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# THE WALL STREET JOURNAL.

DOW JONES | News Corp \*\*\*\*\*

TUESDAY, APRIL 17, 2018 ~ VOL. CCLXXI NO. 89

WSJ.com

★★★★ \$4.00

DJIA 24573.04 ▲ 212.90 0.9% NASDAQ 7156.28 ▲ 0.7% STOXX 600 377.74 ▼ 0.4% 10-YR. TREAS. ▼ 2/32, yield 2.834% OIL \$66.22 ▼ \$1.17 GOLD \$1,347.50 ▲ \$2.70 EURO \$1.2381 YEN 107.12

## What's News

### Business & Finance

Some fund managers have soured on Facebook shares, a component of a long-profitable trade in a group of tech stocks known as "FANG." A1

♦ Netflix reported surging subscriber growth that beat expectations. Its shares jumped 5.2% after hours. B1

♦ Trump is nominating Columbia economist Clarida as Fed vice chairman and Kansas banking regulator Bowman as a Fed governor. A2

♦ Bank of America said first-quarter profit climbed 30%, boosted by the new tax law and rising rates. B1

♦ Spending at U.S. retailers rebounded in March, but offered little sign of a breakout in household outlays. A3

♦ VW is considering a full takeover of Navistar, the U.S. truck maker in which it holds a nearly 17% stake. B1

♦ Transportation shares boosted U.S. stocks. The Dow gained 212.90 points, or 0.9%, to 24573.04. B12

♦ Sorrell's exit from WPP has sparked questions about the future strategy of the world's largest ad firm. B3

♦ CFTC ex-general counsel Berkovitz will be nominated to fill the final open slot on the commission. B10

♦ Tesla said it is shutting down production of the Model 3 for about a week. B2

### World-Wide

♦ The Trump administration is seeking to assemble an Arab force to replace the U.S. military contingent in Syria and help stabilize the northeastern part of country after the defeat of Islamic State. A1

♦ The administration said it is evaluating prospects for new sanctions against Russian entities involved in Syria's chemical-weapons effort. A8

♦ The U.S. and U.K. struck separate blows at Chinese telecom-gear maker ZTE, ratcheting up national security scrutiny of the firm. A1

♦ The U.S. is examining ways to retaliate against Beijing's restrictions on U.S. providers of cloud computing and other high-tech services. A6

♦ Fox News's Hannity was named in federal court as a client of Trump's long-time lawyer Cohen. A3

♦ The GAO said the purchase of a \$43,000 sound-proof phone booth for EPA chief Pruitt broke the law. A3

♦ A bipartisan group of senators released a proposal to modernize a 2001 law underpinning the war on terror. A4

♦ A U.S. pastor imprisoned in Turkey denied in court accusations of spying and contact with terrorists. A7

♦ EU diplomats said there is growing support for imposing new sanctions on Iran. A7

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## Hearing for Trump Attorney Brings Stormy Daniels to Court



**MEDIA CRUSH:** Stephanie Clifford, a former adult-film actress known as Stormy Daniels, was a spectator Monday at a Manhattan hearing for Michael Cohen, President Donald Trump's attorney. The judge compelled Mr. Cohen to reveal that Fox News commentator Sean Hannity was one of his clients, and denied a motion by Mr. Trump's lawyers that they review material seized by the FBI last week from Mr. Cohen. A3

## Facebook Takes Bite Out of Tech Bet

Group of stocks known as 'FANG' loses luster amid social network's data-privacy trouble

By MICHAEL WURTHORN

Some big investors are facing a moment of soul-searching about whether to abandon part of a long-profitable trade: a bet on a group of tech stocks known as "FANG."

The stocks—Facebook Inc., Amazon.com Inc., Netflix Inc. and Google-parent Alphabet

Inc.—have long risen in lock-step and helped power the long-running market rally.

But since Facebook's disclosure last month that millions of users' data were compromised, stock-picking fund managers have soured on the social network's shares, with some either partially or completely abandoning their investments.

While some money managers believe Facebook's trouble threatens to cool user and revenue growth, many say the three other stocks remain among the market's best bets.

"Investors have been trying to lump these stocks all together for years" even though they have different business models, said Rob Sharps, head of investments and group chief investment officer at T. Rowe Price Group Inc. Now that Facebook's struggles have come to light, "there may be some greater differences among the FANG stocks than in the past."

The NYSE FANG+ index, which tracks 10 global tech heavyweights, has bounced back after last month's slide and is outperforming the S&P 500 in April: It is up 1.8% versus 1.4% for the broad market index.

Brad Slingerland—portfolio manager of the Janus Henderson Global Technology Fund, which has stakes in all four FANG stocks, as well as other big tech companies like Apple Inc., Tencent Holdings Ltd. and Alibaba Group Holding Ltd.—says his fund started reducing its position in Facebook before the data.

Please see TECH page A2

♦ Netflix has another quarter of torrid subscriber growth..... A1

♦ Gerald F. Seib: New era of superpower rivalry dawns... A4

## U.S., Britain Tighten Vise on Chinese Firm

By JASON DOUGLAS AND ROBERT WALL

U.S. and British officials struck separate blows at telecommunications-equipment giant ZTE Corp. on Monday, ratcheting up national security scrutiny of a big Chinese company amid broader economic tensions between Washington and Beijing.

British cybersecurity officials warned U.K. phone carriers to stay clear of ZTE's equipment and services, citing concern about the potential that Beijing could force the company to help it infiltrate or sabotage telecom infrastructure.

Separately, the U.S. Commerce Department banned American companies from selling products to ZTE, saying the company violated terms of a deal last year settling allegations

of sanctions-busting involving North Korea and Iran.

A ZTE spokeswoman said in a statement that the company is aware of the Commerce Department action. ZTE is "assessing the full range of potential implications that this event has on the company and is communicating with relevant parties proactively in order to respond accordingly," she said. The company has in the past denied its telecom gear poses any national-security risk to countries where it is sold.

In a statement that only addressed the U.S. actions, China's Commerce Ministry said it is looking at the export controls on ZTE and urged the U.S. to provide "an impartial, fair and sta-

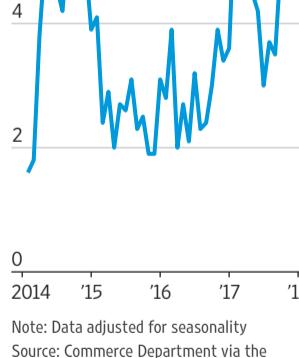
Please see ZTE page A6

♦ U.S. weighs China trade moves over tech limits..... A6

## Spending Lags Despite Jump

U.S. retail sales got a lift, but overall growth in consumer spending was moderate. A3

Monthly retail sales, change from a year earlier



Note: Data adjusted for seasonality

Source: Commerce Department via the Federal Reserve Bank of St. Louis

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## U.S. Seeks An Arab Force and Funding For Syria

By MICHAEL R. GORDON

WASHINGTON—The Trump administration is seeking to assemble an Arab force to replace the U.S. military contingent in Syria and help stabilize the northeastern part of the country after the defeat of Islamic State, U.S. officials said.

John Bolton, President Donald Trump's new national security adviser, recently called Abbas Kamel, Egypt's acting intelligence chief, to see if Cairo would contribute to the effort, officials said.

The initiative comes as the administration has asked Saudi Arabia, Qatar and the United Arab Emirates to contribute billions of dollars to help restore northern Syria. It wants Arab nations to send troops as well, officials said.

Details about the initiative, which haven't been previously disclosed, have emerged in the days since the U.S.-led strikes on sites associated with the Syrian regime's chemical-weapons capabilities.

Mr. Trump, who has expressed growing impatience with the cost and duration of the effort to stabilize Syria, alluded to the push on Friday night, when he announced the missile strikes.

"We have asked our partners to take greater responsibility for securing their home region, including contributing larger

Please see SYRIA page A8

♦ Gerald F. Seib: New era of superpower rivalry dawns... A4

## Wanted: Teenagers To Fill Open Jobs

The U.S. worker shortage forces employers to explore labor market's youngest echelon

By JENNIFER LEVITZ AND ERIC MORATH

LOVELAND, Colo.—Jerry Stooksbury, the president of Avionics Specialists LLC, needed to produce an airplane instrument panel last fall, but had only two employees able to complete the task quickly.

One was out sick. The other was in high school.

He called the high-schooler, 17-year-old Thayer McCollum.

Thayer, who starts his days drinking chocolate milk and blasting indie rock, works part time operating mechanical-drawing software

for aircraft parts. He came in to do the project and still had time for homework.

After the longest stretch of continuous job creation on record—more than seven years—the U.S. faces its most severe worker shortage in the past two decades. Employers, from General Electric Co. and Michelin North America Inc. to a Wisconsin nursing home and an Ohio turbine-parts manufacturer, are expanding their hunt to the labor market's youngest echelon.

The 12-month average unemployment rate for teens in March was 13.9%, the lowest year-round average since

Please see TEENS page A10

## The Nation's Best Tax Preparers Might Be Parents

\* \* \*

Many fill out 1040s even for adult children; 'they still need me'

By KATHERINE BINDLEY

"your copies."

"It's very turnkey for me," says Ms. Cusick. "He puts little sticky arrows that say, 'sign here.'"

Ms. Cusick is 42 and the director of marketing with the Archdiocese of New York. She has never done her taxes. Her 74-year-old dad, a retired attorney from Barron, Wis., does them for her. "It's not like I don't think I could learn how to do it," she says. "But if my dad legitimately seems to en-

joy doing it and it saves me time, why not?"

"He enjoys it." "She's good at it." Such is the party line of adults who still have their accounting needs handled by their parents. This includes Ms. Cusick's brother and his wife, who receive a packet of their own each spring.

"I think about it every year when the time comes around, that it's probably a skill that I should have learned," says

Please see TAXES page A10

## American Wins Boston Marathon



FLASH: Desiree Linden became the first American to win the women's race at Boston in 33 years. Yuki Kawauchi of Japan won the men's. A14

BRIAN SNYDER/REUTERS

## U.S. NEWS

## Trump Names Two to Fill Fed Board Seats

By NICK TIMIRAO

**WASHINGTON**—President Donald Trump revealed his latest picks to fill empty seats on the Federal Reserve Board, saying Monday he would nominate Columbia University economist Richard Clarida as vice chairman and Kansas banking regulator Michelle Bowman as a governor.

Mr. Clarida is described by colleagues as more of a pragmatist than an ideologue and served as the top economist in the Treasury Department during the George W. Bush administration. Mr. Powell served at the Treasury in the administration of George H.W. Bush. Mr. Trump's first selection for the Fed board, Randal Quarles, served at the Treasury in both

viser at Pacific Investment Management Co. and since 1988 has been an economics professor at Columbia, including four years as department chair. He is well regarded by economists on both sides of the aisle.

Mr. Clarida is described by colleagues as more of a pragmatist than an ideologue and served as the top economist in the Treasury Department during the George W. Bush administration. Mr. Powell served at the Treasury in the administration of George H.W. Bush. Mr. Trump's first selection for the Fed board, Randal Quarles, served at the Treasury in both

*The president hasn't opted to nominate outspoken critics of the central bank.*

Both picks illustrate how Mr. Trump, in reshaping the Fed board, has opted against nominating outspoken critics of the central bank, which he repeatedly criticized during the 2016 election campaign.

Mr. Clarida is managing director and global strategic ad-

tions to the Fed board are subject to Senate confirmation.

Mr. Clarida would fill the third leg of the traditional Fed policy leadership, alongside Mr. Powell and the president of the New York Fed. The regional reserve bank this month designated San Francisco Fed President John Williams to succeed its retiring president, William Dudley.

Mr. Powell is the first Fed leader in more than three decades without a Ph.D. in economics. The White House has been eager to select a monetary-policy specialist as his second in command. Mr. Clarida has published extensive academic research on monetary policy, inflation and macroeconomics. From his perch at Pimco, Mr. Clarida also has commented frequently on Fed policy.

Mr. Clarida has quibbled with some Fed communications in recent years but hasn't been as critical of the central bank's policy moves as other conservative economists.

Mr. Clarida was largely supportive of efforts last year by then-Fed Chairwoman Janet Yellen to gradually lift interest rates and slowly shrink the Fed's \$4.5 trillion portfolio of

## Reshaping the Central Bank

President Donald Trump has an unusual opportunity to put his stamp on the Federal Reserve early in his term.

○ Trump pick   ○ Obama pick



**Jerome Powell\***  
Chair



**Richard Clarida**  
Vice Chair  
Not yet confirmed



**Lael Brainard**



**Randal Quarles**



**Michelle Bowman**  
Not yet confirmed



**Marvin Goodfriend**  
Not yet confirmed

Vacant

\*First selected to a board seat by Obama, and was selected to Chair by Trump.

Source: Federal Reserve  
Photos: Associated Press; Bloomberg News; Zuma Press; Reuters; Office of the state bank commissioner of Kansas

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bonds and other assets, which swelled during successive stimulus campaigns after the 2008 financial crisis.

The vice-chairman position has been vacant since October, when Stanley Fischer resigned

for personal reasons. The Fed board has four vacancies.

Market participants have been eager to see whom the White House picks for vice chairman because that person will help Mr. Powell manage de-

cisions this year over how much the Fed should raise rates. The No. 2 official could also coordinate debates concerning long-run strategy, including how to prepare for the next recession.

The Obama administration considered nominating Mr. Clarida for a seat on the Fed board in 2011. He withdrew from consideration, and former President Barack Obama nominated Mr. Powell to fill the opening.

Ms. Bowman became vice president of her family's 135-year-old Farmers & Drovers Bank in Council Grove, Kan., in 2010. From 2004 until 2009, she ran a government and public-affairs consultancy in London.

Before that, she served in top positions at the Department of Homeland Security and the Federal Emergency Management Agency in the George W. Bush administration. She also worked as a congressional adviser, including for former Sen. Bob Dole, the Kansas Republican.

Mr. Clarida and Ms. Bowman would be Mr. Trump's fourth and fifth nominees to the Fed's board, following Mr. Powell, Mr. Quarles and Carnegie Mellon University economist Marvin Goodfriend, who is awaiting Senate confirmation.

## U.S. WATCH

## CALIFORNIA

## No Guard Troops For Securing Border

California officials rejected President Donald Trump's request for National Guard troops to help secure the U.S. border with Mexico, federal officials said Monday.

Robert G. Salesses, a Defense Department official working on the deployment plan, said California officials turned down a Border Patrol request for about 237 troops to help with tasks such as operational support, vehicle maintenance, radio communications, planning, clerical work and managing surveillance cameras.

California officials said Monday they have not rejected the administration's request, but won't commit troops until its deployment terms are agreed to.

Last week California Gov. Jerry Brown, a Democrat, said he would send 400 state troops to join the effort but their work would be limited to combating "transnational crime," as state guard troops have done in the past. Mr. Brown said he wouldn't allow troops to help build a barrier at the border or enforce federal immigration laws or support immigration enforcement.

Mr. Trump said this month that he would send 2,000 to 4,000 National Guard troops to the nearly 2,000-mile border with Mexico. Troops in Texas, New Mexico and Arizona have been mobilized.

—Alicia A. Caldwell and Laura Meckler

## TAX OVERHAUL

## GOP-Backed Law Still Unpopular: Poll

More people view the Republican tax overhaul as a bad idea than a good one, a new Wall Street Journal/NBC News poll has found, but Americans see the GOP as better equipped than Democrats to handle taxes, trade and other economic issues.

The result is a mixed bag for the Republican Party, which has been hoping to battle political headwinds in the midterm elections by promoting the tax cut and celebrating improvements in the economy. The poll found that 27% of respondents thought the tax law was a good idea, while 36% thought it was a bad idea.

The poll also found that Americans see the Democratic Party as better able than the GOP to handle other prominent policy issues, including sexual harassment, health care and gun violence.

—Janet Hook

## OHIO

## Two People Killed In Small-Plane Crash

Authorities say a single-engine plane headed to Florida crashed in rural Ohio, killing two people on board.

The Federal Aviation Administration says the Beechcraft Bonanza went down Monday morning in a wooded area of Coshocton County, roughly 60 miles northeast of Columbus.

—Associated Press

## Tornado Hits North Carolina, Leaving One Person Dead



UPENDED: Damages were assessed Monday in Greensboro, N.C., a day after a twister packing winds up to 135 mph struck the city and knocked out power for thousands.

## TECH

Continued from Page One

privacy controversy.

He sees further declines ahead for the social-network company despite the shares already trading 16% below a 52-week high hit in February. "I'm not sure [Facebook shares] have come down enough to reflect that risk" of how it handles its data, Mr. Slingerlend said, adding that Chief Executive Mark Zuckerberg's tight control of the company's voting shares creates added uncertainty for investors. "The range of outcomes for Facebook has widened significantly."

Vontobel Asset Management, the nearly \$40 billion asset-management arm of Zurich-based Vontobel Holding AG, also sold shares of Facebook in the past month, according to a FactSet analysis of the social network's stakeholders, while Copper Rock Capital Partners LLC, a boutique asset-manager that oversees more than \$5 billion, also paraded down its holding.

Smaller retail investors appeared to be getting out of the stock as well, as several brokerage firms, including LPL Financial Holdings Inc., reported Facebook share sales in the past month, according to FactSet's data.

A spokeswoman for Facebook declined to comment.

The FANG stocks have together shed more than \$200 billion in market value since mid-March when Facebook plunged after acknowledging its data-privacy issues. Facebook, Amazon and Alphabet are still off about 9% or more each over that time, compared with a 4.1% drop for Netflix.

But investors remain generally optimistic about the prospects for Amazon and Netflix as those companies continue to upend the business segments in which they operate—retail for Amazon and media for Netflix. And Alphabet's diversified operations, from advertising to search to tech hardware, make it a dominant force in many fields.

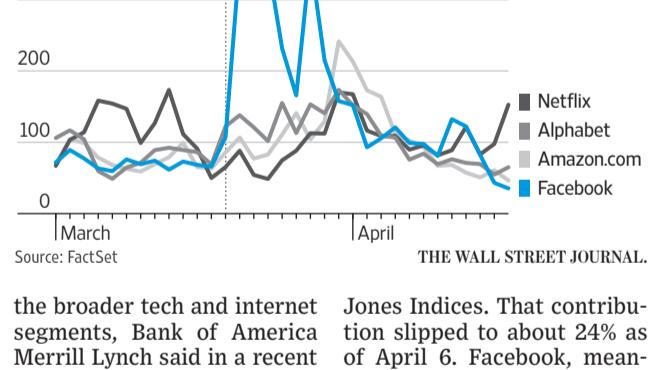
Mr. Slingerlend says he doesn't plan to significantly reduce his fund's holdings in Alphabet and Amazon and expects them to maintain their heady growth paths, even if lawmakers push for more regulation of tech companies. Investors who group those tech giants with Facebook are missing the intricacies of each business, he said, dismissing President Donald Trump's criticism of Amazon's tax treatment and its relationship with the U.S. Postal Service.

Many actively managed funds have a higher exposure to the FANG stocks than to

## Turning Point

Trading in Facebook shares spiked after the company's data-handling practices came under fire.

Total daily volume as a percentage of the 30-day average



the broader tech and internet segments, Bank of America Merrill Lynch said in a recent report, with Alphabet and Amazon among the most crowded stocks. Those same investments helped fuel the funds' gains last year when all four stocks notched double-digit percentage increases.

But the FANG stocks have lost some of their influence over the broader market. Amazon and Netflix, which are up 23% and 60%, respectively, for the year, accounted for more than 30% of the S&P 500's 2018 gain at one point in February, according to S&P Dow Jones Indices. That contribution slipped to about 24% as of April 6. Facebook, meanwhile, is among the biggest drags on the index, overshadowing the declines of even General Electric Co.

"These companies are of a size and have an amount of influence now that, going forward, are going to have to contend with these sorts of challenges," T. Rowe's Mr. Sharps said of data-privacy concerns and the potential for regulation, though his firm hasn't significantly reduced its exposure to FANG stocks.

The declines in the FANG

stocks last month wiped out nearly half of the year-to-date gains of some of the best performing actively managed funds, including Mr. Slingerlend's Janus fund, according to a ranking of funds by data provider Morningstar Inc.

That fund shed 5.2% from mid-March through Monday, paring its gain this year to 7.5%. Meanwhile, the Morgan Stanley Institutional Fund Growth Portfolio, which has positions in Facebook, Amazon and Alphabet, fell 5.8% over the same period to cut its year-to-date gain to 10%.

In comparison, about 70% of growth funds that focus on large-cap stocks like Facebook, Google and Amazon outpaced the S&P 500 over the first three months of the year to return 3.1%, compared with 1.9% for growth stocks in the broader index, according to the Bank of America Merrill Lynch data.

While March proved to be rough, 81% of those managers were able to post better returns than the negative performance of growth stocks in the S&P 500.

Even an exchange-traded fund that touts its FANG exposure and aims to invest in modern tech companies has soured on Facebook. The AdvisorShares New Tech & Media exchange-traded fund sold out of its Facebook position shortly before the data mishap was disclosed, said Scott Freeze, chief investment officer of Sabretooth Advisors, which manages the fund.

Instead, Mr. Freeze is telling current and prospective investors that his fund aims to find the next FANG stocks that are set to expand at rates similar to how the original quartet performed in prior years, such as payment-processing company Square Inc., a tech stock that is up 36% this year.

"FANG is not a set of four companies. It's an idea," Mr. Freeze said. "There are FANG stocks every generation, every decade. Nothing stays on top forever."

## CORRECTIONS &amp; AMPLIFICATIONS

The source for a graphic that ran with a U.S. News article Monday about smart weapons was iGun Technology Corp., which is a subsidiary of Mossberg Group. The credit was incorrectly given as Mossberg Group.

Sargent McCormick is a relative of Robert R. McCormick, the longtime editor and publisher of the Chicago Tribune. A Business & Technology

article Saturday about Tronc Inc. incorrectly said he is a descendant.

The Israeli government has lifted travel restrictions that were part of Beny Steinmetz's release after he was detained for questioning in an investigation. In some editions April 9, a Business News article about BSG Resources Ltd. failed to mention that the government lifted the restrictions.

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

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## U.S. NEWS

# Shortages in Housing Are Widespread

Pro-development group's research finds 22 states, D.C. haven't built enough homes

By LAURA KUSISTO

America's housing shortage is more wide-ranging than coastal markets, stretching from pricey locales such as California and Massachusetts to more surprising places, such as Arizona and Utah.

Some 22 U.S. states and the District of Columbia built too little housing to keep up with economic growth in the 15 years after 2000, resulting in a total shortage of 7.3 million units, according to research released Monday by an advocacy group for loosening building regulations.

California bears almost half of the blame: The state built 3.4 million too few units to keep up with job, population and income growth. At the same time, it is becoming more difficult to build all across America due to shortages of land, labor and materials.

The research was commissioned by the Up for Growth National Coalition, a newly formed group that includes real-estate developers and owners, along with affordable-housing builder Bridge Housing. It also includes local California chambers of commerce and TechNet, a network of technology executives.

The data add details to a housing-shortage picture painted by government data, industry results and economists. Home construction per household remains near the lowest level in 60 years of record-keeping, according to Jordan Rappaport, an economist at the Federal Reserve Bank of Kansas City.

There is growing awareness that the housing shortage is widespread and affects states not often thought of as being especially antidevelopment. It is accompanied by home prices rising 6.2% nationally in the year that ended in January, roughly twice the rate of incomes and three times the rate of inflation, according to the S&P CoreLogic Case-Shiller National Home Price Index.

"The artificial barriers to housing production aren't constrained just to California," said Mike Kingsella, executive director of the Up for Growth National Coalition. "As we dug into the numbers behind this, at a local market level, we're seeing a pronounced affordability challenge in places like even Arizona."

Arizona and Utah are among the states that have built too little housing in the 15-year period, according to the report. The shortage in these places likely reflects strong demand as they become top destinations for retirees and people priced out of the Northeast and California.

Southern Nevada has about



**Construction workers can't keep up in California, which is responsible for almost half of the nation's home shortage since 2000.**

a two months' supply of homes for sale at the current sales pace, when about six months is considered a balanced market between sellers and buyers. Las Vegas saw home prices rise 11% in the year ended January, making it the second-fastest-growing market for home prices in the country, according to Case-Shiller.

"We have home builders that are building like crazy trying to keep up with demand, and they can't build fast enough," said Chris Bishop, president of the Greater Las Vegas Association of Realtors, which isn't part of the advocacy group.

The Up for Growth report, conducted by ECONorthwest, a consulting firm, examines how much housing was built in the U.S., compared with economic

drivers of housing demand, such as home prices, population growth and incomes. It compares production from 2000 to 2015 with rates of production since the 1970s.

Economists who have reviewed the report caution that measuring the present need for housing by extrapolating from past production is imperfect. Western states that were sparsely populated 60 years ago and experienced huge building booms in the latter half of the 20th century may not need to build at such a rapid clip today.

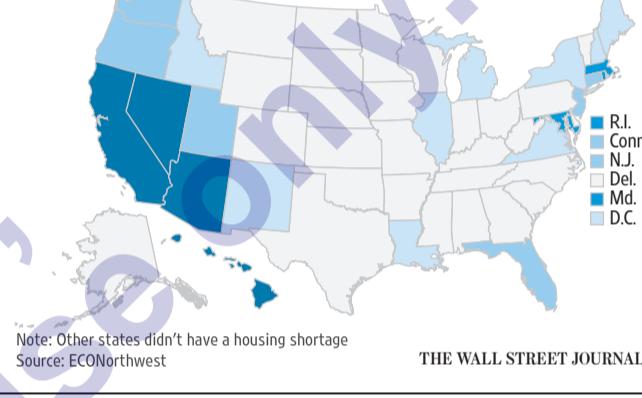
Housing shortages also are difficult to measure because most people will find somewhere to live by doubling up with family or roommates or moving to areas where homes are abundant but jobs scarce.

## The State of Homebuilding

Some 22 states and the District of Columbia didn't build enough housing from 2000 to 2015. Production fell short by 7.3 million homes, or 5.4% of the total housing market.

### Underproduction as a percentage of 2015 housing stock

2-5% 5.1-10% 10.1-15% More than 15%



Note: Other states didn't have a housing shortage  
Source: ECONorthwest

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# Despite Tax Cuts, Consumers Shy From Spending

BY HARRIET TORY  
AND SARAH CHANEY

Spending at U.S. retailers bounced back in March, but the broader trend in consumer spending shows moderate growth despite a solid labor market and growing worker paychecks.

The Commerce Department reported that retail sales reversed three straight months of declines in March, rising 0.6% from the prior month thanks largely to a bump in auto sales.

While March's gain exceeded economists' expectations, it offered little evidence of a breakout in household outlays. Overall retail sales edged up 0.2% in the first quarter from the fourth quarter. In the fourth quarter, a holiday-sales period, they rose a more robust 2.5% from the prior quarter.

Sales data are watched closely as an indicator of trends in consumer spending, which drives more than two-thirds of economic output.

The sales pace in recent months suggest the economy expanded modestly in the first quarter. The Federal Reserve Bank of Atlanta estimates output grew at a 1.9% annual rate in the first quarter, slower than a 3% annual rate in the final nine months of 2017.

"It's disappointing that we didn't get a bit more momentum as the quarter ended," said Jim O'Sullivan, chief U.S. economist at consultancy High Frequency Economics. He said a strong labor market

and the tax overhaul should nonetheless provide a robust backdrop for the second quarter.

Data on retail sales can be volatile from month to month, aren't adjusted for inflation, and don't include spending on most services such as housing and health care. That makes them an incomplete reading on the overall economy.

The first quarter is traditionally the weakest of the year as consumers hunker down after the holidays,

though seasonal adjustments in federal statistics should account for that in monthly reports.

The first quarter this year was complicated by tax developments. Annual tax refunds were delayed, which might have prompted households to put off spending early in the year. Separately, tax withholding was reduced to account for last year's tax cuts, which could lead to more spending down the road.

Michael Pavlock, a 48-

year-old Louisiana resident, said he has been traveling more and has purchased four guns and a Harley-Davidson motorcycle, in part because of the additional disposable income he gets from tax cuts.

Still, some analysts saw signs that consumer spending could disappoint. "It's an old recovery, people just don't need as much," said Susan Sterne, president of Economic Analysis Associates, an advisory firm specializing in tracking consumer behavior.

## Prison Fights Leave Seven Dead

BY VALERIE BAUERLEIN

Seven inmates were killed and 17 others injured at a rural South Carolina prison in a series of fights fueled in part by contraband cellphones.

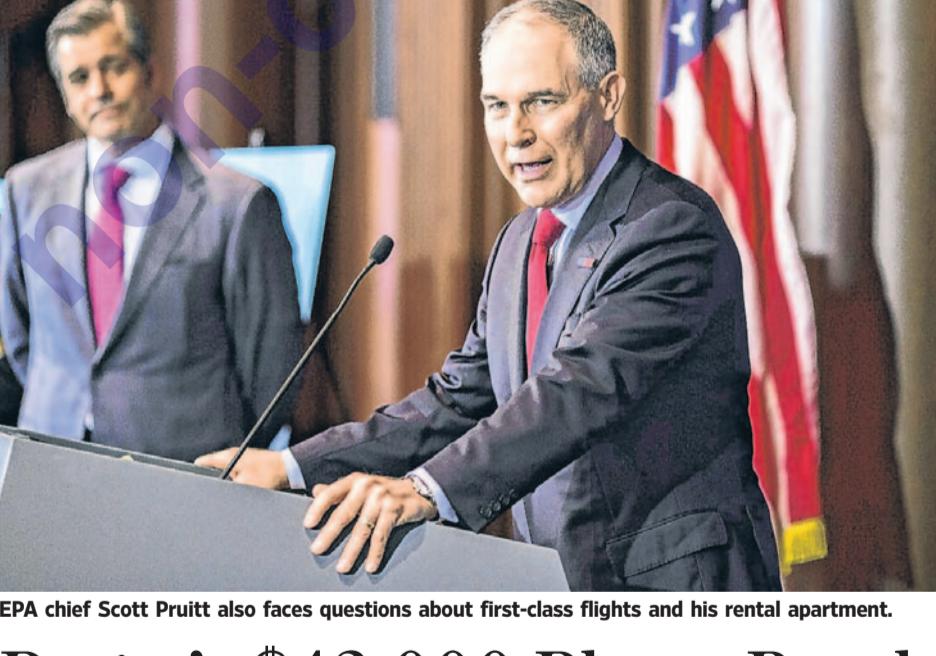
The fights at Lee Correctional Institution in Bishopville were a byproduct of gang activity inside the prison, facilitated by the phones, said Corrections Director Bryan Stirling, on Monday.

Gang members use cellphones thrown over the prison fence or smuggled inside to conduct illegal business inside and outside the facility, he said. "What we believe is that this was all about territory, this was about contraband, this was about cellphones," Mr. Stirling said. "These folks are fighting over real money and real territory while they're incarcerated."

Gov. Henry McMaster and Mr. Stirling reiterated a request that the Federal Communications Commission allow the jamming of cellphone signals in prisons.

The FCC said it has adopted new rules that will allow for quicker deployment of interdiction systems in prisons, and is studying additional tools for combating contraband phones.

The fights at the prison began at 7:15 p.m. Sunday and lasted until 2:55 a.m. Monday, according to the state's Department of Corrections. No employees or law-enforcement officers were injured, the department said.



JASON ANDREW FOR THE WALL STREET JOURNAL

## Pruitt's \$43,000 Phone Booth Broke the Law, Watchdog Says

BY HEIDI VOGT

WASHINGTON—A \$43,000 soundproof phone booth for Environmental Protection Agency chief Scott Pruitt violated the law, a government oversight body said Monday, because the agency didn't notify Congress before making the purchase.

The finding, by the Government Accountability Office, comes as Mr. Pruitt has come under fire for his spending on items such as first-class air travel at taxpayer expense. The White House is reviewing Mr. Pruitt's activities, and the Office of Government Ethics has urged the EPA to investigate possible ethics violations, including allegations that Mr.

Pruitt rented a Washington apartment from the family of an energy lobbyist at below-market rates.

The White House chief of staff has reportedly pressed for Mr. Pruitt's removal, but President Donald Trump has continued to support the EPA chief, saying he is doing a "great job."

On the phone-booth purchase, the EPA is addressing the GAO's concern "and will be sending Congress the necessary information this week," said Liz Bowman, an EPA spokeswoman. The agency has said Mr. Pruitt's living arrangement didn't run afoul of ethics rules, and it has said his first-class travel is necessary for security purposes.

In a statement, the GAO said agencies are supposed to notify congressional appropriations committees before they spend more than \$5,000 for the office of a presidential appointee. That also means the EPA violated the Antideficiency Act, a law that prohibits agencies from spending more than is "legally available" for such items, the GAO said.

Mr. Pruitt installed the booth in a former storage closet in his office last year, saying he needed a way to make phone calls to discuss sensitive information.

The GAO didn't rule on whether this expenditure was out of line, just that Mr. Pruitt needed to notify the congressional committees.

## Hannity Is Named As Client of Cohen

BY ERICA ORDEN  
AND NICOLE HONG

NEW YORK—Fox News commentator Sean Hannity was named in federal court Monday as a client of President Donald Trump's longtime personal lawyer, Michael Cohen, when a judge ordered the disclosure following an attempt to keep Mr. Hannity's identity secret.

Attorneys for Mr. Cohen, who is under criminal investigation and whose records FBI agents seized in raids on his office, home and hotel room a week ago, had written in a court filing earlier Monday that he had three clients in the past year: Mr. Trump, GOP fundraiser Elliott Brody and an unnamed third person. The third client, Mr. Cohen's attorneys wrote, had directed Mr. Cohen "not to reveal the identity publicly."

The names of Mr. Cohen's clients were at issue because lawyers for Messrs. Cohen and Trump each filed motions seeking a temporary restraining order on the U.S. attorney's office in Manhattan, saying they should review the seized records for material protected by attorney-client privilege before prosecutors do.

On Monday, U.S. District Judge Kimba Wood denied the motions, though she didn't make a final determination on how the document review should move forward. The government said it wouldn't begin reading the substance of the seized materials until she made her ruling. The judge left open the possibility of appointing a third-party special master to play a role

in the review.

In a text message Monday, Mr. Hannity said he and Mr. Cohen "have been friends a long time."

In a separate statement Monday, Mr. Hannity said Mr. Cohen "has never represented me in any matter. I never retained him, received an invoice, or paid legal fees." While the two had had "brief discussions" about legal matters, he said, those talks "never involved any matter between me and a third-party."

Speaking on his radio show Monday, Mr. Hannity said he hadn't paid Mr. Cohen legal fees but that "I might have handed him 10 bucks" and asked for attorney-privilege on certain issues.

The court hearing was attended by lawyers for Mr. Cohen, Mr. Trump, the Trump Organization and Stephanie Clifford, a former adult-film star known professionally as Stormy Daniels.

Mr. Cohen made a \$130,000 payment to Ms. Clifford just before the 2016 election to keep her from talking about what she alleged was a past sexual encounter with Mr. Trump. Mr. Cohen and White House representatives have denied any sexual encounter took place between Mr. Trump and Ms. Clifford.

Since the 2016 campaign, Mr. Hannity has served as a confidant of the president and a prominent advocate for his policies. Mr. Trump, in turn, has frequently promoted Mr. Hannity's prime-time Fox News show. Fox News parent 21st Century Fox and Wall Street Journal parent News Corp share common ownership.

## U.S. NEWS

# A New Era of Superpower Rivalry Dawns



lated U.S.-Soviet rivalry and a period of clear U.S. dominance, and into a new period with different risks and fewer well-understood rules of the road.

**C**hinese President Xi Jinping is intent on expanding Chinese economic influence across Asia and beyond, establishing a new military presence in the South China Sea and cementing his own personal and unquestioned power at home. All told, he "has taken China in a very different direction," Mr. Sawers told the Journal's CEO Council.

Meantime, Russian President Vladimir Putin, similarly established as an unchallenged leader indefinitely, believes Russia has been the target of sustained efforts by the West to reduce its global role. He sees "a kind of straight-line effort across [U.S.] administrations to keep down his power," William Burns, the former deputy secretary of state and one-time U.S. ambassador to Russia, told the conference.

So Mr. Putin isn't just propelling up Syrian President Bashar al-Assad but protecting his influence in Ukraine and interfering with internal politics in the West, just as he thinks the West interfered in political affairs around the edges of Russia. Oh, and he seems to have just asserted his right to poison an unfriendly defector in the U.K.



PABLO MARTINEZ MONSIVAIS/ASSOCIATED PRESS

President Donald Trump heads Monday to Florida, where he is to meet Japan's prime minister this week.

In response, the U.S. and its Western allies have united to impose swift penalties for the poisoning, impose harsh new sanctions on Mr. Putin's oligarch friends and, now, strike Russia's Syrian ally. If you were the Russian leader, Mr. Sawers noted, "you would probably see this as a concerted assault on Russian interests."

Moscow has denied carrying out the attack.

Meantime, Mr. Burns added, the traditional arms-control infrastructure, which long provided stabilizing bal-

last for relations between Washington and Moscow, "is crumbling."

This hardly means a clash is either imminent or inevitable, of course. Amid it all, Washington still seeks to work with Russia and China to contain the nuclear ambitions of North Korea and Iran. But it does mean the situation calls for clear strategic thinking in the West, and dexterous diplomacy from Washington.

Yet it isn't clear President Donald Trump's administration, with a new secretary of state awaiting Senate confir-

mation, an understaffed and demoralized diplomatic corps and a newly arrived national security adviser, is entirely prepared for the moment.

"I'm afraid this present American administration is not geared up for subtle diplomacy," Mr. Sawers said dryly.

What Mr. Trump has sought to do, though, is to insulate his personal relationships with Messrs. Xi and Putin from the rising tensions with their countries. For their part, the Chinese and Russian leaders seem to be trying to do the same. And that cer-

tainly provides a kind of safety buffer.

**T**he risk is that the forces that have been unleashed could prove too great to be contained by personal relationships.

For one thing, the U.S. and China need to find a new system to contain growing trade tensions. Perhaps the trade penalties Mr. Trump has threatened are more negotiating maneuvers than opening shots in an actual trade war; senior White House economic adviser Everett Eissenstat told the CEO Council the administration is eager to find a negotiating path with China to reduce tensions.

Still, trade tension is merely one sign of growing financial competition between the world's two most powerful economies—a competition that could well grow as Messrs. Trump and Xi pursue contradictory approaches to the new global economy.

Mr. Trump's decision to consider reviving the Trans-Pacific Partnership trade pact he long belittled seems to reflect a fear his America-first approach was merely clearing the way for growing Chinese influence.

Mr. Putin seems eager to both demonstrate Russian power and settle old scores. Put it all together and the risks of great-power conflict "are now non-negligible," Mr. Sawers said, in a classic bit of British understatement.

## Speaker Race Seen as Wide Open

BY SIOBHAN HUGHES



BILL CLARK/CQ ROLL CALL/NEWSCOM/ZUMA PRESS

the House Freedom Caucus, a band of conservatives. The group isn't big enough to elect Mr. Jordan speaker—even assuming Republicans maintain control—but a significant enough bloc to have leverage.

A chief beneficiary of the drama could be Mr. Scalise. Mr. McCarthy has proved vulnerable to the Freedom Caucus's pressures, having abruptly dropped out of the race to succeed former Speaker John Boehner in 2015. Those same conservatives have emerged again.

"Any scenario like that obviously is why Steve needs to keep himself available," said Rep. Kevin Cramer (R., N.D.), expressing publicly a sentiment held privately by a number of Mr. Scalise's supporters.

Mr. McCarthy's supporters say he has grown since 2015. "He's had an incredibly positive record since then," said Rep. Dana Rohrabacher (R., Calif.), who in 2015 told Mr. McCarthy at a closed-door GOP meeting that he had damaged the party after Mr. McCarthy suggested that a House investigation into the

deaths of Americans in Benghazi, Libya, was designed to score political points.

Mr. Scalise is the preferred candidate of some GOP lawmakers because of qualities that include his stamina and ability to develop relationships. He gained an even higher profile after his near-fatal shooting last year during a practice of his congressional baseball team. He was hospitalized for months. On Monday, Mr. Scalise returned to the hospital for a planned follow-up procedure.

"His own personal journey obviously makes it more compelling," said Rep. Peter Roskam (R., Ill.), who was next in line to become whip in 2014 when Mr. Scalise made a come-from-behind challenge.

Mr. McCarthy is also known for social skills, as well as a record of uncanny luck. A fireman's son, he once parlayed a winning lottery ticket into a successful deli. He got his job as majority leader after his predecessor, Eric Cantor of Virginia, lost his primary.

—Kristina Peterson contributed to this article.

## Senators Seek to Alter Law Behind Terror War

BY BYRON TAU

WASHINGTON—A bipartisan group of senators on Monday released a proposal that seeks to modernize a 2001 law underpinning the war on terrorism, in what would be the first update of U.S. war powers in 16 years.

The new bill aims to replace the 2001 Authorization for Use of Military Force, or AUMF. The law was passed shortly after the Sept. 11, 2001, terrorist attacks and has provided legal justification for nearly two decades of military action against numerous terrorist groups across more than a dozen countries.

Republicans Bob Corker of Tennessee, Todd Young of Indiana and Jeff Flake of Arizona joined with Democrats Tim Kaine of Virginia, Chris Coons of Delaware and Bill Nelson from Florida to introduce the legislation. The senators say the bill is needed to strengthen congressional oversight of the fight against terrorism.

The revised AUMF would apply only to the war on terror and would have no bearing on legal authorities for strikes such as the ones carried out over the weekend in Syria.

The Constitution gives Congress the power to declare war and many Democratic lawmakers criticized President Donald Trump for striking Syria without authorization. His administration said it was justified under his "constitutional authority to conduct foreign relations."

The new bill would explicitly authorize conflicts against al Qaeda, the Taliban and Islamic State. It provides a pathway for the administration to designate other terrorist groups and would give Congress a chance to disapprove of those designations under special procedures to speed consideration of legislation.

It also explicitly authorizes military action to occur in Afghanistan, Iraq, Syria, Somalia, Yemen and Libya and gives Congress a chance to disapprove any expansion under those same special procedures.

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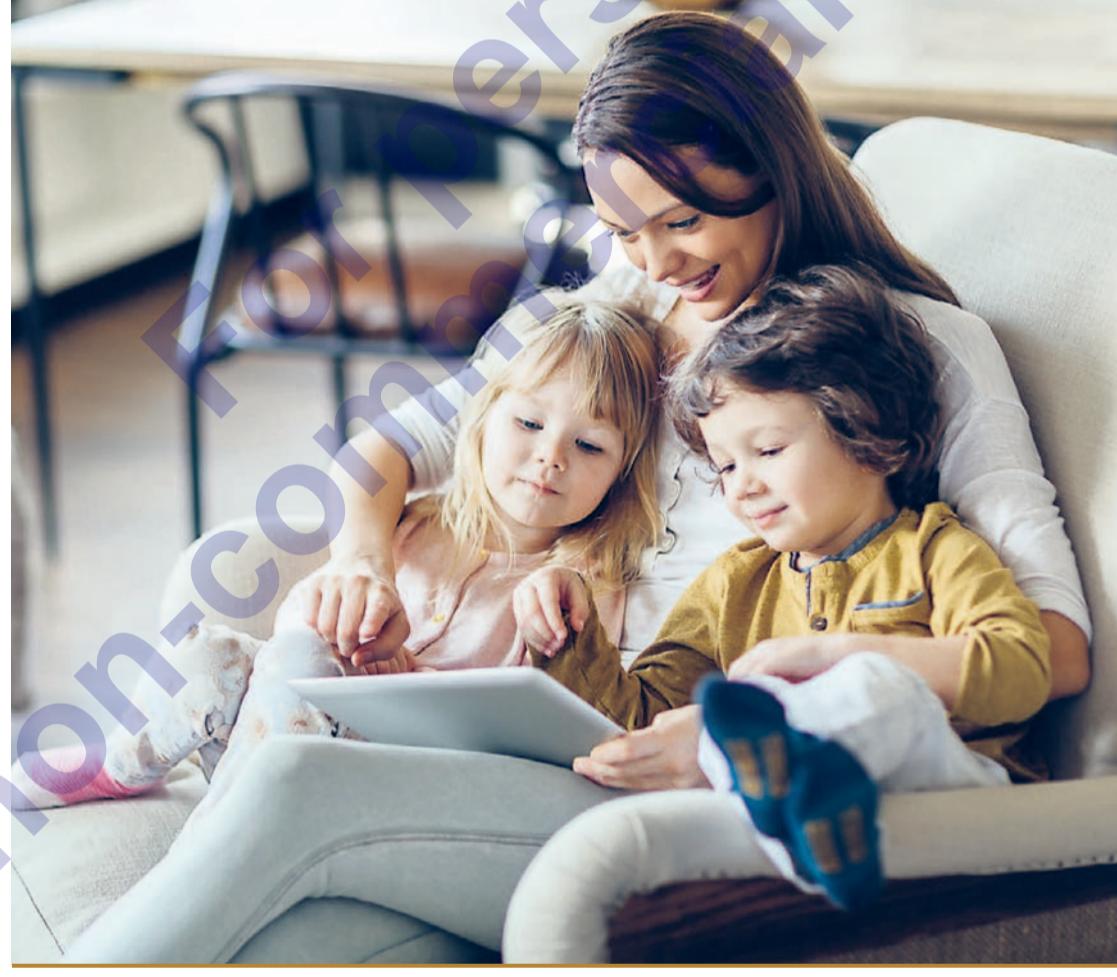
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## U.S. NEWS

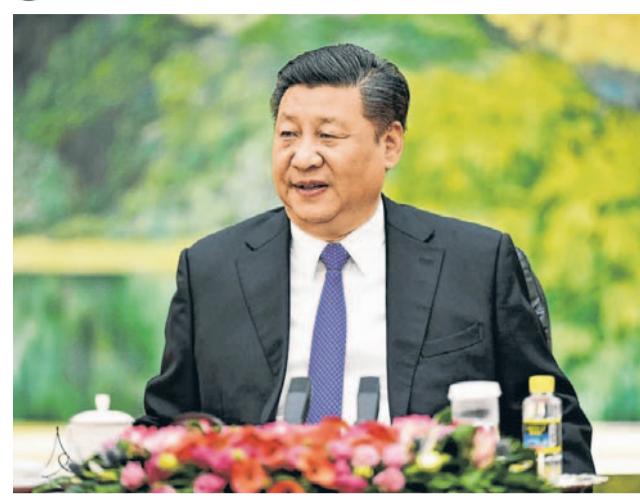
# U.S. Weighs Trade Action Over China's Tech Limits

BY BOB DAVIS

**WASHINGTON**—The U.S. is examining ways to retaliate against Beijing's restrictions on U.S. providers of cloud computing and other high-tech services, effectively opening a new front on its trade offensive against China.

According to individuals familiar with the administration's thinking, the U.S. Trade Representative's office is putting together a fresh trade complaint, probably under Section 301 of the Trade Act of 1974, arguing that Beijing unfairly restricts U.S. trade in these high-tech services.

The Trade Representative has yet to decide whether to go ahead with the complaint, the individuals said, which would be in addition to recent moves to ratchet up pressure on



Chinese officials have quietly tried to start talks with the U.S. Above, China's President Xi Jinping.

China, including the imposition of tariffs on a total of \$150 billion in Chinese imports. But USTR, which has taken the lead

in the China trade fight, views China's restrictions on cloud computing as providing a clear-cut example that might

garner public support.

Beijing requires U.S. cloud-computing firms, such as **Amazon.com** Inc. and **Microsoft** Corp. to form joint operations with Chinese companies and license their technology to the Chinese partners. The USTR has said in reports on Chinese trade practices that Beijing withholds licenses that would allow U.S. firms to operate independently in China.

Chinese firms, such as **Alibaba Group Holding**, by comparison, are allowed to operate in the U.S. without restriction.

"Some non-Chinese companies are reluctant to participate in China's cloud market due to the number of restrictions," said K.C. Swanson, director of global policy for the Telecommunications Industry Association. "Meanwhile, the U.S. has no restrictions on foreign par-

ticipation in our markets, it's a clear-cut reciprocity issue."

Cloud-computing firms deliver computer services, including storage, software and analytics, over the internet.

A spokeswoman for USTR declined to comment.

Should USTR go ahead with the complaint, it would become the third major action the U.S. has taken to further open the Chinese market—and would increase the risk of retaliation from Beijing. The U.S. has levied tariffs on imports of Chinese steel and aluminum, which has resulted in China hitting about \$3 billion in U.S. imports to China with tariffs.

The administration is also now pursuing another proceeding under Section 301, focused on alleged Chinese infringement on U.S. intellectual property. In that action, the U.S. has

threatened \$50 billion of Chinese imports with 25% tariffs and plans to release soon a second list of another \$100 billion of Chinese imports that could be hit with levies.

In response, Beijing has said it would target \$50 billion in U.S. imports to China for tariffs and take other unspecified actions. Beijing also is slowing reviews of multibillion-dollar takeover deals being pursued by Qualcomm Inc. and Bain Capital, The Wall Street Journal has reported.

Chinese officials have argued that China's trade and investment practices aren't discriminatory and have quietly tried to get the U.S. to start negotiations to head off a trade war. So far, there have been exchanges of letters between the two sides, but no full-scale talks.

## ZTE

*Continued from Page One*  
ble legal and policy environment." Otherwise, it said, China is prepared to adopt unspecified measures to defend the interests of Chinese firms.

The twin developments escalate a broader battle about trade and economic policy playing out between the U.S. and China—one that has drawn in allies of both powers.

The Trump administration has enacted broad tariffs on steel and aluminum that target China's metal output. Washington also threatened sanctions on some \$150 billion worth of other Chinese goods in response to what officials say is China's unfair trade practices. Beijing denies it is acting unfairly, and has promised tit-for-tat response to any measures.

Amid those wider currents, the technology industry has become a particular flashpoint, infused with national security implications by a growing number of U.S. officials.

Washington stepped in last month to halt a hostile takeover attempt by Singapore-based

Broadcom Ltd. of Qualcomm Inc., citing among other worries, the deal's potential to cripple Qualcomm in its mobile-communications-technology race with Chinese rival Huawei Technologies Co., the world's biggest telecom-equipment maker. This month, China slowed its regular review of Qualcomm's separate deal to buy Dutch rival NXP Semiconductors NV.

For years, the U.S. has accused Chinese telecom-gear makers of being susceptible to Beijing influence should China ever want to tap or disable telecommunications systems built with Chinese equipment. In 2012, a congressional report labeled Huawei and ZTE national security threats.

Both companies have denied they pose a threat. Huawei says it is privately held by its employees. ZTE trades publicly on stock exchanges in Shenzhen and Hong Kong, though one of its largest investors is a holding company with ownership stakes held by state-owned companies.

ZTE is the world's No. 4 telecom gear maker, behind Huawei, Nokia Corp. and Ericsson. The ZTE 2017 annual report says Europe, the Americas and Oceania sales were about \$4.4 billion,

roughly a quarter of total revenue for the year.

The U.S. has taken a series of recent steps to further circumscribe Chinese equipment makers. This month, for example, the Federal Communications Commission proposed rules to make it harder for Chinese firms, including Huawei and ZTE, to sell gear to the few small, rural U.S. phone providers

### Scrutiny of a big Chinese company comes amid broader economic tensions.

that use it.

Europe has been a much more accommodating market, particularly for Huawei. The company has an especially large presence in the U.K., where it has invested heavily. Addressing British concerns in the past about cyberspying, Huawei agreed years ago to fund a center where its components can be broken down and inspected.

British officials have said they work with Huawei and have

been able to manage cybersecurity risks. On Monday, however, London didn't offer the same comfort regarding ZTE. British officials cautioned they were specifically concerned about new Chinese laws they described as giving Beijing "wide-ranging powers of compulsion," according to an official familiar with the matter.

They warned that if ZTE became a big supplier in the U.K., too, systems in place to mitigate risks from Chinese suppliers overall might be compromised. British officials believe one way to manage the risks posed by having Huawei as such a big part of the U.K. telecommunications infrastructure is to have non-Chinese equipment installed alongside the Chinese-made gear. This would make it harder to exploit any accidental or intentional vulnerability in the Chinese technology, they say.

"The U.K. telecommunications network already contains a significant amount of equipment supplied by Huawei," wrote Ian Levy, technical director of the U.K.'s National Cyber Security Centre, in a letter to telecommunications firms in the country, according to a person familiar with the letter. "Adding in new



ZTE's pavilion at the Mobile World Congress in Spain this year.

equipment and services from another Chinese supplier would render our existing mitigations ineffective."

BT Group PLC, one of the U.K.'s biggest providers, said it has partnered with ZTE on limited research projects but those endeavors didn't necessarily deploy ZTE gear in the country. It said it "has a robust testing regime in place to ensure that the equipment from all suppliers in our network remains secure."

Separately in the U.S., the Commerce Department said ZTE had violated terms of a previous settlement, alleging it illegally evaded sanctions. The depart-

ment said ZTE agreed last year to combined civil and criminal penalties and forfeiture amounting to \$1.19 billion for allegedly shipping sanctioned telecom gear to Iran and North Korea.

The agency said Monday it has since determined ZTE made false statements during and after the settlement talks. It said as a result, ZTE would no longer be able to buy components from U.S. manufacturers. The move could affect ZTE supply lines and U.S. companies that have come to rely on ZTE as a customer.

—Dan Strumpf in Hong Kong contributed to this article.

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## WORLD NEWS

# American Denies Turkish Terror Charge

Detained U.S. pastor says he hasn't spied or had contact with Ankara's enemies

By DAVID GAUTHIER-VILLARS

An American pastor who has spent 18 months in Turkish custody appeared for the first time in court Monday, denying accusations of espionage and contacts with terrorists in a case that has exacerbated tense relations between Washington and Ankara.

Turkish prosecutors allege Andrew Brunson colluded with a group Turkey blames for the 2016 failed military coup against President Recep Tayyip Erdogan, as well with Kurdish militants Turkey regards as terrorists. If convicted he faces up to 35 years in prison.

The evangelical pastor, who has lived in Turkey for more than two decades and ran a small Presbyterian church in the coastal city of Izmir when he was detained in October 2016, said he was never involved in any illegal activity.

Speaking to the court in Turkish, the 50-year-old from North Carolina said: "I have



**Soldiers stand guard at the prison/court complex where Andrew Brunson, right, is being tried.**

been praying for Turkey for 25 years. I wouldn't do anything against Turkey."

The case has been a source of mutual exasperation for the U.S. and Turkey, which are deeply divided over strategy in Syria, where they have interests in the outcome of the conflict there.

Mr. Erdogan has suggested that Turkey might free Mr.

Brunson if the U.S. deported Fethullah Gulen, the Turkish cleric accused by Turkey of orchestrating the failed coup.

U.S. officials have said swapping Mr. Gulen—who lives in Pennsylvania and denies playing any role in the coup attempt—for the pastor was out of question.

Ahead of Monday's hearing, however, the Trump adminis-

tration has been working to remove irritants to relations with Turkey, lawyers and officials have said. Among other steps, the administration pressed U.S. lawmakers to shelve proposed sanctions again Turkish officials linked to Mr. Brunson's detention.

Attending Mr. Brunson's hearing in the large courtroom on the outskirts of Izmir on



AGENCE FRANCE PRESSE/GETTY IMAGES

Monday were Sam Brownback, who was recently appointed U.S. ambassador at large for international religious freedom, and Thom Tillis, a Republican senator from North Carolina who recently visited the pastor in jail.

Speaking outside the hearing, Mr. Tillis said the U.S. was committed to building a strong relationship with Turkey but said that would "remain difficult as long as Pastor Brunson is incarcerated."

Turkish prosecutors accused Mr. Brunson of supporting the Kurdistan Workers' Party, or PKK, and other banned Kurdish groups.

The pastor said he traveled to refugee camps near the border with Syria as part of his

religious and humanitarian work, but dismissed allegations he supported or colluded with the PKK.

"I have always supported Turkey's territorial integrity, and PKK's violence is against my belief," Mr. Brunson said in his hourslong defense statement, during which he at times appeared overwhelmed by emotion and wept.

The indictment against Mr. Brunson is largely based on anonymous witnesses, some of whom testified on Monday.

One of them, whom court officials referred to as "Meteorite," appeared via video link with a blurred face and altered voice. The witness said that some members of Mr. Brunson's congregation were PKK sympathizers, and that the pastor had shown appreciation for the Kurdish cause. Mr. Brunson said there was tension between Turks and Kurds within his congregation, and that he had tried to stop it.

Mr. Brunson told the court: "I have been in prison since 2016 and away from my wife. I want to go home."

The judge adjourned the hearing until May 7 and remanded Mr. Brunson in custody.



**French Foreign Minister Jean-Yves Le Drian, left, spoke with his U.K. counterpart, Boris Johnson, in Luxembourg on Monday.**

VIRGINIA MAYO/ASSOCIATED PRESS

## EU Support Grows for New Sanctions on Iran

By LAURENCE NORMAN

LUXEMBOURG—European Union diplomats said there is growing support for imposing new sanctions on Iran as they seek to persuade President Donald Trump to stick by the 2015 nuclear deal between Tehran and six world powers.

No formal decision was taken during a meeting of EU foreign ministers in Luxembourg on Monday, and some countries aren't convinced that adding sanctions will convince Mr. Trump, diplomats said.

Yet several people involved

in Monday's discussion said ministers were nearing political agreement that action should be taken.

"I think there's a very broad majority among the European countries that we should look into the possibilities of going further regarding sanctions," said Danish Foreign Minister Anders Samuelsen.

Irish Foreign Minister Simon Coveney said a move could come by May 12, when Mr. Trump has threatened not to extend sanctions waivers that were a critical part of the nuclear deal.

"It would be sensible to have that conversation in the context of trying to persuade Washington to stick with the nuclear deal," he said.

Among the targets under discussion for new sanctions are members of Iran's Islamic Revolutionary Guard Corps, diplomats said.

France, the U.K. and Germany—which joined the U.S., Russia and China in striking the 2015 deal—are currently engaged in talks with Washington on strengthening elements of the deal, which sought to place strict but tem-

porary restrictions on Iran's nuclear program while lifting most international sanctions.

The three European governments are simultaneously pushing their EU partners to agree to new sanctions on more than a dozen Iranian entities and individuals, a move that U.S. officials have welcomed.

Iranian officials have warned European governments that fresh pressure could bring to an end discussions on regional tensions and make it less likely that Tehran would stick by the agreement if the U.S. pulls out.

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## WORLD NEWS

# A Firm Handshake Cemented an Alliance

The U.S.-France-U.K. alliance against Syria was rooted in shared goals and improved ties

BY MICHAEL C. BENDER

**WASHINGTON**—The three-country coalition that launched airstrikes in Syria came together despite persistent trans-Atlantic tensions—a period of unity made possible, White House officials said, because of good relations between the U.S. and French presidents and an alliance against Russia that eased strains with the U.K.

The coalition was rooted in the shared goal of ending the use of chemical weapons in Syria. French President Emmanuel Macron was the first of the three countries' leaders to lean publicly in to a military response after the alleged chemical attack this month that they blamed on Syrian President Bashar al-Assad.

The coalition was also made possible by President Donald Trump's joining with British Prime Minister Theresa May last month to expel Russian diplomats from their countries in response to the poisoning in the U.K. of a former Russian spy. White House officials said. The expulsion didn't have a direct link to the Syrian conflict, but gave the two countries a chance to repair a frayed alliance, they said.

White House officials said Mr. Trump's unilateral decision a year ago to launch missiles in Syria, also in response to a chemical-weapons attack, gave allies the resolve to join the



The Syria strike was aided by a strong rapport between Emmanuel Macron, left, and Donald Trump, and by the emerging mutual interests of Mr. Trump and Theresa May, shown in Sicily last year.

## May Defends Strike On Syria Without Parliament's Backing

**LONDON**—U.K. Prime Minister Theresa May defended her decision to attack chemical-weapons facilities in Syria alongside the U.S. and France, in the face of criticism that she should have first sought the backing of Parliament.

In a statement to lawmakers on Monday, Mrs. May said Britain and its allies acted to alleviate suffering in Syria and to reinforce a prohibition on the use of chemical weapons that the Syrian administration has repeatedly flouted.

"It is in our national interest to prevent the further use of chemical weapons in Syria and to uphold and defend the global consensus that these weapons should not be used,"

Mrs. May said.

A poll of 2,060 adults published Sunday by Survation found 36% of those surveyed supported the airstrikes, with 40% opposed. The remainder didn't express a view. More than half said Mrs. May should have sought Parliament's approval before participating.

Jeremy Corbyn, leader of the opposition Labour Party, described the strikes as "legally questionable" and said Parliament should have been asked to vote on whether to participate.

"The prime minister is accountable to this Parliament, not to the whims of the U.S. president," Mr. Corbyn said.

The U.K. government doesn't explicitly require Parliament's approval to launch military action but lawmakers have been consulted in recent years, especially over Syria.

—Jason Douglas

military response last week.

"Once the president showed his resolve to act in the wake of the attack last year, the calls from our allies were, 'Thank you—finally someone is doing something,'" a senior White House official said. "That very quickly turned into, 'Let's solve this problem together.'"

The U.S.-U.K. "special relationship" had been tested by a public dispute about Mr. Trump's retweets of an anti-Islam group leader's videos, and his criticism of London Mayor Sadiq Khan for saying there was "no reason to be alarmed" after a group of terrorists attacked pedestrians on the Lon-

don Bridge in June 2017.

Tensions eased in recent weeks, White House officials said. The poisoning of the former Russian spy and his daughter in the U.K., which Western leaders said was carried out by Moscow, led to the expulsion of 60 Russian diplomats from the U.S. The expulsions gave the allies a framework upon which to build cooperation.

"That played a big role," a White House official said.

With Mr. Macron, the relationship stems in part from Mr. Trump's premium on personal diplomacy with world leaders.

While Mr. Trump is often

criticized for his praise of controversial leaders such as Russian President Vladimir Putin and Philippine President Rodrigo Duterte, the prime time TV star-turned-president also has developed relationships with a younger generation of leaders, including Mr. Macron and Canadian Prime Minister Justin Trudeau, White House officials said.

"You have to look the part, and act the part for President Trump," one administration official said. "Trudeau and Mr. Macron are both good looking, and have strong visions for their country. The president doesn't like lukewarm; he likes charisma

and vitality and strength."

Instead of bonding over golf, as Japan's Prime Minister Shinzo Abe has done with Mr. Trump, Mr. Macron, who doesn't play the sport, found common ground over a forceful handshake and similar political paths, French and U.S. officials said.

Their body language during Mr. Trump's visit to Paris in July 2017 convinced White House officials that a strong relationship would unfold. Mr. Macron rolled out the red carpet during a weekend of military parades and a dinner in the Eiffel Tower for the two leaders and their wives.

That trip was sealed by Mr. Macron's encouragement.

The president was effusive in his appreciation, telling Mr. Macron in a bilateral meeting later at the United Nations how much the dinner meant to him, an administration official said.

Mr. Trump, who has become known for his aggressive handshake style had a memorable interaction with Mr. Macron in Brussels in May 2017, when Mr. Trump's hands looked red and his knuckles turned white as the two men clasped hands.

"Trump likes winners, and that has helped his friendship with Macron," a French official said.

## SYRIA

## U.S. Eyes Additional Sanctions On Russia

BY IAN TALLEY

**WASHINGTON**—The Trump administration said Monday that it is evaluating prospects for new sanctions against Russian entities and companies involved in Syria's chemical-weapons program, a day after a top diplomat said Washington was ready to impose new punitive actions.

"We are considering additional sanctions on Russia and a decision will be made in the near future," White House spokeswoman Sarah Sanders told reporters Monday. "We're evaluating, but nothing to announce right now."

On Sunday, the U.S. ambassador to the United Nations, Nikki Haley, said new sanctions against Russia were imminent as part of the U.S. response to a suspected Syrian chemical-weapons attack on April 7. She said they would be announced on Monday by Treasury Secretary Steven Mnuchin.

"You will see that Russian sanctions will be coming down," Ms. Haley said on CBS's "Face the Nation." "Secretary Mnuchin will be announcing those on Monday, if he hasn't already. And they will go directly to any sort of companies that were dealing with equipment related to [Syrian President Bashar al-Assad] and chemical weapons used."

On Monday morning, the administration struck a different tone.

"The president has been clear that he's going to be tough on Russia. But at the same time, he'd still like to have a good relationship with them," Ms. Sanders said.

The nature of the relationship, she added, is "going to be determined by whether or not Russia decides if they want to be a better actor in this process or not."

The sanctions threat came after U.S., French and British forces attacked Syrian alleged chemical-weapons sites Saturday, a reprisal for the suspected chemical-weapons attack, drawing criticism from Moscow, an ally of Mr. Assad.

Meanwhile, Democratic lawmakers criticized the administration for not acting immediately, saying the decision appeared to put Mr. Trump out of step with his top aides.

—Peter Nicholas and James Marson contributed to this article.



U.S.-led strikes hit sites associated with the Assad regime's chemical-weapons program, including a research center in Damascus.

wasn't controlled by the regime of President Bashar al-Assad.

Nor, he said, would Arab states be eager to send forces to Syria if the U.S. military didn't agree to keep some troops there.

"There is just no precedent or established basis for this shaping into a successful strategy," he said.

In early January, U.S. military officials were hoping to wind up their campaign in Syria in a matter of months and keep troops to support a continuing State Department effort to stabilize Raqqa and other areas formerly under Islamic State control.

But that plan was upended by developments in the field. Many U.S.-backed Syrian Kurdish fighters have abandoned the fight against Islamic State

and rushed toward the city of Afrin and other areas in northern Syria that have been attacked by Turkish troops.

Mr. Trump's insistence that American troops come home as quickly as possible left administration officials scrambling to develop an exit strategy that would shift the U.S. burden to regional partners after Islamic State is defeated.

While estimates vary, 5,000 to 12,000 Islamic State fighters are believed to remain in eastern Syria, a U.S. official said. The militants are operating in two locations in a pocket south of the Syrian town of Al-Hassakah and in a 25-mile stretch along the Euphrates near the town of Abu Kamal, the official said. They have been trying to regroup and even forage for oil to sell.

The mission of the regional force would be to work with the local Kurdish and Arab fighters the U.S. has been supporting to ensure Islamic State cannot make a comeback and preclude Iranian-backed forces from moving into former Islamic State territory, U.S. officials say.

The idea also has caught the attention of Erik Prince, the private businessman who founded Blackwater USA and who has helped the U.A.E. and Somalia set up private security forces.

Mr. Prince said Monday that he has been informally contacted by Arab officials about the prospect of building a force in Syria but that he was waiting to see what Mr. Trump would do.

Egypt's willingness to sup-

port a new effort in Syria is far from clear. With one of the largest armies in the Middle East, Egypt is preoccupied with a fight against the local branch of Islamic State in the Sinai Peninsula and with securing the country's vast desert border with Libya, which is ruled by a patchwork of militias.

Egypt rarely has deployed troops abroad since the country sent more than 30,000 soldiers to join the American-led coalition fighting Iraq in the 1991 Gulf War, and its government sometimes has made statements supporting the authorities in Damascus, though it says it hasn't taken sides in the conflict.

—Jared Malsin in Cairo and Dion Nissenbaum in Washington contributed to this article.

## WORLD WATCH

### CHINA

#### Economic Growth, at 6.8%, Tops Estimates

China's economy expanded at a faster-than-expected 6.8% in the first quarter, buoyed by robust sales at home and abroad and ramped-up industrial production.

The pace of growth, which matched the rate reached in the fourth quarter, bucked the expectations of some investors and analysts that a slowdown would start to take hold as a government debt cleanup begins to crimp investment in property, in-

frastructure and factories.

Unexpectedly strong exports, along with resilient retail sales and factory output, helped lift growth. Overall, the steady performance suggested that the simmering trade tensions between the U.S. and China so far have had little impact on the world's second-largest economy.

"China's economy was off a good start," said Xing Zhihong, a spokesman at the National Bureau of Statistics at a press briefing Tuesday morning. Retail sales held up well in the quarter, up 9.8% compared with 9.7% in the first two months.

—Lingling Wei

### RUSSIA

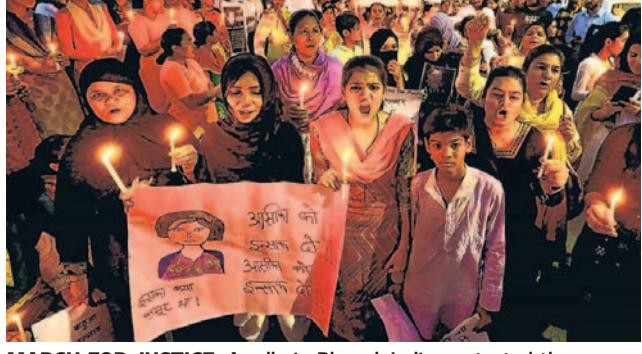
#### Journalist Dies After Fall From Balcony

A journalist who wrote about the deaths of Russian mercenaries in Syria has died after falling from his apartment balcony.

News website Novy Den said its reporter Maxim Borodin died at a hospital on Sunday. He fell Thursday from his fifth-floor balcony in Yekaterinburg.

The cause of the fall was unclear. Russian news reports cited police as saying the apartment was locked from the inside.

—Associated Press



MARCH FOR JUSTICE: A rally in Bhopal, India, protested the handling of the criminal case in an 8-year-old girl's rape and murder.

## WORLD NEWS

# Japan Probe Takes Toll On Abe

BY ALASTAIR GALE

Japan's Finance Ministry opened an investigation into sexual-harassment allegations against a top official, dealing a new setback to Prime Minister Shinzo Abe, who is reeling from record-low polls.

Mr. Abe is set to depart Tuesday for a summit meeting with President Donald Trump in Florida, but he faces a mounting challenge to remain in power past a party-leadership election in September.

The weekly magazine Shincho reported last week that Administrative Vice Finance Minister Junichi Fukuda asked to kiss and touch the breasts of a female reporter while drinking recently with her at a bar. The reporter wasn't named. The magazine also released an audio recording of a man asking the same questions in a noisy bar-like setting. On Monday, Mr. Fukuda denied the allegations and said he didn't recognize the audio recording.

The Finance Ministry said it had appointed four outside lawyers to investigate the case and asked female reporters who might have had experiences with Mr. Fukuda like those detailed in the magazine article to provide testimony for the investigation.

A survey conducted over the weekend by Nippon TV found support for Mr. Abe's cabinet had fallen to 26.7%, the lowest level reported by the broadcaster since the prime minister took office for a second time in 2012.

Former Prime Minister Junichiro Koizumi said over the weekend it was unlikely Mr. Abe, a former protégé, would survive the party leadership poll later this year. If he runs and loses, he will have to step down as prime minister.

# U.S.-Russia Tensions Touch Tycoon

Last fall, Oleg Deripaska ramped up Russia's presence in Western markets when he pulled off London's second-biggest corporate listing of the year. Now the metals billionaire is on a U.S. sanctions list and that firm has lost roughly half of its value.

By Anatoly Kurmanov in London and Brett Forrest in Washington

The reversal of fortune reflects the arc of the Kremlin's efforts to build political and financial relations with the West over the past two decades.

Mr. Deripaska's proximity to Russian President Vladimir Putin helped lure Western financiers seeking to invest in Russian commodity riches. He used wealth and influence to build bridges with Western elites, throwing lavish parties at the annual World Economic Forum in Davos, Switzerland, and rubbing elbows with senior politicians, including Sen. John McCain (R., Ariz.) and George Osborne, then British member of Parliament and a future chancellor of the exchequer.

On April 6, Mr. Deripaska's ties to Mr. Putin became his biggest liability. The Trump administration levied sanctions against him and more than three dozen other Russian officials, tycoons and companies in response to what it calls Russia's "malign activity," including meddling in U.S. elections, which Russia denies. Mr. Deripaska said the reasons for blacklisting him are "groundless, ridiculous and absurd."

The measures hammered Russian assets; Mr. Deripaska, who was sanctioned along with eight of his companies, bore the brunt. His Hong Kong-listed **United Co. Rusal** PLC, one of the world's largest aluminum companies, has lost more than half of its value. His **En+ Group** PLC, which owns a 48% stake in Rusal and major Russian electricity and coal assets, has seen a significant drop in the value of shares that it listed in London months



The U.S. imposed sanctions on Oleg Deripaska, right, this month; he and Russian President Vladimir Putin in Vietnam in November.

ago for some \$1.5 billion.

After the sanctions, Mr. Deripaska warned investors of technical defaults and asked customers to halt payments. Commodities trading giant **Glencore** PLC swiftly canceled a planned deal with Mr. Deripaska.

"If I were a Russian oligarch, I would not be sleeping easily," a former senior U.S. official said.

The Trump administration's strategy could draw Russian elites closer to Mr. Putin, making them more dependent on state funding, said Sam Greene, head of Russian studies at King's College London.

"This creates its own risk for the Kremlin," he said. "When people have nowhere else to go, they also have no one else to blame. It makes the system more brittle."

Business ties between Russia and the West remain strong despite sanctions, and both sides say they hold out hope for an improvement. President Donald Trump tweeted on Wednesday that "there's no reason" for relations with the Kremlin to remain strained. The U.S. and Europe's largest

## Metals Magnate Deripaska Visited U.S. Twice in 2009

In 2009, after promising to provide information relating to Robert Levinson, a former Federal Bureau of Investigation agent who disappeared in Iran in 2007, Mr. Deripaska received a U.S. visa, according to a person familiar with the matter. The tycoon never provided the promised information, the person said.

nations saw trade with Russia expand in 2017 after three years of decline.

Mr. Deripaska had a role in building these Western ties, though one relationship—with former Trump campaign chairman Paul Manafort—has been a point of inquiry in the U.S. investigation into alleged Russian meddling in the 2016 election, people familiar with the probe said last year. Mr. Manafort worked for Mr. Deripaska in Montenegro and Ukraine; the men eventually

Over two visits to the U.S. in 2009, Mr. Deripaska met with U.S. financiers, including Lloyd Blankfein, the chief executive of Goldman Sachs Group Inc., as well as General Motors Co. executives in Detroit, according to people familiar with the meetings.

These meetings violated Mr. Deripaska's agreement with the Justice Department, according to U.S. officials, and he lost his visa once more. Mr. Deripaska's press office didn't respond to a request to comment on the businessman's visas.

had a falling out.

The U.S. sanctions against

Mr. Deripaska and others underline Russia's growing isolation. Mr. Deripaska, who is 50 years old, emerged from the violent "aluminum wars" of the 1990s in control of Rusal, the world's largest aluminum producer at the time. By the peak of the commodities boom in the mid-2000s, Mr. Deripaska was the wealthiest person in Russia.

His rise was underpinned by a tacit understanding that Mr. Putin forged with Russia's in-

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## IN DEPTH

## TEENS

*Continued from Page One*

2001 and about half that in 2010. In July 2017, the month the most teens work, unemployment for 16-through-19-year-olds fell to 13.3%, the lowest midsummer rate since 1969, when the U.S. was embroiled in the Vietnam War.

"An increasingly tight labor market is pulling many workers who had been out of the labor force back in, teens included," said Abigail Wozniak, a University of Notre Dame labor economist. Teens might wield an advantage, she said, because they "often have better computer skills."

College-bound Thayer, who first did odd jobs such as cutting grass at Avionics, said he likes knowing his skills can help pay for higher education, and "I've never had to work fast food."

Mr. Stooksbury, Avionics' owner, said the teen has been "highly integral" to the company. "It's the right time for people like Thayer."

Employers are plucking skilled students from vocational programs at high schools. Some companies are dropping age and experience requirements so they can consider teens. Others offer flexible schedules to accommodate extracurriculars and sports.

Teens' median pay is half that of older adults, and they typically don't demand perks such as health-care benefits or retirement contributions. They can benefit from the hiring trend by getting more-challenging work experience than traditional teen jobs offer, as well as help with college tuition. They hone skills learned at high schools, which are beginning to re-emphasize technical education amid worries about student debt at four-year colleges.

In the late 1970s and '80s, about half of teens worked, commonly bagging groceries, pumping gas, doing yard work and other jobs. After that period, teens focused more on college and by 2010, barely a quarter worked.

The payoff of higher education was so great, many teens would forgo working in high school and early in college. Some focused on volunteering, sports and other enrichment activities, while others didn't work because automation and competition with immigrants made some typical teen jobs harder to find, said Northeastern University economist Alicia Sasser Modestino.

## Hiring turnaround

Now, the share of working teens aged 16 through 19 is increasing for the first time since the 1990s, to 30.7% in March.

The turnaround in teen hiring traces to America's economic growth, which is at near its fastest rate since the recession ended in 2009. The national jobless rate has fallen to its lowest in 17 years, holding at 4.1% in March. Open jobs in the U.S. topped six million in February, just below a record set in September 2017.

Employers seeking workers are giving more opportunities to groups with typically elevated unemployment rates, including older adults without high-school diplomas and racial minorities.

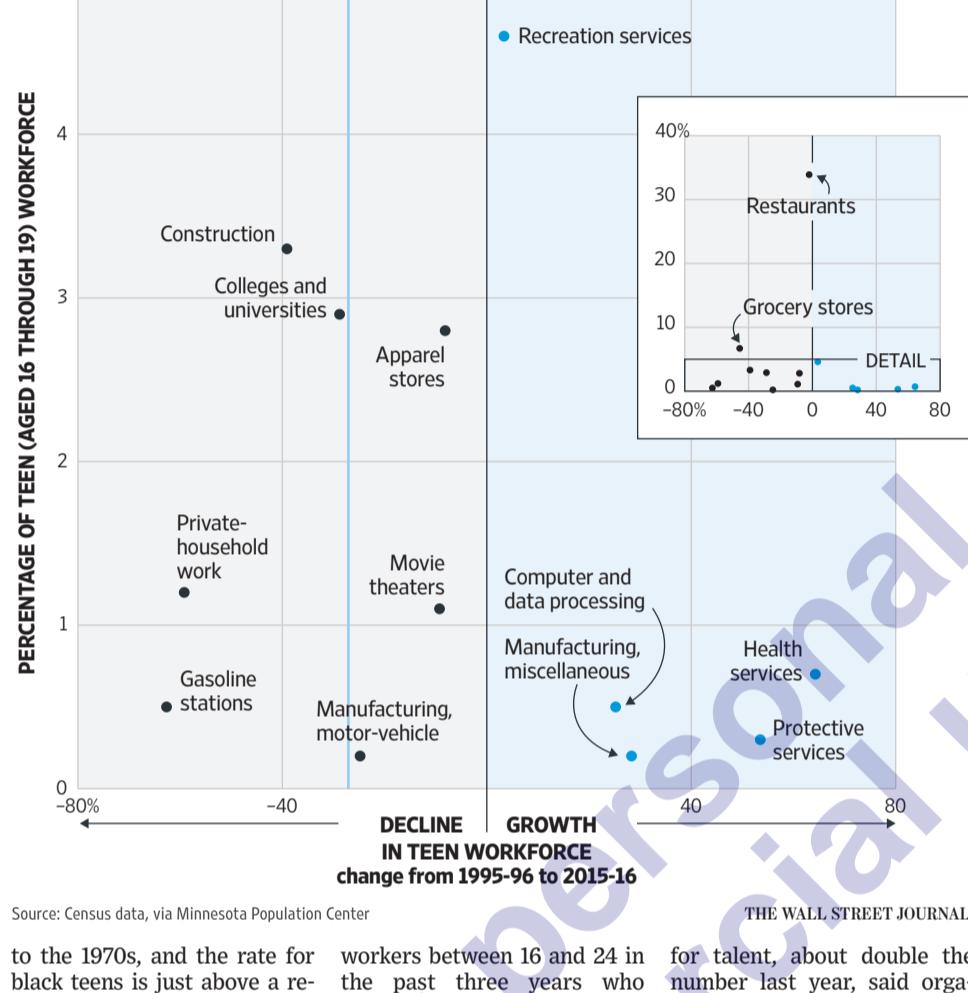
The unemployment rate for Hispanic or Latino teens is at the lowest level on record back



MATT NAGER FOR THE WALL STREET JOURNAL

## Work Shift

A smaller percentage of teenagers are in the workforce than a decade ago, and many of those who are working are branching out of the typical jobs, such as fast food and retail, for more-specialized work.



to the 1970s, and the rate for black teens is just above a record low. The 12-month average unemployment for Hispanic or Latino teens was 14.6% in March, down from a 2010 peak of 33.1%. The average rate for black teens was 24.4% in March, down from above 43% in 2010. Both rates were elevated compared with the 12.0% 12-month average jobless rate for white teens. The rate for white teens is the lowest since 2001.

Extending the search to teens follows a similar pattern during some other tight labor markets, including the postwar 1950s. The trend hasn't always held: Unemployment fell below 5% in 2006, but teen employment rates dropped, leading some economists to conclude more-recent generations had less interest in working.

For much of the expansion since the financial crisis, retailers could easily find candidates in their 20s or 30s for minimum-wage positions. "Now, that option might not be available," said Adam Kamins, a senior economist at Moody's Analytics.

Starbucks Corp. hired 50,000

workers between 16 and 24 in the past three years who weren't in school and weren't working, said Starbucks Senior Vice President John Kelly. It found the youth stayed in their jobs at similar or better rates than other hires. That helps ease high turnover, he said, lower training costs and improve customer service.

Restaurants remain the top teen employer, but data suggest doors are opening beyond fast food and malls. The share of teens in typical jobs—from grocery stores to cutting lawns to babysitting for neighbors—declined in 2015 and 2016 from the mid-1990s, an analysis of federal data show.

Meanwhile, the share of teens working in health services more than doubled in the past 20 years, and the portion working in computer and data processing rose nearly as much, Census Bureau data show.

Companies are going after teenagers more aggressively, as demonstrated at a high-school machining-skills competition in Cincinnati in January. There, 27 companies showed up to search

for talent, about double the number last year, said organizer David Fox, who called the level of interest "crazy."

GE's aviation unit was there. Typically, recruiters at its Evendale, Ohio, plant want two years' work experience for machine-operator jobs, said GE Aviation staffing specialist Betsy Enderle. But too few applicants have the skills, she said.

**Very dire'**

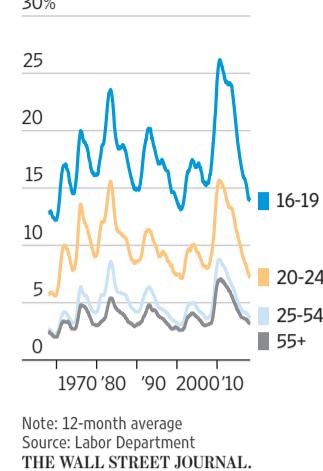
"It gets very dire," she said. "We're willing to branch out." For the first time, GE plant managers may consider high-school technical training toward the experience required for the jobs, she said.

Julian Cornwall, 17, a Cincinnati high-school junior with machining skills, fielded 13 job offers. "They seemed really eager," Julian said of the multiple companies that pursued him. "They're all just after us."

He chose Meyer Tool Inc., which agreed to work around his football schedule and pay his college tuition if he stays on. He will start in June at \$13 an hour,

## On the Job

Unemployment rate by age



Note: 12-month average  
Source: Labor Department  
THE WALL STREET JOURNAL.

'I've never had to work fast food,' says Thayer McCollum, 17, here on the job at Avionics Specialists.

up from the \$8.57 he makes at J.C. Penney men's department. Pay for machinists at Meyer's, which makes gas-turbine-engine parts, can rise to \$45 an hour. "In this day and age, manufacturers are basically fighting over good employees," said Deanna Adams, Meyer's human-resources director.

Lawmakers are exploring ways to ease rules so employers can hire more teens. A U.S. House bill filed in March would amend regulations that prevent commercial truck drivers under age 21 from crossing state lines.

U.S. Sen. Amy Klobuchar (D., Minn.) is looking at ways to lower the age limit to operate

some heavy machinery to 17 from 18 for high-schoolers in technical-training programs.

Opponents to relaxing child-labor laws say safeguards become more crucial as companies increasingly recruit teens.

"The way to deal with a tight job market is not to make children work more," said New Hampshire Democratic state Sen. Dan Feltes, who wants greater outreach to adults with stalled career paths.

Michelin North America recruits from the still-elevated number of underemployed adults, though President Scott Clark said there is still a "very tight supply" of labor.

Michelin in March had a "signing day" to hire its first-ever crop of South Carolina high-school apprentices where teens were flanked by a Michelin Man mascot. The students will work part time during the school year and full time during summers training as reliability technicians at the tire maker's Greenville, S.C., plant for up to \$12 an hour.

The goal is "to expand this to all our manufacturing sites," Mr. Clark said. Students staying after high school are candidates for higher wages and tuition to a two-year mechatronics program at technical college.

On the down side, teens who forgo college for jobs risk relinquishing significant long-term income, said Fatih Guvenen, a University of Minnesota labor economist.

The median full-time worker, older than 25, with a bachelor's degree earned \$1,286 a week during the first three months of 2018, labor data show. That is \$573 more than for those with only a high-school diploma and more than double the earnings for high-school dropouts.

Historically, those with only high-school diplomas face higher unemployment rates and

greater job instability in a downturn. "The cost of hiring, and laying off, teens," said Mr. Guvenen, "is very low."

With record openings, teen hiring shouldn't significantly affect wages and hiring of older workers, said Mr. Kamins, the Moody's economist.

Dove Healthcare-Wissota Health & Regional Vent Center in Chippewa Falls, Wis., has joined with a high school to put teens through a state-approved course that trains certified nursing assistants. The center can go a month without adult applicants for certified-nursing-assistant openings, and supervisors have had to jump in to fill shifts, said administrator Sarah North. "We had to convince some of the nurse leaders here that we should take this stand and hire these 16-and-17-year-olds," Ms. North said. She said the teens are held to the same standard as adults.

Maggie Burgess, 17, used to work as a nanny and lifeguard. Now a certified nursing assistant, she changes into turquoise scrubs after school for evening shifts at \$11.95 an hour at Wissota Health. She works 25 hours some weeks.

"Not a lot of high-school kids can say they work as a CNA," she said. "It's something really special to me."

Extra training qualified her to care for fragile patients on the ventilator unit. She shelved thoughts about moving to a bigger city after graduation. With tuition help from Wissota Health, she plans to attend a local technical college for nursing while continuing in her job.

In Larimer County, Colo., where unemployment is 2.9%, Gary Baker, shop manager at Avionics, said skilled adults in that industry are in short supply. Having a tech-savvy teen, Thayer, on board has eased some tight spots.

Avionics had bought a computer-controlled machine that produces custom-designed instrument panels in 30 minutes, versus the eight hours it takes to do manually. Last summer,

*The level of employer interest in teens is 'crazy,' says a high-school tech teacher.*

the employee who worked the machine left, and Mr. Baker, 61, said the technology eclipsed his computer skills. "I can do everything to that machine but run it."

Thayer had watched and learned at Avionics and had used a similar machine in high school. He studied the manual, he said, and "halfway through the second day, I had it running." The high-schooler, who earns \$10.50 an hour, trained Avionics co-workers on the machine. His mother, Danelle McCollum, is thrilled—and astounded—at her son's opportunities. "There's such a shortage of skilled laborers that even high-school kids with the right training can get these jobs," she said.

For Thayer, who is captain of his robotics team and dreams of becoming a biomedical engineer so he can help people like his brother, who has epilepsy, the work helps him feel more confident about the future. "It's good to know I already have employable skills."

**TAXES**

## TAXES

*Continued from Page One*

Patrick Cusick, who works in marketing and lives in La Crosse, Wis. "I don't really know why he hasn't been like, 'Son, you need to learn to do your taxes 'cause you're 34 years old.'"

Their father, David Cusick, says having them learn on their own makes him nervous. "I'm just kind of concerned that they'll make a mistake and then have the IRS bugging them," he says.

Christian Hadley, 24, works at a hospital in environmental services. His mother has done his taxes for several years. She uses some kind of website or a program. It might be TurboTax or H&R Block. He's not sure.

"When it's tax time, she'll spend hours at the computer with her calculator," he says. "We don't talk to her during that week because she's a little grouchy."

Mr. Hadley, who lives in Crystal City, Mo., thinks his mother enjoys doing taxes—she's a "math person"—but he

plans to learn to do his own in the next year.

Tawnya Hadley, 47, who works as an accounting specialist at a bank and used H&R Block software for her two sons' taxes and those of her married daughter, says she is probably going to continue doing them. "I love taxes," she says, noting she also did her and her husband's return. "I did them and they were perfect and I was so proud of myself."

Meredith Hirt, 26, writes for a market research firm in Manhattan. Her father does her taxes. She feels no motivation to change that.

"I think the return on investment for me learning how to do it wouldn't be worth it, because I have someone who is willing to do it," she says.

Her father, Joe Hirt, 63, who works as an engineering manager and lives in Chesapeake, Ohio, also does his 33-year-old daughter's taxes. "I'm doing something for my fully able daughters, and, as a parent, I just get a kick out of it," he says. "They still need me."

Any resentment he feels is directed at New York state, not his children. He says the state

tax website doesn't carry information over from one form to the next. Both daughters have at times taken on second or third jobs, which means entering Social Security numbers and addresses over and over. "I just hate it," he says.

Dave Scarangella, a former sales and marketing executive from Ashburn, Va., admits he and his friends complain about their children's taxes, but it is just for show. "We secretly like it," says Mr. Scarangella, 61. "We would be very sad if a year came along and we were no longer doing them."

This year, Amanda Scarangella, who will be 23 this month, said she wanted to learn to do her taxes. The two sat down at the computer.

"Once we start the process, after about five minutes, she goes to visit her mother and they find a movie to watch," Mr. Scarangella says.

Ms. Scarangella admits it but insists she will do her taxes next year. "I really value being independent and being able to take care of myself," she says.

Korin Reid, 31, who lives in Atlanta and works as a data scientist, could do her taxes.

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## GREATER NEW YORK

*'I find it very heartening to hear parents talk about wanting to educate the whole child, yet we make decisions about what kind of opportunities kids have by a single test. I just don't think that's in our best interest.'*

Schools Chancellor Richard Carranza, on gifted programs

# Chancellor Talks About Job and Influences

BY LESLIE BRODY

He was once grounded for playing hooky, and he flunked a freshman course in college. Now just days into his new job as chancellor of New York City schools, Richard Carranza offered a glimpse of experiences that could shape his approach.

Mr. Carranza, 51 years old, is the son of a sheet metal worker and a hairdresser, and grandson of immigrants from Mexico. He grew up in Tucson, Ariz., with an identical twin brother, and began his career teaching social studies and music, working his way up to superintendent in Houston.

Since taking over the nation's largest school district on April 2, he has visited classrooms in every borough and promised to review a host of issues tied to testing, segregation and the most troubled schools, among others. He said he hoped his predecessor, Carmen Farina, was relaxing on break somewhere, but he has consulted her. "I'm giving her space but we have texted back and forth," he said.

So far, he says, the messages he has heard most from parents citywide are that they want to be assured their children are safe, and "students universally want better food." By playing guitar and singing in one classroom, he has earned the nickname of "mariachi chancellor."

The Wall Street Journal met with Mr. Carranza to discuss his outlook. Here are edited excerpts from the interview.

**On what frustrated him as a teacher:**

"What absolutely drove me crazy was when it felt like policy came from up above and had nothing to do with the reality of what I did every day," he said. Often training didn't match his needs for help with classroom management or ways to structure a lesson, for example. When making decisions now, he says, he tries to put on his "teacher hat" and "principal hat."

**On homework:**

"If you have two hours worth of homework, that's way too



Chancellor Richard Carranza has visited classrooms in every borough and promised to review a host of issues tied to testing, segregation and the most troubled schools.

much...at the younger age levels especially," he said. In his view, homework should reinforce concepts learned that day or soon after. It shouldn't be punitive or used for extra credit.

At the high school level, he says, a maximum of two hours at night is a good rule of thumb, though students who procrastinate on long-term projects may end up with more on deadline. They should have time for after-school activities or jobs. "I don't think we should kill students by homework," he said.

**On a favorite teacher's influence:**

Alfredo Valenzuela taught him guitar in elementary school, "one of those teachers

who made you feel like you were the only student he had."

Mr. Carranza said his parents didn't want him to borrow a school instrument because they couldn't afford to replace it if it broke. "Dr. V" told his mother not to worry, the guitar was meant to be taken home for practicing. "He taught me the persistence of love," he said, "lovingly teaching students."

**On his parents' old-school discipline:**

They didn't use corporal punishment but asked teachers to alert them immediately to any misbehavior. He said they repeatedly warned their children that "there is no consequence imaginable that you could get at school that will be

worse than what you will get at home if I get a call."

They got one. As sophomore class president in high school, Mr. Carranza organized a "ditch day," when his classmates skipped school to play ball. He was grounded, had to write letters of apology, and for a month had to get teachers to sign sheets at every class period proving he attended. His father said, "My job is to go out and sweat and earn a living for the family, your job is to go school."

**On his worst grades:**

Mr. Carranza failed a freshman college course on forensic speech, public speaking and debate. He missed too many 7:15 a.m. classes after night

jobs playing in a mariachi band, which helped pay for expenses at the University of Arizona. Flunking "was a wake-up call for me to get my act together," he said. He worried the drop in his grade-point average would jeopardize his scholarship and force him out.

"For a first-generation college student, that's really scary," he said. "Everybody in your family is so proud that you're going to college and you think, man, I'm going to let everybody down."

**On gifted programs:**

In New York City, program entry for kindergarten through third grade usually depends only on testing. Mr. Carranza believes in multiple measures

to evaluate students, including teachers' input and classwork portfolios, but he has no plans now to change the admission system.

"I find it very heartening to hear parents talk about wanting to educate the whole child, yet we make decisions about what kind of opportunities kids have by a single test. I just don't think that's in our best interest.... We need to be really careful, really thoughtful about how we identify students as gifted and talented and cast as wide a net as possible.... It's important not to have a single anything when it comes to kids, a single test, a single option for them...a single approach to teaching."

## Lightning Strike Said to Cause Blaze



DANGEROUS BOLT: Firefighters battled a house fire in the Ortley Beach section of Toms River Township in New Jersey on Monday.

## GREATER NEW YORK WATCH

### NEW YORK

#### Power Strips Blamed For Trump Tower Fire

Overloaded power strips sparked the deadly fire at President Donald Trump's namesake skyscraper in New York City, authorities said Monday.

The April 7 fire in a 50th floor apartment at Trump Tower was accidental, caused by "sequenced power strips powering multiple components," the New York Fire Department said.

Todd Brassner, 67 years old, died after being pulled from the apartment, which did not have sprinklers or a smoke alarm. Building code did not require them when the tower opened in 1983.

—Associated Press

### CONNECTICUT

#### Hartford Mayor Nixes Run for Governor

Hartford Mayor Luke Bronin has decided not to run as a Democratic candidate for governor.

Mr. Bronin announced Monday he is ending his exploratory committee and will "stay focused on my work as mayor."

Mr. Bronin said he didn't want his status in the 2018 race "to be a reason for people to condemn or politicize" an agreement to have the state of Connecticut pay off \$550 million of Hartford's debt over the next 20 years to help the struggling city avoid bankruptcy. Some state lawmakers want to scale back the agreement.

—Associated Press

### NEW YORK

#### Controversial Statue Will Be Relocated

New York City's Public Design Commission has approved the removal from Central Park of a controversial statue of a 19th century doctor who operated on enslaved women.

The commission voted 7-0 Monday to accept a mayoral panel's recommendation that the statue of Dr. J. Marion Sims be moved to the Green-Wood Cemetery in Brooklyn where he is buried. Dr. Sims was known as the father of modern gynecology. But critics say his use of the women as experimental subjects was unethical.

—Associated Press

### NEW JERSEY

#### 'Ghost-Gun' Measure Advances in Senate

New Jersey lawmakers advanced a measure to prohibit the purchase of firearms parts used to make untraceable weapons, or so-called ghost guns.

The Democratic-led Senate's law and public safety committee approved the measure on Monday. The panel is also considering a half-dozen gun-control measures that have cleared the Democratic-controlled Assembly.

Democratic Gov. Phil Murphy has said he generally supports measures aimed at tightening the state's already-strict gun laws.

—Associated Press



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# LIFE & ARTS



Saudi Arabia, under Crown Prince Mohammed bin Salman, below, has introduced more liberal policies over the past few months. First up at its movie theaters: the Disney hit 'Black Panther,' above.

BY ERICH SCHWARTZEL  
AND MARGHERITA STANCATI**SAUDI ARABIA** wants to do more than export oil. So it's importing popcorn machines.

On Wednesday, when moviegoers in Riyadh take their seats to watch a screening of Walt Disney Co.'s "Black Panther," it will be the first time a Hollywood movie has played in a theater in Saudi Arabia in 35 years. AMC Entertainment Holdings Inc., the world's largest movie theater company, is the first to operate in Saudi Arabia since a longtime ban on cinemas was lifted five months ago.

AMC's inaugural theater in the kingdom, in Riyadh's King Abdullah Financial District, will open with a gala reception—popcorn included. In the coming months, three more screens will be added to the theater—part of an initial wave of 40 theaters AMC is planning in 15 Saudi cities within five years.

For AMC and other exhibitors, Saudi Arabia is a rare growth opportunity in an industry that faces stagnant attendance in the U.S. and a concern among investors that the companies have built too many theaters.

"There might be some remote country someplace that doesn't have movie theaters, but not where you would find a GDP close to Saudi Arabia's," said Adam Aron, chief executive at Leawood, Kan.-based AMC.

As recently as a year ago, the idea of Hollywood coming to the religiously and socially conservative kingdom would have been unfathomable. But under Crown Prince Mohammed bin Salman, the country has introduced more liberal policies in recent months, including lifting a ban on women driving set to go into effect in June.

Developers across Saudi Arabia have been building theaters in anticipation of the ban being lifted, and many new malls in the country have empty theaters, waiting for operators to move in.

## FILM

# Hollywood Sweeps Into Saudi Arabia



AMC was able to get a theater mounted quickly after Mr. Aron met with officials from the country's sovereign wealth fund in February and told them it would take about a year for a new AMC theater to be built and up and running. Hoping to move faster, the officials asked Mr. Aron to consider converting a recently built symphony hall they controlled, so new that it has never staged a concert.

The hall was part of a \$10 billion development designed to draw global financial companies, but a decade after work on it began, it is

still under construction and it remains mostly empty. Saudi Arabia's sovereign wealth fund, the Public Investment Fund, took control of the struggling financial district last year to oversee its completion. That eased AMC's entrance.

The opening of the kingdom's first cinema there could help revive the project. The auditorium seats more than 500 people, a massive capacity for a movie theater, which typically seat around 200. Eventually, AMC plans to replace the seats with the exhibitor's recliner-style seating, which would reduce the capacity to 400.

It's still unclear how Saudi officials will censor the movies they allow into the country, but other religiously conservative governments in the region have been known to ban any scenes with affection between men and women and sometimes even blur out non-Muslim iconography like the Star of David. Mr. Aron said Wednesday that details on censorship were still being ironed out between Saudi officials and the Hollywood studios.

Even though cinemas will be new to the country, Western entertainment will not. Across Saudi Arabia, many residents keep up

with Hollywood movies by flying to the United Arab Emirates for weekend screenings, often filling the theaters. Satellite TV and streaming-video providers like Netflix Inc. are widely used.

Saudi officials want to keep more of that spending within their own country—part of an effort to diversify their economy beyond the oil market that has fueled the kingdom's growth for decades.

The Saudi government says it hopes some 350 cinemas with more than 2,500 screens will open by 2030. In pitches to the private sector, Saudi officials have pointed to the country's 32 million people, the majority of whom are under 30 and have high disposable income.

AMC is not alone in the rush to build. London-based Vue International says it plans to build up to 30 multiplex cinemas in the kingdom over the next three years in partnership with a local company.

Other exhibitors that have announced plans to enter the Saudi market include the luxury theater-and-restaurant chain iPic Entertainment and VOX Cinemas, the largest theater operator in the Middle East.

Many rules will apply to the theaters. Gender segregation, for instance, is widely practiced in public places like restaurants, where unrelated men and women officially aren't allowed to mix. Some theatrical screenings will be for women and their family members, and others for men only.

Saudi Arabia doesn't want just cinemas—it also hopes to eventually become the new hub of Arab filmmaking. Earlier this week, during Prince Mohammed's visit to Paris, the Saudi Ministry of Culture and Information announced the kingdom will bring a pavilion at the upcoming Cannes Film Festival, where Saudi filmmakers will screen short films.

"In the past, movie making in the region used to be in Egypt," said Faisal Bafarat, chief executive of Saudi Arabia's General Entertainment Authority. "Now the center of gravity is moving to Saudi Arabia."

YOUR HEALTH | By Sumathi Reddy

## THE DILEMMA OF THE GLUTEN-FREE DIET

**IT'S NOT UNUSUAL** after eating that the symptoms set in for Lee Graham: severe stomach pain and worse.

"It's always sort of a game of Russian roulette when you go out to eat," says Ms. Graham, executive director of the National Celiac Association, a Needham, Mass.-based nonprofit that advocates for people with celiac disease.

What's frustrating for Ms. Graham is that this can happen even when she's eating what is supposed to be a gluten-free meal.

A new study in the American Journal of Clinical Nutrition shows that eating gluten-free is nearly impossible, underscoring the need for better treatments for patients with celiac disease.

The good news: About half a dozen potential treatments are in the works, ranging from a vaccine to a capsule designed to regulate the gut. But most are at least a couple of years from entering the market. And celiac patients would still have to maintain a gluten-free

diet, which is currently the only answer for the disease.

Experts say up to 1% of the global population has celiac disease, an autoimmune condition in which people develop an immune reaction to gluten. Gluten is a protein that appears in any food containing wheat, barley and rye. The immune system reaction results in inflammation and damage in the lining of the small intestine, which can lead to medical complications, such as acute stomach pain and failure to absorb nutrients.

The odds of getting celiac disease in the U.S. have increased four- to fivefold over four decades, says Peter Green, director of the Celiac Disease Center at Columbia University Medical Center, but have leveled off in recent years.

"There has been this increased rate of diagnosis as well, but there's still a lot of people with celiac disease who don't know they have it," Dr. Green says. He

Please see HEALTH page A12



A new study finds that adhering to a gluten-free diet is difficult for celiac disease patients even with the explosion of gluten-free foods. They speculate that food can be contaminated during food preparation or processing.

## LIFE &amp; ARTS



ILLUSTRATIONS BY JON KRAUSE

BONDS | By Elizabeth Bernstein

## Talking to Your Dying Loved One



and I was graduating college and terrified about what to do next, my grandfather told me I should always be a writer and not let anyone discourage me.)

■ Religious or spiritual talks.

Family members may read the Bible, recite prayers together, or discuss their belief about an afterlife.

■ Everyday talk. The beauty of these types of conversations is that they are just about spending time with each other, Dr. Keeley says. People may watch TV, take walks, listen to music together. "What you are doing is saying: 'I am living with you up until the moment you die,'" she says.

■ Difficult relationship talk.

These conversations attempt to repair a hurt of some kind, say with a parent who was controlling or neglectful. But if that hurt is too great and you don't want to talk about it, you shouldn't feel guilty, Dr. Keeley says.

■ Instrumental death talk.

These are logistical conversations about wishes for end-of-life care, funeral and burial plans. Dr. Keeley says that discussing these issues helps people stop denying the reality of the situation.

Ms. Wilcox says she would have been happy to "swim deeper into the warm water of that river of denial," when Mr. Landers, her partner of 10 years, was sick. Yet he made a point of talking about death with her. Soon after his diagnosis, in 2015, he asked her to help plan his memorial service and cremation. Online, the couple chose an urn—a motorcycle on a wooden base, with the saying "Forever blowin' in the wind" engraved on it. "It was like planning a celebration-of-life party," says Ms. Wilcox, who is 61 and lives in the mountains outside Phoenix.

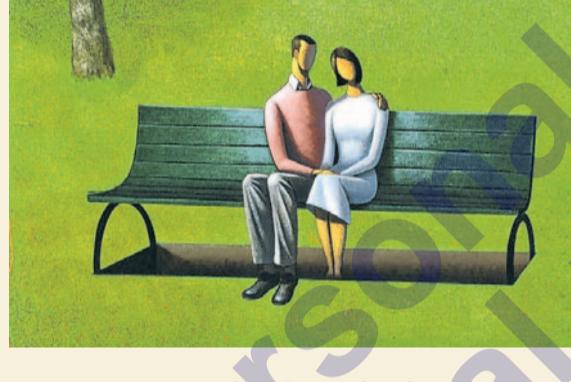
Mr. Landers also declared 8 p.m. to be the couple's "talk time," Ms. Wilcox says. With the TV off, the couple would snuggle with their two Yorkies, and talk about trips they'd taken or funny moments. "We laughed a lot and just quietly stayed in each other's space," Ms. Wilcox says.

They also talked about darker topics. Sometimes, Ms. Wilcox asked Mr. Landers if he was in pain, and he'd admit he didn't know how much longer he could endure it, she says. They also discussed past arguments and came to terms with how they'd each contributed to them. (Once, they'd bickered for hours about a sponge in the sink.) "It's incredibly helpful to me to know that he did take part responsibility for our down times, and he heard me loud and clear for the parts I was responsible for," Ms. Wilcox says.

On Sunday January 28, Ms. Wilcox sensed that it was going to be Mr. Landers' last night. She lighted candles and sage in the bedroom and said prayers, as he lay breathing heavily in their bed. She asked Alexa to play "Bad to the Bone"—his favorite riding song—and turned the volume up loud. She followed that with "Build Me Up Buttercup," which she often sang in his ear when she rode on the back of his bike and thought he was going too fast, and James Blunt's "Goodbye My Lover." "I held his hand all night, making sure he got morphine and kept his mouth dry," says Ms. Wilcox. Mr. Landers died at 3 a.m.

### APPROACHING THE CONVERSATION

**Talk early.** Don't wait until the very end, when people are understandably very emotional. Time may be limited, and the dying person may move in and out of consciousness.



others to share yours is discounting who they are.

**Manage your expectations.** Often, people think a dying person will offer up the secrets to life or explain a family mystery, says Maureen P. Keeley, professor of interpersonal communication at Texas State University, in San Marcos, Texas. But that may be out of character for the person—and exhausting.

**Be compassionate.** "In some situations, forgiveness and staying silent may be more gracious than speaking an unkind truth," Dr. Carpenter says.

**Be present.** Sometimes the best talks happen when you least expect them. So the more time you spend with the person the more opportunities you will have.

**Make a crib sheet.** If you aren't sure what you want to say or whether you'll be able to say it, write it down and read it aloud, says Brian Carpenter, professor of psychological and brain sciences at Washington University in St. Louis.

**Start with an explanation.** And acknowledge the talk is difficult for you. Dr. Carpenter suggests: "I'm not sure how much time we'll have left, and there are some things I want to make sure I say to you while I can."

**Keep it brief.** People are likely to have less physical and emotional en-

ergy to sit through something long. Pick one to two of the most important things you want to say.

**Don't expect people to change.** Not everyone is up for the conversation you envision. If someone doesn't want to talk, let it go.

**Don't push religion.** Not everyone has the same beliefs, and expecting

other chance if you wait." But it's important to always be compassionate, he says.

There are six types of discussions that people have when they are dying, says Maureen P. Keeley, professor of interpersonal communication at Texas State University, in San Marcos, Texas, who is the co-author of "Final Conversations: Helping the Living and the Dying Talk with Each Other." She defines final conversations as those that take place between the terminal diagnosis and death and says they can be both verbal and nonverbal.

"Everything you do can have meaning," she says.

**The six categories are:**

■ **Conversations about love.** People tell each other, sometimes for the first time, how much they mattered to them.

■ **Identity messages.** For the survivors, these are conversations that frame who you are. A dying loved one knows you well and may want to give you a push in the right direction—and you will likely listen. (Years ago as he was dying

person will be gone," he says, and it's hard to talk about death if you can't grasp or accept it. Denial is easier.

Even when family members do want to talk, they sometimes aren't sure what to say. Survivors worry it's wrong to show sadness in front of the dying person, so they chat about superficial topics they think are less distressing.

This only adds to the pain. "The more authentic approach is to say what's on your mind—and to say that it's important to you," says Dr. Carpenter. "You might not get an-

Murray, a professor of gastroenterology at the Mayo Clinic in Rochester, Minn.

The U.S. Food and Drug Administration requires that packaged foods labeled gluten-free contain fewer than 20 parts per million of gluten—the equivalent of 20 milligrams of gluten in one kilogram of food. Gluten Free Watchdog, a group that tests packaged gluten-free foods, has found that foods test at or above 20 parts per million of gluten about 4% of the time.

Dr. Murray is working with ImmunogenX on developing an enzyme called latiglutaminase, designed to be taken with meals to help patients digest gluten. ImmunogenX acquired the enzyme mixture from Alvine Pharmaceuticals in 2016 after a Phase 2 trial failed to demonstrate healing of the small intestine. The study showed improvement of symptoms for a subgroup of celiac patients. The current ImmunogenX trial will focus on the 20% of celiac patients who have persistent symptoms while following a gluten-free diet.

The company is launching a final Phase 2 clinical trial in a few months. If successful, it would have to do a Phase 3 trial before applying to the FDA for approval as a drug. The earliest a commercially available drug could hit the market is late 2020.

Innovate Biopharmaceuticals in Raleigh, N.C., expects to launch a Phase 3 trial later this year for larazotide acetate, a drug taken as a capsule that would be taken be-

fore every meal.

Jay Madan, founder and president of the company, says the drug helps regulate the leakiness of the gut. Results from Phase 2 clinical trials showed improvement in abdominal symptoms. The drug isn't absorbed by the body and was well tolerated in more than 500 patients.

Immusant, a Cambridge, Mass.-based biotechnology company, will enter into a Phase 2 clinical trial of its vaccine, Nivaxax, this year, says Leslie Williams, president and CEO of the company.

The vaccine doesn't prevent celiac disease but is a therapeutic treatment akin to an allergy shot, she says. It would require self-injecting weekly to maintain non-responsiveness to gluten.

"Our initial approach is to protect patients against inadvertent exposure to gluten," Dr. Williams says. "Ultimately we will see if we can get them to reintroduce gluten, too."

Researchers will present the results of Phase 2 clinical trials of



the drug AMG 714 in June, says Francisco Leon, the co-founder and former CEO of Celimmune, which was recently acquired by Amgen.

Dr. Leon, who now works as a consultant to Amgen, says the drug is an antibody that blocks interleukin-15, a protein that stimulates the immune system in the gut, causing damage and gastrointestinal symptoms.

Researchers tested the drugs in a pair of Phase 2 studies. One featured patients with refractory celiac disease type 2, the most severe form of celiac disease. It affects about 1 in 200 celiac pa-

tients and is considered lymphoma of the gut. Doctors also tested the drug with a larger population of celiac disease patients.

Several other treatments are in earlier stages of development. Cour Pharmaceutical in Chicago and Takeda Pharmaceutical in Japan are using nanotechnology to try to reprogram the body's immune system to enable patients to develop a tolerance to gluten and potentially reverse symptoms of the disease.

The companies launched a Phase 1 trial in February which they expect to complete in March 2019.

## HEALTH

*Continued from page A11*  
was an author on another study looking at the global prevalence of celiac disease published in 2017 in the journal Clinical Gastroenterology and Hepatology.

Dr. Green says it's unclear what the lowest level of gluten is that causes intestinal damage in patients. "About 30% of people don't get better on a gluten-free diet," he says.

The American Journal of Clinical Nutrition study used data from three prior clinical trials to estimate how much gluten 246 celiac patients were ingesting. The gluten measurements were based on either a stool or urine sample.

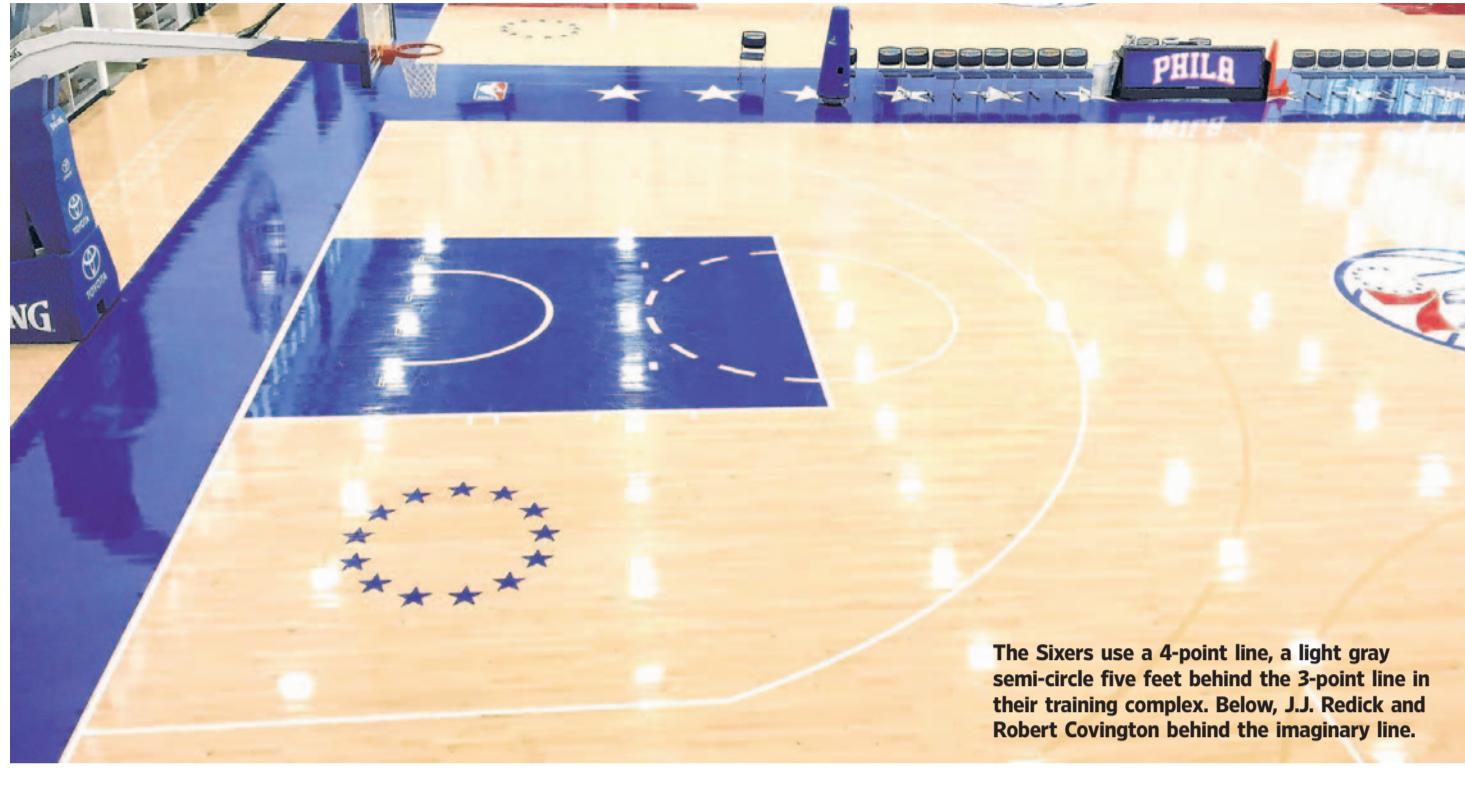
The study found that on average patients were ingesting 200 to 250 milligrams of gluten a day, says Jack Syage, CEO of ImmunogenX, a Newport Beach, Calif.-based biotechnology company, and first author on the study. Someone without celiac disease eats about 7,500 to 10,000 milligrams of gluten a day.

The study didn't look at where the gluten comes from. Dr. Syage says researchers guess much of it is inadvertently consumed when food is contaminated during processing or preparation.

Those with celiac disease typically need to limit exposure to under 100 milligrams, but the threshold can vary depending on a person's sensitivity, says Joseph



## SPORTS



BEN COHEN/NB; MIKE SUDAL/WJS; VIDEO GRAB: NBA

The Sixers use a 4-point line, a light gray semi-circle five feet behind the 3-point line in their training complex. Below, J.J. Redick and Robert Covington behind the imaginary line.

NBA

## The Team With a 4-Point Line

The 76ers understand the benefits of 3-point shooting. That's why they added a 4-point line.

BY BEN COHEN

Philadelphia

**THE FIRST TIME** it caught his eye, Sixers guard T.J. McConnell was confused. There was something odd about the Philadelphia 76ers' practice courts.

"What is this line doing here?" he thought.

It turns out the Sixers believe so much in the power of 3-point shooting that a 3-point line wasn't enough for them. Which is why they added a 4-point line.

There is no such thing as a 4-point line in the NBA. Except in Philadelphia. What they call a 4-point line, the light gray semi-circle exactly five feet behind the traditional white line in their training complex, is such an essential part of the Sixers' unlikely success this season that when coach Brett Brown was asked to explain its origins he invited a reporter into his office and took a seat.

"I mean, where do I begin?" Brown said.

It helps to begin at the beginning. And the most important thing to understand about the Sixers is that before they were very good they were very, very bad.

They endured four long years of tanking in the hopes that it would make them a title contender for many years to come, and they were rewarded for their patience when they drafted Ben Simmons and Joel Embiid, who are young, generational talents worth rebuilding around.

But even when their record was putrid, their style was promising. They played fast, passed more than any team in the NBA and



shot a whole bunch of 3-pointers. It was a basketball philosophy that Brown, who spent more than a decade with Gregg Popovich in San Antonio, drilled into his teams during their endless parade of losing, because he knew it had to be their blueprint once the Sixers were finally ready to start winning.

"When you look at modern-day offense, and you try to play a style that I believe in and have for a while," Brown said, "you have to space the floor, you have to shoot threes and you have to create room."

Which is why the 4-point line exists in Philadelphia.

"We want to take it to a higher level and space further," Brown said. "We want to

stretch the court more."

The only problem is that Philadelphia, unlike Houston or Golden State or pretty much any NBA title contender, has a star point guard who is allergic to 3-pointers.

It's not that Simmons, their sublime 6-foot-10 rookie, doesn't make 3-pointers. It's that Simmons doesn't take 3-pointers. Simmons did not attempt one single legitimate 3-pointer all year long.

He's one of the few players in this era of basketball who might not have to. The defense sags off Simmons daring him to shoot, and he initiates Philadelphia's offense from 15 feet instead of 25 feet, gliding toward the hoop with the effortless grace of Magic Johnson.

But the paint can get crowded quickly. Especially when Simmons plays with Embiid.

Embiid is not a typical center. There are lots of things about this 7-footer who shoots more 3-pointers than Michael Jordan that seem almost impossible, but there is one thing about him that holds true of anyone his size. The smartest thing his teammates can do is get out of Embiid's way.

The Sixers decided the only way they could artificially create space around Simmons and Embiid was to complement them with shooters who unclogged the court.

The 4-point line was their Drano.

The gray strip of tape 28 feet, 9 inches from the basket—we took a tape measure—is one reason the Sixers are suddenly capable of making the NBA Finals only two years after being one of the worst teams in the history of the league.

It's no longer a contrarian idea to believe they can dethrone LeBron James. It's becoming conventional wisdom. Every shred of statistical evidence suggests Philadelphia is for real.

Their starting lineup of Embiid, Simmons, J.J. Redick, Robert Covington and Dario Saric was the best lineup in the NBA this season. And it wasn't only because of Simmons and Embiid. It was also because of the 3-point shooting around them.

Redick (42%), Saric (39%) and Covington (37%), in addition to mid-season acquisitions Marco Belinelli (39%) and Ersan Ilyasova (36%), position themselves several feet behind the 3-point line so they can step into their shots while making way for Simmons and Embiid. Brown wants them so far behind the 3-point line, in fact, they're closer to flirting with an imaginary 4-point line. They could actually practice starting in the middle of last season when the Sixers built their real 4-point line.

To be clear, their shots from behind the 4-point line are not worth four points. The Sixers are inventive. They're not insane.

"It's usually a scolding thing," Brown said, "more than a reward thing."

It wasn't hard to sell the Sixers on the 4-point line. "It makes sense," McConnell said, "if you really think about it." One person who happens to agree is Nobel Prize winning economist Richard Thaler. The 4-point line is a simple intervention that leads to smarter behavior. Or, as Thaler calls it, a nudge.

"Love the idea," he said in an email.

Philadelphia's shooting threats are threats even when they are not shooting because of that 4-point line. By dragging the other team away from the rim, Saric, Redick and Covington effectively make the court bigger.

Their presence alone stretches the defense and shifts the advantage to the offense. They would be useful if all they did behind the 4-point line was contemplate the merits of cheesesteaks.

Redick, for one, isn't bothered when his defender stalks him beyond the 3-point line to the 4-point line. He knows that he's making it easier for his teammates to score. "I'm, like, ah, I'm doing my job," Redick said. "It's 4-on-4 now."

The other players on the league's most promising young roster now have an easy way of knowing whether they're where they're supposed to be. All they have to do is look down.

"You're either inside or outside the line," Brown said. "It's not negotiable."



RUNNING

## LINDEN WINS BOSTON MARATHON

BY SARA GERMANO

**DESREE LINDEN** became the first American woman to win the Boston Marathon in 33 years, as blustery, wet conditions made for unpredictable results in both the women's and men's fields.

Linden, 34, a two-time Olympian with a world-class personal best, secured her first major marathon victory in 2:39:54, more than four minutes ahead of the rest of the field. The Rochester Hills, Mich.-based runner became the first U.S. woman to win the race since Lisa Larsen Weidenbach in 1985.

Almost incredibly, she won the race after a display of extraordinary sportsmanship just before the halfway point. As fellow American Shalane Flanagan took an uncharacteristic pit stop at a portable restroom, Linden slowed her pace to wait, and then the two worked together to catch up and re-join the leaders.

Linden said after the race that she helped Flanagan because she herself wasn't feeling well. "Honestly, at miles two, three, four, I didn't even feel like I was going to make it to the finish," she told race broadcaster NBC. Flanagan, 36, finished in sixth place.

Blustery rain and near-freezing cold in Boston made for the slowest winning times in decades for both men's and women's races. Yuki Kawauchi, a self-coached runner with a full-time job, became the surprise men's race winner in 2:15:58, the first man from Japan to do so since 1987.

The U.S. women placed seven in the top 10, including a runner-up finish by Sarah Sellers, who was not even listed among the elite competitors for Monday's race.

## SOCER

## U.S. WORLD CUP BID FACES A CHALLENGE

BY JOSHUA ROBINSON

**WHEN THE U.S.** launched a joint bid to host the 2026 soccer World Cup with Canada and Mexico last year, it looked like the biggest open goal in the game.

The tournament was expanding to 48 teams for the first time and here was a bid with enough hulking stadiums, hotels, practice facilities and functioning airports to host it at a moment's notice. Plus, the North Americans had nailed their timing. With the rest of the world losing interest in hosting major sporting events, theirs was the only bid.

Then, last August, an opponent emerged: Morocco, a serial bidder that has tried and failed to host four World Cups since 1994 and a country with nowhere near the infrastructure of North America. Even with two bidders, it didn't look like much of a race.

But two months before FIFA makes its choice on June 13 in Moscow—factors from geopolitics to internal bureaucracy at soccer's world governing body have made the race impossible to call.

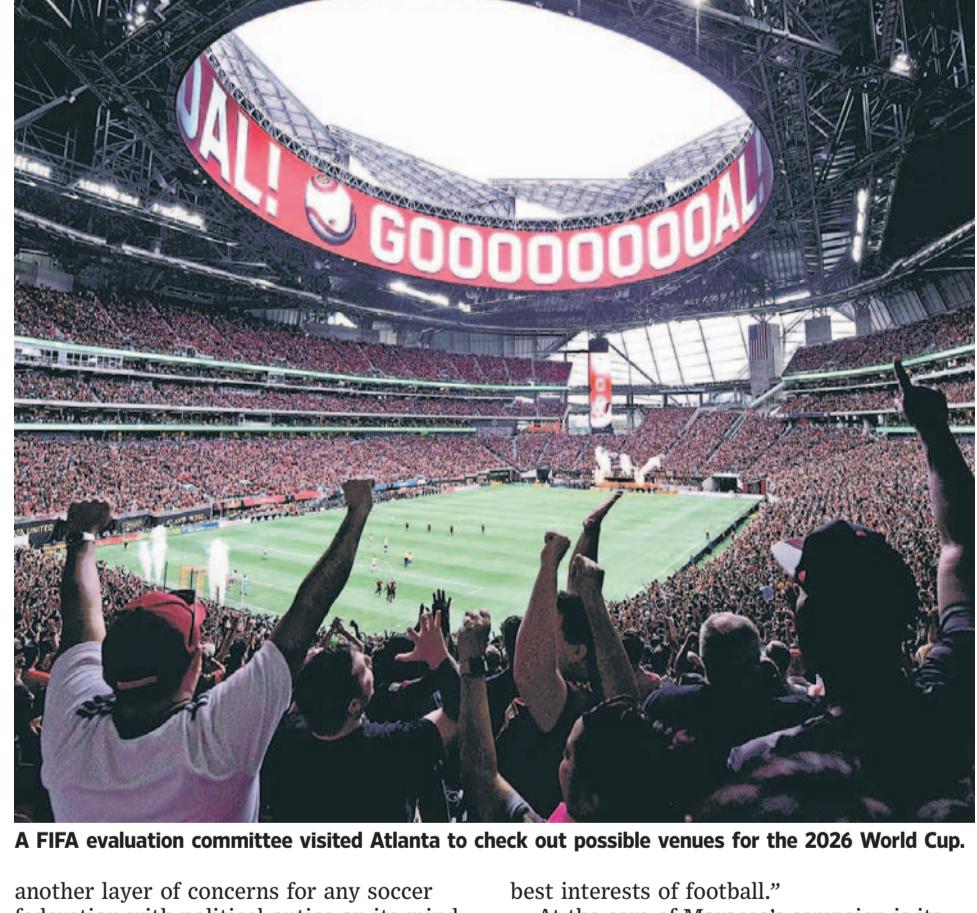
"We're not taking any vote for granted," U.S. Soccer president Carlos Cordeiro said. "We're going to keep working very hard for every vote right up until June 13."

Much of the uncertainty stems from the fact that last time FIFA went through this process, in December 2010, its 22-person executive committee was caught in a morass of horse-trading that led to the selection of Russia as host in 2018 and Qatar in 2022. That vote would prompt years of corruption allegations and an FBI investigation.

To avoid a repeat for 2026, FIFA changed its regulations to open up the vote to 207 of its 211 eligible member associations, from Brazil to Vanuatu. (The four bidding countries are excluded.) Nations that have never had a say over World Cup hosting are now central actors in the process. And already, they are creating surprises.

Government officials in the Caribbean nations of St. Lucia and Dominica came out in favor of Morocco's bid, despite being members of the same confederation as the U.S., Canada and Mexico.

In the name of transparency, FIFA also stipulated that everyone's votes be made public after the result in June. Which adds



A FIFA evaluation committee visited Atlanta to check out possible venues for the 2026 World Cup.

another layer of concerns for any soccer federation with political optics on its mind. France, for instance, home to the world's largest Moroccan population outside of Morocco, this month came out in favor of the North African bid.

Then there is the reality of anti-American sentiment in some quarters due to President Donald Trump's derogatory comments on developing world nations, his anti-immigration positions and his attempts to impose a travel ban on visitors from several Muslim-majority countries. The North American bid leaders say that they haven't encountered that in any of their meetings with delegates.

"This isn't geopolitics," Cordeiro said. "We're talking about football and what's fundamentally, at the end of the day, in the

best interests of football."

At the core of Morocco's campaign is its proximity to the game's global center, Europe, and the compactness of its venues for the convenience of teams and supporters—all stadiums will be within 350 miles of Casablanca.

FIFA has said that it is doing everything possible to ensure that the race is fair and transparent. For one, most of the organization's old-school power-brokers who helped handpick World Cup hosts for decades are nowhere near the sport anymore. Former FIFA president Sepp Blatter, for instance, is still serving a ban from all soccer-related activities.

But that doesn't mean he is without opinion on the matter. In February, he tweeted: "Morocco would be the logical host! And it is time for Africa again!"

## OPINION

# McCabe, the New 'Deep Throat'

**MAIN STREET**  
By William McGurn

Before there was Andrew McCabe, there was Mark Felt. Or, as he is better known, "Deep Throat."

Both Mr. McCabe and Felt were FBI deputy directors. Both

leaked information about an FBI investigation that was under way. Both did so for the sake of their own careers, lied about it to their bosses, and even let other FBI agents take the blame.

Start with Felt, who died in 2008. Though sometimes cast as the noble truth-teller of Watergate—in "All the President's Men" he was memorably played by a chain-smoking Hal Holbrook—reality is less flattering. Felt saw himself as the rightful heir to J. Edgar Hoover. When he was passed over for L. Patrick Gray III, Felt flattered Gray to his face while sabotaging the new FBI director behind his back.

He also let others take the fall. On a Saturday morning in June 1972, a furious Director Gray summoned 27 agents from the Washington field office to the conference room at FBI headquarters. He then cussed them out over a leak to Time magazine. Paul Magallanes, an FBI agent working the Watergate burglary, said Gray called them all "yellow-bellied sniveling agents" and demanded the guilty party step forward. No one did, of course, and Gray vowed to find out

In the process the leak made public something Mr. Comey

who the leaker was and fire him.

Felt never corrected the record on behalf of his falsely accused brother agents. To the contrary, Deep Throat would himself assume control over the investigation into who was leaking—and use that position to admonish other agents about leaks for which he himself was the culprit.

Mr. McCabe is Felt's heir. Like Felt, he had a highly personal reason for authorizing a leak to The Wall Street Journal and then denying it. In October 2016, the Journal had raised questions about Mr. McCabe's impartiality on the Hillary Clinton email investigation by reporting that his wife, Jill, had accepted donations from political action committees associated with Terry McAuliffe—a Clinton friend and former member of the Clinton Foundation board. Now the Journal was following up, and asking about an alleged order from Mr. McCabe telling FBI agents investigating the Clinton Foundation to "stand down."

To counter the narrative that he might be compromised, Mr. McCabe authorized FBI counsel Lisa Page and a public-affairs officer to tell the Journal about a phone call with a high-ranking Justice official. In this account, Mr. McCabe is the fearless G-man pushing back against Justice complaints that the bureau was still investigating Mrs. Clinton's family foundation during the election.

In the process the leak made public something Mr. Comey

had studiously kept quiet: an FBI investigation into the Clinton Foundation. In a report released Friday, the Justice Department's inspector general notes that while this disclosure "may have served McCabe's personal interests," it did so "at the expense of undermining public confidence in the Department as a whole."

did not tell me that he authorized" the leak.

Just two men with different memories? The inspector general thinks not. The circumstantial evidence, the report notes, all runs against Mr. McCabe. Not a single senior FBI official backs Mr. McCabe's claim that within the bureau people generally knew he'd authorized the leak. It isn't the only McCabe statement to conflict with accounts given by other agents: At one point, he claimed FBI agents who had interviewed him under oath had wrongly reported he'd denied authorizing the leak.

Back in the early 1970s, Mark Felt leaked information about an investigation in hopes it would eventually lead to his becoming director. In a 1999 interview with Slate's Timothy Noah, six years before his Watergate role was revealed, Felt rightly declared that if he had been Deep Throat, it would have been "terrible" and "contrary to my responsibility as a loyal employee of the FBI to leak information."

Then, in a final Feltian flourish, Mr. McCabe lied to his director.

The IG report says that Messrs. Comey and McCabe give "starkly different accounts" of their conversation about the article containing the leak. Mr. McCabe insists he told Mr. Comey he'd authorized it—and that Mr. Comey had answered it was a "good" idea. Mr. Comey is categorical that Mr. McCabe "definitely

temperament and courage that create great leaders and enduring empires.

Unlike its storied predecessor, Mr. Gaddis's book has the advantage of being a long walk with a single, delightful mind, which makes it much easier for the reader to comprehend the lessons that cohere across continents and millennia.

"On Grand Strategy" begins with the Persian king Xerxes' invasion of Greece in 480 B.C., an invasion that went spectacularly

wrong. Xerxes suffered from an inability to connect the ends he desired—control of Greece and ultimately all of Europe—with the resources available, the very essence of strategic thought. He discovered, upon crossing the Hellespont, that his huge armies exceeded the carrying capacity of the Greek countryside, that the topography favored the defender, that late-summer storms were battering his fleet in the Aegean Sea. Greek triremes sank his ships at Salamis, and Xerxes fled back across the Hellespont, abandoning his army to destruction. The moral of the story, as written by Aeschylus eight years later: "Never, being mortal, ought we cast our thoughts too high."

Xerxes was not the last warrior-king to suffer from that particular affliction. Philip II of Spain off the coast of France, and Napoleon and Hitler in Russia, fell prey as well. Mr. Gaddis notes that Philip, after conquering Portugal and its colonies, believed that he could defeat the world's greatest empire since Rome, but the English Channel and the Royal Navy sent his armada to ruin. Napoleon underestimated the Russian winter and the hardiness of the Russian peasant even before he met defeat at Waterloo.

Hitler, in his obsessive pursuit of *Lebensraum*, had his troops invade Russia in summer uniforms expecting a swift victory, but they were swallowed up in the vastness of the Russian steppes and another cruel winter.

The wisdom, temperament and courage that create great leaders and enduring empires—and the mistakes that may lead to ruin.

To borrow from Isaiah Berlin, these figures were hedgehogs, over-focused on one doctrine or objective and unable to adapt their plans to meet the needs of the day. Mr. Gaddis has more respect for foxes, who, while holding fast to their objectives, are able to adjust their tactics in the face of various challenges and difficulties—geography, weather, time, public support. Although desires may be infinite, the means available are not, and good commanders set priorities, build alliances and husband their resources.

Mr. Gaddis presents an array of leaders who mastered strategy in such a way. Octavian (soon to become Augustus Caesar), while aiming to seize sole control of the Roman Empire from his rival Mark Antony, shifted his plans constantly, redistributing land in Rome to gain popular support, seizing control of legions in Gaul when the opportunity arose, even marrying off his sister to his chief rival. Queen Elizabeth I grasped the strengths of British geography and British seapower to keep her country safe behind walls of oak.

Abraham Lincoln, Mr. Gaddis observes, adjusted his thinking on slavery during the Civil War, moving from merely wanting to block its expansion to arming free blacks in 1862 to emancipating slaves held in Confederate territory in January 1863. In the modern period, Franklin Roosevelt decided to focus on "Germany First" rather than Japan, attacking the greater strategic threat rather than the one that had struck first. All chose to tether their practices to strategic principles that had worked in the past—and, Mr. Gaddis suggests, will work in the future.

"On Grand Strategy" is not a perfect book. It gives short shrift to the Eastern tradition, with only a brief nod to Sun Tzu, whose writings emphasize indirect rather than direct conflict. "The supreme art of war is to subdue the enemy without fighting," he proclaimed. And the book doesn't adequately examine the impact of the nuclear revolution on military strategy. Arguably, the invention of nuclear weapons has leveled the strategic playing field among states that possess them in much the way that the invention of firearms made hand-to-hand combat less important tactically. The result is a world in which strategic options are limited in scope and scale by the prospect of Armageddon.

One lesson of "On Grand Strategy" is that statesmanship is hard. Sadly, as Mr. Gaddis shows, history is replete with examples of leaders who were weakly skilled in the art of strategy and who thus drove their countries to ruin. At a time when conventional war with China, Russia, North Korea and Iran are all very real possibilities—even as irregular wars against insurgents and terrorists continue to drain our national treasure and take the lives of our young men and women—"On Grand Strategy" is a book that should be read by every American leader or would-be leader.

Peace and prosperity are not guaranteed; nurturing and maintaining them require wisdom, a sense of history, and a sensitivity that "respects time, space, and scale," as Mr. Gaddis puts it. In these perilous days, the last thing we need is an untutored hand at the tiller of our ship of state.

**BOOKSHELF** | By John Nagl

## The War Against Decline and Fall

### On Grand Strategy

By John Lewis Gaddis

(Penguin Press, 368 pages, \$26)

**T**he most important book I read as a student at West Point was a weighty tome titled "Makers of Modern Strategy." It covered the evolution of strategic thinking from Machiavelli to the nuclear age, explaining the rise and fall of states as a result of choices made by statesmen and generals about how, where, when and why to employ military force to achieve political objectives. It was an edited text—no one person, it seems, was erudite enough to be an expert across such a broad range of history—and hence suffered from differences in writing style and inconsistencies in theme, but it was the best education in grand strategy available in a single volume.

Until now. Yale historian John Lewis Gaddis, who won the Pulitzer Prize for his 2011 biography of George Kennan, has compiled a lifetime of thought about success or failure in statesmanship into "On Grand Strategy." Like "Makers of Modern Strategy," it explores the facets of wisdom,

temperament and courage that create great leaders and enduring empires. Unlike its storied predecessor, Mr. Gaddis's book has the advantage of being a long walk with a single, delightful mind, which makes it much easier for the reader to comprehend the lessons that cohere across continents and millennia.

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**Barbara Bush Faces Death With Courage**

**By Marc Siegel**

**B**arbara Bush's decision to stop aggressive treatment for lung and heart disease at 92 is a valiant one. Her condition has worsened over the past year, leading to a recent series of hospitalizations. Now she is facing death with fortitude, courage and realism. She should inspire everyone in the medical arena, doctors and patients alike.

Palliative care is often unpopular, especially with diseases not commonly thought of as terminal. I was resistant to the concept the first time I saw a palliative-care team approach someone with severe heart failure. I tried to convince the team that patients could live like this for months or even years. The patient finally convinced me that he no longer wanted or needed to live in a

constant state of breathlessness and immobility.

It is far easier to figure out the point of no return for cancer than for heart or lung disease. Recent advances include better transplants, valves that

palliative care is often the best option, even when doctors are able to prolong life.

can thread into the heart through catheters, and ever-improving medications to compensate for worsening pathology. But 5% of heart failure remains refractory to medical treatment, and in these patients palliative care has been shown to improve patient satisfaction and decrease costs. For someone severely ill

in her 90s, moving toward palliative care is sometimes just the right thing to do.

Patients with chronic obstructive pulmonary disease—from which Mrs. Bush suffers—are even less likely to receive comfort care than those with heart failure. That too can be shortsighted, especially when infections are frequent and the disease has severely and irreversibly damaged the lungs. Sometimes it makes the most sense to help patients maintain their breathing and dignity as long as possible while forgoing the discomfort and ultimate futility of hospitalization.

Mrs. Bush has long been ahead of the curve when it comes to expanding public acceptance for new or controversial ideas. She fought the stagnant literacy rate with a proactive foundation and an important motto, "Let your

children see you read." She was also known for her AIDS activism as first lady—at a time when HIV and AIDS were still steeped in stigma.

Now she is a pioneer of a different kind. She has looked soberly at her life and made her decision. A willingness to face more bright lights and blipping monitors in the emergency room and the intensive-care unit can seem like courage. But it often comes from fear of dying or the urging of a family member or doctor who doesn't want to let go. It has taken me many years to accept that Mrs. Bush and those like her are the most courageous. I suspect millions of others would agree.

*Dr. Siegel, a clinical professor of medicine and medical director of Doctor Radio at NYU Langone Health, is a Fox News medical correspondent.*

*Mr. Nagl is the headmaster of The Haverford School. A retired Army officer, he saw combat in both Iraq wars and is the author of "Knife Fights: A Memoir of Modern War in Theory and Practice."*

## OPINION

## REVIEW &amp; OUTLOOK

## Crowding Out K-12 Education

Oklahoma teachers ended their nine-day strike Thursday—and had little to show for it despite demands for a \$10,000 raise. But at least a dozen Sooner teachers filed paperwork to run for state office last week, and teachers are agitating for more money around the country. So it's worth looking to see what's really pinching school spending.

Following the nationwide trend, Medicaid has taken a growing toll on Oklahoma's budget. In 2017 the health-care program that is supposedly for the poor consumed nearly 25% of the state's general fund, up from 14% in 2008, as nearly 200,000 more people enrolled. Lawmakers are left with less money for everything else, not least education. (See nearby chart.)

The shortfall has created grievances, some legitimate. Per-student funding declined by nearly 16% between 2008 and 2017. Class sizes have grown, particularly in rural districts. Ninety-six of the state's 513 school districts hold class only four days a week.

Oklahoma teachers went a decade without a significant raise, and only three states pay less on average, according to the National Education Association. Depending on which grade they teach, Oklahoma educators' mean annual pay lags around \$1,000 to \$3,000 behind the overall state mean of \$43,340, according to the Bureau of Labor Statistics.

Yet Sooner State teachers received a big pay hike before their recent strike began. In March Oklahoma raised taxes on oil and gas, cigarettes and fuel. The new taxes pay for a raise of about \$6,100 per teacher and more school funding. But union leaders sense an opportunity to press for more, especially with Republicans on edge about the midterm elections.

In Kentucky the protests have been about pensions, not pay, but the same Medicaid crowding out is taking place. The Bluegrass State was one of the first Medicaid expansion states under ObamaCare. Some 22% of residents—more than two million people—are enrolled. In 2008 Medicaid spending in Kentucky was \$4.9 billion, but by 2017 it was \$9.9 billion. The federal government paid \$7.7 billion of that sum last year, but the burden has already begun shifting to states.

As for education, Kentucky's public pension woes place it on par with New Jersey and Illinois, and teachers' pensions are only 56% funded. Participants can draw full benefits as

early as age 49, and some collect longer for more years than they've worked.

The Republicans who gained control of the Kentucky government in 2017 have made pension reform a priority. Legislation that passed in March leaves benefits untouched for retirees and current employees.

But it stops teachers from cashing in on accrued sick days at the end of their careers, a common strategy to game the system. And it shifts new hires to a hybrid retirement plan that operates more like a 401(k). The most optimistic estimates have the teachers' pension running a \$14 billion liability, and the changes make a dent of around \$500 million to \$800 million over 20 years.

The strikes in Kentucky were an effort to lobby Gov. Matt Bevin to veto even this modest reform, never mind that strikes are illegal in the state. Mr. Bevin signed the bill last week and slammed Kentucky Education Association leaders for "looking out for the best interests of themselves."

He has a point. Teachers unions saw an opening after West Virginia teachers got a raise after nine days on strike, but other concessions they won benefit labor at the expense of students. One casualty was a plan to open the state's first charter—a science, technology, engineering and math school that would have operated with Marshall University and West Virginia University. Union leaders also killed a reform to let school districts consider teacher performance as they determine which employees to lay off from shrinking schools.

Arizona seems to be following the West Virginia model. Teachers are demanded a 20% pay raise, while protesting and planning for a walkout. Last week Gov. Doug Ducey announced a proposal to increase teacher pay by 20% over 2017 levels by 2020, also restoring education funding to pre-recession levels. The proposal has to get through the legislature, so you may soon read about strikes there.

Arizona also expanded Medicaid under ObamaCare, and the program's share of the general fund has grown to 18.5% from 12.4% a year earlier. In this election year, Democrats and unions want to portray taxpayers as stingy for not paying them more. But if teachers aren't getting bigger raises, two reasons are the progressive priorities of Medicaid and runaway pensions.

## Erdogan's American Hostage

Turkish strongman Recep Tayyip Erdogan has imprisoned opponents and moved the country toward authoritarian rule. That's the political context through which to understand the trial of American pastor Andrew Brunson.

The 50-year-old evangelical Christian appeared in court in Aliaga Monday on charges that he aided groups that tried to overthrow Mr. Erdogan's government in a 2016 coup. The indictment reads like a series of conspiracy theories and is based on evidence from secret witnesses that would be laughed out of an American court. Mr. Brunson, who has been detained since October 2016, maintains his innocence and noted in court Monday that violence is against his religious beliefs. He could face up to 35 years in prison if convicted.

Turkey is in essence holding Mr. Brunson as an American hostage. Mr. Erdogan gave the game away last year when he suggested swapping Mr. Brunson for Fethullah Gulen, a Pennsylvania-

based imam who Mr. Erdogan blames for the coup attempt. Mr. Erdogan is obsessed with Mr. Gulen and claims the U.S. is protecting him from justice. But the Turks haven't presented credible evidence to justify Mr. Gulen's extradition to Turkey, where he can never get a fair trial.

President Trump, Vice President Mike Pence and others have asked Mr. Erdogan for the pastor's release. And in March the U.S. dropped charges against members of Mr. Erdogan's security detail who beat up protesters while in Washington last year, in the hope their release would soften Mr. Erdogan's stance. To no avail.

Perhaps the lesson is that the Trump Administration should use less carrot and more stick to get Mr. Erdogan to behave like the NATO ally Turkey is supposed to be. Senator James Lankford (R., Okla.) proposed sanctions on Ankara on these pages in February, and he repeated that threat Monday, calling Mr. Brunson's detention "unconscionable," which on all the available evidence it is.

## Abe's Trump Trade Pitch

Sinzo Abe is heading to Mar-a-Lago for a two-day "working summit" with Donald Trump, and officially the top issue is

**Japan's PM needs a reform victory that the U.S. can provide.**

But the most important reason Mr. Abe wants to change Mr. Trump's mind on TPP is the Prime Minister's commitment to opening Japan

to foreign competition. After initially resisting TPP, Mr. Abe embraced it as the centerpiece of his reform program to end Japan's nearly three decades of deflation and economic stagnation.

TPP is a battering ram to overcome resistance from Japan's protectionist farm lobby. The breakthrough required the assistance of Japan's largest companies, which want the new markets and simpler trading across their supply chains promised by TPP. Ratifying the pact in Japan's Parliament won't be easy without U.S. participation, but as long as there is hope of Washington returning, the political support should hold.

Will Mr. Trump at least agree to pursue TPP talks? He tweeted last week, "Would only join TPP if the deal were substantially better than the deal offered to Pres. Obama." The other 11 nations are reluctant to make further concessions to the U.S., and time is running out as the ratification process is getting underway. But as with all trade deals, deadlines can be stretched and face-saving compromises found if there's a chance of getting to yes.

Mr. Trump still seems convinced that Japan is cheating on trade, and that is Mr. Abe's biggest hurdle. But he can make a strong case that TPP is a tool to tackle the trade abuses and imbalances that the President rails against. At a stroke it would also create a "coalition of the willing" to prod China into better behavior without ceding U.S. trade leadership. Mr. Abe was one of the first world leaders to bet on building a relationship with Mr. Trump, who now has a chance to repay him for it.

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## OPINION

# How Bad Is the Government's Science?

By Peter Wood  
And David Randall

**H**alf the results published in peer-reviewed scientific journals are probably wrong. John Ioannidis, now a professor of medicine at Stanford, made headlines with that claim in 2005. Since then, researchers have confirmed his skepticism by trying—and often failing—to reproduce many influential journal articles. Slowly, scientists are internalizing the lessons of this irreproducibility crisis. But what about government, which has been making policy for generations without confirming that the science behind it is valid?

**P**olicy makers often cite research to justify their rules, but many of those studies wouldn't replicate.

The biggest newsmakers in the crisis have involved psychology. Consider three findings: Striking a "power pose" can improve a person's hormone balance and increase tolerance for risk. Invoking a negative stereotype, such as by telling black test-takers that an exam measures intelligence, can measurably degrade performance. Playing a sorting game that involves quickly pairing faces (black or white) with bad and good words ("happy" or "death") can reveal "implicit bias" and predict discrimination.

All three of these results received massive media attention, but independent researchers haven't been able to reproduce any of them properly. It seems as if there's no end of "scientific truths" that just aren't so. For a 2015 article in *Science*, independent researchers tried to replicate 100 prominent psychology studies and succeeded with only 39% of them.

Further from the spotlight is a lot of equally flawed research that is often more consequential. In 2012 the biotechnology firm Amgen tried to reproduce 53 "landmark" studies in



DAVID KLEIN

hematology and oncology. The company could only replicate six. Are doctors basing serious decisions about medical treatment on the rest? Consider the financial costs, too. A 2015 study estimated that American researchers spend \$28 billion a year on irreproducible preclinical research.

The chief cause of irreproducibility may be that scientists, whether unwittingly or not, are fishing fake statistical significance out of noisy data. If a researcher looks long enough, he can turn any fluke correlation into a seemingly positive result. But other factors compound the problem: Scientists can make arbitrary decisions about research techniques, even changing procedures partway through an experiment. They are susceptible to groupthink and aren't as skeptical of results that fit their biases. Negative results typically go into the file drawer. Exciting new findings are a route to tenure and fame, and

there's little reward for replication studies.

American science has begun to face up to these problems. The National Institutes of Health has strengthened its reproducibility standards. Scientific journals have reduced the incentives and opportunities to publish bad research. Private philanthropies have put serious money behind groups like the Meta-Research Innovation Center at Stanford, led in part by Dr. Ioannidis, and the Center for Open Science in Charlottesville, Va.

There's more to be done, and the National Association of Scholars has made some recommendations. Before conducting a study, scientists should "preregister" their research protocols by posting the intended methodology online, which eliminates opportunities for changing the rules in the middle of the experiment. High schools, colleges and graduate schools need to improve science education, particularly in statistics.

Universities and journals should create incentives for researchers to publish negative results. Scientific associations should seek to disrupt disciplinary groupthink by putting their favored ideas up for review by experts in other sciences.

A deeper issue is that the irreproducibility crisis has remained largely invisible to the general public and policy makers. That's a problem given how often the government relies on supposed scientific findings to inform its decisions. Every year the U.S. adds more laws and regulations that could be based on nothing more than statistical manipulations.

All government agencies should review the scientific justifications for their policies and regulations to ensure they meet strict reproducibility standards. The economics research that steers decisions at the Federal Reserve and the Treasury Department needs to be rechecked. The social psychology that informs education policy could be entirely irreproducible. The whole discipline of climate science is a farrago of unreliable statistics, arbitrary research techniques and politicized groupthink.

The process of policy-making also needs to be overhauled. Federal agencies that give out research grants should immediately adopt the NIH's new standards for funding reproducible research. Congress should pass a law—call it the Reproducible Science Reform Act—to ensure that all future regulations are based on similar high standards.

Each scientific discipline needs to accept responsibility for its share of the irreproducibility crisis and incorporate strict standards into its procedures. The goal must be to reinvigorate the tradition of scientific inquiry. What the crisis teaches is that the scientific spirit lies with those who constantly test for that fundamental requirement of truth—that a result can be reproduced.

*Mr. Wood is president of the National Association of Scholars. Mr. Randall is the NAS's director of research and a co-author of its new report, "The Irreproducibility Crisis of Modern Science."*

## Don't Be Evil, Support The Troops

By M.L. Cavanaugh

**M**ore than 3,000 Google employees have signed a letter to CEO Sundar Pichai, saying that the company "should not be in the business of war." Specifically, they object to Project Maven, Google's partnership with the Defense Department on an artificial-intelligence platform for reading data from aerial drones. The letter argues that continued work with the Pentagon would "irreparably damage Google's brand."

Although these dissenters may not like Project Maven, there's a good reason for Google, and the rest of Silicon Valley, to develop partnerships with the U.S. military. Perhaps the biggest is their shared interests. As Alvin and Heidi Toffler once pointed out, "We make war the way we make wealth—with information." Companies at the technological forefront will inevitably be drawn into the world's conflicts (and Google, through the combat footage hosted on its subsidiary YouTube, could already be said to be at war). In World War I technological disruption meant tanks, submarines, air combat and chemical weapons. In World War II, it was radar, missiles, aircraft carriers and the atomic bomb.

**G**oogle employees may not like its Pentagon work, but what's good for business is good for peace.

The next transformational weapons may well be born in Silicon Valley—reusable rockets, quantum computing or true artificial intelligence. The neuroscientist and author Sam Harris has suggested that a superintelligent AI could "perform 20,000 years of human-level intellectual work" in a week.

A century ago, World War I was kick-started by the conventional wisdom that the winner would be whichever side could use railways to get its troops to the front fastest. If AI holds the potential Mr. Harris suggests, then the first country to develop it will have an enormous advantage. "This is a winner-take-all scenario," he has said. "To be six months ahead of the competition here is to be 500,000 years ahead." New technologies are always adapted to be used on the battlefield, and AI will be no exception. Silicon Valley's only real choice is which side it wants to win.

Around the world, democracy is in decline and authoritarianism, particularly in China and Russia, is on the march. Whether the dissenting Googlers know it or not, they want the same thing the Pentagon does: prosperous, secure, liberal democratic societies that support human flourishing. As is often the case, what's good for business is good for peace.

Ultimately, the perceived gap is more about culture than anything. Americans have drifted apart in many ways, and the widening civilian-military divide is no exception. It isn't just the haircuts. The Valley is new, edgy, always looking toward a brighter future. The military is old, stodgy, always fighting the last war. Coders and colonels go to different schools, have different career incentives, live different lives. No wonder they have difficulty connecting.

Since the Army closed Fort Ord in 1994, the military presence in the Bay Area has been sharply reduced. One recently established beachhead is the Defense Innovation Unit Experimental, or DIUx, in Mountain View, which has been called the Pentagon's "embassy." But with about 50 staff and a \$71 million budget for 2019, it's too small to make much difference.

DIUx shouldn't be an isolated outpost. The Pentagon ought to expand ROTC scholarships in Silicon Valley's feeder universities, while placing midcareer officers in tech internships. It's a good start that two Google executives sit on the Defense Innovation Board, an important advisory group, but sustaining a real relationship will require a lot more. For their part, Google and other tech companies should try to understand the stories behind the images of global conflicts they do so much to help their users share.

Disagreements are expected in a democracy. But Silicon Valley and the U.S. military share compelling interests, and in the end they're on the same side. Building a durable, non-partisan, strategic alliance between them ought to be a priority. We might even start with a Google Hangout.

*Maj. Cavanaugh is a nonresident fellow with the Modern War Institute at West Point and a co-editor of "Strategy Strikes Back: How 'Star Wars' Explains Modern Military Conflict," forthcoming from Potomac Books.*

## Please, Your Honors, Don't Put Me Out of Business

By Ann Whitley Wood

**W**hen I practiced as an appellate lawyer, I never imagined that my stake in a case before the Supreme Court would be not as an attorney but as a businesswoman. But on Tuesday the high court hears oral argument in a case that will determine whether millions of small online retailers—like me—must collect sales tax in every state where their customers live and buy.

The case, *South Dakota v. Wayfair*, asks the court to uphold the Mount Rushmore State's sales-tax law, which the state admits violates existing precedent. That 1992 precedent, *Quill Corp. v. North Dakota*, established that a retailer must have a physical presence in a state to be required to collect a tax.

Twenty-five years after *Quill*, the online world has changed significantly in ways that make the *Quill* standard more appropriate than ever.

Today's behemoth retailers like Amazon, Walmart and Target are integrated bricks-and-clicks operations with a physical presence in many states and the infrastructure to track and pay state and local sales taxes. This is one reason why state tax collections hit a record high in 2017. But for small retailers like me, collecting state taxes is a much stiffer burden.

I practiced in a large law firm until I had three small children and needed to be at home. I discovered eBay in 2000 and began selling items from around my house as a hobby. Like millions of online sellers, I found within a few years that my hobby had become a new career and livelihood. My store today uses eBay's platform to sell consignment items.

Despite my relative success, I am still a small-business owner, working out of Dallas, with nothing like the footprint of a big-box store. If the Supreme Court rules against us, many small-scale online retailers will have to decide if staying in business is worth the struggle or even possible.

Consider that 45 states currently assess sales tax, each with different percentages and taxable categories. With my nexus in Texas, I pay taxes on in-state sales, a quarterly chore that eats up a total of one business day a year. If I had to do the same for 44 other states, the task of tracking my state sales taxes would consume 45 business days a year. Software may help, but given the complexity of state tax codes, I would have to spend significant time reviewing my compliance with each state's requirements.

Even if this tax-collecting hassle could be automated, small online retailers still fear being subject to the tax police in every state. No software can eliminate my need to respond personally to each and every audit.

In Texas I am subject to the laws passed by my representatives in Austin. If the state tax agency mistreats

me, I have recourse through my legislators. If forced into a lawsuit, I can drive to the Dallas County courthouse and represent myself. But I don't have the time or budget to defend myself from tax authorities in other states. For another state, my business could be a piñata full of cash.

### The justices shouldn't force small retailers to collect sales taxes across state lines.

The Small Business Administration has defined small businesses as those with less than \$32.4 million in gross sales. So I am also dismayed by proposed federal legislation that would set much lower caps for "small business exemptions" from internet sales tax—in some cases as low as \$1 million in gross sales—as well as some state laws that set the threshold as low as a paltry \$10,000. Some years I hit up against the \$1 million level as a single owner-operator with

a few part-time helpers. Net profits are just a fraction of gross sales. If I gross \$1 million in sales a year, that does not mean I have the ability to navigate what Amazon's many lawyers and accountants can.

The Supreme Court should bear in mind that the world of e-commerce has shifted toward the integration of bricks and clicks. Trying to level the playing field between the big online players that have pervasive physical presence and small online operators like me would swamp the latter.

I hope the justices will rule in a way that does not harm the vibrant industry of small online business, which provides an economic safety net for so many of us and a fantastic engine of growth for this country.

The three children who made me turn to eBay have become teenagers to look out for, I have an aging mother to help, and, like millions of other Americans in small business, I try to balance the demands of family and work. *Quill* correctly decided that I don't belong in Pierre, S.D., defending a tax audit.

*Mrs. Wood is founder and owner of WConsignment.*

## Protecting U.S. Dredgers Kills Jobs

**F**or a lesson in the dangers of protectionism, go back to 1906, when Congress enacted a trade barrier that's now costing American jobs. The Foreign Dredge Act was an effort to protect America's fledgling shipbuilding and seaport industries so they could compete with old-world rivals. The law survives,

mostly unchanged, and international companies remain in Washington's regulatory drydock.

Today, only a handful of U.S. seaports can accommodate the most modern transport ships, which are 1½ times as large and can carry twice as much cargo as the typical vessel that makes port in America. At least 10 of America's busiest ports must expand to remain competitive with foreign ports. The U.S. Army Corps of Engineers estimates this will take far more than a decade.

Example: After waiting more than 16 years for funding and approvals, work to deepen the Port of Savannah, Ga., began in September 2015. The project was expected to cost \$700 million and be complete by 2020. Today, cost overruns surpass \$270 million and the project is two years behind schedule.

The problem is that U.S. dredging companies simply aren't capable of meeting demand. The four largest free-market dredging companies, all based in Belgium or the Netherlands, could complete the U.S. projects for half the estimated cost and a third of the time—if Washington allowed them to compete. In the past decade, these companies have invested \$15 billion in new dredgers, while the entire U.S. market invested only \$1 billion. The European equipment is larger than any American

company's and handles more than 90% of the world's open-bid dredging projects.

These international companies have succeeded in their home markets and elsewhere. If they could set up operations in the U.S., they would bring world-class training and techniques and other benefits in addition to the needed capital. Opening the dredging market would spark an infrastructure boom that would result in thousands of new, unionized dredging jobs for Americans.

The real jobs jackpot, however, would come from having the ports deepened in the next five years. This accelerated modernization would create more than 1.5 million new American jobs in port construction, services, manufacturing, warehousing, trucking, logistics and more. Radically slicing export costs would spur manufacturing.

While the Foreign Dredge Act was intended to boost American competitiveness, it has resulted in a handful of U.S. dredging operators with regional monopolies and little incentive to invest in more efficient equipment and methods. As a result, major U.S. ports keep waiting, and taxpayers keep paying.

*Mrs. McLernon is president and CEO of Organization for International Investment.*

## Kills Jobs

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# How Malbec Conquered the World

*(and the wines you need to try)*

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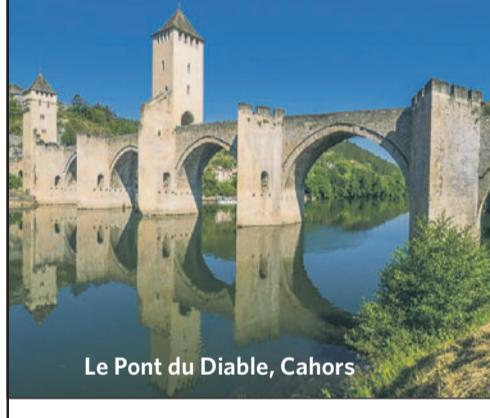
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Le Pont du Diable, Cahors

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*"At their best, these wines exude panache, complexity and unbridled deliciousness."*

— THE WINE ADVOCATE

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Tuesday, April 17, 2018 | B1

## Tax Shift, Rising Rates Lift BofA

Profit increases 30% as large U.S. banks continue to post strong results

BY RACHEL LOUISE ENSIGN

**Bank of America** Corp. said Monday that a boost from the U.S. tax law and rising interest rates helped first-quarter profit rise 30%, extending the

string of better-than-expected results from the nation's biggest banks.

Quarterly profit at the Charlotte, N.C.-based bank rose to \$6.92 billion from \$5.34 billion a year earlier. Per-share earnings were 62 cents; analysts had expected 59 cents. Revenue came in at \$23.13 billion, up from \$22.25 billion a year earlier. Analysts had expected \$23.06 billion.

This quarter is the first

time investors have a chance to see exactly how much the recent tax law is helping the bank's bottom line. The banking industry was one of the biggest beneficiaries of the lower corporate tax rate. While it led to big one-time charges last quarter, the lower rate is starting to lift bank earnings this quarter. Much of that is already in analysts' estimates for the bank's future profit, however. And some of the ex-

pected secondary benefits of the tax bill, such as invigorated loan growth, have yet to materialize across the industry.

Bank of America said its effective tax rate fell by 9 percentage points because of the bill. In the quarter, the bank paid \$1.48 billion in income taxes, compared with \$1.98 billion a year earlier.

The tax benefits notwithstanding, the bank's underlying performance also was

strong. Income before taxes—a way to look at the bank's performance without the tax boost—increased about 15% to \$8.39 billion from \$7.32 billion a year earlier.

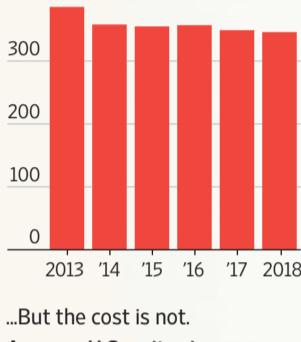
Those factors meant a key profitability metric, return on equity, reached a milestone. The figure rose to 10.85%.

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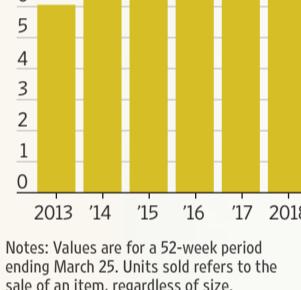
### Holding a Charge

U.S. demand for alkaline batteries is declining...



...But the cost is not.

Average U.S. unit price



Notes: Values are for a 52-week period ending March 25. Units sold refers to the sale of an item, regardless of size.

Source: IRI  
Photo: F. Martin Ramin/The Wall Street Journal, styling by Anne Cardenas  
THE WALL STREET JOURNAL.



## Battery Prices Surge as Discounts Fade Away

BY SHARON TERLEP AND NICOLE FRIEDMAN

The ubiquitous power cord hasn't done in the Energizer bunny yet.

Shoppers are paying more for disposable batteries even though the proliferation of toys and consumer electronics powered by built-in rechargeable batteries has reduced U.S. demand.

That is because the two biggest disposable-battery brands, Duracell and Energizer, control more than three-quarters of the market. As both focus on profits, they are no longer offering deep discounts as they did when they were racing for market share.

Batteries on average cost 8.2% more than a year ago, while prices in the overall household-care segment rose

only 1.8%, according to Nielsen. At a time when prices are stagnating on everything from toilet paper to diapers, such pricing power for a product that is increasingly obsolete has confounded shoppers.

"As far as the prices go, you don't have a choice," said Samuel Hurley, a contractor from Mount Vernon, N.Y., as he scanned a Home Depot display of AAA batteries to power flash-

lights he uses on the job. Batteries ordered online take too long to arrive, Mr. Hurley said, and he finds cheaper, private-label options lose power too quickly.

Battery prices were more likely to fluctuate a few years ago, when Duracell was owned by consumer-products giant Procter & Gamble Co. and Energizer was part of Edgewell Personal Care Co. Those companies were more focused on

their bigger, more profitable razor businesses—Edgewell with Schick and P&G with Gillette. They would invest less in batteries, or slash prices to drive up volume, to compensate for weak sales in other units, said SunTrust analyst Bill Chappell.

Energizer Holdings Inc. was spun off from Edgewell in 2015, and Duracell broke apart from

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WPP MOVES TO PUT NEW TEAM IN PLACE

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TRANSPORTS HEAD OUT ON THE HIGHWAY

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STREETWISE | By James Mackintosh

## Russia's Stocks Show Flaw in Chasing 'Value'

Russian stocks are dirt cheap. Should you buy them?

The question is likely to provoke a hollow laugh from many investors as they ponder the prospect of a renewed Cold War between East and West. Send capital there? Are you mad?

It is true that Russia looks like a terrible place to invest based on both politics and long-term fundamentals: It is run by a kleptocracy that diverts shareholder cash into its own pockets. It has a nationalist leader happy to use

foreign military adventures to distract from deep economic and health problems at home. Its economy is reliant on oil and gas at a time when shale extraction and renewable energy cap the price. And this month, America pushed back with new sanctions and an attack on Russian ally Syria.

Yet everything has a price. Russian stocks are cheap on every measure. Even before last week's sell-off, Russia was one of the two cheapest significant countries in the world on each of price/earnings, price-to-book, price-to-cash-flow, dividend

Please see STREET page B2

## VW Finds Navistar Tempting

BY WILLIAM BOSTON

**Volkswagen AG's** commercial-vehicles unit is considering a full takeover of **Navistar International Corp.**, one of America's largest truck makers, just days after the German auto maker named a new chief executive.

Volkswagen Truck & Bus GmbH already owns close to 17% of Navistar, an Illinois-based company with a market value of nearly \$4 billion. Officials at the VW unit said Monday it is looking at whether to raise that stake or even launch a full takeover.

The suggested move comes amid upheaval at Volkswagen. The company's board ousted Matthias Müller as CEO last week, appointing VW brand chief Herbert Diess as his successor. Upon taking control Friday, Mr. Diess vowed to accelerate the pace of change at Volkswagen, including a potential stock-market listing of its trucks business.

It also comes at a politically sensitive time for the German auto industry. U.S. President Donald Trump has accused Europe of using what he characterizes as unfair international trade rules to flood the American market with imported vehicles. German car companies rebut that charge.

In a talk with reporters on Monday, Volkswagen Trucks CEO Andreas Renschler said a full takeover of Navistar would be "a good idea" as the VW unit builds out its global strategy ahead of a possible initial public offering of stock.



A Navistar site in Mexico. Volkswagen is circling the truck maker.

The unit's finance chief, Matthias Gründler, said the company could use proceeds from an IPO to fund the potential acquisition but also suggested it could pursue a takeover beforehand, saying financing such a deal would be "manageable."

Navistar said the comments were speculation, but added that its alliance with Volkswagen was "demonstrating strong progress."

Shares in Navistar rose 10% on the New York Stock Exchange Monday.

Navistar is the successor company to International Harvester, whose roots go back to Cyrus McCormick's invention of the mechanical reaper for farm crops in 1831. International Harvester was dismantled during the 1980s, leaving Navistar as a company

focused on trucks, engines and school buses. It generated \$30 million of net income on revenue of \$8.6 billion last year and has a nearly 12% share of the U.S. market for heavy trucks.

Volkswagen Trucks acquired a 16.6% stake in Navistar for about \$256 million in 2016, as part of a global expansion strategy that gave the German truck maker a foothold in the U.S., Mexico and Canada.

Volkswagen Trucks now holds about 16.9% of Navistar, Mr. Gründler said, adding that if the company lifted its stake above 17% it would be required under U.S. securities law to make an offer for the rest of the company.

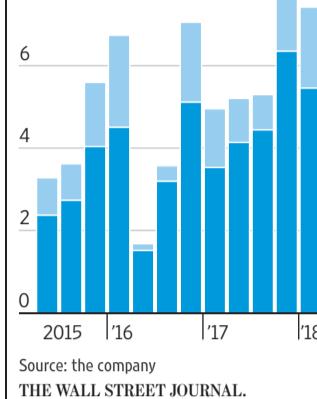
—Bob Tita, Markus Klausen and Sean McLain contributed to this article.

### Keep On Streaming

Net additions to streaming subscribers at Netflix

International Domestic

8 million



Source: the company  
THE WALL STREET JOURNAL.

## Netflix Growth Beats Forecast

BY SHALINI RAMACHANDRAN AND IMANI MOISE

Netflix Inc. reported another quarter of blockbuster subscriber growth that exceeded its own forecast and expectations from Wall Street, illustrating the continuing demand for a service that reaches 125 million people globally.

Shares jumped 5.2% to \$323.70 after hours, following a 1.2% decline during the regular session Monday amid concerns about whether the video-streaming company could keep its growth streak.

The video-streaming giant added 7.41 million subscribers in the first quarter, including 5.46 million internationally. Analysts expected Netflix to add a little over 6.5 million net new subscribers for the first quarter.

The company also expects to increase subscribers at a strong clip in the current quarter. Netflix forecast a net

The video-streaming giant added 7.41 million subscribers in the first quarter.

addition of 6.2 million users, compared with analysts' expectations of 5.6 million.

Netflix has been one of the fastest-growing stocks this year. Shares have risen more than 60% in 2018, compared with the 0.2% increase of the S&P 500. Wall Street grew even more bullish earlier this year when Netflix demonstrated in its fourth-quarter results that it can still add domestic customers despite raising prices, a trend that continued in the first quarter.

Netflix stock has outperformed its technology peers as investors have grown concerned about possible regulation of tech giants like Alphabet Inc.'s Google and Facebook Inc. over data privacy concerns. On the earnings call Monday, Netflix Chief Executive Reed Hastings sought to distance the subscription-supported company from other tech giants. "We're very different from the ad-supported businesses and we've always been very big on protecting all of our members' viewing," Mr. Hastings said.

Noting that Netflix will spend more than \$10 billion on content and marketing this year versus \$1.3 billion on technology, Mr. Hastings said "we're much more of a media company in that way than pure tech."

Overall for the first quarter, Netflix reported a profit of \$290 million, or 64 cents a share, up from \$178 million, or 40 cents a share, a year earlier. Revenue jumped 40% to \$3.7 billion. Analysts polled by Thomson Reuters had forecast earnings of 64 cents a share on \$3.69 billion in revenue.

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## BUSINESS NEWS

# WPP Assembles New Leadership Team

Advertising company tries to address void left by sudden exit of CEO Martin Sorrell

By BEN DUMMETT  
AND NICK KOSTOV

A little-known private-equity executive will steer **WPP** PLC through one of its stormiest periods following the weekend resignation of Martin Sorrell, the ad company's high-profile founder and chief executive.

Roberto Quarta, until Saturday WPP's chairman, assumed the role of executive chairman pending the appointment of a new CEO, effectively putting him in charge of a global company struggling with a fast-changing advertising market.

Along with two new joint-chief operating officers, he will try to address the leadership void created by the de-

parture of Mr. Sorrell, who built the London-based company over 30 years and closely managed the dozens of units that comprise the company.

Born in Italy, Mr. Quarta, 68 years old, moved with his family as a teenager to the U.S. and helped pay to attend College of the Holy Cross in Massachusetts by working as a security guard. Years later, in the 1990s, his corporate cost-cutting skills would in some circles help earn him the nickname "Bob the Knife" and "Spare No Quarta."

WPP has said it is looking within and outside the company for a permanent successor to Mr. Sorrell, who stepped down following an investigation into allegations of personal misconduct.

WPP said it is treating the departure as a retirement, and the investigation's findings are confidential. Mr. Sorrell, 73, has denied any financial impropriety. WPP's board is

scheduled to meet Tuesday ahead of results for the first quarter. Shares were down 6.5% in London on Monday.

The company named Mark Read, chief executive of WPP agency Wunderman, and Andrew Scott, WPP's corporate

  
**Roberto Quarta's corporate cost-cutting skills earned him the nickname of 'Bob the Knife.'**

development director and chief operating officer for Europe, as the new joint-chief operating officers for WPP. That provides Mr. Quarta with help overseeing functions such as strategy, investments and retaining clients.

While well-known in certain business circles in Europe, Mr. Quarta's success as head of

what is now called BBA Aviation PLC and as an operating partner at U.S. buyout firm Clayton Dubilier & Rice have shown him to be a no-nonsense executive focused on the bottom line who can make tough decisions, according to people who have worked with and for him over the years.

In the 1990s, as chief executive at BBA Group, he cut costs and steered an effort that led to the conglomerate selling five of its seven regional divisions. The move created two global players, including BBA Aviation, a leading operator of airport facilities serving private aircraft. That effort won much shareholder support as the stock surged during his tenure as CEO, which ended in 2001.

Mr. Quarta then joined Clayton Dubilier & Rice, while staying on at BBA as chairman until 2007. He focused on helping the buyout firm identify industrial companies to acquire,

then applying his sector expertise to help boost revenue and profits, according to a person familiar with the matter.

At Rexel SA, acquired by CD&R in 2005, Mr. Quarta and his colleagues were central in helping the Paris-based distributor of electrical products more than double its earnings during the buyout firm's ownership, which ended in 2012, according to people familiar with the matter. Always immaculately turned out, Mr. Quarta pushed management to expand faster into Latin America and Asia, and pursue the next acquisition, according to former Rexel employees.

Today, Mr. Quarta remains CD&R's European chairman, but isn't actively involved with any of the portfolio companies. That provides him with more time for his responsibilities at both WPP and British medical-device maker Smith & Nephew PLC, where he is chairman.

Mr. Quarta is no stranger to

adversity both at WPP and at Smith & Nephew. After joining WPP in the summer of 2015, Mr. Quarta helped to persuade Mr. Sorrell to accept a steep pay cut, warding off a shareholder revolt over the pay package.

Around the middle of last year, U.S. activist investor Elliott Management Corp. took an undisclosed position in Smith & Nephew, according to people familiar with the matter. Elliott met with Mr. Quarta and argued for Smith & Nephew to sell assets to boost the company's stock price. But Mr. Quarta rejected Elliott's ideas, arguing in part that the sales would undercut Smith & Nephew's value, according to the people familiar with the matter. That said, the company announced in October, a few months earlier than planned, that CEO Olivier Bohoum would retire by the end of the following year. Elliott declined to comment.

## Advertising World Reels in Wake of Tumult at Giant

By LARA O'REILLY  
AND ALEXANDRA BRUELL

The exit of Martin Sorrell as chief executive of **WPP** PLC has the advertising sector reeling, as questions loom about the future strategy of the world's largest advertising company without the man who shaped the course of the industry over the past 33 years.

The 73-year-old executive abruptly stepped down on Saturday, amid a board probe into an allegation of personal misconduct. Mr. Sorrell said earlier this month that he denied the allegation "unreservedly."

His departure is stoking existing anxieties about the health of WPP's business, after the company recently posted its worst sales performance since the financial crisis and projected no revenue growth for the year. Its stock price has fallen almost 35% over the past year, includ-

ing a 6.5% drop on Monday.

The absence of Mr. Sorrell presents the board and his eventual successor with a rare opportunity to set a new course for WPP as the company contends with a rapidly changing digital advertising landscape and pressure from clients that are slashing their marketing expenditures.

WPP has said it is conducting an internal and external search for a successor. Industry rivals, analysts and executives within the company are debating what the future of WPP will be under new leadership, with speculation ranging from asset sales to a full breakup.

Mr. Sorrell was known for his meticulous micromanagement of everything from client relationships to identifying deal targets. He was the go-to figure for perspective on the global advertising business, and his commentary was seen



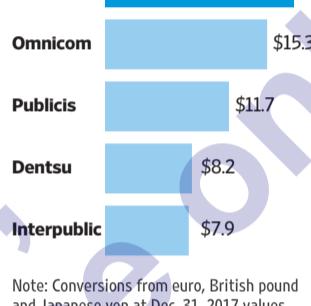
as a bellwether for the health of economies around the world. He built WPP into a conglomerate of more than 400 companies through frenetic deal making, including

the acquisition of ad agencies such as Ogilvy & Mather.

"It's a seismic blow for WPP, but one that will also have massive ramifications for the entire advertising industry," said David Jones, the former CEO of Havas from 2011 to 2014 and the founder of brand technology company You & Mr Jones. Mr. Sorrell was one of the few figures

### Pivotal Role

Total revenue in 2017 at leading advertising agencies



Note: Conversions from euro, British pound and Japanese yen at Dec. 31, 2017 values  
Source: FactSet  
THE WALL STREET JOURNAL

who fought for the whole industry, including taking on technology companies such as Facebook Inc. and Alphabet Inc.'s Google, he said.

Maurice Lévy, who stepped aside last year as the CEO of ad holding company Publicis Groupe SA after three decades, said he "didn't open a bottle of champagne or even a bottle of Perrier" when he found out that Mr. Sorrell had stepped aside, despite the fierce clashes between the rivals over the years. Still, Mr. Lévy, who remains chairman, acknowledged Mr. Sorrell's passion for WPP. "He built WPP into what it is today and it's sad to see him leave by a back door," Mr. Lévy said.

—Nick Kostov  
and Suzanne Vranica  
contributed to this article.

◆ Heard on the Street: WPP makes the right call..... B12

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## BUSINESS &amp; TECHNOLOGY

# Drug Cocktails Target Lung Cancer

New immunotherapies show benefits when combined with each other or older drugs

BY PETER LOFTUS  
AND JONATHAN D. ROCKOFF

Combining new immune-boosting cancer drugs with each other or with older drugs improved survival in patients with lung cancer, compared with traditional chemotherapy, new studies found.

The benefits of the new cocktails, which include immunotherapies from Merck & Co. and Bristol-Myers Squibb Co., come with high price tags because they combine already expensive drugs. The trend of rising costs worries doctors even as they welcome advances in treating lung cancer, the deadliest type of tumor.

"We're talking about people living significantly longer than they would otherwise live," said Nasser Altorki, cardiothoracic surgeon at Weill Cornell Medicine and New York-Presbyterian, who wasn't involved in the studies. "It's not going to be cheap, and I really don't know how we as a society deal with that."

Companies in recent years have introduced new drugs that harness patients' immune systems to fight tumors, such as Merck's Keytruda and Bristol's Opdivo. When used alone, the drugs have been shown to improve patient survival in cancers including melanoma and certain types of lung cancer. Keytruda and Opdivo each cost about \$13,500 monthly per patient.

They don't work for every patient, however, so companies have been racing to test whether combining immunotherapies with each other or with older drugs could further improve patient survival.

Lung cancer is the leading cancer killer, causing about



Combination therapies from Merck and Bristol carry high price tags. CT scans of lung-cancer patients.

scribe the combination more widely as a first-line treatment for patients newly diagnosed with advanced lung cancer.

Based on the results, Merck plans to seek European regulatory approval to market the combination there, said Roger Perlmutter, Merck's head of research and development. The U.S. Food and Drug Administration approved the combination last year, based on an earlier, smaller study.

The second study looked at a combination of two Bristol-Myers immunotherapies, Opdivo and Yervoy, compared with chemotherapy in untreated non-small cell lung-cancer patients.

The study focused on 299 subjects whose tumors were biopsied, sequenced and found to have a high number of genetic mutations, known as tumor mutational burden.

Subjects who received Bristol's two immunotherapies were 42% less likely to have their cancer progress after a year of treatment than subjects getting chemotherapy, a measure known as progression-free survival. Tumors hadn't progressed in 43% of the immunotherapy subjects, compared with 13% of those who received chemotherapy, one year after treatment started.

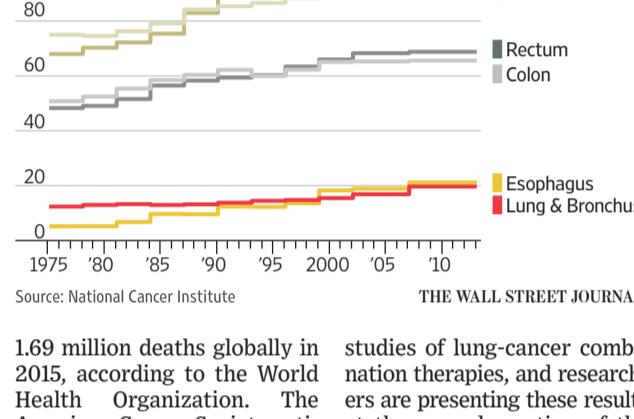
The researchers are still awaiting results on whether the combination improved overall survival compared with chemotherapy in the study.

Fouad Namouni, who heads cancer-drug development at Bristol, said the results suggest the immunotherapy combination would benefit certain lung-cancer patients more than chemotherapy. "We are redefining the utility of chemotherapy in the standard of care" of lung-cancer patients, he said. "Chemotherapy has toxicity and is active in the very short term, [whereas] immunotherapy can have a long-term efficacy."

## Long Climb Ahead

Survival rates for lung cancer have improved but still lag behind those of many other cancers.

### Percentage of U.S. patients diagnosed with a specific cancer who are still alive five years later



Source: National Cancer Institute

THE WALL STREET JOURNAL.

1.69 million deaths globally in 2015, according to the World Health Organization. The American Cancer Society estimates about 234,030 new cases of lung cancer will be diagnosed in the U.S. this year, and about 154,050 Americans will die from the disease in 2018.

In one of the studies, researchers said adding Keytruda to two chemotherapy drugs prolonged overall survival in patients with the most common type of lung cancer.

The New England Journal of Medicine published online Monday the results of two new

studies of lung-cancer combination therapies, and researchers are presenting these results at the annual meeting of the American Association for Cancer Research in Chicago.

Analysts were watching the trial as a test of Merck's strategy of focusing much of its development budget on Keytruda.

The Keytruda combination provides "meaningful survival differences and something better than chemotherapy," said Dr. Leena Gandhi, director of thoracic medical oncology at NYU Langone Health's Perlmutter Cancer Center and lead author of the study.

Dr. Altorki of Weill Cornell said he thinks the study results will prompt doctors to pre-

scribe the combination more widely as a first-line treatment for patients newly diagnosed with advanced lung cancer.

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# Shire Sells Oncology Business As Takeda Mulls Bid

BY NOEMIE BISSEERBE

Shire PLC has agreed to sell its oncology business to French drugmaker Servier for \$2.4 billion, in a deal that could discourage Japan's Takeda Pharmaceutical Co. from launching a takeover of the London-listed company.

Takeda said last month that it was considering a bid for Shire and identified Shire's oncology business as one of the main reasons for its interest.

A pursuit of Shire would be one of the biggest attempts by a Japanese company to buy a Western rival.

Shire said Monday that it would consider returning the proceeds from the sale of the oncology business to investors through a share buyback, after Takeda's current offer period

*Takeda identified the oncology business as a key reason for its interest in Shire.*

ends on April 25.

Under U.K. takeover rules, Takeda has until that date to make an offer for Shire or walk away.

A Takeda spokesman declined to comment.

Shire said its board of directors initiated the potential divestment of the oncology business in December, long before Takeda signaled its interest in a takeover.

The divestment process, which started in January, identified multiple potential buyers across the U.S., Europe and Japan, Shire added.

Shire's oncology business includes leukemia treatment Oncaspar and marketing rights to pancreatic cancer drug Onivyde outside the U.S.

The portfolio also includes Calaspargase Pegol, which is under the U.S. Food and Drug Administration's review for the treatment of acute lymphoblastic leukemia, a cancer of the white blood cells that comprises more than 80% of childhood leukemia cases.

Calaspargase Pegol also is in early stage immuno-oncology pipeline collaborations.

In 2017, Shire's oncology business generated revenue of \$262 million.

The profit attributable to the assets being transferred are approximately \$140 million, excluding depreciation, amortization and other direct and indirect costs, Shire said.

The sale to Servier is part of Shire's efforts to sharpen its focus on rare diseases.

Shire Chief Executive Flemming Ørnskov said the company would continue to assess its portfolio for "opportunities to unlock further value."

# Microsoft Will Use Old Foe Linux in New Chip

BY JAY GREENE

To head off cyberattacks like the one in 2016 that took down Twitter Inc. and Netflix Inc., Microsoft Corp. is deploying widely used operating-system software it bolstered with enhanced security features.

It won't be Windows, though.

Microsoft instead plans to embed Linux, a rival technology former Chief Executive Steve Ballmer once called a "cancer," in a new design for a computer chip for toys, household appliances, industrial machinery and millions of other internet-connected devices.

A lack of security features on such microcontroller chips allowed hackers in 2016 to use more than 300,000 devices to launch the denial-of-service attack dubbed Mirai.

Microsoft's embrace of Linux is another sign the company under CEO Satya Nadella is moving past the Windows era. Mr. Nadella last month reorganized the company around its growing Azure cloud-com-

puting operations and its Office productivity business. In doing so, he downgraded the role of Windows, the foundation of Microsoft's success for much of its 43 years.

He also has shifted Microsoft's strategy by making products such as its SQL Server database program work with Linux, open-source software Mr. Ballmer had decried as a threat to intellectual-property rights.

Microsoft announced the new chip design on Monday at the RSA digital-security conference in San Francisco.

The move is designed to bolster Microsoft's position in the Internet of Things market against cloud-infrastructure leader Amazon.com Inc.

The global market for microcontroller chips that can connect to the web hit \$2.2 billion last year, said Tom Hackenberg, a principal analyst with the research firm IHS Markit Ltd.

Microsoft used Linux because even the most scaled-down version of Windows won't fit on thumbnail-size microcontroller chips.

Its engineers added Microsoft-developed security features to the so-called Linux kernel, the core elements of the operating system.

Later this year, manufacturers will be able to buy the chip with a service that monitors threats and updates with the latest patches for 10 years. The bundle, called Azure Sphere, will cost less than \$10 a device, though the company declined to be more specific.

MediaTek Inc., a chip maker based in Taiwan, said it is willing to use the design because the company lacks experience developing and updating security services.

Microcontroller chips that can connect to the web cost

about \$3 to \$5 apiece, and the new design will add "a dollar or two," said MediaTek Vice President Finbarr Moynihan.

That cost is negligible for Microsoft customers such as luxury appliance maker Sub-Zero Group Inc. The company is putting the chips in its ranges and refrigerators that send mobile-phone alerts and provide diagnostic data.

Azure Sphere is less likely to appeal to companies that make inexpensive connected gadgets with thin profit margins, such as baby monitors or toys, where consumers are more price sensitive, said Saniye Alaybeyi, a research director for Gartner Inc.

Microsoft made the chip design open, giving customers the ability to buy the chip but then connect to security services on their own servers or from another cloud provider.

This isn't the first time the company has worked with Linux, but the Azure Sphere chip is the first product Microsoft has built exclusively on the open-source software, the company said.

the heroin epidemic in the city.

Freelancer Rachel Kaadzi Ghansah was awarded the prize for feature writing for her piece in GQ on the white supremacist church shooter, Dylann Roof.

In fiction, the award was given to "Less," by Andrew Sean Greer (Lee Boudreau Books/Little, Brown and Company). For music, the award was given to rapper Kendrick Lamar's "DAMN," marking the first time the award was given for something other than jazz or classical work.

Mr. Lamar's win is a sign that America's cultural institutions are starting to fully recognize hip-hop as an art form. This year's Grammy Awards, for example, nodded to hip-hop's clout in the diversity of its nominations.

Yet Mr. Lamar's widely praised album "DAMN." lost the award for Album of the Year, the institution's highest honor. In fact, Mr. Lamar has lost Album of the Year at the Grammys three times in a row, as has rapper Kanye West.

# Sex-Harassment Coverage Gets Pulitzer

BY LUKAS I. ALPERT

The New York Times shared the Pulitzer Prize for public-service with the New Yorker for articles that uncovered allegations of sexual harassment by movie producer Harvey Weinstein and others, coverage that helped reset the national conversation about the treatment of women.

The Times was awarded a total of three Pulitzer Prizes, and the Reuters news agency won two.

Mr. Weinstein has denied allegations of nonconsensual sex.

Reuters's awards included one for international reporting on a brutal campaign cracking down on drugs in the Philippines, and a second for feature photography looking at abuses against the Rohingya minority people in Myanmar.

The Times shared a national reporting prize with the Washington Post for coverage of Russia's role in influencing the 2016 U.S. election and its connections with the cam-

paign of President Donald Trump. The Times also won an award for editorial cartooning.

Moscow has denied interfering in the election and Mr. Trump says there was no collusion with Russia.

The Post also won for investigative journalism for de-

tailing decades-old allegations of sexual predation against underage girls by Roy Moore, a Republican candidate for the Senate in Alabama. He has denied any sexual misconduct.

The Cincinnati Enquirer won for local reporting for a narrative and video series documenting seven days of

Kendrick Lamar was the first music winner outside of jazz or classical.

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## BUSINESS NEWS

# Wynns Settle Six-Year Legal Fight

BY CHRIS KIRKHAM  
AND KATE O'KEEFE

Former **Wynn Resorts** Ltd. CEO Steve Wynn has settled all remaining claims in a long-running lawsuit centered on a since-dissolved shareholders' agreement with his ex-wife, Elaine Wynn.

Wynn Resorts also said Monday that Ms. Wynn had agreed to release the company and its general counsel, Kim Sinatra, from claims involving breach of contract.

Neither Wynn Resorts nor Ms. Sinatra paid any money to Ms. Wynn, the company said.

As part of the settlement, Mr. Wynn paid Ms. Wynn a sum, according to people familiar with the matter. They didn't disclose the figure. "I am pleased this litigation has now been resolved," Ms. Wynn said. A lawyer for Mr. Wynn said he was happy "to put all of the personal unpleasantness" between him and his ex-wife behind him.

The settlement ends a six-year legal battle in Nevada court involving Mr. Wynn, Ms. Wynn and a former business partner, **Universal Entertainment** Corp. A shareholders' agreement had prohibited the parties from selling shares without the permission of the others.

Among the issues was a desire by Ms. Wynn—who recently became the company's largest shareholder—to get out of the agreement and gain the ability to control her shares.

Over the past few months, in the wake of a Wall Street Journal article in January that detailed allegations of a decades-long pattern of sexual misconduct by Mr. Wynn toward employees, the company and Mr. Wynn have made a series of moves to settle the litigation.

Mr. Wynn has said it is "preposterous" that he would assault a woman.

# Coffee Firms Buck Cancer Labels

Starbucks and others want to be exempt from California law requiring warnings

BY SARA RANDAZZO  
AND ANNIE GASPARRO

The coffee industry is fighting the suggestion its products could cause cancer.

A Los Angeles judge's recent ruling in a lawsuit over cancer labels has galvanized coffee brands and retailers, including **Starbucks** Corp., to push harder to avoid carrying the labels.

The companies say that trace amounts of the chemical acrylamide in their brew doesn't justify a warning to consumers in California.

As the companies gird for potentially years more of legal wrangling, industry analysts have collectively shrugged, saying consumers are unlikely to abstain even if labels warn of hidden dangers.

"Consumers often do not change their behavior" because of health warnings because there is so much conflicting information, said Joe Pawlak, a foodservice-industry consultant at Technomic.

Cancer warnings have proliferated in California since 1986, when voters approved the Safe Drinking Water and Toxic Enforcement Act. The measure, Proposition 65, passed with 63% of the vote.

Acrylamide is one of more than 900 chemicals on a list of those known to the state to cause cancer, birth defects or other reproductive harm.

A chemical can make the list in various ways, including whether it has been identified as causing cancer in people or lab animals by the World Health Organization, as the result of deliberations by two independent state panels of scientific and health experts or if it is cited by an agency such as the U.S. Food and Drug Administration or the Environmental Protection Agency.



**A dispute in California involving Starbucks and other coffee brands and retailers centers on trace amounts of the chemical acrylamide.**

Under the law, businesses must warn about the presence of the chemicals, or risk getting sued.

A group of the coffee companies, including **JAB Holding** Co.'s Caribou, **J.M. Smucker** Co.'s Folgers, **Keurig Green Mountain** and **Coca-Cola** Co., which sells Gold Peak Tea & Coffee, argued in a court filing earlier this month that they adequately proved at a trial last fall that the amount of acrylamide in coffee isn't at dangerous levels. They said they should be exempt from the law because the chemical is a byproduct of the necessary roasting process.

The companies wrote that many studies show "coffee consumption does not increase the risk of any chronic disease and is independently associated with a decreased risk of several major chronic diseases."

The filing comes in response to a tentative ruling issued by Los Angeles Superior Court Judge Elihu Berle in late March against the coffee

brands. The judge is expected to complete his decision in the coming weeks.

From there, the coffee companies will go back to court for a trial over monetary penalties and the specifics of the warning labels. No trial date is scheduled.

An organization called the Council for Education and Research on Toxics, backed by attorney Raphael Metzger, first sued the coffee sellers in 2010. The companies named in the lawsuit directed comments to the National Coffee Association, which said that it is up to each defendant whether to appeal.

The NCA in an alert to members criticized Proposition 65 as relying on a "guilty until proven innocent" concept.

"Prop. 65 and coffee is a confusing, frustrating—and for some consumers, potentially frightening—issue," the organization wrote.

Last year, 688 settlements over Proposition 65 claims totaling \$25.8 million were reported to the California state

attorney general's office. Of that, 76% went toward attorneys' fees and cost, according to the office.

While most cases are settled, some industries choose to fight. In 2015, an appellate court upheld a ruling that baby-food makers didn't need

**Many Californians have become immune to Proposition 65 warnings.**

to warn about lead in products including juice and packaged fruit because it didn't occur at dangerous levels.

The fast-food industry and potato-chip makers faced litigation in the early 2000s, also brought by Mr. Metzger, over acrylamide generated during the frying process. Frito-Lay and other brands agreed to reduce the acrylamide levels by 20% to 50% and make pay-

ments of as much as \$1.5 million. **McDonald's** Corp., **Wendy's** Co. and other restaurants also agreed to post warnings and pay penalties.

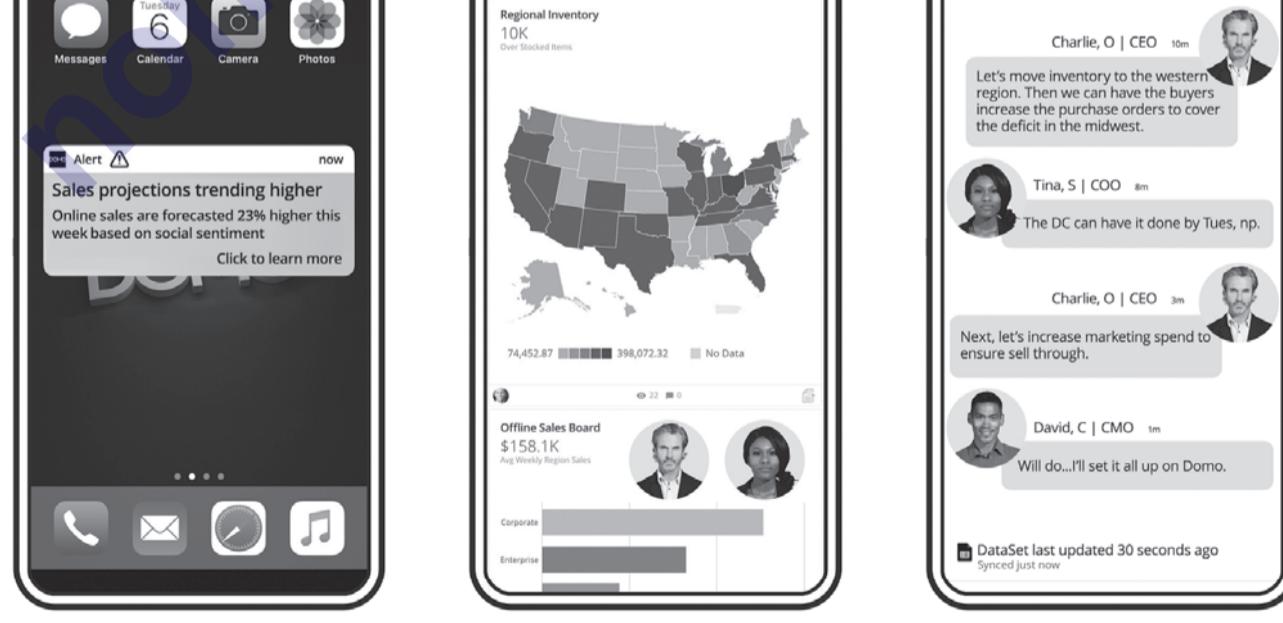
Some companies have backed down from the coffee case. Defendant 7-Eleven settled last year, agreeing to post warnings and pay over \$1 million in penalties and costs.

The companies are unlikely to pass the costs of the litigation and relabeling to consumers, analysts say.

Kent Schmidt, a California attorney at **Dorsey & Whitney** LLP, said companies might appeal if they lose because designating different labels for California than for markets elsewhere in the U.S. "creates a logistical nightmare."

Many California residents have become immune to Proposition 65 warnings. "They're so ridiculous," said Dale Leshaw, a 63-year-old Los Angeles resident who doesn't plan to change his morning habit of a few espresso shots. "How many warnings can they put on stuff?"

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## BUSINESS NEWS



This casino in Atlantic City N.J., is the flagship property of Tropicana Enterprises, in which investor Carl Icahn's company owns 84%.

# Icahn Cashes In Casinos

**Investor's firm to sell Tropicana business for \$1.85 billion, leaving it with one closed site**

BY CARA LOMBARD

After scooping up bankrupt casinos at discount prices, Carl Icahn's company is cashing in its chips, selling everything in the sector except a small Atlantic City casino that isn't operating.

**Icahn Enterprises LP** said Monday it has reached deals to sell its majority-owned subsidiary, **Tropicana Entertainment Inc.**, for \$1.85 billion. The company owns about 84% of Tropicana, which operates eight casinos and resorts in the U.S. and Aruba, including

its flagship property, Tropicana Atlantic City.

Under the agreement, real-estate investment trust **Gaming & Leisure Properties Inc.** will buy Tropicana's real estate for \$1.21 billion and lease properties to **Eldorado Resorts Inc.** Eldorado will pay \$640 million and assume both Tropicana's cash and debt, the company said.

Eldorado owns and operates 20 casinos in 10 states.

Icahn Enterprises first invested in Tropicana in 2008, when it was bankrupt and after state regulators had deemed its former owner unfit to run a casino.

Icahn Enterprises said it turned Tropicana around by revamping its management team, hiring Tony Rodo as chief executive, and reinvest-

ing profits into operations. Mr. Icahn has been chairman of Tropicana's board since 2010.

Tropicana Entertainment's 2017 revenue was \$898 million. Its biggest property, Tropicana Atlantic City, was the city's No. 2 casino, with \$390 million of gambling revenue last year.

It is expected to face stiffer competition when the area gets two more casinos. One is the Hard Rock Hotel & Casino, the result of renovations to the former Trump Taj Mahal Casino Resort, which Mr. Icahn bought after Trump Entertainment Resorts Inc. went bankrupt in 2017.

The deals would leave Icahn Enterprises with only one casino property: the Trump Plaza Hotel and Casino

in Atlantic City, which is significantly smaller than Tropicana Atlantic City and closed in 2014.

The transaction doesn't include Tropicana Aruba Resort. Tropicana said it intends to divest itself of the Aruba resort before closing.

The companies expect the deals to close in the second half of the year, subject to necessary approvals.

Eldorado shares finished 16% higher in Nasdaq trading Monday, while Gaming & Leisure Properties shares closed up 4.1%.

In a separate casino deal, Eldorado said Monday it plans to buy the Grand Victoria Casino in Elgin, Ill., from MGM Resorts International and its venture partner for \$327.5 million.

# Caesars Joins With Dubai Royalty on No-Gambling Hotel

**Caesars Entertainment Corp.**, long known for its namesake Las Vegas gambling destination, is trying something new in the Persian Gulf

By Nicolas Parasie in Dubai and Chris Kirkham in Los Angeles

tourism hub of Dubai: a Caesars Palace without slot machines or blackjack tables.

Caesars said it is teaming up with **Meraas Holding**, a development company owned by Dubai's royal family, to operate two Caesars-branded resorts and a beach club on an artificial island off the coast, part of a \$2.2 billion project called Bluewaters. Meraas confirmed the arrangement.

The deal marks Caesars's first affiliation with a non-gambling hotel.

The move is the latest example of a decadeslong shift in the business model of casinos, which rely less on revenue from gambling and more on hotel rooms, restaurants and entertainment. Since the company's largest unit emerged from bankruptcy last fall, executives have highlighted management and licensing deals such as the one in Dubai as a new avenue for potential growth that is significantly less expensive than developing a new casino.

"This is a good way for us to get into places that we haven't been to," Caesars Chief Executive Mark Frissora said in an interview. He added that the advantage of such deals is that "the capital is paid out by someone else. They do the investment."

Mr. Frissora said the management and licensing strategy is still in its infancy, but he expects such deals could come to represent between 5% and 10% of the company's overall earnings before interest, taxes, depreciation and amortization within five years. The company expects to generate between \$5 million and \$10 million in such earnings annually per deal, and Mr. Frissora said he expects the company could sign

about eight to 10 deals each year.

Management contracts are generally structured as a fee that represents a percentage of revenue or another performance metric at a hotel or casino property. The exact terms of the contract in Dubai haven't yet been determined.

Other casino operators have tried similar endeavors. MGM Resorts International operates several noncasino properties in China and plans to develop and operate MGM- and Bellagio-branded hotels in Dubai that are scheduled for completion in 2021.

David Katz, a casino industry analyst at Jefferies, said the strategy builds on the company's historical approach of expanding its customer base through a network of regional casinos throughout the U.S. that fed into larger Las Vegas properties such as Harrah's and Caesars Palace.

"The opportunity to use their brand in ways to generate revenue without [investing] capital is helpful," Mr. Katz said. "You need a lot of [these deals] for it to move the needle for a company the size of Caesars."

Bob Morse, Caesars president of hospitality, said Dubai was among a handful of international cities, including Hong Kong, London and New York, where the company wants to have a presence.

Part of the United Arab Emirates, Dubai in the past two decades has established itself as the Middle East's most popular tourism destination. Known for constructing artificial islands off its coast and building super-size and ultraluxurious hotels, the emirate portrays itself as a link between West and East.

To bolster its family-friendly credentials, developers have opened a series of new theme parks and resorts.

Gambling, however, is prohibited in Dubai as in much of the Middle East. Mr. Morse said Meraas made it clear that a casino wouldn't be an option. "I think we put that to rest very quickly," he said.



The \$2.2 billion Bluewaters project, site of the planned resorts

# BATTERY

Continued from page B1

P&G a year later when it was acquired by Warren Buffett's **Berkshire Hathaway Inc.**

Both businesses have become more profit-focused since separating from their previous owners. Energizer implemented zero-based budgeting, a system in which each expense must be justified, and has streamlined the supply chain, while Duracell announced plant closures under a new chief executive. (Duracell's parent company, Berkshire, lets its subsidiaries operate independently.)

"As soon as the [Duracell] deal was announced, the [discounts] started to dry up. They both started to play well in the sandbox," Mr. Chappell said. "Now, both are saying, 'We're not going to win by just giving the lowest possible price.'"

Energizer and Duracell declined to comment. Asked in a January call with analysts how Energizer managed to raise prices, Chief Executive Alan Hoskins said the spinoff "brought a very clear focus" to the battery maker.

"We tried not to overcomplicate it," he said of the company's business plan. "And while it may not be superglitz and sexy, it works exceptionally well in this category."

Energizer reported pretax earnings of \$273 million for the

fiscal year ended Sept. 30, up 65% from the year earlier. Duracell posted a profit of \$82 million in 2017 after a loss of \$89 million the prior year.

Duracell and Energizer control close to 80% of the U.S. alkaline-battery market, according to Nielsen data provided by Jefferies, and that share is likely to grow. In January, Energizer announced plans to acquire the No. 3 company, Rayovac, from **Spectrum Brands Holdings Inc.**

**Batteries on average cost 8.2% more than they did a year ago, according to Nielsen.**

The big battery brands so far have managed to avoid disruption from **Amazon.com Inc.** and other online sellers. Amazon's own AmazonBasics batteries are estimated to account for nearly one-third of batteries sold online, outpacing Duracell and Energizer, according to research firm 1010data. But online sales still make up a minimal portion of overall battery sales, analysts said.

Consumers' continued preference for more expensive Duracell and Energizer batteries is partly due to large advertising campaigns that have cemented those brands' reputations for reliability, according to analysts.

## NOTICE OF CLASS ACTION SETTLEMENT SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES

Granados v. County of Los Angeles, No. BC361470

### YOU MAY BE ENTITLED TO A REFUND OF TELEPHONE TAX

If you paid for telephone service between August 25, 2005 and November 4, 2008, and you had a billing or service address within the unincorporated areas of the County of Los Angeles you may be eligible to receive a refund of telephone tax.

#### WHO IS ENTITLED TO PAYMENT?

You must submit a valid claim by September 15, 2018 to receive payment. If you paid for landline telephone service with a service address within the unincorporated areas of the County of Los Angeles or if you paid for a mobile/cellular telephone account\* with a billing address within the unincorporated areas of the County of Los Angeles (\*does not including pre-paid mobile service), at any time from August 25, 2005 through November 4, 2008, you are entitled to claim a cash refund for the telephone users' tax ("TUT") collected on your phone bills.

To submit a Claim Form, visit [www.LACountyTaxRefund.com](http://www.LACountyTaxRefund.com) or contact the Claims Administrator at (833) 807-6390 to request one be mailed to you.

#### YOUR OPTIONS

You may take any of the following actions:

If you:	Then:
Complete and Submit a valid Claim Form by the DEADLINE: September 15, 2018	You will receive a refund payment via check. You can claim a standard refund amount without submitting documentation. The standard amounts are: \$27.50 for residential landline, \$46 for mobile, and \$46 for business landline.  You can also claim a higher amount, up to 100% of the TUT you paid, by submitting documentation. See <a href="http://www.LACountyTaxRefund.com">www.LACountyTaxRefund.com</a> for more information.
Do Nothing	You do not receive any money from the lawsuit, any claim you have for a refund will be released, and you will no longer have such a claim.
Exclude Yourself by the DEADLINE: October 15, 2018	You are out of the lawsuit. You get no payment. You keep your right to sue separately with your own lawyer.
Object DEADLINE: September 28, 2018	You write to the Court about why you do not like the settlement.
Go To A Court Hearing	You may ask to speak to the Court about the fairness of the settlement. You do not have to attend the hearing to receive payment. The Final Approval Hearing is on October 29, 2018, 2018 at 9:00 a.m. in Department 17, Los Angeles Superior Court, 312 North Spring Street, Los Angeles, CA 90012.

#### WHAT IS THIS LAWSUIT ABOUT?

This class action lawsuit was filed by a resident of the unincorporated areas of County of Los Angeles seeking refunds of TUT paid for telephone services between August 25, 2005 and November 4, 2008. The County denied any wrongdoing and still denies any liability in this case. However, the parties have agreed to a settlement that provides for telephone tax refunds to eligible claimants.

#### EXCLUDING YOURSELF FROM THE SETTLEMENT

If you don't want a payment from the settlement, and you want to keep the right to sue the County of Los Angeles on your own over the TUT, then you must exclude yourself from the settlement. To do that, by October 15, 2018, you must ask to be excluded by doing so online at [www.LACountyTaxRefund.com](http://www.LACountyTaxRefund.com) or by sending a letter to: *Granados v. County of Los Angeles, c/o JND Legal Administration, P.O. Box 91348, Seattle, WA 98111*. If you ask to be excluded, you cannot object to the settlement and cannot receive payment. You will not be bound by anything that happens in this lawsuit.

#### OBJECTING TO THE SETTLEMENT

You can tell the Court that you don't agree with all or part of the settlement. The Court will consider your objection. You may only object if you are a Class Member and you do not ask to exclude yourself from the settlement. You can object yourself or hire a lawyer at your own expense. Your objection must be in writing, and should include your name, address, telephone number, signature, and the reasons you object. You must also provide evidence of membership in the Class, such as a copy of a phone bill from the Class Period. If your objection is mailed in time, you do not have to attend the fairness hearing described above. You must mail your written objection so that it is received on or before September 28, 2018 to: *Granados v. County of Los Angeles, c/o JND Legal Administration, P.O. Box 91348, Seattle, WA 98111*.

#### WHAT YOU ARE GIVING UP TO RECEIVE PAYMENT

In exchange for payment of a refund, you are agreeing not to sue the County for any claims that relate to this lawsuit or could have been brought in this lawsuit. Signing the Claim Form will prevent you from being able to sue the County for any disputes you may have over the TUT collected from August 25, 2005 to November 4, 2008.

#### THE LAWYERS REPRESENTING YOU

As a Class Member, you are represented by four law firms:

Daniel W. Krasner Rachelle R. Rickert Marisa C. Livesay Wolf Haldenstein Adler Freeman & Herz LLP 750 B Street, Suite 2770 San Diego, CA 92101	Nicholas E. Chimicles Timothy N. Mathews Chimicles & Tikellis LLP One Haverford Centre 361 W. Lancaster Ave. Haverford, PA 19041	Jonathan W. Cuneo William Anderson Cuneo Gilbert & LaDuka, LLP 4725 Wisconsin Ave. NW, Ste 200 Washington, DC 20016	Jon Tostrud Tostrud Law Group, PC 1925 Century Park East, Suite 2125 Los Angeles, CA 90067
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This notice summarizes the proposed settlement. More details are in the Settlement Agreement. All court records in this litigation, including complete copies of the Settlement Agreement, may be examined during regular court hours at the office of the Clerk of the Court, 600 South Commonwealth Avenue, Los Angeles, CA 90005.

If you have questions about the settlement or this notice, please contact the Claims Administrator at (833) 807-3690 or visit [www.LACountyTaxRefund.com](http://www.LACountyTaxRefund.com), or [www.whafh.com](http://www.whafh.com) or [www.chimicles.com](http://www.chimicles.com).

*Do not contact the Court directly with any questions about the settlement.*

*Para una notificación en Español, llamar 833-807-3690 o visitar nuestro website [www.LACountyTaxRefund.com](http://www.LACountyTaxRefund.com).*

THE WALL STREET JOURNAL.

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## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**24573.04** ▲ 212.90, or 0.87%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.82 21.01  
P/E estimate \* 16.52 17.59  
Dividend yield 2.17 2.36  
All-time high 26616.71, 01/26/18



Bars measure the point change from session's open

Jan. Feb. Mar. Apr.

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2677.84** ▲ 21.54, or 0.81%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.92 24.45  
P/E estimate \* 16.98 18.25  
Dividend yield 1.95 1.98  
All-time high 2872.87, 01/26/18



Jan. Feb. Mar. Apr.

## Nasdaq Composite Index

**7156.28** ▲ 49.63, or 0.70%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.75 25.85  
P/E estimate \* 20.07 20.25  
Dividend yield 1.04 1.11  
All-time high: 7588.32, 03/12/18



Jan. Feb. Mar. Apr.

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week			YTD % chg	3-yr. ann.	
						High	Low	% chg			
<b>Dow Jones</b>											
Industrial Average	24675.36	24480.20	<b>24573.04</b>	212.90	0.87%	0.87	26616.71	20404.49	19.1	-0.6	10.7
Transportation Avg	10646.09	10437.40	<b>10610.18</b>	240.69	2.32	1.1373.38	8783.74	18.0	-0.02	6.8	
Utility Average	693.00	685.52	<b>692.36</b>	9.58	1.40	774.47	647.90	-2.0	-4.3	5.8	
Total Stock Market	27854.99	27626.28	<b>27770.72</b>	226.41	0.82	29630.47	24260.56	14.1	0.4	7.9	
Barron's 400	723.50	714.88	<b>721.96</b>	8.14	1.14	757.37	617.09	17.0	1.6	7.4	
<b>Nasdaq Stock Market</b>											
Nasdaq Composite	7178.51	7115.85	<b>7156.28</b>	49.63	0.70	7588.32	5849.47	22.2	3.7	12.6	
Nasdaq 100	6699.76	6633.08	<b>6675.18</b>	46.84	0.71	7131.12	5391.66	23.6	4.4	14.7	
<b>S&amp;P</b>											
500 Index	2686.49	2665.16	<b>2677.84</b>	21.54	0.81	2872.87	2338.17	14.0	0.2	8.4	
MidCap 400	1906.88	1887.93	<b>1902.85</b>	18.99	1.01	1995.23	1691.67	11.9	0.1	7.4	
SmallCap 600	965.37	953.49	<b>962.99</b>	10.22	1.07	979.57	817.25	16.7	2.9	9.9	
<b>Other Indexes</b>											
Russell 2000	1566.40	1550.51	<b>1563.03</b>	13.52	0.87	1610.71	1355.89	14.8	1.8	7.1	
NYSE Composite	12660.11	12573.04	<b>12628.21</b>	82.16	0.65	13637.02	11342.42	10.5	-1.4	4.2	
Value Line	558.54	551.73	<b>557.28</b>	5.55	1.01	589.69	503.24	8.6	-0.9	2.3	
NYSE Arca Biotech	4677.81	4580.02	<b>4594.28</b>	-29.83	-0.65	4939.86	3480.26	30.2	8.8	3.7	
NYSE Arca Pharma	536.14	532.89	<b>533.90</b>	1.23	0.23	593.12	498.46	5.5	-2.0	-2.9	
KWB Bank	107.25	105.86	<b>106.46</b>	0.08	0.08	116.52	88.72	18.7	-0.2	13.0	
PHLX® Gold/Silver	84.38	83.43	<b>83.98</b>	-0.10	-0.12	93.26	76.42	-6.0	-1.5	5.8	
PHLX® Oil Service	151.44	148.74	<b>150.40</b>	-0.70	-0.46	165.78	117.79	-8.6	0.6	-11.2	
PHLX® Semiconductor	1339.63	1321.16	<b>1332.52</b>	3.12	0.23	1445.90	972.56	37.0	6.3	23.6	
Cboe Volatility	17.66	16.38	<b>16.56</b>	-0.85	-4.88	37.32	9.14	13.0	50.0	9.5	

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
SPDR S&P 500	SPY	8,137.4	267.56	0.23	0.09	267.87	267.30	
Ford Motor	F	5,114.6	11.35	-0.03	-0.26	11.41	11.35	
Netflix	NFLX	4,233.9	325.60	17.82	5.79	333.21	300.00	
Bank of America	BAC	3,635.2	29.96	0.03	0.10	30.10	29.90	
Van Eck Vectors Gold Miner	GDX	3,325.0	22.82	0.02	0.09	22.84	22.80	
iShares MSCI Eng Markets	EEM	2,599.8	47.63	...	unch.	47.70	47.38	
SPDR S&P O&G Exp Prd	XOP	2,447.3	37.65	...	unch.	37.77	37.65	
Washington Prime Group	WPG	2,434.7	6.64	...	unch.	6.67	6.64	

## Percentage gainers...

Celanese A	CE	157.0	112.75	6.33	5.95	114.09	106.12	
Netflix	NFLX	4,233.9	325.60	17.82	5.79	333.21	300.00	
Stitch Fix Cl A	SFIX	95.4	23.00	1.25	5.75	23.25	21.75	
Roku Cl A	ROKU	414.5	34.89	1.87	5.66	35.24	33.02	
BlackLine	BL	61.1	42.00	1.39	3.42	42.00	40.61	

## ...And losers

Bellum Pharmaceuticals	BLCM	61.7	8.35	-0.62	-6.91	8.97	7.98	
Leucadia National	LUK	433.3	24.17	-0.46	-1.87	24.63	24.17	
XPO Logistics	XPO	132.5	102.03	-1.53	-1.48	103.56	102.03	
BHP Billiton ADR	BHP	88.1	45.76	-0.52	-1.12	46.40	45.76	
ProSh UltraPro Shrt QQQ	SQQQ	165.2	17.10	-0.18	-1.04	17.29	17.02	

## Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
<tbl\_info

## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open	
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.							
April 3.0685 3.1045	3.0685	3.0915	0.0240	770			
May 3.0645 3.1170	3.0404	3.0955	0.0245	78,872			
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.							
April 1341.00 1348.80	1341.00	1347.50	2.70	1,304			
June 1349.80 1353.50	1342.80	1350.70	2.80	379,704			
Aug 1353.70 1359.70	1349.40	1356.90	2.80	48,747			
Oct 1359.50 1365.70	1355.70	1363.10	2.80	8,366			
Dec 1368.00 1372.10	1362.50	1369.70	2.80	54,216			
June'19 ... ...	1389.10	2.70	2,670				
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.							
June 980.90 1004.45	977.05	1003.75	22.80	19,828			
Sept 976.60 998.00	972.95	997.20	21.15	2,818			
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.							
April ... ...	925.70	-1.60	7				
July 933.00 938.10	929.50	931.80	-1.30	71,834			
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.							
April ... ...	16,662	0.034	216				
May 16,655 16,770	16,545	16,677	0.019	104,727			
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.							
May 67.40 67.74	66.13	66.22	-1.17	194,380			
June 67.36 67.68	66.09	66.20	-1.13	511,004			
July 67.02 67.31	65.79	65.94	-1.06	222,647			
Aug 66.34 66.65	65.28	65.46	-0.99	147,690			
Sept 65.80 66.10	64.70	64.91	-0.94	219,798			
Dec 64.22 64.38	63.07	63.36	-0.77	268,582			
<b>NY Harbor ULSD (NYM)</b> -42,000 gal.; \$ per gal.							
May 2.1002 2.1081	2.0608	2.0703	-0.299	78,591			
June 2.0907 2.0980	2.0521	2.0612	-0.293	124,146			
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.							
May 2.0266 2.0688	2.0233	2.0399	-0.255	88,706			
June 2.0643 2.0763	2.0354	2.0444	-0.0242	125,876			
<b>Natural Gas (NYM)</b> -10,000 MMBtu.; \$ per MMBtu.							
May 2.757 2.779	2.739	2.752	.017	186,361			
June 2.786 2.806	2.769	2.784	.020	244,362			
July 2.826 2.844	2.810	2.827	.022	183,862			
Sept 2.835 2.850	2.820	2.836	.023	145,646			
Oct 2.848 2.863	2.834	2.850	.024	122,561			
April'19 2.684 2.700	2.671	2.682	.009	82,718			

## Cash Prices | WSJ.com/commodities

Monday, April 16, 2018

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Energy		(U.S.\$ equivalent)		Monday			
Propane,tet,Mont Belvieu-g	0.8224						
Butane,normal,Mont Belvieu-g	0.9204						
NaturalGas,HenryHub-i	2.820						
NaturalGas,TranscoZone3-i	2.770						
NaturalGas,TranscoZone6-NY-i	3.000						
NaturalGas,PanhandleEast-i	2.560						
NaturalGas,Opal-i	2.320						
NaturalGas,MarcellusNE PA-i	1.730						
NaturalGas,HaynesvilleNLA-i	2.750						
Coal,Caplc,12500Btu12S02-rw	61,450						
Coal,PwdrRvBsn880Btu,0.8S02-rw	12,450						
Metals		Monday					
<b>Gold, per troy oz.</b>							
Engelhard industrial	1349.94						
Engelhard fabricated	1451.19						
Handy & Harman base	1349.35						
Handy & Harman fabricated	1497.77						
LBMA Gold Price AM	*1340.75						
LBMA Gold Price PM	*1343.70						
Krugerrand,wholesale-e	1401.97						
Maple Leaf-e	1415.45						
American Eagle-e	1415.45						
Mexican peso-e	1633.34						
Austria crown-e	1324.36						
Austria phil-e	1415.45						
Silver, troy oz.		Monday					
Engelhard industrial	16,7400						
Engelhard fabricated	20,0880						
Handy & Harman base	16,7250						
Handy & Harman fabricated	20,9060						
LBMA spot price	*£11,5700						
Food		Monday					
Burlap,10-oz,40-in NY yd-n,w	0.5975						
Cotton,1/16 std w-mdMphs-u	0.8225						
Cottook'A' Index-t	*92.95						
Hides,hvy native steers piece fob-u	63,500						
Wool,64s,staple,Terr del-u,w	n.a.						
Fibers and Textiles		Monday					
Burlap,10-oz,40-in NY yd-n,w	0.5975						
Cotton,1/16 std w-mdMphs-u	0.8225						
Cottook'A' Index-t	*92.95						
Hides,hvy native steers piece fob-u	63,500						
Wool,64s,staple,Terr del-u,w	n.a.						
Grains and Feeds		Monday					
Barley,top-quality Mnpls-u	n.a.						
Bran,wheat middlings,KC-u	100						
Corn,No.2 yellow,Cent IL-bp,u	3,4750						
Corn gluten feed,Midwest-u,w	113.0						
Corn gluten meal,Midwest-u,w	511.8						
Cottonseed meal,u,w	260						
Hominy feed,Cent IL-u,w	105						
Meat-bonemeal,50% pro Mnpls-u,w	295						
Oats,No.2 milled,Mnpls-u	2,6800						
Rice,Long Grain Milled, No. 2 AR-u,w	25.75						
Sorghum,(Milo) No.2 Gulf-u	8,0888						
Fats and Oils		Monday					
Corn oil,crude wet/dry mill-u,w	28,000						
Grease,choice white,Chicago-h	0.2200						
Lard,Chicago-u	n.a.						
Soybean oil,crude,Cent IL-u	0.2953						
Tallow,bleach,Chicago-h	0.2475						
Tallow,edible,Chicago-u	n.a.						

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; E=Manfra, Tordella &amp; Brooks; G=ICE; H=Hurley Brokerage; I=Natural Gas Intelligence; M=monthly; N=nominal; n.a.=not quoted or not available; R=S-NL Energy; S=Platts-TSL; T=Cotlook Limited; U=USDA; W=weekly; Z=not quoted. \*Data as of 4/13

## BIGGEST 1,000 STOCKS

WSJ.com/stocks

**How to Read the Stock Tables**

The following explanations apply to NYSE, Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.

**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. and the previous day.

Monday, April 16, 2018

Net

Stock Sym Close Chg

A B C

ABB ABB 23.07 0.15

ADT ADT 8.99 ...

AES AES 11.57 0.23

Aflac AFL 44.77 0.21

AGNC Inv AGNC 18.74 0.13

AMG Hsosvcs AMG 13.44 0.17

Ansys ANSS 159.99 3.01

ASML ASM 206.70 1.05

ATT&T T 35.64 0.50

AbbottLabs AbbottLabs 59.27 0.78

AbbVie AbbV 92.66 0.70

Abiomed Abiomed 296.32 0.42

Accenture ACN 151.42 1.29

ActivisionBlitz ATVI 66.50 0.68

Adient ADNT 66.01 0.75

Advocare Auto AAP 106.45 0.16

AdvanaceAuto AAP 106.45 0.16

AdmMicroDevices AMD 10.09 0.16

AdmSemErgg ASX 6.73 0.19

Aegon AEG 7.21 0.01

AerCap Aer 52.26 0.58

Aetna AET 175.89 2.02

AffiliatedMtrs AMG 171.36 2.11

AgileTechs Techs A 68.17 0.39

AgnicoEagle Agm 45.20 0.34

AlpProducts APPD 165.43 2.04

AlkamataiK Alk 71.64 0.21

AlaskaAir ALK 65.21 1.26

Albemarle Alb 96.87 1.37

Alcoa AA 55.03 0.07

AlexandraEst ARE 122.93 0.88

AlexionPharm Alex 109.48 1.90

Allibaba Baba 174.70 2.66

AlignTech Align 265.50 3.78

Alkermes ALKS 44.49 1.43

Allegany YR 59.25 3.46

Allegion ALLS 85.37 0.31

Allergan AGN 166.45 2.08

AllianceData ADDS 20.55 0.45

AllianEnery LNT 41.59 0.48

Allstate ALL 97.53 1.17

AllyFinancial ALLY 27.38 0.13

AlynlyPharm ALNY 95.84 0.92

Alphabett G GOOG 1057.98 8.71

Alphabett A GOOG 1046.40 10.06

Altiba AABA 69.92 0.63

AlticeUSA ATU 18.92 0.57

Altira MO 64.25 0.35

AlumofChina ACH 15.58 0.31

AmazonAMZN AMZN 14410.10 57.00

Ambev ABEV 6.67 -0.08

Amdocs DOX 66.78 0.70

Americo UHAI 351.16 2.76

Ameron AEE 56.36 0.85

AmericaMovil AMX 19.49 -0.17

AmericaMovil AMX 19.49 -0.17

AmericaAirlines AAL 46.40 0.53

AEP AEP 68.27 0.93

AmerExpress AXP 93.60 0.57

AmericanFin AFF 112.24 1.66

AIG AIG 54.26 0.89

AmericaTower ATR 94.31 1.56

Aptiv Aptiv 86.92 1.41

AlignTechs ADI 93.14 0.36

Andeaor AAD 113.88 3.28

AndeaorLog ANDX 47.99 2.38

ANB BUD 104.32 0.48

AnnalyCap NLY 10.30 0.28

AnteroResources ARP 20.62 -0.10

Anthem ANTM 225.27 3.25

Aon AON 143.78 1.76

Apache APA 40.79 0.19

Apertaining AIV 40.81 -0.06

ApolloBlgMgmt APP 29.30 0.17

Apples AAPL 175.82 1.09

AppMaterials AMPL 56.87 0.80

Aptargroup ATR 94.31 1.56

AradialPetrol APD 63.46 0.43

AnalogDevices ADI 93.14 0.36

Andeaor ADI 113.88 3.28

AndeaorLog ANDX 47.99 2.38

ANB BUD 104.32 0.48

AnnalyCap NLY 10.30 0.28

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Apertaining AIV 40.81 -0.06

ApolloBlgMgmt APP 29.30 0.17

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AppMaterials AMPL 56.87 0.80

Aptiv Aptiv 86.92 1.41

AlignTechs ADI 93.14 0.36

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AnnalyCap NLY 10.30 0.28

AnteroResources ARP 20.62 -0.10

Anthem ANTM 225.27 3.25

## BANKING &amp; FINANCE

# Some Small Banks Yawn at Rollbacks

Deregulation bill doesn't go far enough, helps larger regional lenders, critics say

BY RYAN TRACY  
AND CHRISTINA REXRODE

Bank lobbyists are pushing Congress to relax regulations for the industry, especially for small lenders. Mary Ann Scully, who runs a community bank in Maryland, is unimpressed.

"It does next to nothing for my bank," Ms. Scully, chief executive of Baltimore-based Howard Bank, said of the proposed legislation.

The bill would represent the most significant scaling back of financial rules since 2010. Its 54 sections exempt banks from rules on mortgage lending, trading and regulatory exams—moves that supporters say would help small and midsize lenders by allowing them to spend less time and money thinking about rules from Washington.

But some bankers are underwhelmed. In crafting a bill with enough votes to pass the Senate last month, lawmakers landed on a compromise filled with caveats and exclusions. Many provisions would apply only to slices of the industry. Some small banks benefit, but others don't.

The bill's centerpiece proposal relaxes rules for only roughly two dozen relatively large regional banks, such as SunTrust Banks Inc. and Ally Financial Inc., with assets of between \$50 billion and \$250 billion.

The mixed sentiment about the bill poses a challenge to the lawmakers trying to push the legislation through the House and to President Donald Trump's desk. In the House, some Republicans say the bill doesn't go far enough to deregulate the industry, echoing complaints from some banks.

"This bill helps the larger regional banks, but doesn't do much [for] small community banks," says Jay Davidson, chief executive of Colorado-based First American Bancorp.



The proposed bill 'does next to nothing for my bank,' says Mary Ann Scully of Howard Bank.

## Limited Relief

A new bill exempts banks from complex capital rules known as Basel III. The catch: They must be small, and they must maintain an equity capital-to-asset ratio of at least 8% to 10%. (Regulators will choose the exact number.)



Note: Data as of Dec. 31, 2017

\*The bill applies only to banks with more than \$10 billion in assets.

Source: Federal Deposit Insurance Corp.

and another housing meltdown.

Lawmakers on the Senate Banking Committee settled for nixing the standards only for banks that have less than \$10 billion in assets, and only if the banks hold the loans on their balance sheet.

Ms. Scully's bank has about \$2 billion in assets. But the provision won't help her firm because it often sells its mortgage loans to hedge interest-rate changes, she said.

Another provision for banks with less than \$10 billion in assets—nearly all of the banks in the U.S.—offers relief from complex capital calculations.

The catch: Banks must maintain relatively high capital levels to be eligible, and not all lenders qualify.

At the other end of the spectrum, the bill promises help for about two dozen larger banks because it directs regulators to raise the asset threshold at which banks face stricter rules to \$250 billion, from the current \$50 billion.

There are about 80 U.S. banks with \$10 billion to \$50 billion in assets. Vincent J. Delie Jr., chief executive of Pittsburgh-based F.N.B. Corp., which has about \$31 billion in assets,

## Plan Aims to Ease Loan-Loss Rule

Banking regulators proposed softening the blow of a new accounting rule that will force banks to book losses on soured loans more quickly.

Some banks had been concerned the rule could cut into their regulatory capital because it would require them to book all expected losses from loans as soon as they are issued and could compel some banks to significantly boost loan-loss reserves.

The regulators' proposal, issued Friday, will allow banks to take three years to phase in the impact of the accounting change on their regulatory capital. The proposal also calls for a variety of tweaks in how loan-loss reserves are counted in regulatory capital, and it would allow banks to delay having the loan-loss change affect their regulatory "stress tests" until the 2020 testing cycle.

The new loan-loss accounting rule itself will still go into effect as scheduled. Some banks will begin adopting it as soon as next January, with

publicly traded banks required to adopt it by 2020.

The Federal Reserve on Friday approved the proposal for public comment, and the Federal Deposit Insurance Corp. is scheduled to address it at a board meeting Tuesday.

The Financial Accounting Standards Board, which sets accounting rules for U.S. companies, issued the loan-loss rule in June 2016. Currently, banks don't book loan losses until they have evidence the losses will actually occur, but critics said that method led banks to be too slow in recording losses after the 2008 financial crisis. The new approach, requiring booking of all expected losses immediately, is intended to give investors more timely information to gauge a bank's health.

Some banks have complained the rule will be too burdensome and that its impact could be especially harsh if economic conditions happen to be poor when they adopt the new loan-loss accounting method. Last year, the Treasury Department said banking regulators should carefully review the rule's impact on banks' capital.

—Michael Rapoport

debit-card transactions, and higher Federal Deposit Insurance Corp. insurance premiums, both of which apply to banks above the \$10 billion line.

House Financial Services Committee Chairman Jeb Hensarling (R., Texas) wants to add more regulatory rollbacks to the bill. The American Bankers Association, which represents both large and small banks, sent an April 9 letter to House leaders urging them to leave the bill as is, lest they upset the compromise reached in the Senate.

Wayne Abernathy, ABA's executive vice president for regulatory affairs, says the group hopes the bill will spur regulators to loosen even more rules on their own. "This is the first chapter of a book that we hope will have additional chapters," he said.

# Mastercard Brings On Former U.S. Trade Chief

BY ANNAMARIA ANDRIOTIS

Mastercard Inc. has hired Michael Froman, a former Obama and Clinton administration official, as vice chairman and president of strategic growth.

Mr. Froman will be in charge of teams promoting card usage and financial inclusion in markets abroad and in the U.S. through partnerships with governments and other entities.

The hire is part of the latest efforts at Mastercard to partner with governments to boost card payments.

The company in recent years teamed up with subway systems in Chicago and London to work on replacing subway cards with a payments system that allows consumers to use contactless-enabled debit and credit cards to enter the subway system. Mastercard says it is in the early stages of working on this conversion with the New York City subway.

Mastercard teamed up with the South African government several years ago to change how certain social benefits are

*Michael Froman will help the company promote card usage in markets abroad.*

# Fed Considers Opening 'Stress Tests' to Review

BY RYAN TRACY



guing it was unfair for the Fed to set the scenarios behind closed doors.

Such a change could give the industry more influence over the parameters for the annual exams. Other members of the public would be able to comment as well.

Fed officials have previously resisted the idea on the grounds that it could make the tests too inflexible. The process of issuing public notices and leaving time for comments can take several months.

In 2016, some in the industry considered suing the Fed by arguing, in part, that it was illegal not to allow public input on the scenarios. Such a suit never materialized.

The stress tests measure how big banks would fare during a severe recession. Each year, the Fed unilaterally con-

ducts a hypothetical doomsday scenario, involving steep job losses and other harsh economic conditions. If the Fed calculates a bank would survive, the firm gets clearance to return capital to shareholders.

Those high stakes mean the test is a crucial tool for regulators in staving off a financial disaster, as well as a hugely important exercise for large banks and their investors.

Mr. Quarles's predecessors erected the stress-testing regime. Now the former banking lawyer and investor is setting about reshaping it. He appears sympathetic to criticisms that the tests are unpredictable.

"We are continuing to think about how we can make the stress testing process more transparent without lowering the strength of the test itself

or undermining the usefulness of the supervisory stress test," he said in his testimony.

Last week, the Fed proposed major changes to its criteria for evaluating banks' performance on the tests, some of which could make them easier for big banks to pass. Separately, the Fed has asked the public for ideas on how to disclose more about the tests.

Another issue is whether the Fed will disclose the mathematical models it uses to calculate banks' capital levels, which some view as akin to giving the banks the tests' answer key. Bankers counter that the Fed has vast powers to stop them from cheating.

Mr. Quarles said in January he is "hesitant to support complete disclosure of our models."

# Trump to Fill Final CFTC Slot

BY GABRIEL T. RUBIN

WASHINGTON—President Donald Trump intends to nominate Dan Berkovitz, a former Commodity Futures Trading Commission general counsel, to fill the final open slot on the commission, the White House said.

Dan Berkovitz, a partner at law firm WilmerHale, was the CFTC's general counsel during the Obama administration and played a key role in the passage and implementation of the 2010 Dodd-Frank regulatory overhaul law. He would fill the second Democratic seat at the CFTC, alongside Commissioner Rostin Behnam.

The CFTC currently has three members and hasn't had a full five-member commission since 2014.

Mr. Berkovitz is expected to be paired with Dawn Stump, a former Republican congressional staffer and derivatives lobbyist, for a Senate confirmation

vote.

Ms. Stump's nomination has been in limbo since an uneventful confirmation hearing last July, after which the Senate Agriculture Committee unanimously backed her. The Senate hasn't moved on her nomination, waiting until a Democratic pick was announced so they could be approved as a pair.

The Wall Street Journal reported in December that Mr. Berkovitz was under consideration. Members of Congress have urged the administration to act on the nomination, and CFTC Chairman J. Christopher Giancarlo has said that a depleted commission has limited the agency's ability to move forward on major rule making, such as position limits for derivatives transactions.

Agriculture Committee Chairman Pat Roberts (R., Kan.) urged the White House to nominate someone to the slot in a speech last week at a CFTC-sponsored conference, and

promised to move expeditiously to approve the White House's nominee.

"I am honored to be nominated by the president to be a commissioner of the CFTC and I look forward to consideration by the United States Senate,"

Mr. Berkovitz said.

The Senate Agriculture Committee hasn't announced plans for a confirmation hearing.

While the CFTC has continued to function with three members, which constitutes a quorum, members of the com-

mission are united in their desire to fill out their ranks. Commissioners can't meet with one another one-on-one when there are only three members, since their meeting would constitute a majority of the commission and trigger open-meeting laws.

paid to residents. The benefits are now being distributed with prepaid cards in lieu of cash, the company says.

Mr. Froman will report to Mastercard chief Ajay Banga. The two worked together at Citigroup Inc. in the early 2000s. Mr. Froman was U.S. trade representative during the Obama administration and a Treasury official during Clinton's presidency.



Dan Berkovitz, shown in 2011, would occupy the second Democratic seat at the CFTC, if approved.

## MARKETS

# Treasuries Fall as Investors Add Risk

BY DANIEL KRUGER

U.S. government-bond prices edged lower Monday as investors' risk appetite improved following limited airstrikes in Syria and a report showed that retail sales grew in March.

The yield on the benchmark 10-year Treasury note rose to 2.834%, the highest closing level since

**CREDIT MARKETS** March 26, from 2.828% Friday.

Yields rise as bond prices decline. The two-year yield reached its highest closing mark since August 2008, at 2.377%.

Yields rose as U.S. stocks gained and investors appeared to be reassured that the extent of U.S. military engagement in Syria appeared limited. That move was supported by a report Monday from the Commerce Department showing that retail sales—a measure of outlays at stores, restaurants and websites—increased a seasonally adjusted 0.6% in March from the prior month. Economists surveyed by The Wall Street Journal expected a 0.3% increase.

The gap between two- and 10-year Treasury yields continued to shrink, settling Monday at 0.457 percentage point. The narrowing of the difference, known as the yield curve, has concerned some investors who say that steeper curves tend to indicate more potential for growth. The gap had been 1.25 percentage points at the end of 2016.

Many investors and analysts have said that expectations for Federal Reserve interest-rate increases have led to a faster increase in two-year yields than 10-year yields, which respond more to inflation expectations.

**AUCTION RESULTS**

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

**13-WEEK AND 26-WEEK BILLS**

	13-Week	26-Week
Applications	\$150,197,522,700	\$131,075,432,900
Accepted bids	\$48,000,192,700	\$42,000,207,900
"noncomp"	\$790,863,700	\$754,005,900
"foreign noncomp"	\$489,000,000	\$419,000,000
Auction price (rate)	99.555111 (1.760%)	99.016694 (1.945%)
Coupon equivalent	1.792%	1.992%
Bids at clearing yield accepted	80.34%	69.02%
Cusip number	912796MK2	912796QD4

Both issues are dated April 19, 2018. The 13-week bills mature on July 19, 2018; the 26-week bills mature on Oct. 18, 2018.

# Crude Oil Pulls Back From High

BY CHRISTOPHER ALESSI

Oil prices retreated from a three-year high as geopolitical risks to supply receded.

Light, sweet crude for May delivery fell \$1.17, or 1.7%, to \$66.22 a barrel on the New York Mercantile Exchange,

snapping a five-session winning streak. Brent, the global benchmark, dropped \$1.16, or 1.6%, to \$71.42 a barrel.

U.S. crude prices closed at the highest level since December 2014 on Friday, ahead of U.S.-led military strikes in Syria. But prices reversed course Monday after relatively restrained airstrikes didn't appear to escalate tensions with the Syrian regime and its allies such as Russia.

"We can understand why the oil price has tended to fall rather than gain today in response to the West's military strike against Syria—after all, the tough response announced by Russia has failed to materialize," analysts at Commerzbank AG said in a note Monday.

"Most importantly, however, the escalation of the situation had already been priced in beforehand."

Still, geopolitical risk emanating from the Middle East has "by no means evaporated, and could soon ignite a renewed price rally" if the U.S. were to move to reimpose economic sanctions on Iran, the analysts said.



FEATURE CHINA/BARCROFT IMAGES/GETTY IMAGES

# Iron-Ore Supplies Keep Building

Ports in China are flush with the mineral as prices drop but quality is a concern

BY RHIANNON HOYLE

There is enough iron ore sitting at Chinese ports to produce more than 100 million automobiles. The big question is just how good that ore is.

Benchmark iron-ore prices have already tumbled to about \$65 a metric ton from \$75 this year, a slide of about 15%, making the steelmaking mineral one of the world's worst-performing commodities of 2018.

While large stores of finished steel held by traders get most of the blame, the rising mountain of iron ore at Chinese ports is also now casting a shadow.

Those stocks total 161 mil-

lion tons, according to Shanghai SteelHome E-Commerce Co., a market-information provider, a smidgen below the record 162 million hit at the end of March. At the start of 2017, stocks stood at roughly 114 million tons, then a record.

Current inventories would cover more than 10 weeks of steel production in China, which turns out half of the world's supply.

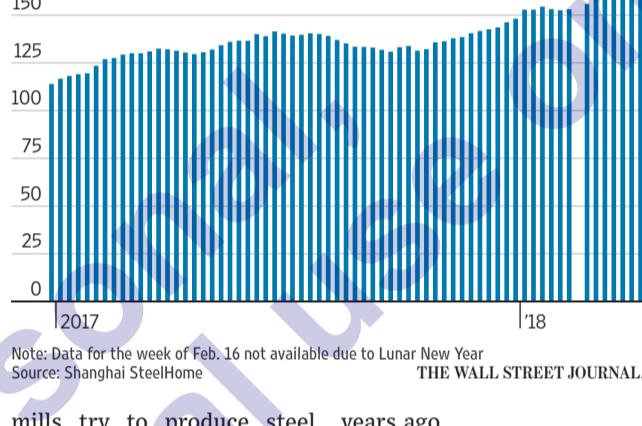
Still, some say the stockpiles don't necessarily mean iron-ore prices will drop further.

They argue that most of the recently added ore is likely of low quality, containing just 58% iron or less. Benchmark prices reflect ore with 62% iron content.

Stocks at China's ports have been rising as the country's steel industry undergoes an overhaul aimed at reducing capacity and cutting pollution. High-quality iron ore has become a hot commodity as

**Mass Quantity**

Shipments of iron ore are piling up at China's ports.



Note: Data for the week of Feb. 16 not available due to Lunar New Year  
Source: Shanghai SteelHome

mills try to produce steel more efficiently.

That has widened the gap between the prices for different grades. Benchmark ore goes for almost 70% more than low-quality ore, compared with about 20% two

years ago.

"We would go as far as suggesting that the buildup of inventories at Chinese ports in 2017 was largely made up of lower-grade iron ore," making it an unreliable way of gauging demand and the direction

of benchmark prices, said Daniel Hynes, an analyst at Australia & New Zealand Banking Group Ltd.

Concerns over quality are crucial for big miners like Rio Tinto and steelmakers hoping for cheaper supplies as steel prices sag.

For sure, some say any buildup in ore stocks is worrying, reflecting poor demand in China as it enters the peak construction period. Credit Suisse Group AG and Commonwealth Bank of Australia, among other banks, reckon the price will fall further, to average \$55 a ton in the final quarter.

"When demand is good, you can say you don't care about inventories," said Helen Lau, metals analyst at Argonaut Securities.

"But now there is a kind of down cycle, you cannot ignore this inventory number," no matter what grade of ore is sitting at China's waterfronts.

# Fired China Insurance Regulator Is Indicted

BY JAMES T. AREDDY

SHANGHAI—Chinese prosecutors indicted the country's former chief insurance regulator on charges of abusing his power and taking bribes, a year after he was fired amid concerns the industry's sizzling expansion had saddled the financial system with risk.

Xiang Junbo, whose April 2017 firing underscored the severity of a shake-up in China's financial sector, faces charges that also include using his positions to promote the interests of others, according to a statement from the nation's top prosecutors office on Monday.

Specifics of the allegations against Mr. Xiang, 61 years old, weren't released, and he hasn't commented publicly or through a lawyer since his ouster and subsequent notices from Chinese authorities that he was under investigation.

China's insurance industry grew quickly after Mr. Xiang became its chief regulator in 2011. He was a proponent of allowing insurers to expand by harnessing technology including the internet for marketing.

Insurers began offering nontraditional policies that were more like savings ac-



comedown for China's insurance industry has been rough. Several companies have been penalized. In recent weeks, authorities seized control of once-highflying **Anbang Insurance Group** Co. and pumped in nearly \$10 billion to ensure its viability, while Anbang's founder stood trial on fraud charges.

Last week, the watchdog agency that Mr. Xiang had led was officially combined into a bank regulatory agency and named the China Banking and Insurance Regulatory Commission with a mandate of "guarding against and resolving significant financial risks."

In Monday's single-sentence summary of the indictment from China's Supreme People's Procuratorate, Mr. Xiang was accused in vague terms of taking advantage of his positions and authority to seek benefits for others and for himself illegally accepting huge amounts of money and property.

The prosecution covers Mr. Xiang's 13 years at the insurance regulatory agency, China's central bank and a commercial bank where he held senior positions.

—Liyan Qi in Beijing contributed to this article.

# What's in a Name? A 10% Boost in Stock Price

BY STEVEN RUSSOLILLO  
AND JAMES T. AREDDY

tropical climate and sandy beaches. Mr. Xi's proclamation is the latest sign that China is experimenting with market liberalization in certain regions.

Shares of companies with the word "Hainan" in their names surged Monday—an otherwise down day for Chinese stocks—after President Xi Jinping pledged that the country's Hainan province would become a free-trade zone.

The designation could bolster consumption and international tourism in southern China's Hainan, which comprises islands and is billed as the "Hawaii of the East" for its

same gains occurred for a number of such-named companies on the Shenzhen Stock Exchange.

A Chinese index tracking shares related to Hainan province was the best performer on Monday among over 250 indexes that track Chinese markets, soaring 8%, its biggest gain since February and second-biggest daily gain of the year, according to Wind Information Co. Meanwhile, the Shanghai Composite Index, a broad index of Chinese stocks, fell 1.5% on Monday.

Stocks of the Hainan-named

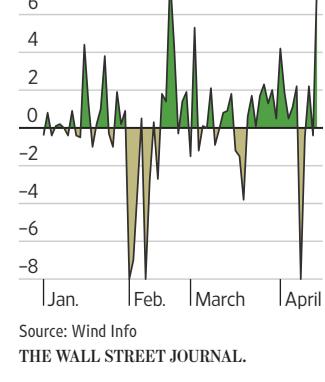
companies had declined last week, after Mr. Xi didn't mention plans for the province as expected.

There is reason for skepticism that the plan will fully take flight.

The most prominent recent model of these efforts—a pilot free-trade zone opened nearly five years ago in Shanghai—has mostly disappointed executives. They say government promises to modernize haven't resulted in much operating difference from China's usual—and tough—business environment.

**The Xi Bump**

Daily percentage change for an index of Hainan-related stocks



Source: Wind Info

THE WALL STREET JOURNAL.

## MARKETS

## Transportation Stocks Are on the Move

Dow and S&P 500 advance, as J.B. Hunt's results help investors forget geopolitics

By MICHAEL WURSTHORN  
AND GEORGI KANTCHEV

Transportation companies boosted major indexes Monday, as some strong corporate-profit reports helped investors look past simmering geopolitical tensions.

Old-economy companies, such as trucking firms and railroad operators, nudged the S&P 500 higher to help the broad index recoup the losses it suffered Friday.

Investors bought those industrial stocks after **J.B. Hunt Transport Services** reported stronger-than-expected revenue for the first three months of the year, suggesting that a key corner of the U.S. economy—the movement of goods—is humming along.

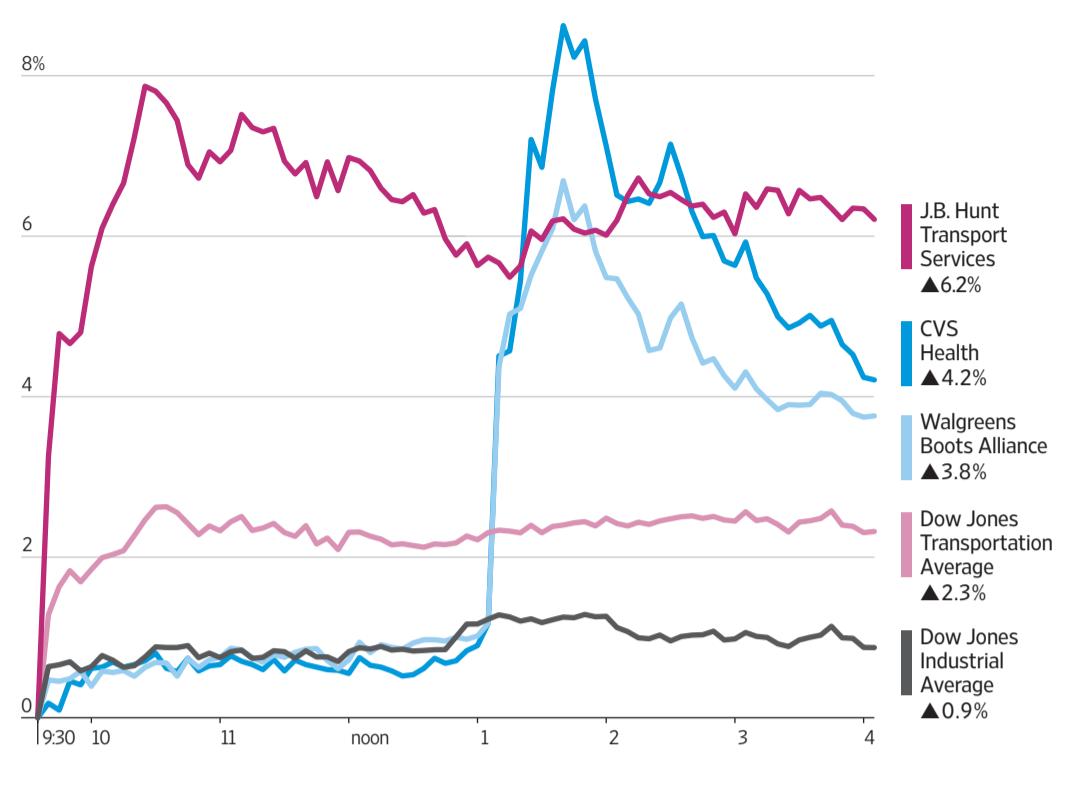
Investors hope the latest earnings season, which is expected to be one of the best in years, will help steady a stock market that has stalled and stumbled over the past two months.

Analysts predict companies in the S&P 500 will increase earnings by their widest margin in six years and say the benefits of the tax overhaul passed last year and a strong economic backdrop are expected to push profits higher. The better results should help markets "continue their longer-term trend of improving fundamentals," said Jason Pride, chief investment officer of Glenmede, which manages more than \$40 billion in assets.

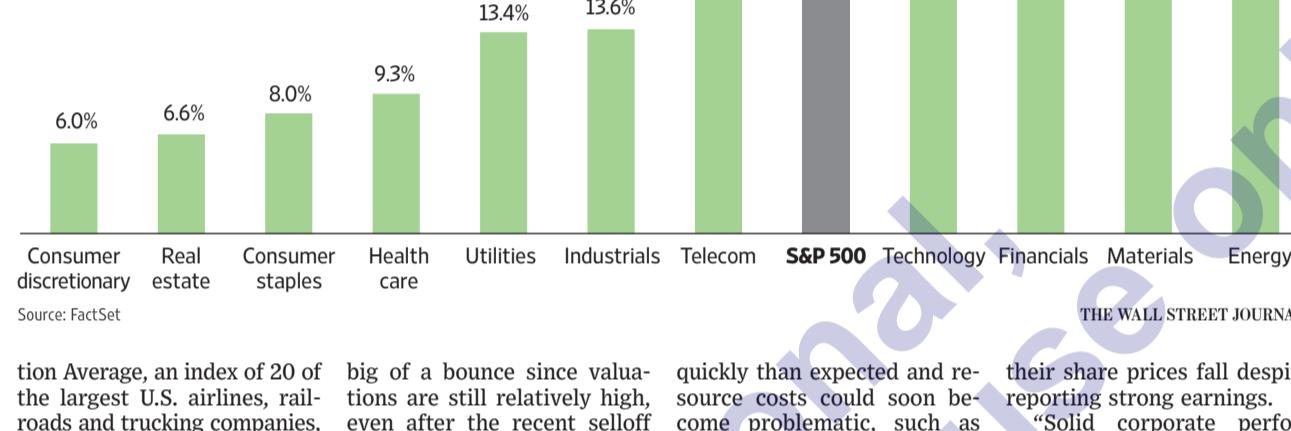
The Dow Jones Industrial Average gained 212.90 points, or 0.9%, to 24573.04. The S&P 500 added 21.54 points, or 0.8%, to 2677.84, while the Nasdaq Composite rose 49.63 points, or 0.7%, to 7156.28.

The Dow Jones Transporta-

## Index and share-price performance on Monday



## S&amp;P 500 projected first-quarter earnings growth, change from a year earlier, by sector



Analysts expect the latest earnings season will be one of the best in years.

Source: FactSet

moderate upside expectations due to robust earnings results this year."

On Monday, though, investors appeared willing to temporarily put those concerns aside.

Shares of J.B. Hunt rose \$6.98, or 6.2%, to \$119.75, the largest percentage gain of any other stock in the S&P 500. Logistics firm **C.H. Robinson Worldwide** added 3.35, or 3.6%, to 97.62, while railroad operator **Norfolk Southern** gained 2.97, or 2.2%, to 136.48.

Stocks that are set to report earnings early Tuesday also traded higher: **UnitedHealth Group** added 6.04, or 2.7%, to 230.32, while **Goldman Sachs Group** gained 1.96, or 0.8%, to 257.88 and **Johnson & Johnson** rose 1.14, or 0.9%, to 131.76.

Pharmacy stocks also got a boost after investors received a signal that **Amazon.com** may not be getting into the business of selling pharmaceutical products. Shares of **CVS Health** added 2.67, or 4.2%, to 66.10, while **Walgreens Boots Alliance** rose 2.40, or 3.8%, to 66.22 after CNBC reported that Amazon put aside plans to get into the pharmaceutical sector.

Shares of Amazon, meanwhile, rose 10.71, or 0.75%, to 1,441.50.

The expectations for stocks to get an earnings boost coincided with investors already relieved that missile strikes on Syria late Friday by the U.S., U.K. and France didn't lead to a major escalation.

"Uncertainties can escalate again, but so far the biggest fears haven't been realized, which allows risky assets to recover," said Viraj Patel, a strategist at ING Bank.

Elsewhere, the Stoxx Europe 600 fell 0.4% to snap a two-session win streak, while Asian markets ended mixed. Early Tuesday, Japan's Nikkei was down 0.3%, Hong Kong's Hang Seng Index was off 0.8% and the Shanghai Composite was off 0.5%.

## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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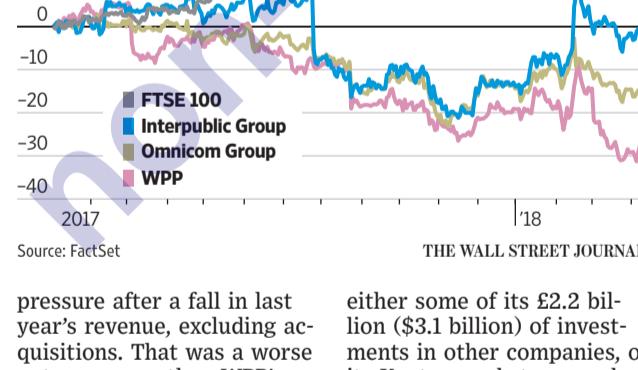
## WPP Makes Right Call on Sorrell

## OVERHEARD

## Netflix Tops Expectations Once Again

## Worse Than Advertised

Relative price performance in dollar terms



pressure after a fall in last year's revenue, excluding acquisitions. That was a worse outcome even than WPP's forecasts for lower-than-normal growth. It also has failed to find the cost cuts that some rivals have by streamlining the routes through which clients access big ad agencies' varied services.

A more radical approach is needed to remake the group. Restructuring costs could be funded by selling

either some of its £2.2 billion (\$3.1 billion) of investments in other companies, or its Kantar market-research and data company, which doesn't fit completely with the rest of the business, according to UBS.

Mr. Sorrell is a classic, if very long-lived, version of the expansionist CEO who rides a wave of acquisitive empire building. He has remained one of the highest-paid CEOs in the FTSE 100

even as WPP's shares have dramatically underperformed. Since the start of 2017, WPP's stock has fared much worse than both the U.K. index and international rivals.

The company's big challenge was whether this year's intensive period of pitching to keep clients could succeed with a CEO under a cloud. Mr. Sorrell appears to have spared the board the decision by stepping down, although with no detail on the allegations against him it is hard to know whether there was any real choice.

It was probably for the best. WPP has reached the point at which it needs a leader who can come up with better ideas of how to adapt this vast machine to its evident challenges.

There are big risks that WPP loses more ground while a new CEO is chosen and gets into the role. But this outcome, however it came about, may well be the right one.

—Paul J. Davies

Stop staring at Facebook and Twitter and do something useful with your life, like spending more time in a pub.

A self-serving suggestion, no doubt, that comes from U.K. pub chain **JD Wetherspoon**. The company, which owns nearly 900 drinking establishments, announced Monday that it would cancel all its social-media accounts.

"It's becoming increasingly obvious that people spend too much time on Twitter, Instagram and Facebook," said Wetherspoon Chairman **Tim Martin** in a statement that had to be emailed because the company's Twitter feed was erased.

Mr. Martin is puritanical about pub life, eschewing loud music and televised sports in the company's watering hole.

Investors should hope such a publicity stunt works. Wetherspoon's shares have performed exactly on par with Facebook's this year in local-currency terms. People may be deleting Facebook, but they haven't yet found a compulsion to drink more beer.

**Netflix** keeps raising the bar. That is a risky game except, apparently, for Netflix. The stock has surged 37% since January when Netflix reported fourth-quarter results that included a record 8.3 million new subscribers. Netflix predicted a strong first quarter with 6.35 million new subscribers. It added 7.41 million, a first-quarter record for the company.

Revenue of \$3.7 billion just beat estimates, and earnings per share of 64 cents were in line with expectations. But the stock trades on subscriber numbers, and shares jumped in after-hours trading.

Much of the relief has to do with its outlook for the second quarter, when Netflix has only four new series slated for release. That could be worrisome in terms of drawing new eyeballs. Yet the company expects to add 6.2 million subscribers globally in the second quarter, above the 5.24 million forecast by analysts.

Those numbers reflect the company's explosion in international markets, which generated 5.46 million of its new subscribers. At home, the company's expansion into cable bundles has helped prop up growth.

That insulates Netflix from dependence on new content—for now. But the platform is going to lose more content in years to come as **Disney**, **Fox** and others pull their movies and shows to put on their own platforms.

With a forward price/earnings ratio of 95, the company's valuation is extreme, especially given its debt. But its remarkable ability to keep drawing eyeballs gives investors little reason to sell.

—Elizabeth Winkler

## Big Banks Boost Results, but Is This as Good as It Gets?

## A Higher Bar

Price-to-book-value ratio



since 2011 and Citigroup's best since 2010, according to S&P Capital IQ. At Bank of America, pretax earnings were up 15% from a year earlier. At Citigroup, it held steady from a year earlier.

The banks are benefiting

from multiple tailwinds. Tax reform and years of economic expansion boosted growth, while higher interest rates, more active stock and bond trading, and generally low loan defaults are all helping.

The banks deserve credit for steadily reducing expenses, winding down legacy portfolios leftover from the financial crisis and maintaining discipline on lending. At Bank of America the efficiency ratio, which measures operating expenses as a percentage of revenue, improved to 60% in the first quarter from 63% a year earlier. At Citigroup, it held steady from a year earlier at

58%.

The solid performance stands out compared with **Wells Fargo**, the industry's new laggard, which has seen costs jump as it struggles to overcome a series of sales controversies.

Investments in compliance are weighing on the bottom line, with the bank's efficiency ratio rising to 65% in the first quarter from 62% a year earlier.

The bank has little choice but to make these investments if it hopes to escape the Federal Reserve's onerous limits on its asset growth.

Arguing that Bank of America can keep producing

good results, Chief Financial Officer Paul Donofrio said the strong first quarter "is not an anomaly," as it comes after several quarters of continuous improvement.

The real question for investors is whether banks are at peak earnings and whether results will decline in a less perfect economic environment.

Bank of America's shares now trade at 1.25 times book value, compared with just 0.6 times two years ago. That effectively prices in today's higher returns.

To keep rising from here, banks need to keep on improving.

—Aaron Back

This was Bank of America's best quarterly return