prove to be a bumpy ride.

Anjanji Trivedi

# Unilever's New Look Suggests It Has More Deals to Come

## Margarine Is Toast

Operating margin by Unilever division\*



Source: the company

includes the underperforming margarine business, with its faster-growing "refreshment" unit, which makes Lipton tea and Ben & Jerry's ice cream. Yet the company is also hoping to wring about €2 billion (\$2.13 billion) a year out of the advertising and supply-chain budgets. For example, management thinks it can run ads for longer and so cut their number by 30% without damaging its brands.

Yet investors already expected this kind of thing. The same goes for the €5 billion (\$5.3 billion) of share buybacks and 12% dividend increase—easy, if superficial, ways to placate shareholders that conveniently also make

Unilever more indebted and thus costlier to acquire. The sale of the margarine business, too, was widely telegraphed.

A more surprising development was Unilever's decision to review its "dual-headed" legal structure, whereby the company is domiciled and listed in both London and Amsterdam. The dual listing is a major barrier both to demergers and to major acquisitions.

If it can't get a good price now for the margarine business, for example, management could float it off and sell down gradually. But this is complicated by the dual listing. More speculatively, if

it wanted to acquire U.S. company Colgate-Palmolive to create a world leader in personal care, as financiers have long dreamed, it would like to have a single class of Unilever shares to offer Colgate's shareholders.

Long considered boring but reliable investments, consumer-goods multinationals are being disrupted, not just by activist-style cost-cutters like Kraft Heinz, but also by local competition.

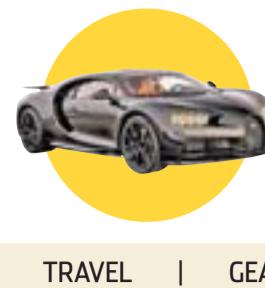
Unilever has shown greater understanding of the new landscape than some of its peers. Merging its shareholder registers is a logical preparation for rockier times.

—Stephen Wilmot

THE ARTLESS  
SIDE OF MARFA  
The Texas town—so  
tied to artist Donald  
Judd—has its own  
natural beauty **D6**



# OFF DUTY



HANDY ADVICE  
A contractor and  
his son on the  
essentials for  
every toolbox **D11**

EATING | DRINKING | STYLE | FASHION | DESIGN | DECORATING | ADVENTURE | TRAVEL | GEAR | GADGETS

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THE WALL STREET JOURNAL.

Friday - Sunday, April 7 - 9, 2017 | W1



## A Legacy In Recipes

Holiday meals come with the weight of expectations, but do they have to be totally predictable? Here's a Passover menu that recognizes tradition and current tastes

BY CHARLOTTE DRUCKMAN

**W**HAT DOES nostalgia taste like? For you,

Great Aunt Mildred's matzo ball soup may evoke her enveloping hugs, rose-scented perfume and uncanny mimicry skills, but take that soup to someone else's Passover seder and it's the disappointing substitute for the venerated bowlful from the local deli.

I bring up Passover because it's next week, and I find it one of the more fraught examples of the challenge of reconciling heritage foods with contemporary tastes. As Joan Nathan notes in her new cookbook, "King Solomon's Table: A Culinary Exploration of Jewish Cooking Around the World" (Knopf), "These traditions have held Jews together for more than two thousand years as they have journeyed throughout the world."

The narrative of Passover is one of exile. To escape the bonds of slavery, Egyptian Jews were forced to flee and wander the desert as

*Please turn to page W2*

## OFF DUTY

# PASSOVER RECIPES MADE OVER (AND OVER)



**FEAST REFRESHED** Orange-glazed Passover chicken with matzo stuffing, a side dish of carrot tsimis and servings of matzo "egg-drop" soup.

Continued from page W1

refugees for 40 years. When we observe the holiday we are commanded not just to repeat that story, but to experience it as though it had happened to us. You can see how the pressure to serve the "correct" food could get to you.

My own childhood Passovers tasted like bland catered food mixed with dread. My father's mother—and my namesake, Charlotte—died the year before I was born. His father remarried and thereafter seders were presided over by my step-grandmother; her family was given pride of place at the table while the rest of us were crammed at the end. I watched my dad, respectfully quiet, missing his mother, her relatives and their food. After my grandfather died, my parents began hosting. My mom cooks the meal herself but has little interest in anyone's traditional seder fare.

This year, things will be different. A few months ago, a large envelope showed up on my doorstep. It contained photocopies of the recipe archive the elder Charlotte had collected from her family members. They'd been under my mother's custodianship until recently, when my father, thinking I might appreciate them, put that packet together for me. Charlotte hosted lots of dinners, including seders, and made sure preferences were accounted for. There they were: not just the dishes my father had described, but the names of characters I'd been hearing about for years. It might be the

If ever there were a moment to bring these dishes back, this was it.

closest I've felt to them.

If ever there were a moment to bring these dishes back to our family's Passover table, this was it, and clearly I'd have to be the one to do it. I started with some of the Passover options written by my great-grandmother, whom we called Bergie. The thing is, these recipes didn't look so enticing. But I saw glimmers of deliciousness in the details and potential for improvement. Her "matzo egg-drop" soup—chicken stock into which she dropped a combination of beaten eggs and matzo meal by the spoonful—particularly intrigued me. After spooning in the matzo slurry, you put a lid on the pot; in a couple of minutes, the cooked batter rises to the surface in clumps. It's like cheat matzo balls, and it's genius. To the base I added garlic, herbs, umami-rich porcini powder, sliced asparagus and, at the very end of cooking, arugula leaves, to wilt slightly in the soup and add a swirl of dark green.

Next I took on tsimis, the stew of sweet potatoes or carrots in honey—a classic side dish I don't remember eating at my mother's seders. When I asked her why, she said, "Oh no. I get nauseous think-

### Springtime Matzo 'Egg-Drop' Soup

TOTAL TIME: 1 hour  
SERVES: 4

1 quart chicken stock  
1 bay leaf  
2 fresh sage leaves  
1/4 teaspoon finely chopped fresh tarragon  
12 cloves garlic, mashed  
2 tablespoons porcini mushroom powder  
3/4 teaspoon kosher salt, plus more to taste  
1/2 pound trimmed asparagus, cut on the bias into 1-inch lengths  
2 large eggs, beaten  
2 tablespoons toasted matzo meal  
1/2 teaspoon freshly ground black pepper  
2 handfuls arugula

1. Combine stock, bay leaf, sage, tarragon, garlic, porcini powder and 3/4 teaspoon salt in a lidded medium saucepan. Bring to a gentle boil over medium-high heat, then decrease heat to medium-low. Simmer to concentrate flavor, 40 minutes. Use a slotted spoon to remove garlic, bay leaf and sage from soup, and discard. Season to taste with salt. Add asparagus and simmer until vegetable is bright green, 3 minutes. 2. Meanwhile, in a small bowl, use a fork to whisk together eggs with matzo meal, pepper and a generous pinch of salt. 3. Carefully drop batter into soup, a spoonful at a time. Cover pan and cook until batter rises to surface of soup, about 3 minutes. Use a spoon to break batter up. Off heat, add two generous handfuls arugula to pan and stir into soup until wilted.

### Carrot Tsimis

TOTAL TIME: 1 1/2 hours  
SERVES: 8-10

1 large, fat ginger root (at least 2 ounces), unpeeled  
6 pounds carrots, trimmed, peeled and cut on the bias into 1/2-inch-thick rounds (about 9 1/2 cups)  
4 tablespoons chicken fat, melted  
1 tablespoon plus 1/2 teaspoon kosher salt, plus more to taste  
1 teaspoon freshly ground black pepper, plus more to taste

ing about it." Tsimis is fragrant and typically quite treacly. Bergie prepared hers with carrots, brown sugar and a bit of matzo meal as a thickening agent. I tried roasting the vegetables to render them more complex, using schmaltz as a roasting medium for extra flavor. And I made a sauce much like Bergie's with brown sugar, matzo meal and the expected spices. In place of powdered ginger, however, I opted to roast fresh ginger and purée it. Please do this. A spoonful or two—with a soft smokiness and gut-warming heat—improves all sorts of dishes.

Then I tackled my great-grandmother's orange-glazed Passover

chicken and matzo stuffing, which my mother had made once or twice but doctored up nearly beyond recognition. I stripped it back and implemented some changes of my own. Cooking with a blend of duck and chicken fats, I got delicious results, juicy flesh and burnished skin. It also made my kitchen smell like Home, capital "H."

Finally, for dessert, I came up with my own addition to the family recipe canon. This is one for all that extra unleavened bread you have lying around: toasted-matzo ice cream with matzo brittle.

When my father tasted the chicken, he claimed Bergie and Charlotte would have approved.

### Orange-Glazed Passover Chicken With Matzo Stuffing

ACTIVE TIME: 2 hours TOTAL TIME: 2 days (includes brining) SERVES: 4

For the chicken:  
1 (3 1/2-pound) chicken, giblets removed  
2 1/4 teaspoons kosher salt  
3/4 teaspoon freshly ground black pepper  
2 medium onions, cut into 1/2-inch wedges  
2 parsnips, cut into 1/2-inch pieces  
1 medium fennel bulb, cut into 1/2-inch wedges  
For the stuffing:  
1/2 cup duck fat  
1 medium onion, minced  
1 leek, white and light

1. Dry-brine chicken: Up to 2 days before roasting, combine 2 teaspoons salt and 1/2 teaspoon pepper in a small bowl. Pat chicken dry and set in a shallow baking dish. Rub seasoning mixture all over chicken, interior and exterior. Cover and place in refrigerator.  
2. 2 1/2 hours before cooking chicken, pat dry and place on a rack set over a plate or tray. Refrigerate, uncovered, 2 hours.  
3. Make stuffing: In a large skillet, heat chicken fat over medium heat. Sauté onions, leeks, celery and fennel until softened, about 8 minutes. Off heat, stir in almond and dates. Add matzo, stirring to incorporate. Transfer to a broiler pan or baking sheet.  
4. Set broiler on high. Place matzo mixture un-

der broiler and cook until the top has begun to brown, about 2 minutes, taking care not to burn.

5. In a large bowl, whisk together eggs, stock, orange zest, Worcestershire, salt and pepper. Stir in toasted matzo mixture. Stir in parsley, dill and 1 tablespoon reserved fennel fronds. Set aside.

6. Make glaze: Combine all ingredients in a bowl. Set aside.

7. 30 minutes before roasting chicken, remove from refrigerator and let come to room temperature. Meanwhile, preheat oven to 425 degrees, with a rack placed in lower third. In a roasting pan, combine onions, parsnips, fennel and olive oil, tossing to coat. Season with remaining 3/4 teaspoon salt and 1/4 teaspoon pepper and toss to

combine. Add parsley and oregano and toss again.

8. Place chicken, breast-side down, in roasting pan. Fill cavity with stuffing mixture, avoiding packing too densely. Transfer remaining stuffing to a baking dish and set aside.

Brush exterior of chicken with a light coating of glaze.

9. Place chicken in oven.

Once it begins to brown, after about 10 minutes, baste with glaze, then continue to baste every 15 minutes until surface is darkly burnished, about 30 minutes more. Flip chicken and stir vegetables in pan. Continue to cook chicken, basting every 15 minutes, until thermometer inserted 2 inches into fleshy part of thigh (avoiding bone) reads 165 degrees, about 30

minutes more. Transfer chicken to a carving board and let rest, tented under foil, 15 minutes before carving.

10. About 15 minutes before chicken is done cooking, take a couple spoonfuls of cooking liquid from roasting pan and stir into stuffing in baking dish. Pat stuffing down in baking dish and cover with aluminum foil. Place stuffing in oven with chicken. Cook until chicken is done, 15 minutes. While chicken rests, remove foil from stuffing and return to oven to brown, 5-7 minutes.

11. Use a slotted spoon to transfer roasted vegetables to a bowl. Cover with foil to keep warm. Season with salt and pepper to taste before serving.

12. Carve and serve.

Place ginger, skin and all, in a food processor and purée to a coarse, grainy paste.

2. Preheat oven to 400 degrees. In a large bowl, toss carrots with chicken fat, 1 tablespoon salt and 1 teaspoon pepper. Spread carrots over two baking sheets. Roast, stirring occasionally, until carrots start to brown and soften, about 30 minutes.

3. Combine brown sugar, citrus juices and 1 cup water in a Dutch oven or large skillet. Bring to a simmer and continue simmering to concentrate flavors, 5 minutes.

4. Add roasted carrots and

prunes to pan with brown-sugar mixture and stir to coat. Stir in 1 tablespoon roasted ginger purée. Taste and, if desired, add another 1/2 tablespoon roasted ginger. (Leftover roasted ginger can be used to flavor all sorts of dishes.) Stir in cinnamon and matzo meal. Continue to simmer, stirring frequently, until liquid reduces to a thick syrupy sauce and tsimis has a jam-like consistency, 10-15 minutes. Stir in lemon and orange zest and remove from heat. Season with 1/2 teaspoon salt and a few cranks of pepper. Garnish with parsley.



► Find recipes for toasted-matzo ice cream and maple matzo toffee at [wsj.com/food](http://wsj.com/food).

ALPHA SHOOT FOR THE WALL STREET JOURNAL, FOOD STYLING BY HEATHER MELDRUM, PROP STYLING BY REBECCA DONNELLY, F. MARTIN RAMIN/THE WALL STREET JOURNAL (GINGER, LEMON, LEEK)

## OFF DUTY

Necklace, \$670,  
[aureliebidermann.com](http://aureliebidermann.com)



Dress, \$750,  
[marcjacobs.com](http://marcjacobs.com)



"On the bank of the  
Seine, Bennecourt" by  
Claude Monet, 1868



Cucumber Trug by The  
Cuckmere Trug Company,  
\$109, [thenewcraftsmen.com](http://thenewcraftsmen.com)



Skirt, \$395,  
[rebeccataylor.com](http://rebeccataylor.com)

Robert Clergerie  
Slides, \$450,  
[saksfifthavenue.com](http://saksfifthavenue.com)

Dress, \$1,390,  
[loewe.com](http://loewe.com)



The Row Bag, \$990,  
[bergdorfgoodman.com](http://bergdorfgoodman.com)

## IN THE AIR

# Pastoral Report

In fashion and design, the French countryside is abloom this spring

BY REBECCA MALINSKY

**EVERY MAY 1**, French teenagers line the Paris streets selling freshly picked blooms of Lily of the Valley. The flower, France's national symbol of spring and Labor Day (both celebrated that day) is shared among friends and relations as a token of luck. "My mother has been planting lily of the valley for 40 years," said Parisian jewelry designer Aurélie Bidermann of the garden at her family's country house. "I grew up with this tradition." Her recent lily of the valley-themed collection was cre-

Jonathan Anderson displayed a fondness for old-fashioned fabrics in both collections he works on. At Loewe, he showed burlap-like linens woven to appear worn-in and a plethora of faded French blue stripes, while at J.W. Anderson, his namesake line, he favored flowing, linen peasant dresses, some with pastoral tablecloth prints.

Nine time zones away, San Francisco's Legion of Honor museum is celebrating spring with an exhibition of early paintings by Claude Monet, the impressionist who created his canvases en plein-air and shaped many Americans' ideas of what French landscapes look like. "One of the hallmarks of [the impressionists'] approach to painting was this idea that you would go to nature and you would stay there and paint," said Melissa Buron, associate curator of European Painting at the Fine Arts Museums of San Francisco. Of course, if you have the cash and a sufficiently humane work schedule, you can hop a plane and go to those fields yourself.

Home-goods designer John Derian may have said it best when it comes to our current cultural yearning for a piece of très chic country life: "People retire and fantasize about being in the country," he said. "Why wait? Why not have it around you now?"

'People fantasize about being in the country. Why wait?'

ated while she was pregnant with her daughter, as a way to connect the three generations of women in her family.

Many of the French-country-inspired looks that walked the spring runways similarly romanticized the simple life, if not as sentimentally. Up-and-coming Paris designer Simon Porte Jacquemus's collection took its cues from santons, tiny clay figurines popularized in 18th-century Provence. His models wore lace-trimmed cotton blouses accessorized with huge straw sunhats.

London-based designer

John Derian and Astier de Villatte Pitcher, \$385, [johnderian.com](http://johnderian.com)

JACQUEMUS

Blouse, \$135, [shopdoen.com](http://shopdoen.com)



Josef Frank Flora Cabinet by Svenskt Tenn, \$48,000, [1stdibs.com](http://1stdibs.com)

Ballerina Flats, \$695, [tabithasimmons.com](http://tabithasimmons.com)



London-based designer

FRESH PICKS

BY NICK REMSEN

## FASHION'S NEW SILHOUETTE: VOLUMES!

New York label Proenza Schouler's latest collection is a group of elegantly eccentric art and photography books



**PERHAPS SURPRISINGLY**, fashion designers are often very bookish sorts. Many spend hours in libraries researching their collections, poring over hefty art and photography tomes. Many also cultivate their own libraries, with walls of books lining studios and homes. And as such, the odds are high that you can trust a book recommendation from a designer you love.

That's the thinking behind Proenza Schouler's latest display in its Soho store in Manhattan: a small but interesting selection of books that are for sale alongside their plissé spring dresses and artfully printed clutch bags. The brand's designers, Jack McCollough and Lazaro Hernandez, worked with Dashwood Books, the influential downtown New York vendor renowned for photography and art editions, to curate the offerings.

This isn't the first time designers have asked Dashwood owner David Strettell if they could stock his books but, he said, Messrs. McCollough and Hernandez's choices were more eccentric than usual. There are seven volumes total, which range from "Homo Americanus," a retrospective of work by Los Angeles artist Raymond Pettibon, whose show at the New Museum in downtown Manhattan ends this weekend, to New York photographer Martien Mulder's portfolio of shots of Le Corbusier's experimental city in Chandigarh, India. For true fans, the selection, which will change each season, is a window into the designers' minds. Said Mr. Hernandez, "It's really just what we're interested in right now."

## OFF DUTY



**WESTERN WALLS**  
Santa Elena Canyon,  
in Big Bend  
National Park.

# Lone Star Attraction

The tiny Texas town of Marfa is known for its ties to Donald Judd's art, but its real drawing power comes from nature

BY KATHRYN O'SHEA-EVANS

**IF YOU CALLED** Marfa "Nowheresville," you'd be right, to a degree. The town of fewer than 2,000 people in far west Texas has one stop-light, erratic cell service, and shop and restaurant hours that are even spottier. But for every sense in which Marfa falls short, it triumphs in another: cinematic landscapes that stretch unbroken to the horizon; cowboys presiding over art galleries; and sunsets that, at the smog-free altitude of nearly 5,000 feet, were the prettiest I'd ever seen.

People who know Marfa know it as an art hub, thanks largely to the late minimalist artist Donald Judd, who fled New York in the 1970s to set up creative camp in the Chihuahuan high-desert. It's now

home to his Chinati Foundation, a contemporary art compound where we saw a roadrunner darting around Judd's aluminum sculptures in a former artillery shed. Judd kicked off a movement: Today, 23 art galleries operate in downtown Marfa, so many that one beleaguered bungalow had a sign that read "This is NOT an art gallery, THANKS." A Prada store, an elaborate art installation designed by Berlin-based artists Elmgreen & Dragset (and Instagrammed by Beyoncé in 2014, then legions of her followers), sits about 30 minutes outside of town, surrounded by idling jack rabbits.

But my husband, James, and I weren't looking to take in the art scene when we made the trek from New York in June; we've got plenty of art in our backyard. No, we went with three goals: to see

Big Bend National Park, to attend a star viewing at the McDonald Observatory—so remote it sits below some of the darkest night skies in the country—and to soak up old Hollywood history at Hotel Paisano, where Elizabeth Taylor, James Dean and Rock Hudson stayed during the filming of 1956's "Giant."

When we pulled up to the Paisano our first night in town, rain broke out in whipping sheets, then biblical hail. That night at sunset, as James stretched out from driving, I walked outside and watched lightning jackknife across the wide sky, and could see why location scouts are drawn here. "No Country for Old Men" filmed scenes in Marfa, "There Will Be Blood," too. In the Paisano, large-scale photos of the "Giant" stars roughhousing on set fill the open-beam lobby; you can book the cast's exact rooms (Liz stayed in No. 212, James in 223, Rock in 211).

The next day, we ignored the cars making a beeline for Judd's installations and walked a few blocks north of the hotel to Mimms Unit, an 11,000-acre rangeland with trailside signs that explain the desert ecosystem. We went on the suggestion of photographer Douglas Friedman, who divides his time between New York, Los Angeles and Marfa. For over an hour, walking through rolling grasslands, we didn't see another soul. "I

came to Marfa for the first time three years ago to see the art, but I ended up seduced by the sky and the landscape," Mr. Friedman later told me. "When you're there, you're content to just kind of be."

And yet there is plenty to do beyond just exist. Mr. Friedman's favorite things: diving into the cool pools at Chinati Hot Springs—once owned by Judd—and soaring some 2,000 feet above the landscape in a two-seat sailplane with Marfa Gliders. Nearby resorts, including Cibolo Creek Ranch, where Justice Antonin Scalia died last year, offer horseback riding and birding excursions.

The next morning we left at daybreak to drive about two hours to Big Bend National Park, which shares 118 miles of border with Mexico and was, as the front desk clerk at the Paisano told me, "hot as a firecracker." Big Bend sits on the Rio Grande

and accommodates the most diverse population of birds and butterflies found in any of our national parks, plus mountain lions and javelinas. People are relatively scarce. The annual visitor count for the 1,252-square-mile park maxed out at 388,290 in 2016, less than half of Yellowstone's head count in July alone.

Our temperature gauge hit 105 as we turned in to the parking lot at Santa Elena Canyon, where the Rio Grande cuts through 1,500-foot-high limestone cliffs—taller than the Empire State Building—with Mexico on one side and the U.S. on the other. We wandered in but I turned back early, melting. When I couldn't work the car's air-conditioning, I ran to the river to call to my husband. "James! James!" I hollered into the canyon's mouth. "James! James!" it echoed back. When he got back to the car, he said he hadn't



### THE LOWDOWN // TOUCHING DOWN IN MARFA, TEXAS

**Getting There** Marfa's closest major airport is 190 miles away in El Paso, or you can drive seven hours from Austin. You can also arrange a private plane charter to the Marfa Municipal Airport.

**Staying There** Built in 1930 in Spanish Baroque style, Hotel Paisano has 41 rooms, many with private patios and fireplaces; in the lobby, taxidermied longhorn and copies of Livestock Weekly sit out unironically (*from \$119 a night, hotelpaisano.com*). Hip and modern Hotel Saint George opened last spring (*from \$195 a night, marfasaintgeorge.com*). The Cibolo Creek Ranch, secluded on 30,000 acres a 40-minute drive from Marfa, offers 35 antique-filled guest rooms, five of them housed in renovated 19th-century adobe-walled forts (*from \$465 a night, cibolocreekranch.com*).

**Eating There** Marfa Burrito is an authentic Mexican hole-in-the-wall in the middle of Marfa (but only an hour from Mexico); you want the bean and cheese burrito, wrapped in a house-made flour tortilla (325-514-8675, 515 S. Highland Ave.). For a high-end dinner, the Capri is the place; you can sip a note-perfect pisco sour in a hammock until your dry-aged, fire-grilled rib-eye is done (601 W. San Antonio St., thunderbirdmarfa.com).



**ADOBE ABODE** A few rooms at Cibolo Creek Ranch are housed within old adobe forts.

heard me; the chasm had swallowed my voice whole.

Our last night in Marfa, we drove up the switchback roads of the Davis Mountains to the McDonald Observatory for one of its thrice-weekly "star parties," where dozens of people collectively gape at the expanding universe.

James Dean died at 24, shortly after he wrapped "Giant," and never saw it released. He did, I was told, make it to the observatory on a Sunday off during filming, but it was closed. After the caretaker told Dean to come back during business hours, the caretaker's wife was horrified and made him give Dean a private tour.

Call me crazy but I could feel a nonconformist's spirit up there, in the blackest sky, and in all of Marfa's oxymorons: its mountains and flatlands, the parched desert and the Rio Grande. Nothing, and everything.

MAX BURKHARD FOR THE WALL STREET JOURNAL; MAP BY JASON LEE



**CHUCKWAGON UPDATE** Texas charcuterie at the Capri.

## THE SOUVENIR

### FLY THE MINIATURE SKIES

Some travelers collect refrigerator magnets, others scaled-down versions of jumbo jets. Here's how to think shrink

**UNITED AIRLINES** may be retiring its aging Boeing 747s, but the iconic jet is not entirely obsolete. The carrier will sell you a sleek new die-cast model of the jumbo jet for \$55 at one of its airport stores in Newark, N.J., or Houston.

Model planes have grown with the industry they celebrate and promote, starting with the first pull toys made to (bumpily) honor Lindbergh's 1927 solo flight to Paris. New Jersey-based Daron Worldwide Trading Inc., a leading purveyor of aircraft collectibles, stocks some 8,000 models (representing about 100 airlines), from the workaday American Airlines 737 to the less-predictable Uzbekistan Airways Tupolev Tu-154. Made

of metal, hard plastic or resin, the geeky gewgaws conform to precise scale measurements, with paint jobs that mirror the real thing. "The road warriors tend to buy what they fly," said Eugene McKeown, Daron's vice president of sales, who noted that most collectors either work in the industry or are frequent fliers. The hottest sellers? Widebody jetliners like the Dreamliner (Boeing's 787) and Airbus's superjumbo, A380, whose mini versions can cost up to \$400, more than the price of some airline tickets. Thriftier aviation buffs can find a fleet of options for under \$60 on Daron's airplane-shop.com, which leaves plenty of cash for an actual flight. —Barbara Peterson



**JET SET** Clockwise from left: Emirates A380-800, \$58; JetBlue Embraer 190, \$54; United 787-9, \$44; Pan American DC-8-33, \$44; British Airways A380, \$11. [airplaneshop.com](http://airplaneshop.com)



He's a fan.



MANDARIN ORIENTAL  
THE HOTEL GROUP

## OFF DUTY

# Love a Rare Beer? Join the Club

Curated compilations and members-only subscriptions bring the boldest and smallest-batch brews to a select few

BY WILLIAM BOSTWICK

**I**N THE WORLD of beer, two roads diverge: a well-trod path of mass-made lager, global brands and game-day ads; and the twists and turns of the craft-brew route, marked by striking stylistic detours and disorienting trends. The latter way can lead to adventure, yet disaster lurks around those turns, too.

Fortunately, there are reliable guides to satisfaction, or at least a safer journey: beer clubs. From curated best-of compilations to deep dives into breweries' secret reserves, today's members-only subscriptions offer rewards for every kind of explorer and low-risk experimentation for breweries.

Thing-of-the-month clubs are nothing new—the venerable Book of the Month goes back over 90 years. Beer clubs have been around since the late 1990s, when beer critic Michael Jackson's Rare Beer Club offered many drinkers their first tastes of the wild world of craft brewing—harder to access back then. Nowadays your corner bottle shop likely stocks Mr. Jackson's favorite Belgians alongside Bud and might devote entire shelves to single styles. Yet some of the most sought-after beers remain white whales, super-rare catches available only to the lucky and obsessed.

The Bruery's multi-tiered membership was one of the first clubs of its kind when it debuted in 2008. The craft-beer world was smaller then, and the Orange County, Calif., brewery was focusing on especially exotic Belgian-style brews. So they were floored when their imperial stout—a British style created for export to Russia in the 18th century—sold out in minutes upon release. With barely any promotion, the bar-



BEN SANDERS

rel-aged and sterno-strong beer, called Black Tuesday, drew a line of would-be tasters that stretched out the door. Faced with similar crowd scenes as craft beer grew in popularity, breweries around the country began selling release-day tickets ahead of time, or keeping the big reveal of a new brew a secret, so that fans came by a taste entirely via luck. The Bruery had another plan.

"We borrowed the idea from wine societies," said the Bruery's marketing manager, Joel Kennedy. "We thought, if there's this much

demand, maybe people would be willing to subscribe for access." The Bruery's Preservation Society guarantees its members rare bottles they might otherwise have to out-wait and outwit the masses to try—or never taste at all.

A beer club lets a brewery sell directly to the die-hards, sharing the wealth with those who will appreciate it most. "When we sell our really unique beers on draft or in the store, they're just shotgunning out into the wind," said Peter Kruger, master brewer of Bear Republic in

Sonoma County. "Maybe a few people get to try them, but they might not get the full backstory. They might not understand what they're drinking. We've had sours sit on the shelves because people didn't know they're supposed to be that way."

Without the risk of unsold bottles, breweries like Bear Republic can take creative risks. Of Bear Republic's Wild Club members, Mr. Kruger said, "They allow us to flex our artistic muscle, swing for the fences."

When the Bruery wanted to make a beer featuring the same exotic

herbs as Coca-Cola, they knew their members would be game (even if the beer was "a try-it-once kind of thing," said Mr. Kennedy). When Bear Republic brewed a series of sours from wild yeast captured around Sonoma County, they could share it—and explain its unique story—to a few devoted souls. (The production was very limited.)

Pricing structures vary widely: A \$48 monthly fee might sound high until you find it gets you 12 quality beers each month; \$59 a year sounds like a steal until you realize no beer is included in that membership fee. Indeed it's a dedicated drinker who will pay for such an adventure. "In other clubs, people can choose what they want out of a portfolio. With [our club] they don't know what they're going to get," Mr. Kruger said. "And we have gotten feedback that it's too expensive." Wild Club is free to join but offers only access—members have to buy the beer, and bottle prices can be steep. "But if we're only making 75 bottles of a special beer, available only to the club, 30 bucks or so [per bottle] doesn't begin to cover our true cost." Dedicated drinkers see the value. The Bruery's upper-tier societies, called Reserve and Hoarders, have waiting lists. Hardywood's first 100 memberships to its new Family Tree club sold out in half a minute, at a cost of \$295 a year.

That might be because these clubs offer members an added benefit: friends. Though people anywhere in the country can join, most members are local and gather to share releases and private tastings.

"It's like a family," Hardywood co-founder Eric McKay said. "A group that can get together and celebrate with special events, or collaborate on beers." While catching that super-rare beer is satisfying, even the obsessed prefer not to drink alone.

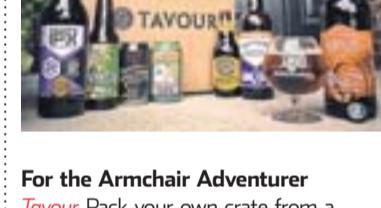
## EXCLUSIVE BREWS // BEER CLUBS FOR EVERY TYPE OF INTREPID TIPPLER



**For the Trophy Hunter** *The Bruery Preservation Society* Known for Belgian-style brews with outlandish twists, the Bruery offers three club levels with increasing access and exclusivity. Entry-level Preservation Society members get three rare beers a quarter at a discount plus invitations to tastings, cellar sales and a jump ahead in line for higher-level memberships. \$59/year + cost of beer and shipping, [thebruery.com](http://thebruery.com)



**For the Hop Snob** *Beer of the Month Hop-Heads Beer Club* Members get their monthly dose of 12 of the boldest IPAs, chosen from this club's vast network of participating breweries by an expert panel of brewers and beer sellers. But should you doubt their picks, you can customize your crate with your own choices, or add favorite bottles from previous shipments. \$48/month, [beermonthclub.com](http://beermonthclub.com)



**For the Armchair Adventurer** *Tavour* Pack your own crate from a super-selective list of the trendiest beers, to be shipped out every month. Tavour leans toward the hopped and hoppy. Sours, IPAs and imperial stouts abound, and the small but well-chosen inventory is constantly changing. Members get daily updates and choose their brews through a handy app. Price varies per beer, [tavour.com](http://tavour.com)



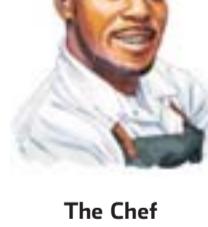
**For the Sour Seeker** *Bear Republic Wild Club* This brewery's new club sends quarterly shipments of beers made with funky fermentation methods, often aged in barrels with fruit, spice and other surprises. Fan favorites include the tongue-numbing Berlinerweisse Tartare, and super-small-batch offerings like peach-and-ginger-infused VIP, available only to members. Price varies per beer, [bearpublic.com](http://bearpublic.com)



**For the Social Drinker** *Hardywood Family Tree* Members of this Virginia brewery's tight-knit social circle get a mixed three-pack four times a year, including crowd-pleasers like warming Gingerbread Stout and beers brewed just for the club. Locals can take advantage of raucous members-only parties and brew sessions on the brewery's new small-batch pilot system. \$295/year, [hardywood.com](http://hardywood.com)

## SLOW FOOD FAST SATISFYING AND SEASONAL FOOD IN ABOUT 30 MINUTES

# Spring Quiche With Mushrooms and Asparagus



**The Chef**  
Eduardo Jordan

**His Restaurant**  
Salare, in Seattle,  
Wash.

**What He's Known For**  
Big-hearted Italian  
cooking, classical  
French rigor and  
Southern hospitality

**GROWING UP IN** St. Petersburg, Fla., Eduardo Jordan developed a deep affection for quiche. "My mom put dinner on the table every night," he said. "Quiche was a go-to in our house. She'd make it with broccoli, sausage and cheese. If she was feeling fancy, she'd throw in some cooked shrimp." This springtime riff, the chef's second Slow Food Fast recipe, delivers asparagus, cheddar and seared mushrooms in a custardy base. Slices are served up with a light green salad and garlic toasts.

To guard againstogginess, Mr. Jordan sautés the mushrooms to extract moisture

before stirring them into the base. And he recommends using the freshest, best eggs possible: "If they haven't been sitting around for weeks they have a richer taste. And if the chickens' feed was good, the yolks are a beautiful bright orange."

At Salare in Seattle, Mr. Jordan rolls out his own pastry dough, but at home, he said, quiche should be easy. Go ahead and use a store-bought crust and rotate ingredients as you see fit. "My mom worked," Mr. Jordan said. "She wasn't making pie dough. And she'd toss in leftovers, utilizing everything." —Kitty Greenwald

TOTAL TIME: 35 Minutes SERVES: 4

3 tablespoons olive oil	½ cup chopped asparagus	shell
1 cup morels or any spring mushrooms, and cut into bite-size pieces	¾ cup shredded sharp cheddar	¼ baguette, sliced into rounds
Salt and freshly ground black pepper	½ cup cream	½ clove garlic
¼ cup sliced yellow onions	½ cup milk	6 cups salad greens, washed and dried
	3 eggs	½ tablespoon lemon juice
	1 (9-inch) prebaked pie	

over cheese and top with egg mixture and remaining cheese. Bake quiche until base sets and browns slightly at edges, about 20 minutes. Before slicing, let quiche cool 5 minutes.

3. While quiche bakes, arrange bread on a baking sheet and toast in oven until browned on both sides, about 5 minutes. Rub toasts with cut side of halved garlic clove.

4. In a large bowl toss salad greens with a pinch of salt, 1 tablespoon oil and lemon juice. Serve salad and toasts alongside quiche.



**BOLD MOVE** A nice sharp cheddar perks up the rich, custardy base of this quiche.

## OFF DUTY



### ◀ Studied History

Carefully constructed period details like decorative moldings and herringbone floors imply period architecture, but this gentleman's library is actually a newly built addition to the home. The room was designed to accommodate the 18th-century French tapestry from which springs its disciplined color scheme of beige, green-blue and brown. The walls—in Benjamin Moore's dusky green Pacific Rim—nod to the influence of Parish-Hadley, the groundbreaking midcentury American firm where Mr. Istomin trained early in his career and which was known for its dark, glossy walls. The color not only reinforces the country setting of trees in leaf but allies with the blues and greens of the pillows and custom bookshelves to make the library's eclecticism seem more unified. A contemporizing trick: "The contrast between the dark walls and white ceiling, white doors and light upholstery and rug makes the room more modern," said the designer.

### Violet It Be ▼

According to Mr. Istomin, one piece can set a room in motion. In this bedroom, a bold 20th-century metal chandelier featuring a riot of glass grapes and pears inspired the space's color scheme and playful, feminine character. A pair of petite, clean-lined turquoise bedside tables help keep the room looking more fresh than fusty. Mr. Istomin echoes the chandelier's violet danglers with a Ukrainian cotton rug and delicate lilac wall paint (Benjamin Moore's Easter Ribbon). Showing uncharacteristic restraint, he limited wall décor to two diminutive religious icons, a small selection from the family's vast collection, whose placement reinforces the symmetry that calms down the room's fairly busy décor.



### Unfrenzied Frappery ▶

A confection of pink and lace, this formal sitting room skillfully walks the line between chaos and chic. According to Mr. Istomin, the starting point for the décor was the hand-blocked Brunschwig & Fils wall covering called Roses Pompon, a reproduction of a 19th-century pattern. "The [room's] roses and the lace could be very old ladyish, but I was determined to put a new spin on it," he explained. One piece of the solution: framing the seating with a pair of symmetrical stepped bookcases, whose 1930s-inspired lines help balance curves and frills elsewhere. "If I had put a Louis XV piece there, it would have dated the entire space," Mr. Istomin said. A narrow range of hues also helps keep intricacy from overloading the eye.



### HOUSE TOUR

# Czar Quality

In a 1990s country house outside Moscow, a designer conjures a venerable dacha that might have been there since Nicholas I

BY SARAH KARNASIEWICZ

**G**LOBE-TROTTING RUSSIAN designer Kirill Istomin has made his name with interiors that embrace old-world opulence without ignoring the needs of non-old-world occupants. Whether working in Paris or Kazakhstan, Mr. Istomin creates spaces that evoke romantic, 19th-century epics: rooms slicked with gilt, decked in china, festooned in lace and imbued with longing. In a country house outside Moscow, for a couple who work in the pharmaceuticals industry and their 20-year-old daughter, he was challenged to create that palpable sense of history in a home built only two decades ago. "I wanted it to look grand," explained the designer, who maintains offices in New York and Moscow. "Not in terms of being flamboyant or important or exquisite, but like something that had been cared for by generations."

To create a sense that the furnishings had accrued through inheritance, Mr. Istomin had to be both an aesthetic magpie and a meticulous editor—or risk veering into hoarder territory. Formulas such as keeping color palettes tight to avoid the look of clutter helped him convey a house with a past that's eminently livable today.



### Checkered Past ▲

The Chinese, English and French porcelain on the dining room's walls suggest the accumulated finds of several decades of owners. The "inherited" concept could look disorderly, Mr. Istomin explained, but he and his team arranged the china on the floor before hanging the schemes on the wall: "The symmetry of the plates, the patterns and swags create a sort of decorative architecture in the room and a very deliberate structure." A counterpoint to the fanciness: the understated, rustic gingham chair-back covers. "It's a pattern we repeat in different colors in various spaces as a way of bringing the look down to earth," Mr. Istomin said. "That way, even special pieces don't scream 'Look at me!'"



### Bath Mastery ▲

Mr. Istomin takes a contrary approach to the bathroom, usually a utilitarian affair, creating an atmosphere of old-fashioned luxury with drapes and upholstery of hand-blocked Hazelton House fabrics. Note, though, that he trimmed the drapes in gingham, undercutting the fabric's floridity. His other high-drama move: layers of reflection. On the mirror above the room's vanity, he installed large, mirror-mounted three-branch sconces, an unconventional choice. "Usually you wouldn't put mirrored sconces on top of a mirror—it's a small room, and the scale feels off," he said.

## GEAR & GADGETS

**IMMODESTLY SUPERLATIVE**  
The \$3 million Bugatti Chiron is the most expensive—and fastest—production road car ever produced by a global auto maker.



RUMBLE SEAT DAN NEIL



# Bugatti Chiron: An Almost Indecent Proposal

**IF STORYTELLING** is theater of the mind, what follows is adult cinema for motorheads. You have joined me in Lisbon, Portugal, for the global press launch of Bugatti's Chiron, successor to the all-conquering Veyron 16.4 supercar. On this March evening the air is soft and the restaurants are noisy. Couples amble along the waterfront past the 16th-century Belém Tower, a frosted cake of turrets and crenelations.

The bleak, beetle-backed monster parked in the courtyard of the hotel lays claim to being the new fastest, most powerful, most expensive road car ever produced by a proper global auto maker. Those numbers, should you want to forward them to your accountant in Macau: about 285 mph; 1,500 horsepower; \$3 million.

It's so evil-looking birds won't land on it. The back half seems to be devouring the front. The full-width taillight glows like a stinging slash from a Jedi's saber. From its aero-

space-standard carbon-fiber safety cell to its titanium tailpipes, the Chiron plays out a drama of precision fabrication that will make you weak at the knees. Gawd, what an object.

And yet, we've been here before. When Ferdinand Piech, grandson of Ferdinand Porsche and then-chairman of VW's supervisory board, re-established the legendary marque in its historic home in Molsheim, France, in the 2000s, it was to build a single, matchless car. The Veyron 16.4 was conceived to deliver world-historical performance in every category—including acceleration, braking, cornering and top speed—with uncompromised refinement, safety and drivability, even at maximum speed.

Which it did. In 2005, the 16-cylinder, 1,000-hp Veyron 16.4 laid down a production-car world record of 253 mph at parent-company VW's test track in Germany. In 2010, a Veyron 16.4 Super Sport set the current record of 268 mph, ahead of a

1,200-hp pillar of fire.

Thanks to two-stage quad turbochargers that are about 50% larger, and a host of improvements to engine breathing and cooling that came with the exterior redesign, the Chiron's 8.0-liter W16 nets 25% more horsepower—now a galactic 1,500 hp at 6,750 rpm, about equal to three Corvettes—and all the torque, ever: 1,600 Newton-meters from just 2,000 rpm all the way to 6,000 rpm.

Top speed? TBD. But judging by the arch in company president Wolfgang Dürheimer's eyebrow as he says, "significantly higher than the Veyron, I think people will be surprised how much," I'm picking 285 mph in the office pool.

Give or take, in the winged zoomorphia of the extremely fast, Bugatti will fly higher than any other car maker has ever dared. Again.

So it's another useless road catapult for ultrarich idiots? Let's not quibble. You may also think it awkward, at least, that this crown jewel of consumption should come from Bugatti, of the VW Group, which has executives under indictment and billions in liabilities for cheating clean-air rules.

But I suggest the Chiron's moral status is more nuanced. As fate would have it, profits from the Chiron will go a long way toward paying the debts to society incurred in the Dieselgate scandal. Meanwhile, the average Bugatti is driven less than 800 miles annually, so these profits' actual carbon footprint is quite small. On that score it may be the greenest car VW Group has ever built.

And suddenly there I am, hands wrapped around the leather-molded grips, eyes gazing over the curved carbon-fiber horizon down a long and empty road in Portugal. My co-pilot, Le Mans-winner and Bugatti test pilot Andy Wallace, has cleared us for takeoff. I've turned the drive-mode selector on the steering wheel to Handling mode and left the gearbox in Automatic. I'm not even bothering with Launch Mode. I stamp the

throttle.

It's hard to put words to the sensation of a 2-ton luxury automobile's accelerating from repose to 186 mph (300 km/h) in 13.6 seconds—about as long it takes most people to read this sentence aloud. It's like getting hit by a freight train, if Hermès made freight trains. This is the adult entertainment that Bugatti panders to the jaded .1%: scarcely believable, barely endurable blasts of acceleration, clutching spasms of delta-v that are both pleasure and pain, traumatic and orgasmic.

And at the moment when the jeweled clock-face speedometer passes 300 km/h—a moment of tunnel vision, mild vertigo and panicky laughter—the car is still traveling two-thirds of its maximum speed.

"Nothing I ever drove at Le Mans was nearly this fast," Mr. Wallace says.

You don't like the way it looks? You're quaint. I applaud this car's Gallic contempt for the sterility of supercar styling. This decorative insolence is best seen in the car's swirls of brightwork looping around the cabin—C for Louis Chiron, Bugatti's works driver from the 1930s. This flourish is so on-the-nose, only the French would have dared it.

An acutely Parisian taste inhabits the couture leather-bound cabin, where the C motif is restated in a thin, elegant light bar descending from the roof to the center console. Ahead, a vertical spar of carbon-fiber and aluminum transects the forward bulkhead, hosting the four, ice-blue rotary dials, commanding first-level functions of climate, audio and navigation. The animated displays for these functions appear in the instrument cluster. But the speedometer, with increments up to 500 km/h, is analogue, so admirers can see it through the window. Peasants.

Towering over other considerations are the demands of extreme speed. Because aero resistance rises as a square of velocity, the faster you go, the steeper the hill. Thus the Chiron's 1,500 horsepower, thus the prodigious engine water pump, cir-

culating 211 gallons of coolant every minute. That's enough coolant to fill four bathtubs, not that I'd recommend it.

The energies involved are daunting. So I was reminded when a kicked-up stone ricocheted off the Chiron's rakish windshield at three-digit speed, fracturing the unspeakably expensive glass in front of Mr. Wallace's face.

The big number is Vmax, top speed. This is where angels fear to tread. Like the Veyron, the Chiron must first assume attack posture, accessed with the Top Speed key. The adaptive air suspension lowers the car to a mere 3 inches off the tarmac. This key also moves the Chiron's rear wing into low-drag position, which is also, alas, the low-downforce position.

I'm not worried about the clients. Seriously. Not worried. But one day soon a test driver will strap into one of these cars and gallantly go for the record, and management will gallantly let him. No matter the precautions taken, every sortie to Vmax is a gamble, a life-or-death wager on human ingenuity.

It's like getting hit by a freight train, if Hermès made freight trains.

It's goddamn glorious. It's like the early decades of the automobile, when engineers and drivers would take life in hand to demonstrate the strength of their machines to an exclusive clientele—Duesenberg's hero of the salt flats, Ab Jenkins, for instance.

The world of luxury goods is full of inflated brand narratives. I join you in your sneering and cynicism. Bugatti plays that game, too. But as its serial rewriting of the record books proves, these machines are very real. For Bugatti, velocity equals ontology. Physics and metaphysics are the same.

THE FIXER MICHAEL HSU



## A Trick to Make Cheap Earbuds Sound Stellar

**Q** I like my earbuds, but my boyfriend insists I need to spend \$200 on headphones to get good sound. I can't see how that could possibly be true. Who's right?

**A** In my experience, expensive headphones do generally sound better than cheap earbuds—but only in quiet environments. Out in the real world, with cars whizzing past or air-conditioning units humming, both solutions sound pretty much the same: tinny and thin. (This assumes you're not cranking up the volume to unsafe levels.)

There's a reason for this: The bass that headphones work so hard to pump out is easily obliterated by the noise around you, sapping music of its satisfying punch.

Fortunately, blocking that bass-obliterating noise doesn't require expensive technology. You can vastly improve your earbuds' sound quality when you're out and about by using hearing-protection earmuffs, the kind you find at the hardware store. Here's how:

1. Start with a pair of good-enough earbuds. The kind that fit inside your ear canal work best, but any type will work.

2. Loop the cords of the earbuds up and over the

top of your ears, as shown in the illustration at right. This helps keep the cords in place. (If you find this cumbersome, just skip.)

3. Insert earbuds, then don a pair of noise-protection earmuffs over them. You might find it more comfortable to run the cords out the back of each earmuff, so the cable is pressed against your skull rather than your neck.

Look for an earmuff that has a noise-reduction rating of around 24 dB (models with a higher rating tend to be bulkier). The Peltor Sport Shotgunner II (\$26) works especially well for this. It is lightweight, folds for portability, features very comfortable padding and has a sleek color scheme that doesn't look too industrial: black and gray with a thin strip of fluorescent green.

Also consider the Howard Leight QM24+ (\$9), which comes in a bold red. It doesn't fold, but its headband can be worn either over the top of your head, like a traditional pair of headphones, or behind your neck should you want to preserve your carefully coiffed 'do.

Have a lifestyle problem that a gadget might solve?

Email us: [the\\_fixer@wsj.com](mailto:the_fixer@wsj.com)



KIERSTEN ESENPREIS

# MANSION

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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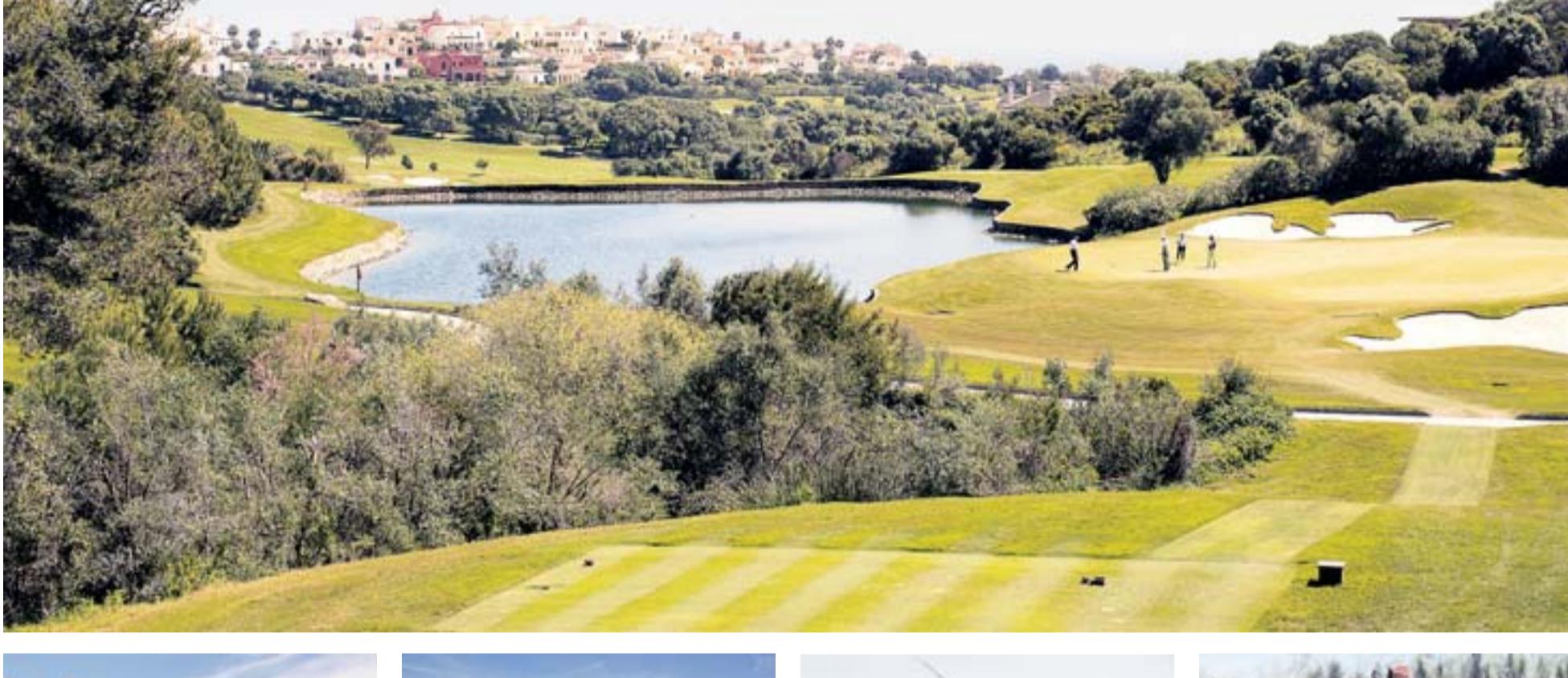
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Friday - Sunday, April 7 - 9, 2017 | W9

Golf & Getaways

## Southern Spain's Sweet Spot

The luxury resort community of Sotogrande is attracting a new wave of international buyers—including some who come for the sun, not the golf.



DYLAN THOMAS FOR THE WALL STREET JOURNAL (5)



**SWING STATE** Players tee off on the 17th hole of La Reserva golf course, top, in the Sotogrande resort community. From left, the 8,000-square-foot, \$3.3 million vacation villa near the golf course built by Jacques Mosseri-Marlio; the home's saltwater pool; a fisherman on a nearby beach, with the Rock of Gibraltar in the background; a game of polo at the Santa María polo club.

BY J.S. MARCUS

**FROM THE EDGE OF HIS INFINITY POOL** in Sotogrande in southern Spain, Jacques Mosseri-Marlio has great views of some of continental Europe's finest golf courses, not to mention the Rock of Gibraltar and the North African coast.

Sotogrande, a privately owned resort community, takes up 7.7 square miles between Marbella and Gibraltar. First developed in the mid-1960s, it soon became a golf destination and a getaway for Madrid's professional elite. Now, amid a surge in

investment, the area is experiencing a new wave of international buyers seeking a steady supply of sunshine—including some who aren't that interested in golf.

Between 2008 and 2013, Mr. Mosseri-Marlio, a retired investment banker based in the U.K., bought several prime lots totaling nearly 3 acres in Sotogrande's La Reserva area, at a cost of about \$2.5 million. He built his own 8,000-square-foot, three-level villa on half an acre, spending about \$3.3 million on the home, which he shares with his wife and their combined family of five grown children.

Mr. Mosseri-Marlio, a French national who first spent summers in Sotogrande as a child, says the community is a refreshing change from "the glitz of Marbella," a half-hour drive away. The children, between the ages of 19 and 29, "are either keen golfers or they just chill by the pool."

Sotogrande land prices reached a low-point in 2014, during the fallout from Spain's economic crisis. Since then, prices have rebounded, thanks in part to a sizable infusion of cash. In 2014, Cerberus Capital Management, an American private-equity firm, and Orion Capital Managers, based

Please turn to page W10

## A CLIFFHANGER IN CANNES

The French city best known for its glitzy film festival is attempting a comeback in luxury real-estate. Some house hunters like the potential for rental income, but will the country's hefty taxes drive them away?

HOUSE OF THE DAY  
[wsj.com/houseoftheday](http://wsj.com/houseoftheday)



Scotland  
A sprawling apartment in a converted mansion



Australia  
A striking modern house in Melbourne



United States  
A new Pennsylvania home with historic style

**CANNES CLOSE-UP** The streets of Cannes, seen from the old town, Le Suquet. Prices of luxury properties are below their 2007 peak but are creeping upward.

BY RUTH BLOOMFIELD

**ON THE FRENCH RIVIERA,** Cannes is most famous for the glamorous film festival held every May. Its real-estate market, meanwhile, has been in the grips of another kind of drama.

After a decade of recess-

sion, the eurozone debt crisis and French austerity policies, the sale price of prime properties stands 30% below the peak levels of 2007, estimates Fred Lilloe, managing director of Knight Frank in Cannes. The fact that prices fell around 1% last year is being treated as good news—or better news, at least, than

the annual 5% drops that Mr. Lilloe has grown accustomed to. "The curve is flattening out," he said.

There is certainly evidence of some big deals being struck. In August, Mr. Lilloe says an Indian-American family paid \$39.4 million for an apartment in the upscale Californie neighborhood. And ear-

lier this year, he sold a modern eight-bedroom villa on the city's fringes to a Norwegian family for \$30.3 million.

Olivier Maugery-Pons, head of Savills's real-estate office in Cannes, agrees that demand is returning to balmy Cannes with its beaches, bars, restaurants, high-end shops and sophisti-

cated nightlife. But the market is still a long way from the heady days of 2007.

"Then, people said, 'I love it,' and bought it," he says. "Now a deal that would have taken two months takes six months. They go home, they think about it, they research the market because they

Please turn to page W14

## GOLF & GETAWAYS

# SOUTHERN SPAIN'S SWEET SPOT



**LOS ALTOS DE VALDERRAMA** The exterior, living room and pool of the villa owned by Hans Dieter Neumann, 75, in Los Altos de Valderrama, a gated residential area within the Sotogrande resort. He is selling his 10,800-square-foot home, completed in 1999, for \$4.3 million.



**SUN AND SHADE** The sixth hole of the Real Sotogrande golf course, above, known for its wide fairways. Below, the dining room and exterior of the Fosbury family's 8,826-square-foot Valderrama vacation villa, on the market for \$3 million.



ments, including the 1997 Ryder Cup. The club has about one-quarter the membership of Real.

Stanley Fosbury, 81, founder of a design and wholesale-clothing company in the U.K., is overseeing the sale of his family's 8,826-square-foot villa at Valderrama, listed for \$3 million. The five-bedroom, five-bathroom house is on a lot of just under an acre. The property includes a richly landscaped garden and is largely hidden from view, like other homes on the course.

Mr. Fosbury bought the Valderrama property in 2006 at the peak of the market. He sees the family breaking even with a sale at the asking price, due to the recent fall of the pound. He said he and his wife, Anne, plan to spend more time in their U.K. home, and the family no longer needs such a large property.

The club spills into the development's so-called Kings and Queens residential neighborhood, where the streets, named after Spanish monarchs, are lined with traditional Andalusian-style mansions and some newer contemporary homes.

A seven-bedroom, eight-bathroom villa at Real, with views of the course's 18th hole, has an asking price of \$5.7 million.

Royal Valderrama Club, which opened in 1974, has an initiation fee of about \$129,000—nearly twice that of Real Sotogrande. Valderrama's narrow fairways lined with cork trees have hosted a number of major tournaments.

The couple typically spends the fall in Sotogrande, which, along with spring, is prime golfing season.

Professional golfer Nick Faldo calls Sotogrande au-

tumns "perfect golfing weather." He played on the winning European team in the Ryder Cup at Valderrama in September 1997.

But increasingly, Sotogrande is attracting buyers with little interest in golf. They are part of a wider trend of nongolfers seeking the "security and protected views" of a golf-course setting, says Mark Harvey, head of European sales at Knight Frank.

"The biggest news there," Mr. Harvey says, is "the wall of money that has been coming in."

Sotogrande SA is planning to add new luxury villas in the resort's La Reserva area. A European buyer recently paid \$9.7 million for a planned 20,230-square-foot villa in La Reserva on just under 1½ acres of land.

Other companies are investing as well. Last year, the owners of La Zagaleta, a luxury gated community in the mountains above Marbella, invested \$43 million in the area, including buying land containing the Valderrama course, plus 544 acres just outside of Sotogrande proper, where they plan to build a new course and develop a gated community of high-end homes.

And a 15-minute drive up the coast from Sotogrande, exclusive golf villas are going up at the Finca Cortesin resort, containing the area's most prestigious hotel.

A 13,665-square-foot villa, bordering the resort's new golf course, recently sold for \$7.7 million. Currently under construction, the eight-bedroom villa has 12½ bathrooms and 1,722 square feet of terraces.

Los Altos de Valderrama, a gated area with 24-hour security, vies with the Kings and Queens area for Sotogrande's highest prices per square foot.

Retired German business consultant Hans Dieter Neumann is selling his 10,800-square-foot villa high above the Valderrama course for \$4.3 million.

He says he is selling because he spends more time at home in Berlin, where his children and grandchildren live, while his family has less time to visit.

Mr. Neumann, 75, says he has invested about \$3.2 million in his property, including building the home and upgrading his lot, bought in 1996 and later expanded.

"I built before the boom started," he says.

## Sotogrande Homes for Sale



**\$16 million**  
**Los Altos de Valderrama**

10 bedrooms, 10 bathrooms

Located in the gated community and near the fifth hole of the Royal Valderrama course, the owners have turned their garden into a private park of more than 5½ acres. The property has a 19,547-square-foot mansion and a 1,991-square-foot pool pavilion. Agent: James Stewart, James Stewart/Savills



**\$4.8 million**  
**Kings and Queens**

Six bedrooms, 6½ bathrooms

The 1.2-acre lot of this contemporary mansion includes an Asian-style pond and a modern swimming pool. The interior features marble floors and cream-colored Spanish stone walls. Ceilings are double-height. The home has electronic safety shutters. Agent: Susana Fontecha, Kassa Sotogrande

*Continued from page W9*  
in London, purchased Sotogrande's development company, including undeveloped property, hotels, the local water concession and golf courses, for \$237 million. The new management team is planning infrastructure and amenities investments of about \$54 million, says Marc Topiol, CEO of the real-estate company, Sotogrande SA, the original developer.

Sotogrande—with a summer population of about 40,000 and about 8,000 year-round residents—is anchored by two acclaimed golf courses, both planned by Robert Trent Jones Sr., the prominent American golf architect.

Real Club de Golf Sotogrande, opened in 1964, is known for its wide fairways.

It has a lively atmosphere, with frequent competitions for its nearly 2,000 members.

The club spills into the development's so-called Kings and Queens residential neighborhood, where the streets, named after Spanish monarchs, are lined with traditional Andalusian-style mansions and some newer contemporary homes.

A seven-bedroom, eight-bathroom villa at Real, with views of the course's 18th hole, has an asking price of \$5.7 million.

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The couple typically spends the fall in Sotogrande, which, along with spring, is prime golfing season.

Professional golfer Nick Faldo calls Sotogrande au-

## GOLF & GETAWAYS

HOUSE CALL | ANNIE PARK

# Golf Edged Out Korean Dance

The LPGA pro found her passion in her immigrant mother's hobby

**People think I'm shy. And I am—at first. But with my friends, I'm embarrassingly outgoing. Once I'm comfortable, it's hard to hide my emotions, except on the golf course. Something changes out there and I get really focused. It's about dedication and determination.**

I was born in the College Point section of Queens, N.Y. Two years later, in 1997, my family moved to nearby Levittown. My parents had saved enough to purchase their first home since immigrating to the States from South Korea in 1983.

When my mother, Ann, and father, Bruce, first arrived in the U.S., they lived in New Orleans, where they had family and friends. A few months later they decided to move to the Flushing section of Queens, where there was a sizable Korean community.

As a child, hearing my parents' stories about leaving Korea and finding their way here was inspiring. They arrived with very little money and almost no English. They didn't have family or a network of friends in Queens to help them.

In Flushing, they opened a nail salon and soon established a nail-salon franchise, which allowed them to buy the white, two-story Colonial-style house in Levittown. They became U.S. citizens when I was in middle school.

My older sisters, Bora and Bo, and I each had our own room. Bora is 14 years older than me, and when she left for college, Bo and I used her room as communal play space.

Levittown didn't have much of a Korean community, so my mother

wanted to be sure I grew up with a sense of my cultural identity. We spoke Korean at home and my mom, a great cook, made a lot of Korean dishes. In kindergarten, she also enrolled me in a Korean cultural dance class after school.

But fitting in was tough in Levittown. I was the only Korean student in my middle school, and as a first-generation American, I was different from most of my friends whose families had been here for a long time.

As far back as I can remember, my mom played golf at the public Bethpage state golf course. All of her friends played the sport and she loved playing on her days off from work. She was very competitive. One day when I was 8, I went with her to the driving range in nearby New Hyde Park and watched her hit balls.

At some point, she turned to me and said, "Why don't you hit a few?" I was a natural from my first swing, and my mom saw my potential. From that point forward, she took me along every time



JILL RICHARDS FOR THE WALL STREET JOURNAL (PORTRAIT); ANNIE PARK (2, HISTORICAL)



**FIRM GRIP** Annie Park, above, playing in the Founders Cup at the JW Marriott Phoenix Desert Ridge resort; far left, with her mother, Ann, at Disney World in Florida in 2000, and, left, dressed for a pageant parade.

for both.

It didn't take long for me to become competitive. When I was 10, I moved with my mom to Howey-in-the-Hills, Fla., to train year-round at a golf academy, where I also went to school.

Two years later, we moved to Lake Mary, Fla. While playing there, I met golf instructor Sean Foley, before he began working with Tiger Woods. Sean saw something in me and took me on. He revolutionized my swing, and I

still train with him today.

I returned to New York when I was 14. In high school, balancing homework, golf and being a teenager was tough. I loved golf and was motivated to make it all work.

In school, classmates called me "the golfer." At the time, I didn't understand why. I thought they were making fun of me or it was bad to be a golfer. Now, I realize it was simply who I was.

Throughout high school, I played in amateur golf tournaments. There was a lot of pressure to keep my grades up. I'd be lying if I didn't say there were some setbacks. When I applied to colleges, USC offered me a full golf scholarship. I moved to California in 2013 and immediately found myself homesick. But after a few months, I made friends and adapted.

I majored in communications because I wanted to understand how the media worked. I also knew that the skills I learned would come in handy during on-camera interviews. In my freshman year, I helped USC win the NCAA Women's Golf Team title and I won the individual title. In my junior year, I earned my LPGA Tour Card, which was a dream come true. My family was so proud of me. My mom still accompanies me on tours and sometimes caddies for me.

Today I live in Orlando, Fla. I moved here after graduation last December to train year-round. Once again, I'm on my own. I leased an apartment for the first year to see how I like living here. My apartment is really just space to crash, since I'm either on the course or touring.

I miss New York and seeing my mom all the time. At home, I used to have my nails done weekly at my mom's salon. Now I have to find time to have them done at a salon here. Believe it or not, I can't paint my own nails.

—As told to Marc Myers

*Annie Park, 21, is a professional golfer who joined the LPGA tour last year. In 2013, while at USC, she was the NCAA individual national champion, and in 2015 she won both the LPGA's Symetra Player of the Year and the Gaelle Truet Rookie of the Year.*

PRIVATE PROPERTIES | CANDACE TAYLOR

## Texas Pad for \$45 Million



A flamboyant videogame developer is putting his vast party pad on the market: a roughly 65-acre property on Texas' Lake Austin that includes a life-size medieval village, lighthouse and pirate ship.

The spread is asking \$45 million, which would set a new record for Austin if it fetches its asking price, said Gary Dolch of Kuper Sotheby's International Realty, who has the listing with his wife, Michelle Dolch.

The living quarters are relatively modest: a two-bedroom, roughly 1,500-square-foot lake-front cabin. Owner Richard Garriott de Cayeux, who is known for developing the multiplayer online role-playing game Ultima, said he bought the property about 20 years ago with plans to build a roughly 25,000-square-foot house complete with a tower, underground rooms and tunnels. He lost focus on the proj-

ect, however, when he began preparing for a voyage to space. In 2008 Mr. Garriott de Cayeux made a trip to the International Space Station, making him America's only second-generation astronaut. (His father, Owen K. Garriott, completed two missions to space with NASA.)

Mr. Garriott de Cayeux, 55, said he loves hosting events at the property, from medieval-style jousting tournaments to a Titanic-themed party, during which he said he surprised his guests by sinking a barge in Lake Austin and making them swim to shore. In 2012 Mr. Garriott de Cayeux said he threw an end-of-world-themed fundraiser on the site, building a 30-foot replica of a Mayan pyramid for the occasion.

The property is dotted with the detritus of these events, including the lighthouse, which has a functioning light as well.

as a ladder for climbing into a loft, and the pirate ship, which shoots tennis balls at a nearby fort. What Mr. Garriott de Cayeux calls the "medieval village" comprises a number of small, movable houses. They're large enough for guests to stay in overnight, he noted, but don't have running water. There's also an outdoor theater that seats about 400 people. "It's a big kind of play area for kids and adults," Mr. Garriott de Cayeux said of the lakefront portion of his property.

He said he and his wife, Letitia, are selling because she often travels internationally for work, and they plan to buy a smaller property in Austin.

The property has a private marina with eight boat slips, and a carriage house. There's also the foundation for the planned house, including underground rooms and tunnels, and the tower. Located about 6 miles from downtown Austin with approximately 1,300 feet of frontage on Lake Austin, the property is one of the largest parcels available on the lake, Mr. Dolch said.



## BROWN HARRIS STEVENS

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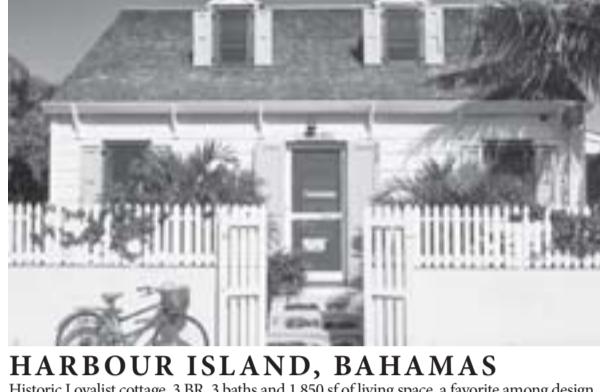
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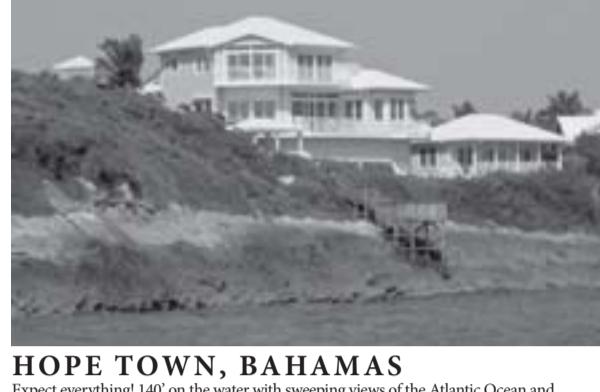
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### NASSAU, BAHAMAS

Built by a New York hotelier, this 3 BR, 2 bath home combines old world architecture and modern amenities. Near town in a tranquil, residential community. WEB: 28579. Price upon request. Samira.Coleby@SIR.com

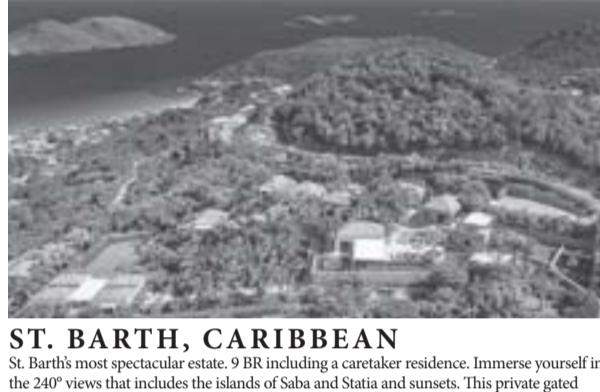
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### HOPE TOWN, BAHAMAS

Expect everything! 140' on the water with sweeping views of the Atlantic Ocean and Sea of Abaco. 3,300 sf. 5 BR, 5 bath includes a guest cottage, efficiency apartment, infinity pool and garage. Dock slip at Tahiti Beach. Excellent rental potential. Meticulously maintained. WEB: 29469. \$2,990,000 US. Kerry.Sullivan@SIR.com

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### ST. BARTH, CARIBBEAN

St. Barth's most spectacular estate. 9 BR including a caretaker residence. Immerse yourself in the 240° views that includes the islands of Saba and Statia and sunsets. This private gated property cascades majestically along the hillside and features a 5 BR main residence, 2 BR guest house and 2 pools. Price upon request. tom@stbarth.com

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### PROVIDENCIALES, TURKS & CAICOS

Gansevoort Villas, a villa community providing the privacy of a luxury oceanfront villa, managed by a proven hospitality company. Contemporary design, 4 or 5 BR. Only 1 villa remains. From \$3,950,000 US. Nina.Siegenthaler@sothebysrealty.com

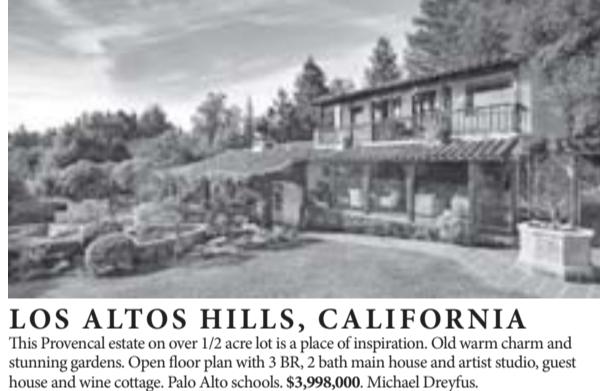
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### PALM SPRINGS, CALIFORNIA

Celebrity-owned 8,500 of desert getaway located in the ultra-private and historic golf community of Tradition with dramatic water and mountain views. Amenities include a 3-room private guest wing plus 2-room guest house. \$3,995,000. Pcerf@homgroup.com

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### LOS ALTOS HILLS, CALIFORNIA

This Provencal estate on over 1/2 acre lot is a place of inspiration. Old warm charm and stunning gardens. Open floor plan with 3 BR, 2 bath main house and artist studio, guest house and wine cottage. Palo Alto schools. \$3,998,000. Michael Dreyfus.

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+1 650.485.3476 | [14700Manuella.com](http://14700Manuella.com)



### TIBURON, CALIFORNIA

Spanning over 14.5 acres and approx 2,000' of San Francisco Bay shoreline, this parcel has approved plans for an approximately 15,000 sf main residence, 2,200 sf guest quarters and 700 sf caretaker's cottage. \$47,000,000. Bill Bullock and Lydia Sarkessian.

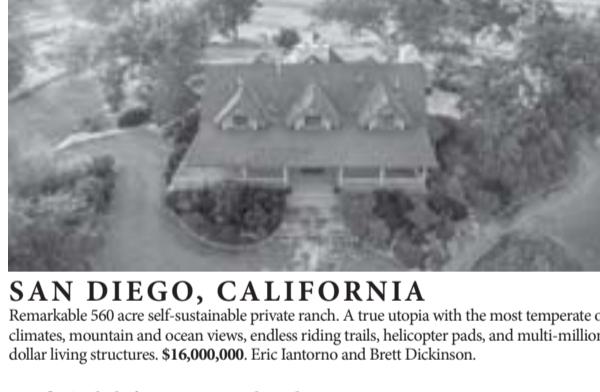
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### SAN DIEGO, CALIFORNIA

Newly constructed coastal Mediterranean masterpiece, uniquely positioned on the southernmost waterfront lot in Del Mar. Sitting on 1.1 acres, lot borders Torrey Pines State Reserve, providing unparalleled, unobstructed ocean views. \$29,000,000. Eric Iantorno.

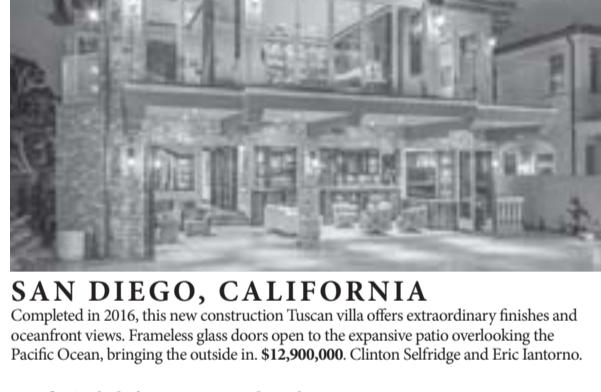
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### SAN DIEGO, CALIFORNIA

Remarkable 560 acre self-sustainable private ranch. A true utopia with the most temperate climates, mountain and ocean views, endless riding trails, helicopter pads, and multi-million dollar living structures. \$16,000,000. Eric Iantorno and Brett Dickinson.

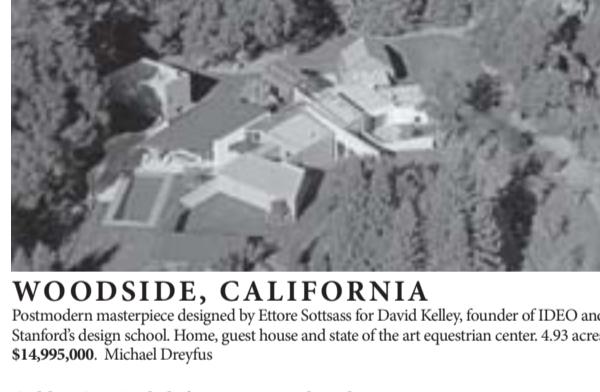
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### SAN DIEGO, CALIFORNIA

Completed in 2016, this new construction Tuscan villa offers extraordinary finishes and oceanfront views. Frameless glass doors open to the expansive patio overlooking the Pacific Ocean, bringing the outside in. \$12,900,000. Clinton Selfridge and Eric Iantorno.

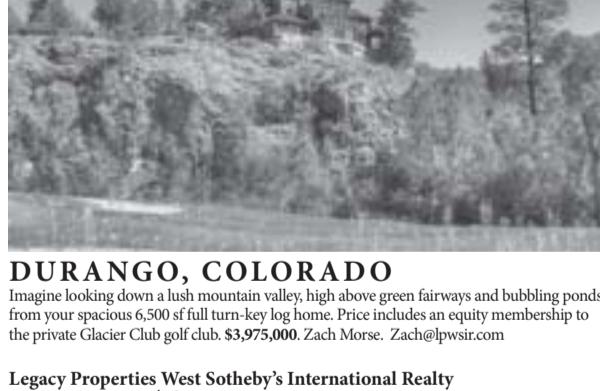
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### WOODSIDE, CALIFORNIA

Postmodern masterpiece designed by Ettore Sottsass for David Kelley, founder of IDEO and Stanford's design school. Home, guest house and state of the art equestrian center. 4.93 acres. \$14,995,000. Michael Dreyfus.

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### DURANGO, COLORADO

Imagine looking down a lush mountain valley, high above green fairways and bubbling ponds, from your spacious 6,500 sf full turn-key log home. Price includes an equity membership to the private Glacier Club golf club. \$3,975,000. Zach Morse. Zach@lpwsir.com

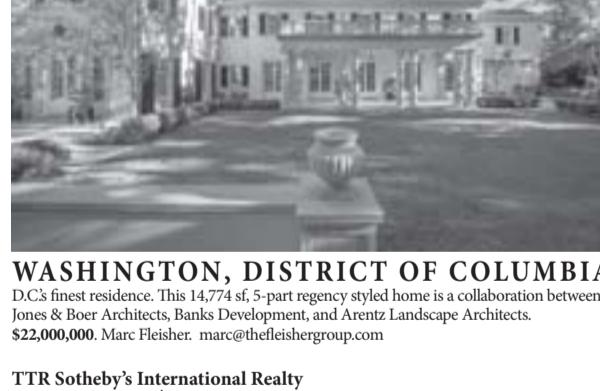
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### DURANGO, COLORADO

This very private and secure 35 acre property features a private lake, waterfall and pond, year-round creek and expansive views. It has a remarkable 8,000 sf Hacienda style home and is surrounded by the National Forest. \$3,295,000. Zach Morse. Zach@lpwsir.com

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### WASHINGTON, DISTRICT OF COLUMBIA

D.C.'s finest residence. This 14,774 sf, 5-part regency styled home is a collaboration between Jones & Boer Architects, Banks Development, and Arentz Landscape Architects. \$22,000,000. Marc Fleisher. marc@thefleishergroup.com

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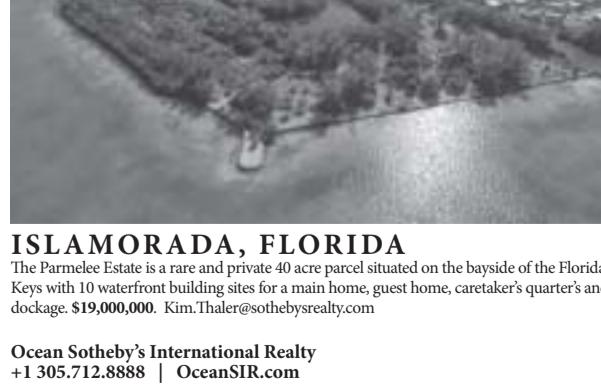


### BOCA GRANDE, FLORIDA

"Las Olas" - The island's most historically significant and meticulously restored 7 BR, 6 bath Gulf front home was originally built by Francis and Louise du Pont Crowninshield in 1927 and entirely restored from the foundation up. Home sits on 145' of Gulf front beach.

\$14,650,000. Rich Taylor. Rich@sothebysrealty.com

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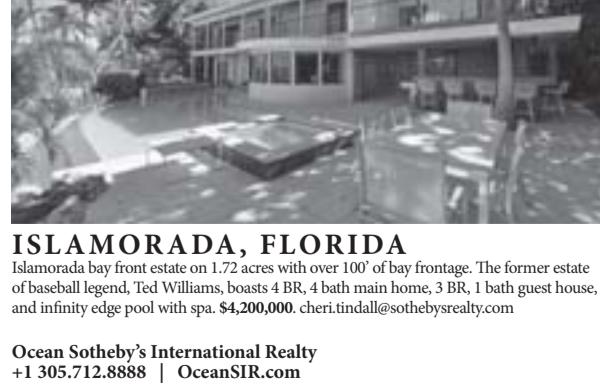


### ISLAMORADA, FLORIDA

The Parmelee Estate is a rare and private 40 acre parcel situated on the bayside of the Florida Keys with 10 waterfront building sites for a main home, guest home, caretaker's quarter and dockage. \$19,000,000. Kim.Thaler@sothebysrealty.com

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### ISLAMORADA, FLORIDA

Islamorada bay front estate on 1.72 acres with over 100' of bay frontage. The former estate of baseball legend, Ted Williams, boasts 4 BR, 4 bath main home, 3 BR, 1 bath guest house, and infinity edge pool with spa. \$4,200,000. cheri.tindall@sothebysrealty.com

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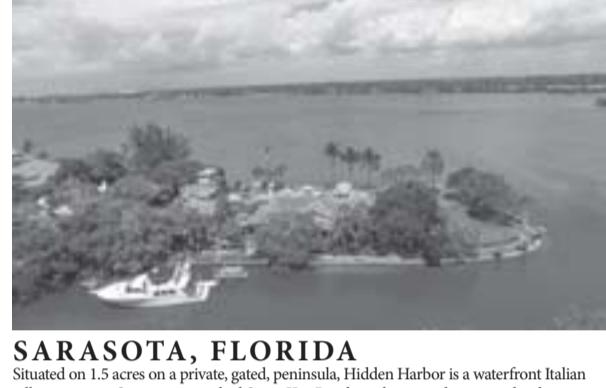
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#### KEY LARGO, FLORIDA

Charming home in the exclusive community of Ocean Reef offering 3 BR, 3.5 baths. The open floorplan features abundance of natural lighting from the wall of glass doors and windows opening to the lanai with gas fireplace. \$2,370,000. [Russell.Post@sothebyrealty.com](mailto:Russell.Post@sothebyrealty.com)

Russell Post Sotheby's International Realty  
+1 305.367.2027 | [RussellPostSIR.com](http://RussellPostSIR.com)



#### SARASOTA, FLORIDA

Situated on 1.5 acres on a private, gated peninsula, Hidden Harbor is a waterfront Italian villa minutes to Sarasota, #1 ranked Siesta Key Beach, and top rated private school. Large boats accommodated, putting green, 60' pool. \$11,900,000. Tamara Currey.

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+1 941.587.1776 | [viewsarasotahomes.com](http://viewsarasotahomes.com)



#### BOSTON, MASSACHUSETTS

This 4,400+ sf parlor and garden duplex is located on the desirable first block of Commonwealth Avenue. Corner residence with magnificent gardens, two garage parking spaces and direct elevator access. \$8,995,000. Michael L. Carucci.

Gibson Sotheby's International Realty  
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#### DARBY, MONTANA

11,000+ sf log retreat sitting on 16.75 river front acres. 4 BR, 5 baths, exquisitely finished. Featuring a Chicago style cherry bar, indoor firing range, 2,000 bottle wine cellar and theater area. Prime fishing and hunting. \$4,200,000. Dawn Maddux.

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#### NEW YORK, NEW YORK

This residence at The Mandarin Oriental Hotel offers 2,219 sf of luxurious living space and views facing Central Park. \$12,995,000. Elizabeth Sample and Brenda Powers. [elizabeth.sample@sothebyhomes.com](mailto:elizabeth.sample@sothebyhomes.com), [brenda.powers@sothebyhomes.com](mailto:brenda.powers@sothebyhomes.com)

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#### NEW YORK, NEW YORK

With its expansive approximately 50' wide great room and 12 north-facing windows, this 3 BR top-floor loft embodies the essence of open-plan living while seamlessly incorporating separation and privacy. \$3,150,000. Mara Flash Blum.

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#### NARRAGANSETT, RHODE ISLAND

6,500 sf Victorian home offers 12' ceilings, walnut inlaid hardwood floors and 4 fireplaces. Just minutes to area beaches, the property is situated on five private acres with an in-ground saltwater pool. \$1,790,000.

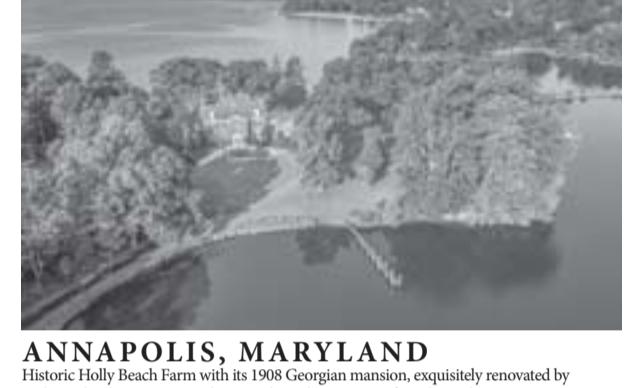
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#### PUMPKIN KEY, FLORIDA

Florida Keys private island just 3 minutes by boat to shore accommodations in Ocean Reef community. Self-sufficient with water and electric in place from shore to 12 large bay front lots. Featuring 1 main home, 2 caretaker's cottages and 20-slip marina. \$95,000,000. [Russell.post@sothebysrealty.com](mailto:Russell.post@sothebysrealty.com)

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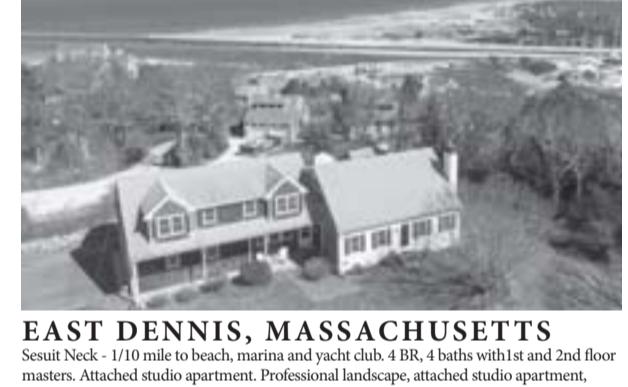


#### CHICAGO, ILLINOIS

Unprecedented urban estate. 25,000 sf masterpiece on Chicago's finest street. Sited on more than 8 city lots. Manicured grounds with multiple fountains, reflecting pool and antique garden pavilion transport you to another world. \$50,000,000.

Matt Leuthesser and Tim Salm. [tsalm@jamesonsir.com](mailto:tsalm@jamesonsir.com)

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#### ANNAPOLIS, MARYLAND

Historic Holly Beach Farm with its 1908 Georgian mansion, exquisitely renovated by acclaimed Arlene Critzos and Warnock Studios, is magnificently sited on a 26 acre oasis with 3/4 of a mile of waterfront and private beach. \$14,500,000.

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#### EAST DENNIS, MASSACHUSETTS

Custom built 5 BR home on .85 acres in coveted Quivet Neck. Sub-zero refrigerators, granite counters, master suites on both living levels. Private heated pool surrounded by picturesque landscaping. Close to 3 terrific Bay beaches. \$1,699,000. Jack D. Bohman.

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#### NEW YORK, NEW YORK

635 Park Avenue. Encompassing the entire 4th floor, this tremendous 14-into-10 room simplex apartment affords western views over tree lined Park Avenue. \$15,000,000. Serena Boardman. [serena.boardman@sothebyhomes.com](mailto:serena.boardman@sothebyhomes.com)

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#### NEW YORK, NEW YORK

After undergoing a meticulous 2 year renovation, this sun-flooded 3 BR, 3 bath home defines the term "turn-key" boasting only the highest quality fixtures, hardware, finishes and appliances. \$4,995,000. Jeremy V. Stein.

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#### SOUTH KINGSTOWN, RHODE ISLAND

Sited on 2.49 acres overlooking Green Hill Pond, this nearly 2,000 sf home offers privacy, location and water views. Single level living with 3 BR, 3 full baths, stone fireplace and automatic hurricane shutters. \$1,195,000.

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## GOLF & GETAWAYS



**SUNNY SIDE** In Californie, Villa L'Abri is listed for \$21.3 million. The 11-bedroom, eight-bathroom home measures around 8,000 square feet.



FROM TOP: SAVILLS (2); GÉOFRROY MATHIEU FOR THE WALL STREET JOURNAL; KNIGHT FRANK (2)

# A REAL-ESTATE CLIFFHANGER IN CANNES

Continued from page W9

don't want to pay too much, they consider where else they might buy, and then they buy it."

Mr. Maugery-Pons's clients are more concerned about buying costs and taxes than in the past. These costs include estate agent fees of around 7%, and payments to the notary who draws up the deeds of sale add a further 7%. In all, a buyer of a €1 million, or \$1.07 million, resale property can expect to pay around \$150,000 in taxes and fees.

On the up side, buyers are often relieved to learn that French home sellers often deliberately overprice their properties in listings—20% is typical—to give them some wiggle room to negotiate.

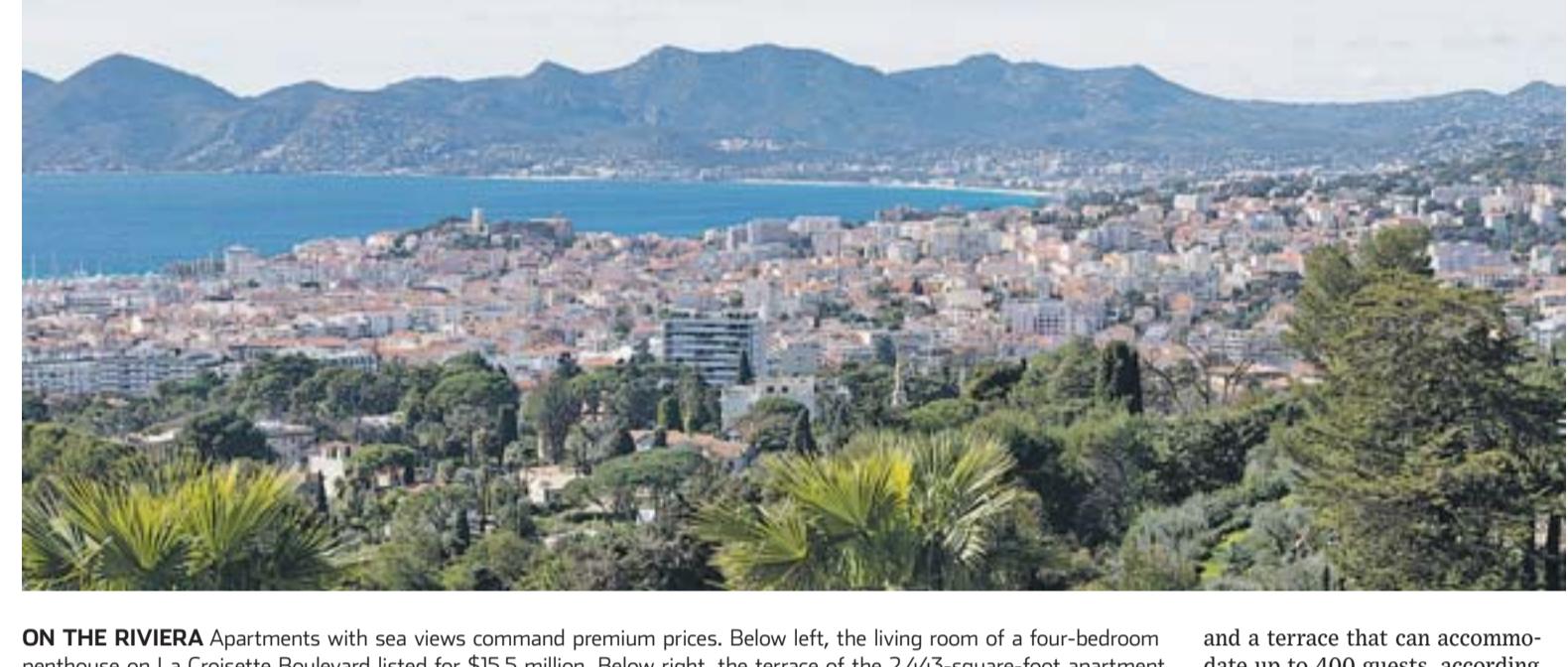
The homes that sell best are turnkey, and many buyers plan to earn a little income by renting them out from time to time, Mr. Lilloe says. By his estimates, someone with a two-bedroom apartment with a sea view on La Croisette, Cannes' most expensive street, would earn at least \$10,000 during the 11-day film festival. "The most you could get? Up to €25,000 [\$26,600] for a good apartment."

Earning an income from a Cannes home is useful because property owners are liable to ongoing taxes. These include land and habitation taxes to the local council, costing around \$2,000 to \$6,400 each year.

There is also wealth tax paid by those whose assets in France total more than \$1.4 million, at rates starting at 0.5%. When it comes time to sell, overseas owners pay capital-gains taxes up to a maximum 19%. Confusion surrounds a second selling tax, the 15% "social tax" liable on properties owned for less than 30 years, because the European Union is currently challenging its legality. Throw in the specter of inheritance taxes, and Mr. Maugery-Pons suspects some buyers simply decide French property is too much trouble.

Buyers willing to get their heads around France's unique tax system tend to have two Cannes addresses in mind. The first is La Croisette, the location of the Palais des Festivals et des Congrès convention center, the main venue of the Cannes Film Festival.

Apartment in the somewhat



**ON THE RIVIERA** Apartments with sea views command premium prices. Below left, the living room of a four-bedroom penthouse on La Croisette Boulevard listed for \$15.5 million. Below right, the terrace of the 2,443-square-foot apartment.



drab 1970s buildings that line this seafront boulevard are the most expensive in town, said William Bouzat, sales negotiator with Engel & Völkers real-estate agents. "You have got the fantastic sea views, and all the facilities like restaurants and shops," he explained. "Everything is in walking distance."

Prices along La Croisette range from around \$2,500 to \$5,000 per square foot, with homes in the stretch between two of its fanciest hotels—Le Majestic and the Martinez—commanding higher prices.

Prices rise on higher floors because most buyers want water views.

Knight Frank is listing a four-bedroom, four-bathroom penthouse apartment for \$15.5 million in a postwar building on La Croisette. The 2,443-square-foot

contemporary property comes with parking and a self-contained studio apartment for staff.

Buyers who prefer a more suburban vibe look to the steep, winding, palm-tree-lined streets of Californie, which is a five-minute drive inland. The buildings here are also mostly of postwar vintage, but are set within meticulously landscaped grounds. Californie's best buildings have security staff and concierge services, swimming pools and tennis courts. Even with these amenities, prices in Californie are considerably lower than on La Croisette. Typical apartments range from \$800 to \$1,400 per square foot, Mr. Bouzat estimates.

Villas with sea views start at around \$5.3 million.

Mr. Bouzat says that around a quarter of Californie's buyers are

French; the rest are mainly European. While high-profile Russian and Middle Eastern buyers prefer La Croisette, buyers from Belgium, Switzerland and Luxembourg, as well as Scandinavian nations like low-key Californie.

Currently on the market for \$4.2 million is a Provencal-style villa perched on the Californie hillside. The 3,229-square-foot property has four bedrooms and four bathrooms. A large backyard has terraces overlooking the sea, a swimming pool, and a pétanque court for games of the boules-like sport, according to Knight Frank.

Also on the market is Villa L'Abri, built circa 1910. Listed for \$21.3 million, this 11-bedroom, eight-bathroom home measures around 8,000 square feet and includes a heated infinity-edge pool

and a terrace that can accommodate up to 400 guests, according to Savills, the listing agency.

This kind of party palace would be ideal for enjoying the 70th annual Cannes Film Festival, but preparations for this year's event are currently overshadowed by a more political sort of contest.

French voters go to the polls on April 23 for the nation's presidential elections, with a runoff on May 7 just days before the festival opens. With a campaign already riven by allegations of fraud and financial impropriety it is hard to call who will succeed President François Hollande.

Mr. Lilloe believes, however, that the magic of Cannes has the power to transcend mere presidents.

"People don't buy a property in the South of France to make money," says Mr. Lilloe. "Beyond the beach and the restaurants and the museums and the culture, you have the golf and the tennis and the polo and the hiking in the back country. You can be at a ski resort in 1½ hours in winter, and you have Provence with all its vineyards close by, or you can go to Monaco for the day."

"The expat community is very strong in Cannes, so people who buy here make friends. You don't need to learn the language—English is fine. You would have to look hard to find anywhere else in the world like Cannes."

## RELATIVE VALUES

# FROM THE FRONT DOOR TO THE FAIRWAY

These high-end homes in Santa Fe, Pebble Beach and Milton, Ga., are geared toward golf lovers



**\$5.49 million**

Milton, Ga.

10 bedrooms, 10 bathrooms

Atlanta Braves pitcher John Smoltz designed this 19-acre estate, which includes an 18,265-square-foot home alongside a putting green, two synthetic golf greens and nine tee boxes. Other outdoor amenities include a baseball diamond and basketball court. Agent: Alex McGraw, Harry Norman Realtors



**\$4.4 Million**

Santa Fe, N.M.

Seven bedrooms, six bathrooms, one half-bath

This 13,758-square-foot home overlooks the first fairway of the Sunrise Golf Course, part of the Club at Las Campanas private resort community. The course is visible from its outdoor spaces. Agents: Ray Rush and Tim Van Camp, Sotheby's International Realty



**\$6.8 Million**

Pebble Beach, Calif.

Five bedrooms, 8 bathrooms

Located in the estates area of Pebble Beach, this 7,734-square-foot home is off the fourth fairway of the Cypress Point Club. A homeowner can putt and chip from a personal tee box. Agent: Kim DiBenedetto, Coldwell Banker-Del Monte Realty

—Emily Nonko

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**24 Blue Heron Pond Road:** Immaculate home with studio guest suite enjoys Cinder Creek and marsh views, a southern exposure, palm-lined yard, patio, and deck with ocean breezes. Exquisite interiors are master crafted and professionally designed. The upscale neighborhood has a boathouse, covered pier, and fishing dock. A Kiawah Island Club Membership is available.

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**Located where the "tropics begin"** sits one of the most renowned seaside communities on the east coast with 3 miles of pristine beaches, 3 championship golf courses, 17 Har-tru tennis courts, squash & Beach Club. This desirable 4BR retreat is sited on .48 acres along the N. Course and offers 4,575± GSF of living area, a pool and cabana with kitchen.

\$1,975,000 [JohnsIslandRealEstate.com](http://JohnsIslandRealEstate.com)

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**ANNA MARIA SOUND, FLORIDA**

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**Whitetail Club Realty, LLC.**  
**Joe Carter**  
phone: 877.634.1725 email: [jcarter@whitetailclub.com](mailto:jcarter@whitetailclub.com)



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\$10,000,000 [www.TurkeyRunCville.com](http://www.TurkeyRunCville.com)

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The Nelson Brothers — 001 866.635.7667

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Marvine Jenkins — 001 410.596.4756

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WEB ID: HLCB44  
Captiva beachfront estate. 4BR/4BA main house. 4BR/4.5BA guest house. On 1-1/2 lots. VIP Realty Group, Inc.

Jim Hall — 001 239.850.3344

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Exceptionally built 1.3 ac oceanfront estate on one of Charleston's premier beaches. Carriage Properties

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ATLANTA, GA | €5,059,035  
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GREAT NECK, NY | €4,975,178  
WEB ID: DRWY44  
Magnificent 7,000sf Home – huge Master Suite main level luxurious maintained. Laffey Real Estate

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KIAWAH ISLAND, SC | €4,837,875  
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You Can Have it All! .8 acre south facing, oceanfront home site on Kiawah Island. Carriage Properties

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BRIMFIELD, MA | €4,145,828  
WEB ID: VNCT44  
Stunning 60 acre, 7BR estate: main house, guest home, barn, tennis, pool, 1 hr Boston. William Raveis RE, Mortgage & Insurance

Walsh Team — 001 508.341.4904

CHARLESTON, SC | €4,100,675  
WEB ID: ERDU44  
18 Church St C 1840, South of Broad estate 6,992sf, 5br, 6ba, guest house, garage. Carriage Properties

Charles Sullivan — 001 843.367.8807



NORTH PALM BEACH, FL | €3,685,999  
WEB ID: SEJY44  
Harbour Isles waterfront, dock 70' yacht! 5BR/5.2BA/3CG, pool, spa, summer kitchen. Illustrated Properties-Luxury Collection

Robert Lynch — 001 561.236.6900

NORTH PALM BEACH, FL | €3,132,178  
WEB ID: WSTY44  
Tropical 5BR estate in prestigious Seminole Landing. Exotic pool area, 6 car garage. Lost Tree Realty

Denice Sexton — 001 561.662.8344

HILTON HEAD ISLAND, SC | €2,763,578  
WEB ID: IWY44  
Luxury Waterfront Property Lies on Intracoastal Waterway on Private Ribaut Island. WEICHERT, REALTORS®-Coastal Properties

Hillary Dollenberg — 001 843.290.3063

CHATHAM, CAPE COD, MA | €2,763,578  
WEB ID: ELVY44  
Waterfront on Crows Pond with deep water access, dock and unobstructed views. Robert Paul Properties

Team Guthrie-Mabile — 001 508.246.3236

TAMPA, FL | €2,759,892  
WEB ID: JRHV44  
Luxury Estate, over 8,400sf, guard-gated community, Florida living at its finest. Florida Executive Realty

Wendy Ross — 001 813.493.9241



Darien, CT | €2,575,592  
WEB ID: EPWT44  
Impeccable 5 BR home on serene acre. Private lane close to town, NYC train & schools. Houlihan Lawrence

Elizabeth Gilbert — 001 203.524.5185

NORTH PALM BEACH, FL | €2,483,442  
WEB ID: REOT44  
Harbour Isles waterfront, dock 70' yacht! 5BR/5.2BA/3CG, 5,888sf, pool, spa, kitchen. Illustrated Properties-Luxury Collection

Robert Lynch — 001 561.236.6900

NORTH PALM BEACH, FL | €2,299,142  
WEB ID: ICQJ44  
Light filled 4BR 4BA garden home with pool in prestigious gated golf community. Lost Tree Realty

Peter Erdmann — 001 561.329.2383

FAIRFIELD, CT | €2,280,712  
WEB ID: TABQ44  
Classic Greek Revival on 2+ acres featuring 5 bedrooms and 5.5 baths. Built in 2005. William Raveis RE, Mortgage & Insurance

Gigliotti Group — 001 203.451.0040

RYE, NY | €1,749,928  
WEB ID: CPCT44  
Timeless contemporary colonial featuring 4 large bedrooms and over 6,000 square feet. William Raveis RE, Mortgage & Insurance Margaret Pisco — 001 914.557.3321

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