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What's News

Business & Finance

Worker productivity rose modestly last quarter but showed little sign of breaking out of the sluggish trend that has held back economic growth. A1

◆ Permian Basin investors are questioning whether drillers in the oil field can keep production rising. A1

◆ Canadian buyout firm Catalyst and its lending arm have been accused of fraud in whistleblower complaints. B1

◆ Mylan cut its earnings forecast amid competition from generics and delays in launching key drugs. B1

◆ Tesla is hoping the playbook that helped it raise billions from stock investors will work with its bond offering. B1

◆ Vantiv is buying Worldpay for about \$10.4 billion, forming a trans-Atlantic payment-processing giant. B10

◆ The Labor Department is proposing to delay the fiduciary rule's compliance deadline by 18 months. B10

◆ The Dow fell 36.64 points to 22048.70 as concerns over geopolitical risk rippled through global markets. B12

◆ BofA is joining other big credit-card issuers in the premium-rewards card fray. B10

◆ An ad-industry study found transparency issues in the production business. B3

◆ Fox delivered a modest earnings beat, helped by higher ad and distribution fees for its cable channels. B5

◆ Japan Display said it wouldn't rule out a partnership with a Chinese or Taiwanese firm to survive. B4

World-Wide

◆ U.S. administration officials sought to keep pressure on North Korea to curb its nuclear ambitions while moving to lessen alarm sparked by Trump's threats. A1

◆ A broad overhaul of the U.S. nuclear arsenal, under way for half a decade, is expected to cost as much as \$1 trillion over 30 years. A6

◆ North Korea released a Korean-Canadian pastor following a detention of more than two years. A6

◆ Manafort's home was raided last month by FBI agents seeking material tied to foreign bank accounts and tax matters. A2

◆ The administration must decide within weeks whether to continue funding ACA "navigators." A4

◆ Trump criticized McConnell for failing to advance a health-care bill through the Republican-led Senate. A4

◆ West Virginia's governor is seeking some \$4.5 billion a year in federal funds to support Eastern coal. A3

◆ A man suspected of ramming a car into a group of soldiers in a Paris suburb was shot and detained. A7

◆ The U.S. Treasury sanctioned the captain of Mexico's national soccer team for allegedly acting as a frontman for a drug trafficker. A7

◆ Eight officials associated with Venezuela's constituent assembly were hit with sanctions by the U.S. A7

◆ Kenya's president held a big lead over his challenger in unofficial election results, but fraud allegations sparked protests. A16

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U.S. NEWS

FBI Searched Home of Former Trump Aide

BY DEL QUENTIN WILBER
AND BYRON TAU

WASHINGTON—Federal agents working with Special Counsel Robert Mueller last month raided the Virginia home of Paul Manafort, President Donald Trump's former campaign chairman, to obtain documents and other material tied to foreign bank accounts and tax matters, said people familiar with the matter.

Federal Bureau of Investigation agents executed a search warrant signed by a federal judge just before dawn on July 26 at Mr. Manafort's home in Alexandria, a Washington suburb. Carol Cratty, an FBI spokeswoman, declined to comment, as did Joshua Stueve, a spokesman for Mr. Mueller's office.

A spokesman for Mr. Manafort, Jason Maloni, said in a statement: "FBI agents executed a search warrant at one of Mr. Manafort's residences. Mr. Manafort has consistently cooperated with law enforcement and other serious inquiries and did so on this occasion as well."

Mr. Mueller and the FBI are

scrutinizing Mr. Manafort for possible violations of lobbying and money-laundering laws, according to people familiar with the matter. Mr. Manafort has said that he did nothing wrong.

It wasn't clear whether agents raided other properties belonging to Mr. Manafort, who spends most of his time at a home in Florida.

The execution of a search warrant requires that prosecutors and agents convince a federal judge that they have "probable cause" to believe a crime has been committed.

People close to Mr. Manafort suggested the early-morning raid may have been intended in part to send a message. Agents executed the warrant when they knew Mr. Manafort would most likely be in the Washington area, a day after he was interviewed by the Senate Intelligence Committee, the people said.

Mr. Manafort learned about the raid when agents knocked on his bedroom door, according to a person close to the former campaign chairman.

It isn't clear whether the search is connected with Mr.

How Investigators Got OK for the Raid

Before the FBI raided the Virginia home of Paul Manafort, President Donald Trump's former campaign manager, a federal judge had to sign off on a search warrant. Here is how the process works:

What is required of authorities before a judge will approve a search warrant?

Police generally need "probable cause" before searching someone's home and seizing evidence. That standard is set under the Constitution's Fourth Amendment, which protects

against unreasonable searches and seizures.

What's probable cause?

It means investigators can show there is a fair probability of finding evidence of criminal activity. That threshold is higher than what is required to obtain a criminal or civil subpoena to compel testimony or production of records. But it is a lower burden than the "beyond a reasonable doubt" standard needed to convict a defendant.

How does the approval process for a warrant work?

Authorities must get permission from a "neutral and detached" judge. An affidavit typically accompanies a request for

a warrant, laying out the grounds for the warrant and describing the particular items to be searched. Warrant applications and orders may be sealed during an investigation.

What does it mean for the warrant to be approved?

The warrant doesn't necessarily mean that Special Counsel Robert Mueller has enough evidence to charge Mr. Manafort with a crime. But it means that at least in the eyes of a federal judge, whose identity isn't publicly known, Mr. Mueller's investigative team established a likelihood that the raid would turn up criminal evidence relevant to the probe.

—Jacob Gershman

Several congressional committees investigating the Russian interference have been seeking answers from Mr. Manafort about his foreign lobbying work and his contacts with foreign governments or their representatives during the campaign.

Mr. Manafort has turned over hundreds of pages of records to Senate committees, including notes he took while attending a meeting in June 2016 with Donald Trump Jr., one of the president's sons, and a Russian lawyer who had promised to provide damaging information on Mrs. Clinton.

The former Trump campaign chairman is expected to meet with investigators from the Senate Judiciary Committee in coming weeks. Mr. Manafort produced about 400 pages of material for the committee earlier this month.

Separately, the Trump campaign has turned over 20,000 pages to the Judiciary Committee, according to a spokesman for the committee.

—Rebecca Ballhaus
and Brett Forrest
contributed to this article.

Fire Leaves Colorful Cars Looking Gray



SCORCHED: An insurance-company official on Wednesday at Country Classic Cars, outside of the southern Illinois community of Staunton. Dozens of vehicles were destroyed when a fire late Tuesday swept through a building with a showroom and warehouse.

Lawsuits Challenge Seattle Tax Measure

BY ZUSHA ELINSON

A new tax-the-rich measure in Seattle was hit with its first legal challenge Wednesday.

The measure, passed by the city council in July, would impose a 2.25% tax on any income over \$250,000 or above \$500,000 for couples filing jointly. It is expected to affect about 9,000, or 2%, of the city's taxpayers.

A lawsuit filed by the **Freedom Foundation**, a conservative think tank, on behalf of 19 Seattle citizens alleges the legislation violates the state Constitution as well as restrictions on cities imposing such taxes. A separate group called the Opportunity for All Coalition, founded by Seattle venture capitalist Matt McIlwain, filed a lawsuit later in the day.

Backers of the measure welcome the suits, because they believe a court ruling in favor of the tax will pave the way for a statewide income tax.

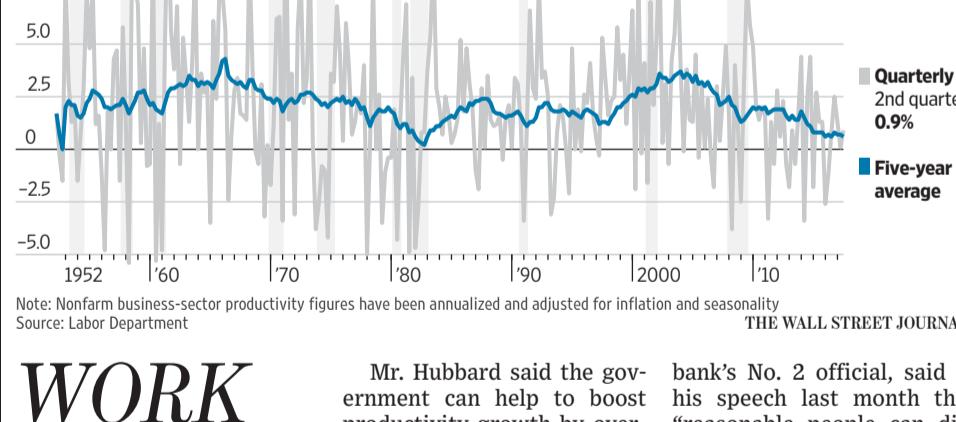
The battle in the state courts could lead to a fundamental change to the unique politics of Washington, a liberal-leaning state with a longstanding aversion to taxing income.

A similar measure lost in Olympia, the capital, last year, and a tax-the-rich statewide initiative was voted down in 2010.

Washington is one of seven states in the country, including Florida, Texas and Wyoming, without an income tax. The last time voters passed a graduated statewide income tax in Washington, it was struck down by the state Supreme Court in 1933 as unconstitutional.

Counterproductive

Productivity growth, though volatile in the short run, has slowed markedly since the information technology-fueled boom of the late 1990s and early 2000s.



Mr. Hubbard said the government can help to boost productivity growth by overhauling business taxes, rolling back regulations and supporting basic research. Such steps could increase business investment and the know-how that helps to fuel growth.

"Those would be the ingredients," he said. "I would start with tax reform, and I hope that's coming."

Mr. Baily, who was chairman of the White House Council of Economic Advisers under President Bill Clinton, said a corporate-tax overhaul, deregulation and other actions by the Trump administration could help improve the productivity outlook, but likely not enough to generate sustained 3% growth in gross domestic product.

"Assuming they're able to do what they say they're going to do...I could imagine this could add perhaps a half percentage point to productivity growth," he said.

"That would be an achievement," he added, though "it's not going to give this administration the GDP growth rates that they're looking for."

Mr. Fischer, the U.S. central

bank's No. 2 official, said in his speech last month that "reasonable people can disagree about the right way forward, but if we as a society are to succeed, we need to follow policies that will support and advance productivity growth."

He also said that "government policy works best when it can address a need that the private sector neglects, including investment in basic research, infrastructure, early childhood education, schooling and public health."

Productivity data tend to be volatile from quarter to quarter, and the Labor Department in Wednesday's report released revisions going back several years.

The productivity trend was slightly stronger than earlier estimated in 2014 and 2015, and slightly weaker than initially thought in 2016. Productivity fell 0.1% last year, the first calendar-year decline since 1982.

Unit labor costs at nonfarm businesses rose at a 0.6% rate in the second quarter, less than economists had expected. From a year earlier, unit labor costs fell 0.2%.

Mr. Trump.

Russia has denied interfering in the election, and Mr. Trump has called the investigations a "witch hunt."

Mr. Manafort had been in the crosshairs of federal investigators and prosecutors since before Mr. Mueller was tapped in May to be special counsel.

U.S. WATCH

DETROIT

Mayor Cruises to Victory in Primary

Detroit Mayor Mike Duggan won 69% of votes in the city's mayoral primary Tuesday, a strong sign that residents are pleased with the progress the city has made under his leadership.

The nonpartisan mayoral primary means Mr. Duggan will face off in November against his top challenger, Coleman A. Young II, who garnered 27% of the votes.

Each of the six remaining candidates received less than 1% of the vote.

Tuesday's election was widely viewed as a referendum on the advances the city has made since its historic bankruptcy in 2013.

Pre-election polling suggested Mr. Duggan had a wide lead over Mr. Young.

Mr. Duggan campaigned on Detroit's turnaround under his leadership, including a revitalization of its downtown and improvement in basic city services like streetlights, blight removal and public transportation. He was elected to his first term as mayor in 2013, the same year Detroit filed for the largest municipal bankruptcy ever.

—Shayndi Raice

WEATHER

Franklin Reaches Hurricane Strength

Franklin strengthened Wednesday into the first Atlantic hurricane of the season, with winds picking up to 75 miles an hour as the storm headed toward the Mexican Gulf Coast state of Veracruz, the U.S. National Hurricane Center said.

Franklin was expected to make landfall late Wednesday or early Thursday, the center said.

Franklin caused no casualties and little damage as it crossed the Yucatán Peninsula earlier in the week as a tropical storm. It regained strength after moving into the Gulf of Mexico. The storm could strengthen more before reaching land but is expected to weaken quickly over mountainous terrain.

—Anthony Harrup

WISCONSIN

Lawmaker Votes for Incentives Uncertain

The leader of the Wisconsin Senate said Wednesday he doesn't know if he has the votes to pass a package of incentives for a Foxconn plant in the southeastern corner of the state, raising doubts about whether legislators will be able to meet a deadline for completing the deal.

Senate Majority Leader Scott Fitzgerald expressed concerns about some specifics of the deal with the Taiwanese electronics giant, which could decide to go elsewhere for its first U.S. factory if the \$3 billion package isn't approved by Sept. 30.

The Republican leader said he wants to know more about how bonding for interstate reconstruction near the plant's site will affect a \$1 billion shortfall in the state's transportation fund.

Despite Mr. Fitzgerald's concerns, Assembly Republicans planned to take the first votes on the package next week, with a committee vote set for Tuesday and a full floor session scheduled for Aug. 17.

There was no immediate response to a message left in Foxconn's general email box Wednesday afternoon.

—Associated Press

NORTH DAKOTA

Stein Spared Jail Time in Plea Deal

A North Dakota judge on Wednesday accepted a plea agreement that spares former Green Party presidential candidate Jill Stein any jail time for protesting the Dakota Access oil pipeline nearly a year ago.

Judge Gail Hagerty accepted a plea deal in which Ms. Stein pleaded guilty to misdemeanor criminal mischief and prosecutors dropped a misdemeanor criminal trespass charge. Ms. Stein will be on unsupervised probation for about six months and must pay \$250 in fees.

Ms. Stein and her attorney didn't respond to messages seeking comment.

Ms. Stein was charged for spray-painting a bulldozer at a construction site last September.

—Associated Press

CORRECTIONS & AMPLIFICATIONS

A U.S. News article on Wednesday about a primary-election challenge faced by Nevada Sen. Dean Heller was incorrectly accompanied by a photo of South Dakota Sen. Mike Rounds, who was misidentified in the caption as Mr. Heller.

The name of painkiller OxyContin was misspelled as Oxycontin in a U.S. News article on Wednesday about President Donald Trump's pledge for a tougher law-enforcement response to an epidemic of opioid addiction.

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

Road Deal Hits Potholes In Indiana

Public-private efforts for infrastructure have failed in some states; backers cite successes

By CAMERON MCWHIRTER

At a time when Washington is promoting private investment in roads, bridges and other infrastructure, a 21-mile stretch of highway in Indiana provides what critics say is a cautionary tale.

The project, a partnership between the state and private investors, was signed by Vice President Mike Pence in 2014 when he was the state's governor. It is two years behind schedule and only 60% built. The state is in the process of taking it over and will have to issue debt to finish it.

"It became clear that the only way to ensure completion in a reasonable time frame would be to put it back under the state's control," said Stephanie Wilson, spokeswoman for current Republican Gov. Eric Holcomb. "As with any project, we must pivot and change course when needed. That's what we did here."

Asked about the partnership, vice presidential spokesman Mark Lotter said Mr. Pence "was proud of Indiana's many accomplishments during his

tenure as governor" including investments in infrastructure.

The road's troubles come as more cash-strapped states explore deals with the private sector as an alternative to finance and fund delayed infrastructure projects. More than 30 states have created rules for such deals to be possible. These arrangements, known as public-private partnerships, are still new to the U.S., where states typically have used bonds to pay for such deals. Some of these projects have saved states time and money. Others have landed in bankruptcy.

The southern Indiana project had a raft of setbacks early on. The state selected a consortium that included a Spanish construction company, Grupo Isolux Corsán SA, that hadn't worked on a road project in the U.S. Its \$325 million winning bid was nearly \$75 million below the next-lowest one. The company quickly ran into unrelated legal difficulties in Europe that hurt its finances.

"Unexpected circumstances have led to delays that are not uncommon to projects of this complexity and scope," said a spokesman for the private group, I-69 Development Partners LLC, that was building the road.

Matt Pierce, a Democratic state representative from Bloomington, said the private



Construction delays on I-69 have frustrated residents and businesses near the still-incomplete road, who are tired of traffic woes.

structure gave the state less ability to oversee the project and its finances.

The I-69 expansion project was rocky from the start. There were permitting and environmental delays, cost overruns and work suspensions because subcontractors had trouble getting paid, according to Stacey Mawson, a senior credit analyst in Fitch Ratings's Global

Infrastructure & Project Finance Group. Financial problems arose in part because of "Isolux's credit-quality deterioration," she said.

Isolux Corsán, which filed for bankruptcy in July and lost its equity in the partnership last year, didn't respond to emails and phone calls to its Madrid office seeking comment.

In June, the state said it would assume responsibility for the project. And I-69 Development Partners, now controlled by a company owned by a Canadian pension fund, is negotiating terms of debt with bond holders and the state. Standard & Poor's Rating Services downgraded the \$243 million in debt, saying a "default appears to be inevitable." Despite the problems, Indiana will continue to team with private investors for future needs, according to the governor's spokeswoman. The public private partnership "has proven effective in other Indiana projects."

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Public-Private Deals Draw Wide Support

centives to build the projects cheaply and on schedule.

Indiana has a public-private partnership for a bridge over the Ohio River that was recently completed ahead of schedule and \$200 million below the state's estimated cost.

There have been some notable public-private failures. Toll-road partnerships in Alabama, Texas and California declared bankruptcy in recent years after revenue from tolls used to finance these projects fell short of projections. Indiana

is the first major public-private partnership, a deal with Ferrovial SA's subsidiary Cintra to operate the Indiana Toll Road, fell into bankruptcy after revenue missed targets. It has since been bought by new owners.

"I might caution on drawing conclusions regarding all projects based on some individual project circumstances," said Patrick Rhode, U.S. vice president for corporate affairs for Cintra.

—Cameron McWhirter

Governor Seeks Subsidy to Save Coal

By DAN MOLINSKI

West Virginia Gov. Jim Justice is asking President Donald Trump to extend his support for the coal industry by providing some \$4.5 billion a year in federal funding for Eastern coal, a proposal miners in Western states say goes against free-market principles.

The governor, who days ago switched parties to Republican from Democrat, said in an interview Wednesday that Mr. Trump's elimination of regulations have been very helpful in starting to get the U.S. coal industry back on its feet. But he

said Appalachian region coal mines specifically—and the thousands of jobs they provide—remain at risk because of rising competition from natural gas and less-labor-intensive mines in Western states such as Wyoming, the nation's leading coal producer.

If the Eastern coalfields were to disappear, he said, then any disruption to the power grid in the East because of terrorism or other reasons could lead to tragedy because there would no longer be a nearby, abundant and easily-accessible energy source.

"The survivability of the

Eastern coalfields is very, very iffy," he said. "And if you lose the Eastern coalfields, you are putting the country at risk beyond belief." He insisted his funding proposal isn't for a subsidy, but rather a "home-state security incentive."

Mr. Justice said he made the proposal directly to President Trump recently. It calls for federal funding to pay Eastern power plants \$15 for each ton of thermal coal they buy from the Central or Northern Appalachian region, which includes parts of West Virginia, Ohio and Pennsylvania. This, for example, would allow

a utility to pay something like \$50 a ton to mining company, but in actuality only be paying \$35, he said. At 300 million tons a year, that could cost the U.S. \$4.5 billion annually, he added.

"In the scope of things, that would be a drop in the bucket to protect ourselves," Mr. Justice said.

Travis Deti, executive director of the Wyoming Mining Association, said while Mr. Justice's desire to defend jobs in his region is understandable, the less government intrusion in the coal market the better.

Chicago Lauds Once-Panned Picasso

By QUINT FORGEY

CHICAGO—For five decades, a giant Picasso sculpture has stood as the most prominent piece of public art in this city. But even as Chicagoans celebrate the 50th anniversary of its unveiling this week, many remain puzzled by what the sculpture depicts—and what it means.

The 50-foot work, which sits in a plaza, is made of welded steel, like the city's famous skyscrapers. It has a long face and a quizzical look. But is it a horse? A cow? A woman?

Bill Drendel, the 78-year-old former director of the Center for Book and Paper Arts at Columbia College Chicago, isn't sure, but he remembers the public's reaction 50 years ago, when he sneaked out of work to see the unveiling.

"They hated it. Hated it," he said.

Joe Mankowski, a Chicago native who thinks the sculpture looks female, recalled similar outrage.

"People didn't like it," he said. "They thought it was a joke Picasso was making on the city."



On Tuesday, Mayor Rahm Emanuel and other city leaders restaged that 1967 unveiling—and the reaction this time was warmer.

"We come together to revisit the past and to bring fresh eyes to this iconic artwork," said Mark Kelly, commissioner of the Chicago Department of Cultural Affairs and Special Events.

Eileen Ordas, who works with Cook County Child Support Services, said she walks across the street every day to eat lunch at Daley Plaza and admire the sculpture. She still doesn't know what it means. "I have no idea," she said. "I think it looks stunning."

Michael Darling, chief curator at Chicago's Museum of Contemporary Art, said the

sculpture's ambiguity allows its meaning to morph with the times and reflect changing social and political conditions.

"It kind of is slippery in the best sense," he said. "I think that art that can't be pinned down like that has sort of guaranteed its own survival because people can keep bringing their own meaning to it."

Sharon Gaston, who studied art appreciation at Chicago's Harold Washington College and works checking coats at the Civic Opera House during show season, teared up when discussing the sculpture.

"It brings me joy," she said, gesturing toward a group of laughing children sliding down the sculpture's slanted base.

Since Mr. Drendel first witnessed Chicagoans' horrified reaction 50 years ago, he said he has seen the city come to embrace and even adore the public art piece.

After evenings spent cycling through Daley Plaza, he said the statue reminds him more of the city itself than any woman, animal or stringed instrument.

"I don't care what it is," he said. "It is what it is."

U.S. NEWS

Health 'Navigators' Brace for Cuts

By MICHELLE HACKMAN

WASHINGTON—The Trump administration must decide within weeks whether to continue funding organizations that help people enroll in health insurance through the Affordable Care Act, one of several imminent choices that could signal the administration's larger approach to the law.

The Centers for Medicare and Medicaid Services awarded \$63 million in grants last year to nearly 100 community organizations that help people sign up for health plans under the 2010 law known as Obamacare. The grants for these so-called navigators are set to run through September 2018, but the contracts specify that funding year-to-year would be contingent on their performance.

That means the administration could choose to end the contracts early next month.

A spokeswoman for CMS declined to comment, and officials with navigator organizations said CMS leaders have given them no indication either way about the funding. But some are concerned the administration could move to cut them off, given President Donald Trump's criticism of the law and the administration's earlier actions to weaken elements of the law.

The GOP president also has warned he might end federal payments that insurers use to offset subsidies to low-income consumers under the law. The administration has pulled funding for advertisements encouraging people to sign up for insurance, and it has hinted it wouldn't enforce a central requirement of the law that most people get coverage or pay a penalty.

"This is a sort of death by a thousand cuts," said Brendan Riley, a health-policy analyst with the North Carolina Justice Center, an antipoverty group. "It seems pretty clear the administration is trying to undermine enrollment in order to destabilize the individual market and score political points."

The decision plays into a larger debate about the law, especially now that congressional Republicans' efforts to overturn it have stalled. Since the law went into effect in 2014, about 20 million people



New York City taxi drivers received information about the Affordable Care Act and help getting insurance at a Harlem garage in 2014.

Bipartisan Experts Push Insurance Fix

WASHINGTON—A bipartisan group of health-policy experts offered a proposal Wednesday to stabilize the Affordable Care Act's insurance markets, a blueprint intended in part to provide cover for lawmakers seeking to work across the aisle.

The group, comprised of prominent advisers to former Republican and Democratic presidents, began holding monthly meetings in January to search for points of agreement on a possible package to address rising premiums and in-

surers leaving the individual insurance market.

The group's leaders said Wednesday they are pitching it to lawmakers including Sen. Lamar Alexander (R., Tenn.), chairman of the Senate Health Committee, and Sen. Patty Murray (D., Wash.), the panel's top Democrat, who are working to craft legislation with similar goals.

"We hope that our being able to find a balanced set of recommendations will be regarded as important to members of Congress who will ultimately need to make any changes," said Gail Wilensky, who served as a health-policy adviser to former President George W. Bush, a Republican

who helped convene the group.

The plan makes a handful of recommendations. It encourages lawmakers to formally authorize the 2010 law's "cost-sharing reduction" payments, which help insurers subsidize costs for some low-income consumers. It recommends Congress ensure funding for the popular Children's Health Insurance Program, which is favored by members of both parties.

The authors also endorse two GOP-backed ideas—expanding the use of health-savings accounts and broadening the law's state innovation waivers to give states more flexibility in administering their insurance markets.

—Michelle Hackman

gained health coverage, most of them because of expanded coverage under the federal-state Medicaid program.

But Republicans have pointed to fragile insurance markets in some states for people who buy coverage on individual exchanges as evidence that the system is collapsing. Democrats have said Republican governors of some

states, and now Mr. Trump's administration, are undermining the law.

Rep. Tim Murphy (R., Pa.), chairman of a congressional panel that has held hearings on the navigator program, said through a spokeswoman that it failed to sign up enough people and didn't meet other quality standards, and that he doesn't believe federal funds

should be used to enroll people in the law's plans in any case.

The navigator program never should have "been unleashed on the public, and Chairman Murphy does not support continuing to steer millions of taxpayer dollars" toward it, said Carly Atchison, Mr. Murphy's spokeswoman.

The administration ended two contracts last month with

companies that provide supplemental enrollment assistance, citing the small number of people these groups had signed up the previous year. The administration also hasn't yet indicated whether it plans to staff the law's call centers and automatically re-enroll people who don't actively change their plan selections.

"There's fear and concern and everything else," said Daniel Bouton, director of Community Health Services for the Community Council of Greater Dallas, which received \$1.2 million to act as a navigator in 2016-17. "But we are staying positive that our funding is secure, especially since the Affordable Care Act continues to be the law."

Former President Barack Obama's administration set up the navigator program in 2013, citing research that suggested most uninsured people knew little about the law's provisions and were broadly skeptical of health insurance. The enrollment specialists installed themselves in hospitals, libraries and other institutions where they offered assistance signing up for plans.

WASHINGTON WIRE

CLIMATE CHANGE

White House Faces Deadline on Report

The Trump administration faces a deadline at the end of next week on whether to approve a scientific report that verifies climate change and attributes it to humans, a position that contradicts some of the rhetoric the president used during his 2016 campaign.

The White House's Office of Science and Technology Policy is supposed to decide by Aug. 18 whether to approve or recommend changes to the "Climate Change Special Report," the research on climate science that feeds its National Climate Assessment.

The scientific draft has been through several versions, one publicly available since late last year. The New York Times reported about the latest draft on Tuesday.

—Timothy Puko

SEPT. 11 ATTACKS

Court Bars Judge From Hearing Case

A federal appeals court barred a military-commissions appeals judge from hearing a key case on the Sept. 11 terror attacks, finding that his comments to the news media suggested he was biased against the defendants.

In a seven-page opinion Wednesday, the U.S. Court of Appeals for the District of Columbia Circuit also threw out a pro-government ruling in which the judge, Scott Silliman of the Court of Military Commission Review, took part in July.

The D.C. Circuit decision is the latest setback for the government's 16-year effort, begun soon after the Sept. 11, 2001, attacks, to create a system separate from the federal courts and courts-martial that can prosecute suspected terrorists without affording them constitutional rights.

Judge Silliman said it would be inappropriate for him to comment on the decision. David Nevin, an attorney for Khalid Sheikh Mohammed, one of the defendants and the alleged mastermind behind the Sept. 11 attacks, declined to comment. The Justice and Defense departments also had no comment.

—Jess Bravin

EDUCATION

DeVos Discusses Black Colleges

Education Secretary Betsy DeVos distanced herself on Wednesday from her comment earlier this year about the nation's historically black colleges and universities being pioneers of school choice, saying that in the past "there were no choices" for African-Americans in higher education.

"When I talked about it being a pioneer in choice it was because I acknowledge that racism was rampant and there were no choices," Ms. DeVos said in an interview. "These HBCUs provided choices for black students that they didn't have."

—Associated Press

Trump Criticizes McConnell Over Health Bill

By BYRON TAU

ring to the GOP effort to roll back and replace former President Barack Obama's 2010 Affordable Care Act.

The president's tweets followed criticism from Dan Scavino Jr., Mr. Trump's social-media director and a senior aide, who wrote on Twitter earlier Wednesday that Mr. McConnell "must have needed another 4 years—in addition to the 7 years—to repeal and replace Obamacare."

The president's remarks came after Mr. McConnell at an event in Kentucky this week critiqued the "artificial deadlines" set by the president in

the monthslong debate over health care that were "unrelated to the reality of the complexity of legislating."

"Our new president has of course not been in this line of work before and, I think, had excessive expectations about how quickly things happen in the democratic process," Mr. McConnell said.

The House passed a bill to overhaul the ACA in May. But the health-care repeal push was stymied in the Senate in a dramatic, late-night vote in July, when three Republicans joined with Democrats to vote against the bill. That effec-

tively ended the GOP's repeal effort and dealt a blow to a longstanding campaign promise of the Republican Party.

It also led to recriminations among Republican lawmakers over the failure to advance the repeal bill—a pillar of the GOP agenda since the ACA was enacted in 2010.

Separately, other Senate Republicans are increasingly becoming potential targets for Mr. Trump. He wrote in a tweet last month that Alaska Sen. Lisa Murkowski "really let the Republicans, and our country, down." She was one of the three who voted against the

health-care measure.

Mr. Trump's allies have also begun targeting Sen. Jeff Flake of Arizona, one of the most vulnerable Republicans of the 2018 cycle. Mr. Flake voted in favor of the health-care bill but has been critical of the president on other issues.

A group supporting Kelli Ward, who is running as a Republican to unseat Mr. Flake, announced Wednesday that it had received a \$300,000 donation from Robert Mercer, a major donor and ally of Mr. Trump. A spokesman for Mr. Mercer didn't respond to a request to comment.

dropping—it is on track with what its engineers predicted. Analysts and some investors say all that gas is basically a free byproduct that will make the wells more valuable.

Parsley Chief Executive Bryan Sheffield echoed that point when he said last week that the company's wells were still producing as much oil as expected.

"Oil volumes are in-line with expectations, so the extra gas is truly additive."

Pioneer Chief Executive Tim Dove told analysts that oil was "absolutely meeting our expectations on a per-well basis, and adding more gas and [natural gas liquids] to the mix is a positive in terms of revenues and reserves without even affecting oil."

"This is a good thing," he said.

The explanation didn't seem to help.

"While it is only one day of trading, the underperformance of high-quality Permian stocks has left some [portfolio managers] asking about where to reallocate capital within the sector," Goldman Sachs analysts wrote last week as share prices tumbled.

—Ryan DeZember

contributed to this article.

GAS

Continued from Page One
more oil production than expected.

But the sell-off, and analyst notes that followed, revealed that some investors are questioning whether they were overly confident in the resilience of the Permian, and perhaps overpaid for it.

Most wells produce natural gas as a byproduct alongside oil, and that gas output tends to rise over time. That is because as a reservoir is depleted, its pressure drops and gas vapors separate from liquid-reaching the "bubble point" at which natural-gas production accelerates.

Pioneer last week indicated that some of its Permian wells are reaching this point sooner than it anticipated.

"Why everyone's so concerned is that it could mean at some point in the future, that oil declines are steeper than what company and the investment community thought they would be," said Ben Shattuck, research director at consultancy Wood Mackenzie.

John Groton, director of equity research at Thrivent Fi-

nancial, which owns shares of Pioneer, said the issues were a hiccup, "not a harbinger of the end for the Permian." Still, he said, "It never goes as smoothly as people think it will."

Some skeptics have long suspected that the ultimate recoverability rates of oil from tightly packed U.S. shale rocks might be lower than many drillers were forecasting, and that the process to extract it would ultimately be too expensive.

Some investors are questioning whether they may have overpaid for Permian.

sive a proposition.

U.S. shale producers use a process known as fracking—blasting water and sand through rock to unleash vast quantities of oil and natural gas. Because of the unusual geology in the Permian, which consists of stacked layers of oil-bearing rock that can be tapped simultaneously from a single site, Wall Street widely believed these companies

could turn a profit even at lower oil prices. Shares of companies in the Permian held up better than their peers while oil prices plummeted starting in 2014.

Quarter after quarter, producers demonstrated that they could break even there at lower and lower oil prices as they learned to extract more oil from each well.

Their success meant they were able to tap investors for more cash when they needed it. Companies that weren't in the Permian wanted to be there, and they were willing to pay up for land.

The premium for shares of Permian producers compared with oil companies that focus on other regions shrank by 14% after Pioneer reported its results, Morgan Stanley analysts said Monday.

Investors didn't receive the beat-and-raise quarter that they saw in the first quarter, Cowen analysts wrote in a note this week.

Even before second-quarter results, there were signs that investors' enthusiasm was ebbing. When QEP Resources Inc. last month announced a deal to spend \$732 million to buy drilling land in Martin County, Texas, its shares fell.

Permania

North American oil and gas producers raised about \$62 billion since 2014 by selling new shares. Much of the proceeds went to companies operating in the Permian Basin.

Cash raised by other North American oil and gas producers

Cash raised by Permian producers



*Through Aug. 8

Sources: Dealogic, company filings (cash raised);

Energy Information Administration (production)

Estimated Permian oil production, monthly

2.5 million barrels a day



THE WALL STREET JOURNAL.

producing more gas means for future oil production.

Scott Rees, chief executive of Netherland, Sewell & Associates Inc., an independent engineering consulting firm that has Pioneer as a client, said that when production reaches this point, it doesn't mean that oil production is about to drop off.

So far, Pioneer said the oil output from its wells isn't

dropping—it is on track with what its engineers predicted.

Analysts and some investors say all that gas is basically a free byproduct that will make the wells more valuable.

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"While it is only one day of trading, the underperformance of high

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WORLD NEWS

U.S. Is Overhauling Its Nuclear Arsenal

A \$1 trillion revamp begun under Obama is under way as tensions rise with North Korea

By PAUL SONNE

WASHINGTON—A broad overhaul of the U.S. nuclear arsenal has been under way for half a decade, aiming to replace the planes, missiles and submarines the U.S. military would use to deliver nuclear weapons to enemy targets.

The project, expected to cost as much as \$1 trillion over 30 years, took on new relevance on Wednesday amid an exchange of threats between the U.S. and North Korea—and after President Donald Trump touted the nuclear revamp.

"My first order as president was to renovate and modernize our nuclear arsenal," Mr. Trump wrote on Twitter. "It is now far stronger and more powerful than ever before."

The overhaul of the nuclear



President Trump, seen on a TV in Seoul, wrote the U.S. nuclear arsenal is 'more powerful' than ever.

program began under the Obama administration, which agreed to undertake the program in 2010 in exchange for Republican ratification of the New Start nuclear arms reduction treaty with Russia.

The modernization program doesn't increase the size of the

warhead arsenal, which already dwarfs that of North Korea.

As of March, the U.S. government said it had more than 1,400 nuclear warheads deployed on missiles, submarines and bombers. North Korea has about 10 nuclear warheads, according to the Arms Control

Association, a nonpartisan Washington research group.

In January, Mr. Trump, in one of his earliest presidential memorandums, initiated a nuclear posture review—a customary action administrations undertake to examine and update the role of nuclear weapons in U.S. national security policy. A revamp of the nuclear arsenal requires congressional legislation.

So far there have been no significant changes to any of the nuclear modernization programs that were already put in place under the past administration," said Todd Harrison, director of defense budget analysis at the Center for Strategic and International Studies. "In fairness, you can't expect that the president would have done anything in the past six or seven months."

The plan, agreed to by the Obama administration and the Republican Congress, is intended to replace by 2031 all three legs of what's known as the nuclear triad—bombers in the air, submarines at sea and intercontinental ballistic missiles, or ICBMs, on alert in underground silos. In addition, the overhaul includes the development of a new air-launch cruise missile.

The Pentagon and its backers on Capitol Hill say the modernization is essential for the

U.S. to retain a strategic edge, as China and Russia renew and advance their own nuclear systems, North Korea develops its nuclear capabilities, and U.S. technology becomes obsolete.

The U.S. military has extended the lifespan of the existing weapons systems—some of which date back five decades—for as long as the Pentagon believes they can reasonably last.

"We've waited so long that we've pushed all the timelines to the right," Lt. Gen. Jack Weinstein, Deputy Air Force chief of staff for strategic deterrence and nuclear integration, said in an interview with The Wall Street Journal earlier this year. "We can't push it anymore."

Nonproliferation advocates and some members of Congress, however, have said the modernization effort is too expensive and extensive. A number of senators, including Sen. Edward J. Markey (D., Mass.), have called for the U.S. to scrap its plans for the new air-launch cruise missile.

TRUMP

Continued from Page One

Mr. Trump touted the strength of the American nuclear arsenal in a message Wednesday morning on Twitter from his resort in Bedminster, N.J., but he tempered his rhetoric from the previous day.

"Hopefully we will never have to use this power," Mr. Trump wrote, "but there will never be a time that we are not the most powerful nation in the world!"

The White House also said Mr. Trump was using his own words when he made the "fire and fury" remarks on Tuesday, but press secretary Sarah Huckabee Sanders said the president discussed the "tone and strength" of the message beforehand with advisers including White House Chief of Staff John Kelly.

When asked if Secretary of State Rex Tillerson was aware of the remarks beforehand, State Department spokeswoman Heather Nauert said the secretary of state spoke with the president "after the fact."

Mr. Tillerson on Wednesday also looked to defuse the tension, stating that Mr. Trump's "fire and fury" comment didn't indicate the U.S. was moving toward a pre-emptive military attack on North Korea's rapidly advancing nuclear weapons and missile program.

The secretary of state instead championed the diplomatic effort to pressure North Korea into disarmament talks.

North Korea has conducted five nuclear tests since 2006. What has worried U.S. officials most in recent months, though, is the rapid progression of the country's program to field intercontinental ballistic missiles—long-range weapons that would allow North Korea to rocket warheads through the atmosphere to hit the continental U.S.

North Korea conducted its first ICBM test on July 4 and followed up with a second ICBM test on July 28 that experts said put the continental U.S. firmly in range of a strike.

U.S. officials believe the country has the capability to produce a nuclear warhead small enough to travel atop a missile. But they also think North Korea faces technical hurdles before such a warhead can withstand travel through the Earth's atmosphere on an ICBM.

Mr. Tillerson said the president's provocative message on Tuesday came in response to threatening statements Mr. Kim's government made after the United Nations Security Council hit Pyongyang with new sanctions as punishment for its aggressive testing program.

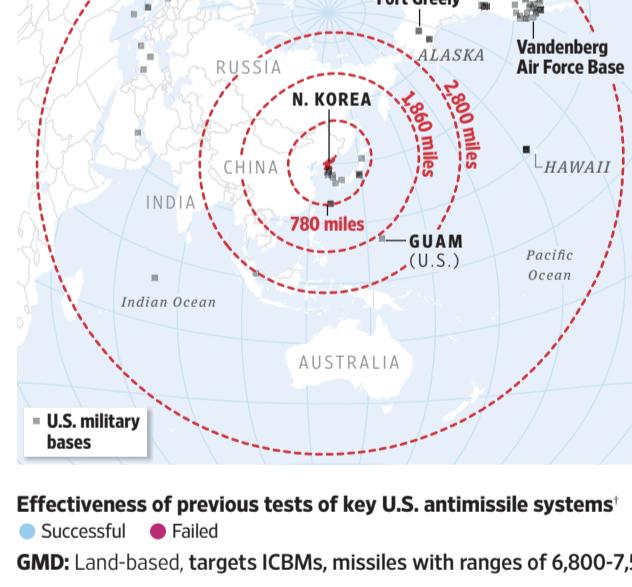


A rally in Pyongyang on Wednesday in support of the North Korean government, as tensions with the U.S. escalated.

Preparing for the Worst

Recent tests suggest North Korean missiles could reach much of the U.S. A look at the effectiveness of U.S. antimissile systems, and a comparison of nuclear arsenals

Approximate ranges of selected missiles North Korea has tested since 2015



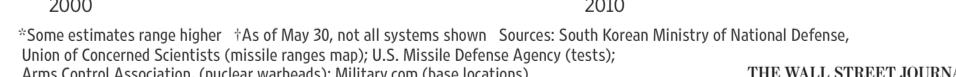
Effectiveness of previous tests of key U.S. antimissile systems*

● Successful ● Failed

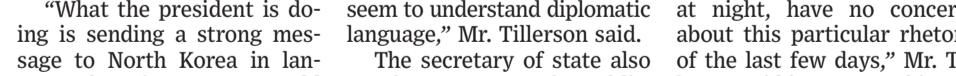
GMD: Land-based, targets ICBMs, missiles with ranges of 6,800-7,500 miles, 56% success rate



Aegis: Ship-based, targets missiles that have a range of 1,900-2,500 miles, 83%

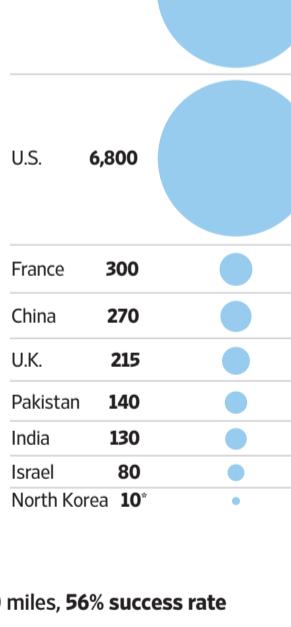


THAAD: Land-based, for short to intermediate range missiles with ranges up to 800 miles, 100%



*Some estimates range higher. †As of May 30, not all systems shown. Sources: South Korean Ministry of National Defense, Union of Concerned Scientists (missile ranges map); U.S. Missile Defense Agency (tests); Arms Control Association, (nuclear warheads); Military.com (base locations)

Estimated nuclear warhead inventories, 2017



that an attack on the island by North Korea wasn't imminent.

The top diplomat's efforts to dial down the rhetoric left it to Secretary of Defense Jim Mattis to keep up the pressure by reaffirming his confidence that the American military would prevail over Mr. Kim's regime in the event of any attack on the U.S.

Mr. Mattis warned North Korea that it is "grossly overmatched" by the U.S. and its allies and "would lose any arms race or conflict it initiates."

North Korea, meanwhile, stepped up its rhetoric on Thursday morning.

"The U.S. president at a [golf] links again let out a load of nonsense about 'fire and fury,' failing to grasp the ongoing grave situation," the official statement said, making a reference to Mr. Trump's warning against North Korea from the clubhouse of his golf course on Tuesday. "This is extremely getting on the nerves of the infuriated Hwasong artillerymen."

The tensions rattled financial markets worldwide on Wednesday, interrupting a stock-market rally fueled by corporate earnings and global economic growth. Declines in the U.S. were relatively mild, but they came during what has been a placid stretch for markets. The Stoxx Europe 600 fell 0.7%, while South Korea's benchmark Kospi index fell 1.1%.

China's Foreign Ministry didn't address pressure from the Trump administration to be more active in reigning in its ally in Pyongyang, calling the situation "complicated and sensitive." It appealed for calm and an early resumption of dialogue, as it usually does when tensions climb on the Korean Peninsula.

Some South Koreans say they find it difficult to keep track of the barrage of threatening language out of, and aimed at, Pyongyang.

But there are signs the mood may be shifting. At times South Korea has become "a passenger, not really able to control the rhetorical escalation" between Washington and Pyongyang, said Andrew Gil-

Detailed Canadian Pastor Is Freed

BY JONATHAN CHENG

SEOUL—North Korea released a Korean-Canadian pastor following a detention of more than two years, a move that comes amid a war of words between the U.S. and North Korea and follows the death of a U.S. college student held in Pyongyang's custody.

The release of Rev. Lim Hyeon-soo, a day after the arrival in Pyongyang of Daniel Jean, a top aide to Canadian Prime Minister Justin Trudeau, could potentially lower tensions between North Korea and the Western world. Hours before Mr. Lim was released, North Korea's military and U.S. President Donald Trump had exchanged heated public threats.

Mr. Lim, 62 years old, was arrested by North Korea in 2015 and given a lifetime sentence of hard labor in December of that year for conducting "hostile deeds" against the state.

The length of Mr. Lim's detention surpassed that of Kenneth Bae, a Korean-American missionary whose imprisonment in North Korea was the longest known for a U.S. citizen. Mr. Bae was released in late 2014, roughly two years after his detention.

North Korea said that Mr. Lim was released "on sick bail," citing a humanitarian concern for his health.

The release comes about two months after Pyongyang released Otto Warmbier, a former University of Virginia undergraduate, to the U.S. following a lengthy detention and sentencing of hard labor.

Mr. Warmbier returned to the U.S. with a severe brain injury and died six days after his return.

Mr. Lim, pastor of Light Korean Presbyterian Church in Mississauga, Ontario, was accused of committing "anti-DPRK religious activities" and acting with U.S. and South Korean authorities "to lure and abduct DPRK citizens," using the acronym for North Korea's formal name, the Democratic People's Republic of Korea.

North Korea is known to have three U.S. citizens in its custody: all of them Korean-Americans.



Rev. Lim Hyeon-soo, right, in court in Pyongyang in 2015.

Despite the Looming Threat, Seoul Residents Carry On

BY JONATHAN CHENG

SEOUL—Thirty-five miles on the world's most heavily fortified border, Song Young-kwon, 60 years old, isn't too concerned about the possibility of nuclear annihilation.

In South Korea, a close U.S. ally whose capital city risks bearing the brunt of any armed confrontation between Wash-

ington and Pyongyang, the most striking reaction on Wednesday to the latest escalation of nuclear threats was the general lack of public alarm.

Seoul's ubiquitous coffee shops were full of teenagers fiddling with smartphones. Tourists swarmed museums and barbecue restaurants. In the streets, hand-held electric fans have become a must-have

item to beat the August heat.

"I didn't see the news about Guam," said Mr. Song, browsing at a stationery store in downtown Seoul. "Where's Guam located?"

In the event of a U.S. strike against Pyongyang, Seoul stands in the firing line. The city is a 45-minute drive from the border where North and South Korean forces face off.

What the president is doing is sending a strong mes-

seem to understand diplomatic language," Mr. Tillerson said.

The secretary of state also sought to reassure the public.

"Americans should sleep well

at night, have no concerns about this particular rhetoric of the last few days," Mr. Til-

ler son said in Guam on his way

back from a trip to Asia, adding

at night, have no concerns

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WORLD NEWS

Mexican Athlete Sanctioned for Alleged Drug Ties

BY JUAN MONTES

MEXICO CITY—The U.S. Treasury Department sanctioned Rafael Márquez, the captain of Mexico's national soccer team and one of the country's most popular players, for allegedly acting as a frontman for a drug trafficker.

The former Barcelona defender was among 21 people named Wednesday by the Treasury Department's Office of Foreign Assets Control for ties to alleged trafficker Raúl Flores Hernández and his organization. It is the largest ever single Kingpin Act action against a Mexican drug-cartel network, the Treasury said.

The Treasury said Mr. Márquez, who has represented

Mexico in four World Cups, has longstanding relations with Mr. Flores Hernández, who was indicted in the U.S. for cocaine trafficking charges in March, and has held assets on behalf of the drug cartel. It is the first time a top Mexican athlete has been designated by U.S. authorities as having links with drug traffickers.

Mexico's Attorney General's Office said Mr. Márquez voluntarily appeared at the agency Wednesday for questioning. It said it was working with U.S. authorities on the case.

Mr. Márquez denied any links to drug gangs. "I categorically deny this," he told a news conference. "This is my most difficult game, but I will work to clear my name."

U.S. Targets Venezuelans

BY SAMUEL RUBENFELD

The U.S. Treasury Department Wednesday placed sanctions on eight officials associated with Venezuela's new constituent assembly, alleging they are aiding in what Washington said are dictatorial moves by President Nicolás Maduro.

The 545-member national assembly, which Tuesday declared itself the supreme institution in the country, is aligned with Mr. Maduro as it seeks to rewrite the country's constitution. The body was seated last week following an election called a fraud by opposition leaders.

Governments across Latin America this week refused to recognize the body.

The eight officials targeted Wednesday, including the older brother of the country's deceased former leader, are mostly second-tier officials in Mr. Maduro's ruling United So-



President Maduro had already been sanctioned by the U.S.



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Car Rams Soldiers in France

BY NOEMIE BISSEERÉ

PARIS—A man suspected of ramming a car into a group of soldiers in a Paris suburb, injuring six, was shot and detained on a highway hours after the attack, potentially ending a manhunt in a case prosecutors are treating as an act of terrorism.

The attacker ambushed the soldiers, waiting behind the wheel of a dark-colored BMW in an alley near the soldiers' local barracks and then slamming into a group as they walked to their vehicles to begin their morning patrol, officials said.

The car initially crept around a corner to approach the soldiers, then in a burst of acceleration mowed them down and sped off, added French Interior Minister Gérard Collomb.

"We know it was a deliberate act. This was no accident," Mr. Collomb said on French television.

The attack in Levallois-Perret is the latest in a string—including the Nov. 13, 2015, assault by Islamic State militants that killed 130 people in Paris and the truck attack in Nice that killed 86 on Bastille Day in July 2016—that has put France on edge.

Levallois-Perret, with a population of more than 65,000, is a wealthy suburb of Paris that is also home to the country's domestic-intelligence agency, the DGSI, which is less than half a mile from the scene of the attack. The suburb's clean streets are monitored by a large number of security cameras.

The soldiers who were attacked were among some 7,000 who have been deployed across the country to protect sensitive targets such as government offices, schools, places of worship and tourist attractions.

Witnesses speaking on French TV described hearing a loud crash like a car accident, followed by shouts of military officers and the



A security perimeter ringed the site of a Paris suburb where several soldiers were injured after a car slammed into them on Wednesday. Officials said the suspected attacker had been detained.

quick arrival of emergency services.

Three were seriously injured but their injuries weren't life-threatening, Defense Minister Florence Parly said.

She told journalists Wednesday afternoon that the prognosis for the three was "reassuring."

Mr. Collomb said that according to soldiers it appeared that there was only one man in the car, but he couldn't immediately confirm their account.

The suspect was detained on a highway north of Paris, after police spotted and followed the car used in the morning attack, according to a police officer.

The suspect, who tried to flee, was shot during the arrest, but is alive, the police officer added.

Paris prosecutors are treating the attack as an act of terrorism, a spokeswoman for the prosecutor's office said.

French President Emmanuel

Macron was following the situation closely, said government spokesman Christophe Castaner.

The government has declared and renewed a state of emergency, but the crackdown hasn't stopped the drumbeat of periodic attacks.

There have been roughly a dozen in France since November 2015, and more than half of those targeted military pa-

fire on the Champs-Élysées, killing a police officer and wounding two other people. Police returned fire, killing the gunman, who was later identified as Karim Cheurfi, a French national. Islamic State claimed responsibility for the April attack, said SITE Intelligence Group, which monitors the extremist group's communications.

Wednesday's incident is the second potential terrorist attack in just a few days in the Paris region.

On Saturday night, a knife-wielding man attempted to force his way into the Eiffel Tower.

The man, who was shouting "Allahu akbar"—Arabic for "God is great"—was quickly detained by police and no one was harmed, a spokeswoman for the Paris prosecutor's office said. The man, who has a history of psychological problems, later told police that he was targeting soldiers.

—Sam Schechner contributed to this article.

trols or police. Three police officers have been killed.

In June, two separate at-

tackers targeted armed pa-

trols near the Notre Dame Ca-

thedral and on the Champs-

Élysées, causing only minor

injuries.

In April, a gunman opened

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GREATER NEW YORK

Mosque Is Approved; Resistance Remains

BY KATE KING

BERNARDS TOWNSHIP, N.J.—An Islamic group has received final approval from local officials to build the first mosque in this Somerset County town, but it still faces opposition from future neighbors.

Local planning officials in Bernards Township unanimously voted on Tuesday to approve building plans for the mosque, marking the end to a long-running dispute that culminated with the town agreeing to pay \$3.25 million to settle two federal discrimination lawsuits.

But Christopher and Loretta Quick, who live next door to the 4-acre site of the future mosque, have filed a lawsuit against the town over the terms of the settlement agreement.

Mohammad Ali Chaudry, co-founder of the Islamic Society of Basking Ridge and a former mayor of the town, said he was pleased to have final approval for the mosque, which he has been trying to build for more than five years.

"We hope to welcome Bernards Township residents of all faiths to the ISBR mosque in the near future," he said.

The town planning board held 39 public hearings before voting in December 2015 to deny the application. The ISBR and U.S. Department of Justice sued, and in December a federal judge found that planning-board members showed "sufficient intent to discriminate on the basis of religion."

Town officials denied an anti-Islam bias, saying they rejected the application because of parking concerns. On Tuesday, several planning board members said they voted to approve the mosque to avoid further litigation.

As part of the settlement, public comment at Tuesday's planning board meeting was restricted to technical discussions of the mosque's building plans, with no commentary regarding Islam or Muslims permitted.

The Quicks, who are being represented free of charge by the Thomas More Law Center, a conservative group, filed a preliminary injunction that claimed the stipulation violated their constitutional right to free speech.

A federal judge denied the couple's motion Tuesday ahead of the planning board meeting. Their attorney, Tyler Brooks, said he plans to appeal to the U.S. Court of Appeals for the Third Circuit.

A town spokesman and the Islamic group's attorney declined to comment on the Quicks' lawsuit.



Mohammad Ali Chaudry

Council Rezones East Midtown

BY KEIKO MORRIS

The rezoning of Manhattan's aging East Midtown business district was approved by the New York City Council on Wednesday, clearing the last hurdle in a plan to spur 13.4 million square feet of new and redeveloped office space in the coming decades while tapping developers to pay for public improvements.

The rezoning, which covers about 78 Midtown blocks between the west side of Madison Avenue and the east side of Third Avenue, lays out a framework for commercial-property owners to modernize towers in a district where the average age of buildings is estimated to be 75 years.

At the same time, building taller requires developers to invest in specific transit upgrades and public-space enhancements, including rehabilitated subway stations, new escalators and pedestrian plazas.

The plan also opens up the



The average age of buildings in East Midtown, as seen above from Queens, is an estimated 75 years.

sale of unused development rights by owners of landmark properties throughout the district, setting a minimum contribution of \$61.49 a square foot or 20% of the air-rights sale price to a fund for public projects.

"We have always said we are

pro-growth, pro-density, but it has to come in equivalent benefits for people," said Deputy Mayor Alicia Glen.

Over the past few decades, public attention and investments have focused on commercial development in areas such as the new Hudson Yards dis-

trict on the far West Side and the redevelopment of the World Trade Center campus. Many took East Midtown for granted, despite the critical role it plays in the city's economy, as it is responsible for about 250,000 jobs and about 10% of the city's tax revenue, Ms. Glen said. A re-

zoning attempt by the previous administration under Mayor Michael Bloomberg failed.

Under Mayor Bill de Blasio's administration, a committee of the district's stakeholders—led by Councilman Daniel Garodnick and Manhattan Borough President Gale Brewer—hammered out a blueprint for the new plan. In addition to 6.8 million square feet of new space, some 6.6 million square feet of older office space is expected to be upgraded into top-tier modern offices, city officials estimate.

Although the Real Estate Board of New York had been pushing to further reduce the minimum public-fund contribution from landmark air-rights sales, the real estate organization lauded the plan's approval.

"The City Council's approval...is an important milestone in an ongoing effort to ensure the area remains one of the world's leading office districts," said John Banks, president of the Real Estate Board of New York, in a statement.

Power System Targeted in Latest Subway Fix

BY PAUL BERGER

New York Gov. Andrew Cuomo says the biggest cause of the city's subway delays is power problems, but fixes are on the way.

Instead of the **Consolidated Edison** utility and the Metropolitan Transportation Authority pointing fingers at each other nearly every time there is a problem, Mr. Cuomo said they would work together to inspect, repair and modernize the power system that feeds the subway.

"This is a massive undertaking," Mr. Cuomo said. "It will be the first time the system has been gone through and modernized literally in 80 years."

The fix isn't voluntary. The New York Public Service Commission, the state's utility regulator, is directing the power company to take action following several power-related subway disruptions earlier this year. If it fails to comply, the regulator could impose penalties.

Con Edison's Chief Executive John McAvoy said the initiative, which includes installing manhole sensors and smart meters across the system to monitor energy flow, will cost the utility tens of millions of dollars, possibly more. "Much of the scope of these things is still evolving," he said.

The MTA also would have to replace some of its own electrical equipment that can't handle fluctuations in power supply.

A spokesman for the MTA



Gov. Andrew Cuomo, in a white shirt, toured the Con Edison electrical system in the New York City subway on Wednesday.

referred questions about those costs to the governor's office. Mr. Cuomo said the cost is being assessed. He stressed that it is separate from an \$836 million subway rescue plan recently announced by MTA Chairman Joe Lhota.

Mr. Cuomo took reporters on

a tour of the electrical system Wednesday, accompanied by Mr. McAvoy and Charlie Hall, a senior vice president at the engineering-consulting firm WSP.

Mr. Cuomo started at an open manhole on Central Park West, pointing out where power feeds into the subway.

Then, he led reporters into the 59th Street-Columbus Circle station, onto the tracks and over the third rail to an energy-distribution room.

Subway delays are an increasing problem, with on-time performance this year languishing at 62.9%, well be-

low the MTA's target of 75%.

For Mr. Cuomo, who controls the MTA, it is a growing headache, particularly following two subway derailments this summer, and a well-publicized incident in which riders were stuck for almost an hour in subway cars without air conditioning.

Judges Dismiss Hundreds of Thousands of Old Warrants

BY CORINNE RAMEY
AND ZOLAN KANNO-YOUNGS

District Attorney Darcel Clark stood in a Bronx courtroom Wednesday and requested a judge dismiss 159,394 cases, most for minor infractions such as drinking alcohol in public.

"I hereby move to dismiss these in the interest of justice," Ms. Clark told a judge.

Five minutes later, unbeknown to the tens of thousands of warrant holders, all of those cases were gone.

Ms. Clark was joined Wednesday by district attorneys in Brooklyn, Manhattan and Queens, all of whom simultaneously asked judges in their respective boroughs to dismiss hundreds of

thousands of old warrants. The approximately 645,000 warrants, all more than 10 years old, are for infractions such as disorderly conduct or riding a bike on the sidewalk.

Only Staten Island District Attorney Michael McMahon didn't participate in the citywide dismissal, saying people should take responsibility for their warrants. It's "unfair to those citizens who responsibly appear in court," he said.

The four district attorneys say the move will help clear the court system's backlog of cases and protect people from consequences that can stem from open warrants.

Tina Luongo, an attorney at the Legal Aid Society, said vacating the warrants would be

a "fresh start" for many New Yorkers. "These warrants are a result of overzealous, broken-windows policing that disproportionately impacts communities of color," she said.

Before the dismissals, there were about 1.5 million open warrants citywide, officials said.

Those who favor dismissing the warrants contend they could result in a person automatically getting arrested if stopped by police. Open warrants also could impede one's ability to get public housing or citizenship.

Democratic New York City Council Speaker Melissa Mark-Viverito said the council would press Mr. McMahon to vacate the old summonses.

Critics maintain that dismissing the warrants without

asking people to take personal responsibility for them sends the wrong message.

Brooklyn acting District Attorney Eric Gonzalez said: "The

processing of so many low-level summonses warrants is an undue hardship on the district attorney's office and is a waste of resources."

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GREATER NEW YORK

Major Player Joins the Co-Living Space

New Durst building offers shared pads as developer tests millennial demand

By JOSH BARBANEL

At Frank 57 West, a new zinc-clad residential building on Manhattan's far West Side, renters can choose a conventional one-bedroom apartment for about \$3,500 a month.

But for in-

PROPERTY

trepid New

Yorkers willing

to embrace "co-

living," there is a second option: three-bedroom apartments specifically designed for roommates that can cost more than one-third less per person.

Frank 57 West wasn't built

by a venture capital-funded

startup looking to shake up the

industry, but by a major New

York property developer, the

century-old Durst Organization,

as part of a test of how traditional

developers can provide

co-living spaces for millennials

on a budget in new buildings.

"We have a new three-bed-

room building design that we

are testing in the marketplace,

and we have received a very

strong response," said Dan

Mogolesko, vice president of

residential leasing and operations

at the Durst Organization.

Co-living, a style of shared urban living, typically involves furnished apartments with communal kitchens and common spaces and an emphasis on amenities and community.

WeLive, a part of shared-of-

ice giant WeWork Cos., has

created more than 400 co-living

apartments in New York and

outside Washington, D.C., and

recently announced a third

project in Seattle. Jim Woods,

head of WeLive, declined to

comment on the new Durst

units, but said WeLive focuses

on a full-service model that

simplifies housing choices.

A dozen co-living-style apartments, specifically designed for roommates, were incorporated into Frank 57 West, the final piece of a block-square development between West 57th and West 58th streets near the Hudson River.

Since the 10-story building opened at the beginning of July, half of the sharing units have been rented, Mr. Mogolesko said.

These compact apartments, typically just over 1,000 square feet, have three substantial light-filled bedrooms, many with walk-in closets.

The bathrooms include a roommate-friendly feature: doors with indicators showing whether the bathroom is occupied. But the apartment lacks a living room.

The units are available unfurnished or furnished—with fold-up beds in the bedrooms to give the occupants more floor space, as well as couches and tables—for about \$6,200 to \$7,200 a month, or \$2,067 to \$2,400 per person, furnished.

For the owners of Frank 57 West, that produces a significant premium—the one-bedroom units rent for about \$68 a square foot a year, while the shared three-bedroom ones yield \$79 a square foot.

Frank 57 West's three-bedroom units share some of the features of specially designed co-living buildings, but not all. The furnished units don't come with sheets, towels, pots and pans and televisions. And Frank 57 West's minimum lease term is one year, rather than month to month.

On the other hand, Frank 57 West, like many new rental buildings, includes many co-living-type shared amenities, such as lounges, fitness centers and rooftop terraces, as well as regular group activities like wine tastings and yoga sponsored by the management team.



The developer of Frank 57 West is looking to attract budget-conscious millennials with some units specifically designed for roommates.

Sharing Isn't a New Concept in the City

Before a crackdown, landlords divided rooms with illegal walls

Long before the phrase "co-living" was dreamed up by startups targeting millennial renters, legions of young people moving to New York took on roommates to share apartments and the excitement of living in the big city.

The earlier roommate movement was set back about a dozen years ago when a fatal fire prompted the city to begin a

sustained crackdown on tenants and landlords who put up illegal temporary walls to create extra bedrooms.

The latest move by developers to design apartments that can be shared, like the compact three-bedroom units introduced last month at Frank 57 West on the far West Side of Manhattan, can be seen as a continuation of both sharing strands.

Ofer Yardeni, chairman of Stonehenge NYC, which owns and manages 23 rental buildings in Manhattan, said co-living was alive and well when he moved to New York 32 years ago. "The revolution in co-living and shar-

ing has always been a way of living in the city," he said.

Mr. Yardeni said the practice has been enhanced as smartphone technology allows some people to book rooms online.

Rental experts trace the decline in room sharing in older buildings to 2005, when two firefighters leapt to their deaths from a fire in the Bronx after they became disoriented by illegal walls put up by tenants to divide an apartment, according to prosecutors.

The landlord and the former landlord were convicted of criminally negligent homicide. The convictions were overturned.

As a result of the fire, the city began an enforcement campaign against illegal walls. Instead of solid walls built of floor-to-ceiling plaster board and aluminum studs, the authorities allowed bookcases or room dividers open at the top that provided less privacy and were less sought after by roommates.

The shared apartments created by the Durst Organization got around this problem by including in its original building plans a wall across what might have been the living room in a two-bedroom apartment to create a legal third bedroom.

—Josh Barbanel

GREATER NEW YORK WATCH

NEW YORK

Departing Lawmaker Blasts Corruption

State Sen. Daniel Squadron of New York City said Wednesday that he is leaving the Legislature midway through his term.

Mr. Squadron, 37 years old, has represented parts of Brooklyn and lower Manhattan as a Democrat since 2009. He said he is forming a group pushing policy changes and fighting corruption in national politics.

In an essay for the New York Daily News, Mr. Squadron lambasted Albany as corrupted by "special interests" and criticized an alliance between dissident Democrats and the GOP that helps Republicans hold a Senate majority.

—Mike Vilensky

NEW JERSEY

Police Officer Killed After Hitting a Deer

Authorities say a police officer driving home from work was killed when his motorcycle struck a deer. The collision occurred in Wayne, in Passaic County, early Wednesday.

Residents who live nearby heard the crash and found Pompton Lakes officer Peter Kamper Jr. unresponsive.

The 40-year-old officer lived in Wayne and was a 13-year veteran of the force. Authorities say two Pompton Lakes officers who responded to the scene to assist Wayne police learned upon arrival that the victim was Officer Kamper.

—Associated Press

Springsteen Set to Take New Stage

By MARIANA ALFARO

Bruce Springsteen will make his Broadway debut in October with "Springsteen on Broadway," a solo production that the rocker promised will be "as personal and as intimate as possible."

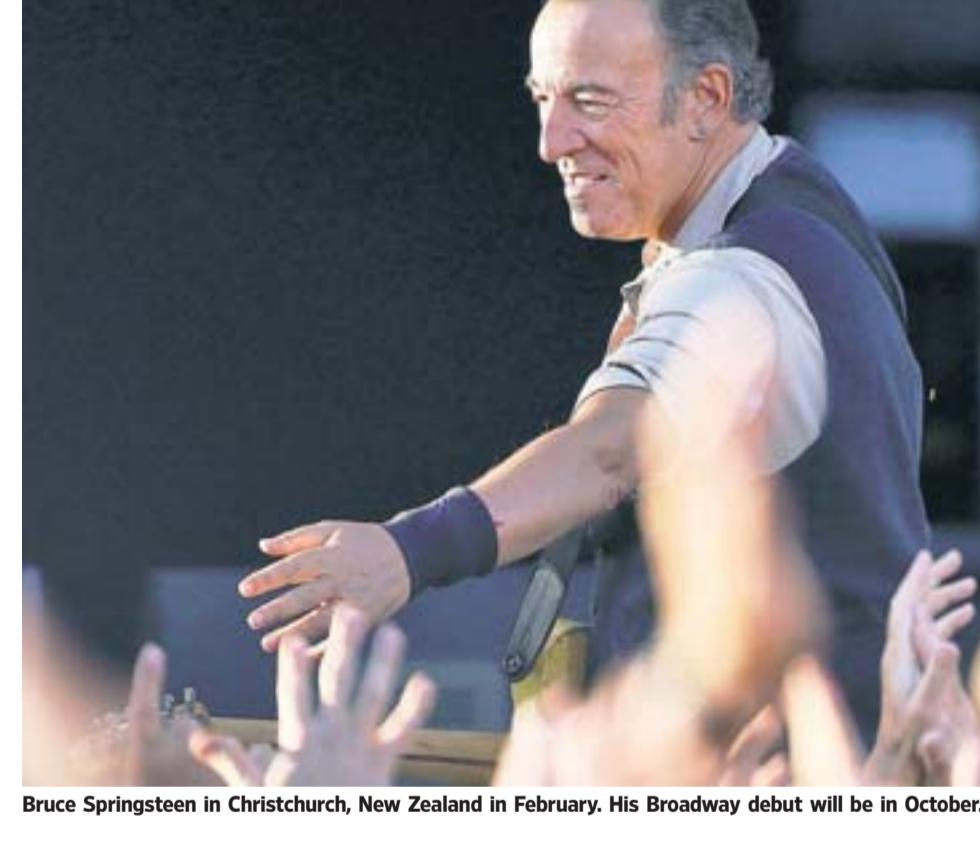
"The Boss" will perform five shows a week at the Walter Kerr Theatre from Oct. 3 through Nov. 26.

"My show is just me, the guitar, the piano and the words and music," the New Jersey native said in a news release. "Some of the show is spoken, some of it is sung. It loosely follows the arc of my life and my work."

Mr. Springsteen's career, which spans more than 40 years, has produced 18 studio albums and earned him 20 Grammys, an Oscar and an induction into the Rock & Roll Hall of Fame. He received the Presidential Medal of Freedom last year.

Mr. Springsteen, 67 years old, began his career in 1964 when he bought his first guitar for \$18. He released his first studio album, "Greetings from Asbury Park, N.J.," in 1972 after being signed by Columbia Records. A few months later, he helped form the E Street Band, his primary backup band, which has toured and performed with him since 1972.

It wasn't until 1975 that Mr. Springsteen skyrocketed to



Bruce Springsteen in Christchurch, New Zealand in February. His Broadway debut will be in October.

fame with his third studio album, "Born To Run." His 1984 album, "Born in the U.S.A.," produced seven top-10 singles, including "Dancing in the Dark." It is one of the highest-selling records in history.

Rockstar residencies on

Broadway are no novelty. Past artist productions in Manhattan's Theatre District include Neil Diamond's 1972 "One Man Show" at the Winter Garden Theatre and Duran Duran's 2007 "Red Carpet Massacre" at the Ethel Barrymore The-

atre.

Broadway historian Jennifer Tepper said: "There's a certain cachet" for top-selling, arena-filling rock stars to perform in smaller Broadway settings. "It's a really cool thing to play a Broadway house," she said.

GOP Leader in Connecticut Skips Governor's Race

By JOSEPH DE AVILA

Connecticut Senate President Len Fasano, the top-ranking Republican in the state Legislature, said Wednesday that he wouldn't run for governor in 2018 in an open race that has become a priority for the GOP.

Democrat Gov. Dannel Malloy, who isn't running for reelection, has some of the lowest poll numbers of any governor. Republicans see an opportunity to pick up another governor's seat by capitalizing on his unpopularity and the state's poor fiscal health.

Mr. Fasano said he is passing on the gubernatorial race to focus on closing the state's two-year, \$3.5 billion deficit.

"My original intention was

to wait until the state budget was resolved to make a decision about running for governor," he said. "But as the budget process has persisted, and it does not seem likely that a vote will take place before the end of the month, I knew it was time to choose my path and let others know where I stand."

Wisconsin and Connecticut are the last two states in the U.S. that have yet to approve a budget for the current fiscal year, which began in July. It was the first time Connecticut began a fiscal year without a budget since 2009. Connecticut's Legislature gave final approval in July to a new labor agreement with state employees that trimmed the state's two-year budget hole to \$3.5

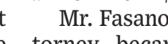
billion from \$5.1 billion.

Mr. Fasano, a practicing attorney, became the Senate's co-president this year after the GOP gained an equal number of seats in the chamber following the 2016 election. Democrats have held a majority in the Senate since 1997. The Democrats still effectively control the chamber because Lt. Gov. Nancy Wyman, a Democrat, can cast tie-breaking votes.

"Connecticut is a great state, but it is in trouble," Mr. Fasano said.

Democrats acknowledge that Connecticut faces a tough fiscal situation, but say Republicans in the state legislature haven't proposed realistic solutions to deal with the problem.

Declared GOP candidates for governor include Tim Herbst, first selectman of Trumbull, Conn., state Rep. Prasad Srinivasan and David Walker, a candidate for lieutenant governor in 2014. On the Democratic side, Dan Drew, mayor of Middletown, Conn., has declared his candidacy. Kevin Lembo, the state comptroller, and Chris Mattei, a former federal prosecutor, are exploring runs.



Senate President Len Fasano, citing the state's budget woes, won't run for governor.

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LIFE

Should You Kondo Your Kids?

Marie Kondo, the decluttering guru, now has two children and offers advice about how to reconcile a well-organized life with the messiness of parenting



"When children go through the sadness of letting things go, that can be a good experience for them," Ms. Kondo says. She's pictured here, with 10-month-old Miko, left, and 2-year-old Satsuki.

BY MEGUMI FUJIKAWA

AFTER MARIE KONDO became an international star with her book "The Life-Changing Magic of Tidying Up," she went through another life-changing experience. She gave birth to a baby girl.

Then she had a second one. Could Ms. Kondo's decluttered world survive the havoc wrought by two babies? Here is her status report on older daughter Satsuki, 2 years old:

"I was surprised to see her putting books, stuffed animals and toys for playing house back in their place more precisely than I expected," says the proud mother. "She is also trying to copy me folding clothes, though I secretly fix them when she's not looking."

Yes, Marie Kondo is starting to kondo her own children.

The 32-year-old guru, known to her fans as KonMari, is more than just an author these days. Joined by her husband, she is running a business, **KonMari Media Inc.**, based in New Jersey, that employs about 20 people to train consultants in her tidying methods with a mission to "organize the world."

The couple are looking at introducing KonMari-branded goods in the U.S. as soon as next year. She envisions her fans filling their rooms or closets—in a tidy way, of course—with items like aroma diffusers and hangers.

All this is happening while Ms. Kondo and family adapt to life in a new country. She is living mostly in Northern California these days and learning English, seeing the biggest opportunities in the U.S. market.

It has been a dizzying ride the past few years since her book, originally in Japanese, was published in the U.S. in 2014. The book has been

translated into dozens of languages and together with its sequels has sold more than eight million copies worldwide, according to its Japanese publisher. Fans turned Ms. Kondo's name into a verb, "to kondo," which refers variously to purging one's home of unneeded items or folding clothes meticulously.

It was her unique tidying-up method that drew global attention. Readers were told to pile up all of their belongings in the same category, pick up each item and ask themselves whether it sparked joy.

If not, she wrote, they should express thanks to the item and send it on its way.

No sooner was she a celebrity than she got pregnant with her first child, and her method was poised for a test.

"When we found out we were having a child, my husband and I went through a decluttering festival by reviewing things we had. And we discussed how much space—for example, how many drawers—we could give to our daughter," says Ms. Kondo.

By creating clear boundaries for the children's things, she says, they made it easier to decide how much was too much.

So far, she says, the house is tidy—though she declined a request by The Wall Street Journal for an inspection tour—and 2-year-old Satsuki is already playing her part.

"It's never too early to learn



Tips to Spark Joy with Kids

Five tidying-up tips for families with children from Marie Kondo:

1. It's never too early to learn tidying-up tips. Show children how to organize things once they turn about 1 year old and learn to walk.

2. Parents should finish up their own organizing first. It is important for parents to finish their cleaning up first, to show the children what an organized house looks like. Parents should also show children that they are enjoying tidying up.

3. Decide how much space you can give to your children. Acknowledging how much room you have for your children prevents you from making unnecessary purchases and helps keep your house organized.

4. Make sure your children know how much space they have. If your children have more than they can store in their own space, make them pick the things that spark joy, or ask them to pick toys in the order they like them to help decide what to let go.

5. Teach children how to fold clothes. It's a good idea to start with socks because they are the easiest.

how to tidy up. You can let your children take on a challenge when they turn about 1 year old, after they learn how to walk," she says.

That's what Satsuki did. The tot sometimes wields a mop and knows how to use a duster to get at those hard-to-reach corners. Younger sister Miko, 10 months, will get her turn soon.

That isn't to say that the 2-year-old always shares her mother's Zen-like calm. Satsuki was filled with energy during the photo shoot for this article, playing with her sister and initially disinclined to add to the orderliness of the clothing pile before her. But then she focused on the task and demonstrated her folding technique with clinical precision.

Ms. Kondo says she isn't the nagging type and values what makes her children joyful. "For example, when my daughter is crying, I try to ask her what she wants and fulfill her wishes as much as possible," she says.

Ms. Kondo's husband, Takumi Kawahara, 33, handles the cooking. He says he fancied himself a proficient hand at household chores, relative to the average Japanese man, before marrying Ms. Kondo, "but my skills got polished after I met her."

What about parents who are coming to Kondomism late? Ms. Kondo says she has realized her method needs a tweak for parents with kids because it's unrealistic. "Through

my first parenting experience, I learned that I had no time to spare at all," Ms. Kondo says.

She now suggests busy parents start organizing in stages by

tackling, say, just shirts at first instead of the entire closet. Though her normal technique calls for doing it all at once—it's more efficient that way—she says she carved out this exception for families with little children.

Ms. Kondo got her start during college by going to people's houses and helping them straighten up their things. These days, she is too busy for her own house calls and focuses on training others. Over the past year, Ms. Kondo has licensed about 30 consultants in the U.S., while her company lists more than 70 certified tidiness professionals in Japan.

Part of the business strategy is signing up luxury apartment buildings to pitch the service. Instrata Lifestyle Residences, a brand of Invesco Ltd.'s real-estate arm, has been encouraging tenants to consider a \$500 session in which a consultant spends five hours walking clients through the KonMari method.

Morgan Gilbert, who lives in an Instrata building in New York City and has a 1-year-old boy, said the method let her work through her things in stages and left the most sentimental category—in her case, her son's clothes—for the end. She said she kept some maternity clothes because they made her feel good when she was pregnant and sold shoes, purses and other items that didn't spark joy through a consignment website she owns.

Ms. Kondo says she is in discussions to publish a picture book for children around the middle of next year. One of her messages: Learning to clean up is part of growing up.

"When children go through the sadness of letting things go, that can be a good experience for them," she says. "I wouldn't want to eliminate such emotions."



Basic Economy fares, spreading to all domestic markets, prohibit use of overhead bins on United and American. United says that's streamlined boarding. But unsuspecting travelers could get burned paying \$25 to check a carry-on bag.

THE MIDDLE SEAT | By Scott McCartney

HATE BASIC ECONOMY? HERE COMES MORE OF IT

BUYING AIRLINE TICKETS is getting even more dastardly: Basic Economy fares are spreading nationwide.

Only in the increasingly complex airline world is there a big difference between "basic" and "standard." Travel agencies have scrambled to display differences in coach fares so travelers don't buy the lowest price without realizing they won't get what they used to get.

What is Basic Economy? Delta, United and American, the three largest U.S. airlines, sell discounted fares about \$30 to \$50 less than standard coach tickets.

But there are major catches: Fliers are stripped of basic amenities like advance seat

assignments and overhead bin space. Remember when airlines posted great-looking fares, only to reveal in the small print that they required a Saturday-night stay? Basic Economy is the new Saturday-night stay. Some people make it work, but the constraints push many to higher fares.

Now the big three airlines are rolling out Basic Economy across their entire domestic networks and some international routes. They're betting even more travelers will then buy up to higher coach fares.

Frequent fliers complain Basic Economy basically creates a loyalty-program tax—they have to pay more to get the amenities

Please see ECONOMY page A10

LIFE & ARTS

FASHION

The Summer of Short Shorts

Some parents wince as girls defend the less-is-more fashion trend: 'Some of my friends wear shorter shorts than I do.'

BY ANNE MARIE CHAKER

IT'S THE SUMMER OF the micro-short.

Girls' shorts are shorter than ever, and parents' tolerance for the trend is shrinking along with the length. Fathers are asking daughters to change into less-revealing clothes. Mothers are plunging into back-of-store racks, digging for capris or Bermuda lengths. Some parents have written to stores, asking them to offer longer options.

Jodi Harrelson, a marketing coordinator at a construction firm in Sanford, Fla., recently went shorts shopping with her 12-year old daughter Sari at Sari's favorite store, mall-staple Aeropostale. They left with a pair of high-waisted denim shorts for Sari that her mother felt were too revealing. "They hike up," Ms. Harrelson says. "We've definitely discussed it. The short shorts are what she prefers and I didn't want the drama and angst."

"I don't think they're that short," says Sari, a seventh grader at Millennium Middle School. "Some of my friends wear shorter shorts than I do."

The shortest pairs have inseams of a mere 2.25 inches and are sold as shortie, shorty or short-shorts in teen and childrenswear. Retailers say they are a bright spot in women's shorts, a \$2.4 billion category whose sales were relatively flat in the last year, according to NPD Group Inc.

"Our shortie fit is our best-selling fit in women's shorts," says Chad Kessler, Global Brand President for American Eagle Outfitters. A typical Bermuda length has a 9-inch inseam while a mid-length short, sometimes called a midi, is around 4 or 5 inches.

Hollister, an Abercrombie & Fitch brand geared to 13- to 18-year-olds, offers low-rise twill short shorts with raw-cut cuffs for \$35 a pair.

Among the more than 80 pairs of girls' shorts on Hollister's Web site, more than one third are labeled short-shorts, with a 2.5 inch inseam; high-rise styles are even shorter: 2.25 inches.

"Short shorts are a go-to like the skinny jeans," writes Lisa Lowman, senior vice president of design for Hollister, in an emailed statement.

The trend caught fire a year ago, popularized by the resurgence of late 1970s, skin-revealing styles, according to fashion and retail experts. "Shorty-shorts got important in the higher-end market last year," says Marshal Cohen, retail



Hollister's high-rise denim vintage shorts

analyst for NPD Group. This year, it hit the mall—and the teens who hang out there, filtering to younger siblings who want to wear the same thing. "It takes a year or two for these businesses to go full cycle. Nobody thought it would be so important this year but when the kids embrace it: Boom! It's there."

Trends in adult fashion are seeping more quickly into children's clothing than ever before, says Lauren Zodel, assistant professor in fashion design at the Fashion Institute of Technology. Childrenswear designers are under pressure as kids are dressing aspirationally. Juniors departments in stores, traditionally targeted to teens and 20-somethings, are finding a new market in younger consumers. "You have kids wearing juniors now based on how early they are out of kids' clothes."

Lisa Di Napoli, vice president of kids' design for Tommy Hilfiger North America, says that a few seasons ago, when she started designing short shorts for children ages 4 to 16, "there was huge pushback from salespeople, that they were too short, that parents were complaining, could we lengthen the inseam," she says.

The following season she designed longer lengths but wasn't happy with the outcome. "If you lengthen them, it gets dorky really fast," she says. "Now, we offer one Bermuda length year-round." The 2.5-inch inseam short-short, she says, is the most popular short style.

Some designers and retailers are bucking the trend and offering more modest styles. At a Target store in Hyattsville, Md., denim shorts in sizes ranging from 4 to 12 from the Cat & Jack children's line had inseams ranging from about 2.5 inches to 3-inches long.

Target says it offers customers a variety of lengths—short, midi and Bermuda—and that over the last year, it has been lengthening its shorts.

Justice, the tween clothing line that caters to girls ages 6 to 12, says that this summer it introduced shorts that run mid-thigh length, with a 4.5-inch inseam, in addition to its Bermuda length and short-shorts at 3 inches. "We wouldn't consider 2.5 inches as an appropriate length for us," says Justice president Lece Lohr.

Sharon Choksi, a 46-year-old mother of two in Austin, Texas, recently co-founded a line of girls' clothes. The company, called Girls Will Be, offers a so-called in-the-middle fit—between what is sold in most girls' and boys' departments. The line's website says that its shorts are "not shorty shorts or a skinny fit, but not a past-the-knees, baggy fit either."

"Many girls, including our own daughters, simply are not comfortable wearing typical girls' clothing," says Laura Burns, Girls Will Be co-founder. "But that doesn't always mean they want to shop in the boys department."

Calling out a shorter length can make a longstanding style feel hipper. At a GapKids at the Montgomery Mall in Bethesda, Md., a sign promotes "super denim shorty shorts" near the front of the store. Jane Pattinson, vice president of



Girls stretch floral embroidery shorty shorts from Gap

design for kids and baby at the Gap, says the 2-to-3 inch inseam isn't new, but the "shorty short" label steps up the attraction. "If kids are shopping, they can feel like it's the shortest short," Ms. Pattinson says. "It is age-appropriate."



Basic Economy fares save a few dollars, but those tickets put you at the end of the boarding line.

ECONOMY

Continued from page A9

they used to get free. Fares have been rising this year, so to many, Basic Economy looks like a ketchup bottle with fewer ounces at the same price.

"You see that upcharge and it's kind of a kick in the teeth," says Scott Nealey, a San Francisco attorney who takes about 40 trips a year.

He says United's Basic Economy has shown up in his searches more than other airlines, even on expensive business trips. When he is paying \$600 to \$700 to go to Seattle, he wonders why any business traveler would agree to cede benefits to save \$40. "It takes United off my map," Mr. Nealey says.

With Basic Economy, you can't get a seat assignment until right before departure and you can't make same-day flight changes. On Delta, you board in the last group and aren't eligible for upgrades or extra legroom seats, even if you have elite status. On United and American, you're last in the boarding line unless you have elite status or a qualifying credit card that gets you earlier boarding. You can bring a full-size carry-on for the overhead bin on Delta. You can't on United and American, unless you have elite status.

The fares are fraught for unsuspecting travelers who blindly book the lowest price. Slip up and bring a full-size carry-on to the gate and United and American will charge you \$25 to check it when flying on Basic Economy. There go your savings, especially if you also check a bag on your return flight.

Families and groups should avoid Basic Economy tickets, because there's no hope of sitting together. If you're worried about getting bumped from a flight, don't buy Basic Economy—cheap fares and no seat assignment make you an instant target for involuntary denied boarding. If you have elite status, you'll lose some benefits.

Many travelers are willing to give up perks to save some dollars on tickets. Still, airlines say when offered a Basic Economy fare, which they initially started to compete with discounters like Spirit and Frontier, about half of all customers click to a higher fare.

American says the average up-sell so far has been \$23. Delta says it got an extra \$100 million in revenue in the second quarter from its fare strategy, but that includes upsells to extra-legroom and first-class seats.

On United's second-quarter

earnings call, President Scott Kirby said the airline wasn't getting the expected revenue boost yet because it has been more aggressive rolling it out and was losing customers to airlines offering the same fares without reduced benefits. Still, United said it expects Basic Economy to boost revenue by \$200 million in 2017.

Many companies have removed Basic Economy fares from corporate travel-booking sites, and online travel agencies and even some airline apps let you opt out. American Express Global Business Travel says 66% of its clients suppressed Basic Economy fares at the end of December. That has grown to 75%. One reason: fares that are completely unchangeable or nonrefundable end up being expensive to companies when travelers have to make changes.

Airlines say Basic Economy is another step in stripping down

their product to core transportation, then letting customers add the services they want, like checking bags, early boarding or selecting seats in advance.

A Delta spokesman likens Basic Economy to selling a hamburger, then asking customers if they want fries, too. "We feel like it's been transparent and straightforward," spokesman Morgan Durrant says.

United says an added benefit, since most Basic Economy passengers don't get overhead bin space, has been a 30% decline in flights where overhead bins end up full and a 50% reduction in the number of bags tagged and checked at the gate. That means quicker boarding and more on-time departures. "The majority of customers who purchase a Basic Economy ticket are arriving at the airport aware of the details this fare entails," spokeswoman Maggie Schmerin says.

That still leaves many who aren't. Industry analyst Henry Harteveldt, founder of the Atmosphere Research Group, says travel sellers and airlines need to do a better job clarifying the differences of Basic Economy. "Airlines haven't done a good-enough job marketing it as a product. People look at it as a fare. Then it's confusing for the consumer," he says.

Tom Farmer, a Chicago-based communications consultant, finds Basic Economy tickets are indeed presented as the new normal in coach. He avoids them, but doesn't want to explain to clients why he bought a pricier ticket. Instead, he's avoiding United and flying more with American, which has a much more limited rollout so far, as well as Southwest and JetBlue. "It propels more guys like me into free agency," he says.

THE BASICS ON BASIC ECONOMY

Delta, United and American

- No seat assignment until after check-in or at the gate.
- No same-day changes or ticket refunds after 24 hours from booking.
- Not eligible for upgrades or preferred seats, even with elite status.

United and American

- No overhead bin access unless you have elite status or a qualifying credit card.
- Board in the last group unless you have elite status or credit card benefit.

Delta

- Board in the last zone, even with elite status.
- You do earn miles and elite qualification credit.

United

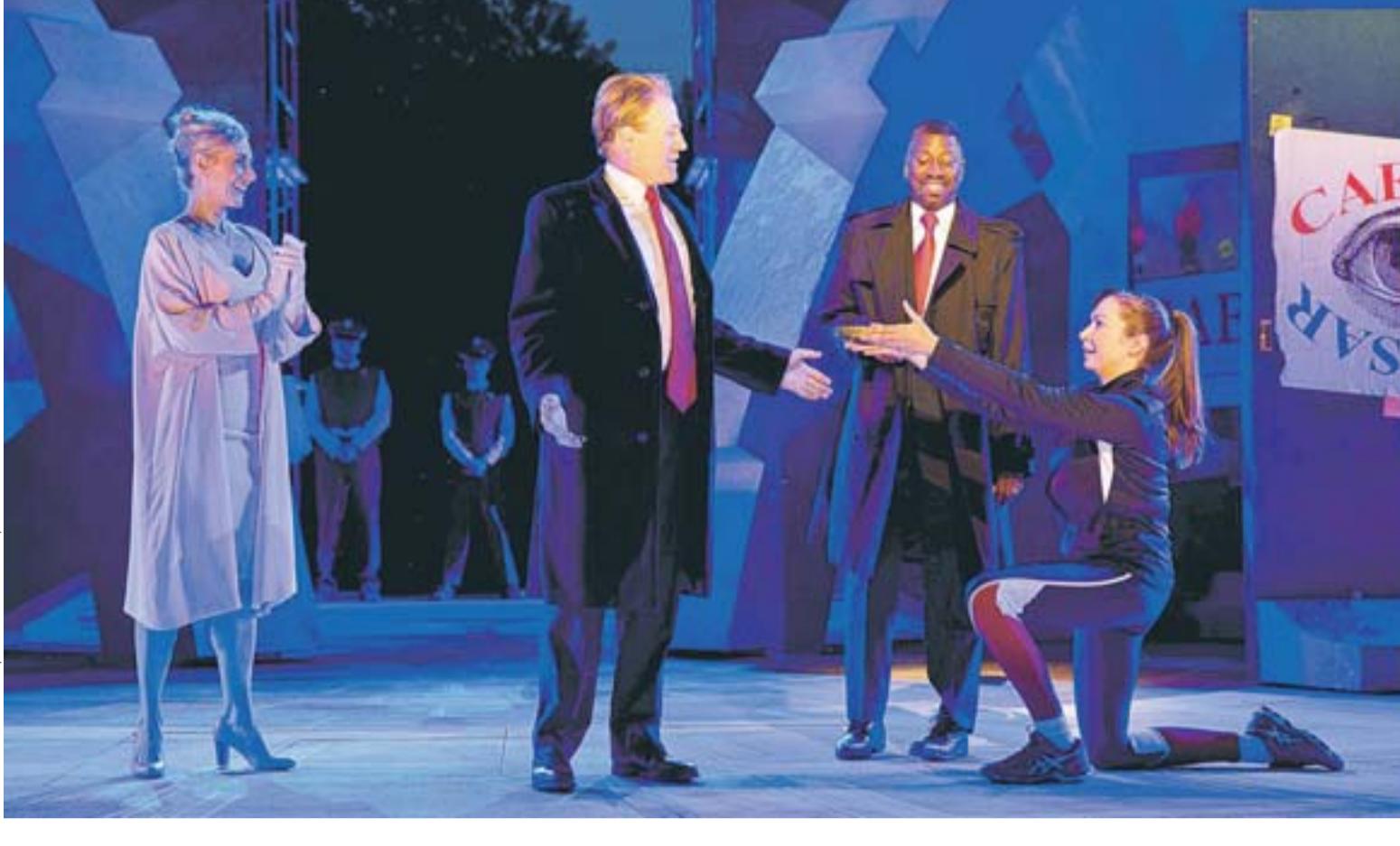
- Online or app check-in available only if you're checking luggage. Otherwise, check-in at the airport.
- No elite-qualifying credit or lifetime miles earned with Basic Economy tickets. You do earn award miles.

American

- Reduced elite-qualifying credit. You do earn award miles.

For a more complete list of rules, go to WSJ.com/Life.

LIFE & ARTS



FROM TOP: JOAN MARCUS/THE PUBLIC THEATER; MATHIAS KOLB

SIGHTINGS | By Terry Teachout

Censoring Their Own

TWO MONTHS AGO, a pair of protesters disrupted a Central Park performance of "Julius Caesar" in which the title character was dressed up to look like President Trump. When Caesar-Trump was stabbed to death—a plot twist devised by Shakespeare, not Oskar Eustis, the show's director—one of them, an alt-right agitator named Laura Loomer, leapt onto the stage and yelled "This is violence against Donald Trump" while her partner shot video of the protest. Both were hustled out of the amphitheater by security officers as the audience booed, and the performance quickly resumed.

What was most noteworthy about this escapade, however, was that it happened at all. It used to be easy to draw crowds by protesting against publicly funded blasphemy or obscenity. That's what happened when the National Endowment for the Arts gave Andres Serrano, the maker of "Piss Christ," a \$5,000 grant. But such protests dried up after the NEA stopped making direct grants to artists, and now the once-hot culture wars of the '80s and '90s are a thing of the distant past. Today's right-of-center activists rarely take any interest in the fine arts, preferring to save their fire for political matters. As for the "Julius Caesar" protest, there was no groundswell of support for it: Most high-profile conservatives took note of Mr. Eustis's anti-Trump production only to say how much they disliked its premise, though a few also expressed disapproval of Ms. Loomer's failed attempt to shut down the show.

Could it be that the populist an-



Dana Schutz's 'Open Casket' (2016), above, and the Public Theater's production of 'Julius Caesar,' top

ger that put President Trump in the White House will trigger a 21st-century culture war? It's certainly possible. But to ask that question is to overlook the fact that such a war is already being waged. The difference is that it's a civil war—one that's taking place not on the right, but on the left.

Consider what happened to Dana Schutz, a white artist of impeccably liberal views who was

represented in this year's Whitney Biennial by a painting called "Open Casket" (2016). It depicts in a non-realistic, wholly respectful manner the disfigured body of Emmett Till, a black teenager who was lynched in Mississippi in 1955 by southern racists. Protesters tried to have the painting removed from the show, and one, Hannah Black, went so far as to demand that it be "destroyed," arguing that "it is

not acceptable for a white person to transmute black suffering into profit and fun." The Whitney, quite rightly, refused to cooperate, but the auto-da-fé continued last month when Boston's Institute of Contemporary Art mounted an exhibition of Ms. Schutz's work, inspiring a group of black artists to demand that the ICA "pull the show." To be sure, "Open Casket" wasn't in it—but did that matter?

Not in the slightest. Since Ms. Schutz had created a piece of what the protesters called "racist iconography," the ICA thus had no right to exhibit any of her work. It's a wonder they didn't also suggest that she be flogged in Boston Common.

This may sound crazy, but it's all too typical of the latest trend in political activism, which is to attempt to silence artists who fail to pass the increasingly rigid ideological litmus tests of the "woke" progressive left. And since most artists are politically well to the left of center, it necessarily means that left-wing artists are now trying to silence other left-wing artists for not being far enough to the left.

From paintings to plays, works of art are being protested, often by artists themselves

Ideologues, of course, have always eaten their own. Four publishers turned down George Orwell's "Animal Farm," one of the biggest best sellers of the 20th century, because they were afraid of antagonizing the Stalinist sympathizers whom it satirized. But the coming of Facebook and Twitter, which facilitate epidemics of instant outrage, has fostered a new cyber-culture of knee-jerk offense that grows more virulent by the day, one whose participants are no longer content to attack well-known conservative campus speakers like Charles Murray and Heather Mac Donald. Now they're going after liberal artists as well. What happened to Ms. Schutz can happen to anyone who dares to differ—even when they're on the same side of the fence as their attackers.

Fortunately for those who cling to the belief that there can be no freedom without free speech, resistance to the new ideological thuggery may be on the rise. Eighty prominent visual artists, among them Chuck Close, Cindy Sherman and Kara Walker, have now pushed back against Ms. Schutz's oppressors with an open letter of their own in which they declare that "we wholeheartedly support cultural institutions like the ICA Boston who refuse to bow to forces in favor of censorship or quelling dialogue. It is also of the utmost importance to us that artists not perpetrate upon each other the same kind of intolerance and tyranny that we criticize in others." Mr. Eustis put it more pithily in a statement issued after Ms. Loomer tried to shut down "Julius Caesar": "Free speech for all, but let's not stop the show." Whatever your politics, those are words for free men and women to live by. If you think that artists should be silenced merely because their art happens to offend you—no matter who you are or what you find offensive—then you're the problem, not the art.

Mr. Teachout, the Journal's drama critic, writes "Sightings," a column about the arts, every other week. Write to him at tteachout@wsj.com.

FILM REVIEW

#LOVE IN THE 21ST CENTURY

BY JOHN ANDERSON

THE SELF-AFFIRMATION-cum-self-celebration routinely found on social media is so ceaseless and unyielding that anyone who rebels against it is deserving of our affection. So even if Ingrid Thorburn, the unhinged beauty of "Ingrid Goes West," does invade a friend's wedding and Mace the bride at the reception, she's still kind of likable—especially given the bride's Instagram posts ("#perfect"). Also, Ingrid is played by Aubrey Plaza, so she's likable naturally.

There might have been concern among her fans that Ms. Plaza, so memorable as the perversely contrarian April Ludgate in "Parks and Recreation," was going to carry that character around with her forever; her performance in the recent "The Little Hours" was basically April as a sarcastic, lusty medieval nun. (She has also been appearing in "Legion" and "Criminal Minds.") But in "Ingrid Goes West," a title with echoes of such screwball chestnuts as "Theodora Goes Wild," Ms. Plaza delivers a wide-ranging, nuanced and demanding performance as a mad woman, whose attic is the cellphone.

There are probably doctoral theses being written on this right now, but let me ask: Is there a name for a form of insanity that's provoked by new technology? Certainly, the addiction to social media is one; Ingrid's malady—an obsession with the life she's not living, as defined by someone else's social-media posts—might have never had an outlet



Elizabeth Olsen as Taylor and Aubrey Plaza as Ingrid in 'Ingrid Goes West'

in another space and time. As it is, Ingrid is institutionalized, treated, and leaves the facility with all her depression intact. The ailing mother she's lived with and cared for has died while she's away, but left her a little over \$60,000, which is a bit like putting a 20-year-old Macallan single malt in front of a raging alcoholic. Likewise, Ingrid's discovery, on the pages of Elle, of the sun-kissed, honey-blonde Taylor Sloane (Elizabeth Olsen), your "new girl crush," a social-media promoter, "brander" and the like, whose posts are all about the things she buys, wears and eats ("another day, another avocado toast..."). Think Gwyneth Paltrow, if you must.

Ingrid falls in virtual love. While the details of Ingrid's ensuing shenanigans are too central to the story to give away, suffice to say she inveigles her

way into Taylor's seemingly paradisaical life, and there deposits the residue of her personal hell. There are terrific performances by Ms. Olsen, by Ezra O'Keefe as Taylor's exhausted husband, and by the wonderful O'Shea Jackson Jr. as Dan Pinto, the Batman-obsessive who does Ingrid several good deeds, none of which goes unpunished. Director Matt Spicer and his co-writer, David Branson Smith, deliver cogent and even poignant commentary on the plight of a screen-obsessed society, and the artificiality of an Instagram/Facebook-bound life. Taylor is not what she seems, of course; no one is. But their movie is also very funny. Especially if you don't mind, occasionally, cringing.

Mr. Anderson is a Journal TV critic.

Joe Morgenstern is on vacation.

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SPORTS

MLB

Putting the Money in Moneyball

BY JARED DIAMOND

ANDREW FRIEDMAN and Farhan Zaidi took over the Los Angeles Dodgers' front office before the 2015 season and quickly drew the ire of a city built on the power of stardom.

Inheriting a record payroll and massive expectations, they began running the Dodgers less like baseball's wealthiest organization and more like the small-market teams they came from: They shunned the most expensive free agents and headline-grabbing trades in favor of protecting the farm system and adding complementary pieces of the puzzle.

"One of the things the front office has gotten a hard time for is making tons and tons and tons of small moves and until this year not making that big sexy move for the big name," third baseman Justin Turner said. "The byproduct of that is what you're seeing right now."

Three seasons later, the Dodgers still spend more than anybody else. They shelled out \$240 million to construct their opening-day roster, about 20% more than their next-closest competitor, according to *Baseball Prospectus*.

But by spending their money differently—think of it as Moneyball, with the luxury of a whole lot of money—this year's Dodgers could make history. They entered Wednesday on pace for 114 wins this season, in striking distance of the all-time mark of 116 held by the 1906 Chicago Cubs and 2001 Seattle Mariners.

These Dodgers didn't simply load up on stars. They assembled a powerhouse by focusing on the fringes of the roster, stocking their cupboards with high-quality insurance policies for every contingency. The Dodgers don't have more elite players than everybody else, but they do have more good players than everybody else, brimming with more useful assets than any of their peers.

"It wasn't trying to raise the top," Turner said. "It was trying to bring the bottom up."

The Dodgers' financial might—derived from a deep-pocketed ownership group, Guggenheim Baseball Management, and an enormous local television deal—still matters. They can withstand unproductive contracts; they're paying Carl Crawford \$21 million *not* to play this year.

And they can sustain injuries thanks to a practically unending array of viable replacements. The Dodgers' currently have about \$110 million in player contracts idle on the disabled list—more than the payroll of nearly a third of major-league teams—but haven't slipped off their pace.

Even with 60% of their projected rotation sidelined—Clayton Kershaw, Scott Kazmir and Brandon McCarthy—they still have arguably MLB's best staff, led by Alex Wood,



Dodgers third baseman Justin Turner celebrates with right fielder Yasiel Puig after a recent win.

Absorbing Losses

The Dodgers have baseball's best record. The team's five highest-paid players are currently not on the active roster.

PLAYER	SALARY	NOTE
Clayton Kershaw	\$33 million	Injured since 7/23
Adrian Gonzalez	\$21.5 million	Injured since 6/11
Carl Crawford	\$21 million	Released
Andre Ethier	\$17.5 million	Injured (0 games in 2017)
Scott Kazmir	\$16 million	Injured (0 games in 2017)

Note: 2017 base salary only

Source: *Baseball Prospectus*; WSJ

Rich Hill and Yu Darvish, a splashy trade-deadline acquisition. The Dodgers' team ERA leads the majors by almost half a run.

"It certainly creates a little more margin for error," said Zaidi, the general manager.

Considering their backgrounds, it makes sense that Friedman and Zaidi would follow such a methodical approach.

Friedman, the president of baseball operations, transformed the Tampa Bay Rays from a laughingstock into a perennial contender. Zaidi cut his teeth with the Oakland Athletics under Billy

Beane, Mr. Moneyball himself. The Dodgers offered an opportunity to apply the principles that worked with those franchises, but with triple the budget.

Under their stewardship, the Dodgers have avoided long-term contracts; hoarded prospects like Cody Bellinger, a breakout star of the 2017 team, rather than trade them for short-term gain; and stockpiled undervalued assets by prioritizing depth and versatility.

"That's been the model: have a lot of good players—and some great players," Zaidi said. "Having resources creates a broader opportunity set. We can cast a wider net."

Friedman and Zaidi inherited a sizable portion of their gigantic payroll, which ballooned in the wake of the \$8.35 billion broadcasting agreement between the Dodgers and Time Warner Cable in 2013. When they took over, the Dodgers owed five players—Kershaw, Crawford, Adrian Gonzalez, Matt Kemp and Andre Ethier—more than \$400 million through 2020.

Outside of Kershaw, their dominating ace currently out with a back issue, those players have hardly contributed to the Dodgers' success. They traded Kemp in December 2014—agreeing to pay \$32 million of the \$107 million remaining on his contract—and released Crawford in June 2016. Ethier has missed the

entire season, and Gonzalez, a five-time All-Star, has appeared in just 49 games due to injury.

The team has thrived without them thanks to a vast collection of talent accumulated with the benefit of patience, effective scouting and good fortune. They have nine hitters with at least 250 plate appearances and an on-base-plus-slugging percentage of .750 or better. They also have 14 pitchers with at least 20 innings and an ERA under 3.90. Both lead the majors.

"Some of the players making the most impact for us this year weren't necessarily brought in on blockbuster, headline-making deals," Zaidi said.

Turner, the Dodgers' leader in OPS and batting average, initially signed a minor-league contract in 2014, and he developed into one of the game's premier sluggers. Chris Taylor arrived in a seemingly minor trade with Seattle in 2016, and he has magically turned into one of their best hitters, boasting an OPS over .900. Wood, a top starting pitcher, and key reliever Luis Avilan came over essentially as secondary parts in a three-team deal in 2015.

Meanwhile, much of the Dodgers' greatest production originated from their own farm system. Perhaps their best overall player, 23-year-old shortstop Corey Seager, will make \$575,000 this season, while Bell-

inger, their rookie sensation who leads the team in home runs and RBIs, will earn less than \$500,000.

They also have two prospects, pitcher Walker Buehler and outfielder Alex Verdugo, ranked in the top 30 in baseball by MLB.com.

"We had a lot of teams demand Cody Bellinger in trades," Zaidi said. "He's better than all those players we could have traded for already."

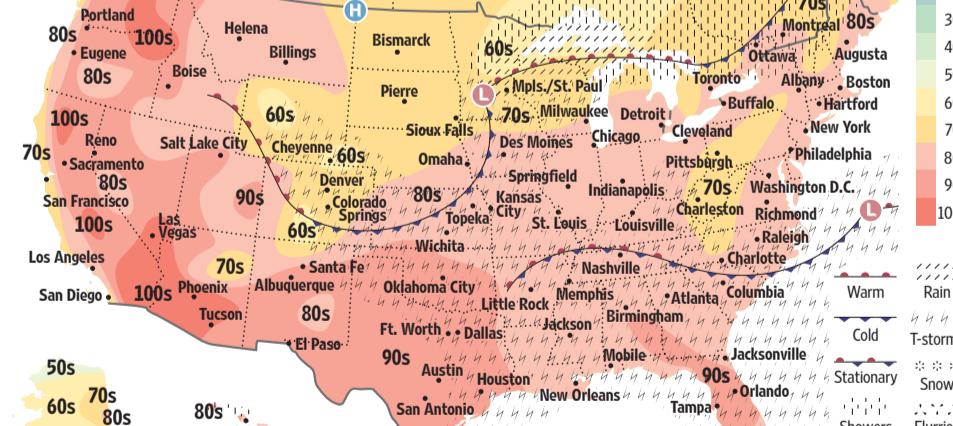
The Dodgers point out that their payroll has actually decreased after topping out at around \$291 million in 2015. It will likely continue to fall to what Zaidi described as a "more sustainable level" as some large holdover contracts expire.

Their payroll hasn't helped them reach the ultimate goal, either. Despite four straight division crowns, they've yet to advance past the National League Championship Series. Their remarkable depth doesn't matter nearly as much in the sprint of the playoffs as it does in the marathon of the regular season.

This season, however, could be different. And if doesn't work out, the front office will spare no expense to try again—a fact not lost on the players.

"They show you how much they want to win," All-Star closer Kenley Jansen said. "They show you also that they understand how tough it is to win."

Weather



U.S. Forecasts

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

Today Tomorrow

City Hi Lo W Hi Lo W

Anchorage 65 54 c 61 54 c

Atlanta 83 71 t 86 72 t

Austin 97 75 pc 99 76 pc

Baltimore 82 64 s 80 68 t

Boise 93 67 pc 94 67 pc

Boston 82 64 s 77 65 pc

Burlington 85 64 pc 84 62 c

Charlotte 82 68 t 84 69 t

Chicago 83 66 pc 79 61 pc

Cleveland 84 66 s 83 64 t

Dallas 95 79 pc 97 79 c

Denver 79 56 t 82 56 pc

Detroit 84 65 s 83 63 pc

Honolulu 87 77 pc 87 76 pc

Houston 91 77 pc 93 78 t

Indianapolis 83 66 pc 80 64 pc

Kansas City 83 64 pc 81 63 pc

Las Vegas 106 83 s 105 84 s

Little Rock 88 72 c 87 72 t

Los Angeles 86 66 pc 87 67 pc

Miami 89 79 t 90 81 t

Milwaukee 80 64 pc 76 60 pc

Minneapolis 75 59 sh 77 60 pc

Nashville 85 70 t 85 71 t

New Orleans 88 77 t 88 76 t

New York City 84 67 s 80 69 pc

Oklahoma City 92 70 pc 85 73 t

Today Tomorrow

City Hi Lo W Hi Lo W

Amsterdam 68 54 sh 67 58 c

Athens 95 80 pc 96 78 pc

Baghdad 122 87 s 121 86 s

Bangkok 96 80 pc 96 80 t

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Jakarta 89 75 c 89 75 c

Jerusalem 89 70 s 89 70 s

Johannesburg 69 45 s 72 47 s

London 68 52 pc 67 55 pc

Madrid 82 56 s 87 60 s

Manila 92 80 pc 93 80 pc

Melbourne 63 48 pc 58 49 pc

Mexico City 66 56 t 74 56 t

Milan 79 60 t 75 55 pc

Mumbai 76 59 pc 78 61 pc

Paris 69 55 t 73 56 c

Rio de Janeiro 75 65 sh 73 63 c

Riyadh 113 84 s 113 85 s

San Juan 89 76 pc 89 78 sh

Seoul 88 75 t 88 76 c

Singapore 94 81 c 95 82 pc

Sydney 86 77 t 85 78 t

Taipei 101 83 pc 102 82 pc

Tokyo 89 76 sh 84 76 c

Toronto 80 64 pc 77 65 t

Vancouver 76 60 s 76 59 s

Warsaw 91 69 t 94 69 pc

Zurich 58 50 r 60 50 r

The WSJ Daily Crossword | Edited by Mike Shenk



NOTHING LEFT | By Peter A. Collins

Across

1 How some things are...

6 Indian address

9 It might be brushed in...

14 Expressed awe

15 #50 on a table

16 Lightened up?

<p

OPINION

Liberalism's Summer of '17



WONDER
LAND
*By Daniel
Henninger*

Liberals whine and wail about being governed by Donald Trump. But what about the millions who wake up every day to be governed by liberals?

This is the summer of '17 for people who live in politically blue northern cities, but few would call it the best days of their lives.

New Yorkers are living through the "Summer of Hell," the phrase that defines a city whose ancient transportation infrastructure has finally hit the wall. It's hard to say who got the worst of it—the commuters trapped for 45 minutes without air or lights on a southbound F train or the riders in Harlem who were evacuated after the tracks caught fire.

Naturally, Mayor Bill de Blasio says the solution is a \$700 million tax increase on "the wealthiest in our city."

In Chicago, more than 100 people were shot over July Fourth weekend, with 14 ending up dead. So naturally Mayor Rahm Emanuel has filed a sanctuary-cities lawsuit against the federal government to protect the city's immigrants.

Hartford, Conn., at the brink of insolvency, last month hired a law firm specializing in bankruptcy. The owners of dozens of destroyed businesses sued the city of Baltimore in June for mishandling the mayhem, two years after the riots ended.

For decades, urban liberalism has sold itself as a compact between government and taxpayers. The people paid, and with that revenue liberal politicians would deliver infrastructure, services, economic opportunity and civil order. But liberal governance, instead of keeping its side of the bargain, is at a dead end.

Writing in City Journal last year on the widespread fiscal distress of northern cities, Stephen Eide noted a study which found that "among the 1,100 census tracts in major metropolitan areas with poverty rates of 30 percent or more in 1970, only about 100 had seen their poverty rates drop below the national average by 2010."

Defenders of the liberal model argue that cities like New York, San Francisco and Los Angeles are changing into sophisticated, cosmopolitan hubs that attract a new class of young professionals who will restore urban America. Instead, many of these urban revivals are producing a phenomenon economists now call "racially concentrated areas of affluence," or RCAAAs.

An area gets RCAAed when the residents who pack themselves into it are mostly white people whose median incomes are unprecedentedly greater than the city's poverty level. Some of the most RCAAed cities are liberal duchies like Boston, Baltimore, Chicago and Philadelphia.

Economists for Citigroup have called cities like New York and San Francisco "plutonomies"—urban economies

propelled up by a plutocratic minority, which is to say, young professionals inured to both taxes and nearby poverty. But they vote their "consciences."

Progressives are acutely aware of this embarrassing reality in cities under their control. A writer for *The Times* identified the problem as "a lack of revenue caused by the refusal of Wall Street banks, big corporations and millionaires to pay their fair share in taxes." Put forth solutions, he said, "to make them pay."

Progressives whine about being governed by Trump. Pity those governed by them.

"Make them pay" might work if the U.S. were East Germany, so that the wealthy could be captured and jailed as they tried to escape across the border.

We're not living yet under a President Sanders or Warren, so the steady, documented outflow of residents will continue from New York, Connecticut, Illinois, Maryland, California and New Jersey.

Many of those now climbing over the Democrats' blue walls were willing to live under the original liberal governance model that existed before 1960 because it recognized the legitimacy of private economic life. The wealthy agreed then to pay their "fair share."

Today, private economic life,

especially that of the urban middle class, is no longer a partner in the liberal model. It's merely a "revenue source" for a system whose patronage is open-ended welfare and largely uncapped public-employee pensions. I'd describe the liberal-progressive governing strategy as ruin and rule.

Not widely noticed is that liberalism's claimed beneficiaries—black Americans—are also fleeing its failures. Demographers have documented significant black out-migration from New York, Michigan, California and Illinois into Florida, Georgia, Texas and North Carolina. North to south.

Now comes the summer-of-hell infrastructure crisis. Residents of the northeastern slab from New Jersey to Boston have been living off infrastructure created by their grandparents and great-grandparents during the golden age of American capitalism.

They are now asking the federal government, meaning taxpayers who live in parts of the U.S. not hostile to capitalism, to give them nearly \$15 billion to replace the 100-year-old train tunnel beneath the Hudson River. Why should they? Why send money to a moribund, dysfunctional urban liberal politics that will never—as in, not ever—clean up its act or reform?

Maybe we need a new default solution to the urban crisis: Let internal migration redistribute the U.S. population away from liberalism's smug but falling-apart plutonomies.

Write henninger@wsj.com.

BOOKSHELF | By Caroline Elkins

Europe's Scramble For Africa

Empires in the Sun

By Lawrence James
(Pegasus, 391 pages, \$28.95)

Early 75 years ago, the Trinidadian scholar Eric Williams published his landmark study "Capitalism and Slavery." Dismissing the idea that the end of the slave trade and slavery were moments of moral triumph for Britain, Williams attributed them mainly to economic forces. Once 19th-century industrial capitalism began to flourish, Williams argued, it destroyed the workings of 18th-century commercial capitalism, including slavery. "Without a grasp of these economic changes," he concluded, "the history of the period is meaningless."

Williams's thesis was revolutionary in 1944. Despite the eloquence of the empire's many defenders, one of His Majesty's subjects had irrevocably shattered Britain's myth of altruism. And despite decades of reconstructive efforts, its pieces have

never been fully reassembled.

How, then, does one today script a laudatory narrative of abolition and, with it, Britain's leading role in the carving-up and "civilizing" of Africa in the 19th and 20th centuries?

Lawrence James, an independent historian of the British Empire, shows how it can be done. In "Empires in the Sun" he sets out to write a history of Africa under European rule and, in doing so, turns his analytical clock back to about 1940. With this temporal sleight of hand, Williams disappears and goes the way of other people of African descent whose round peg of iconoclasm doesn't fit into Mr. James's square hole of African backwardness and neediness.

From the get-go, Mr. James gazes into his historical crystal ball and declares how, without European colonization of Africa—formalized in Berlin in 1884–85—the continent would have descended into horror. Africa's partition was an act of European mercy. Had it not occurred, "Africa's subsequent history might have followed the pattern of Europe's in the Dark and Early Middle Ages, with intermittent regional wars for political supremacy and consolidation."

Mr. James's subtitle, "The Struggle for the Mastery of Africa," tips his historical hand. "War had always been endemic in Africa," the author avers, as had an Islamism "untroubled by slavery." In contrast, "Britain was the friend of the weak and the oppressed and a nation deeply aware of its collective Christian duty." Putting aside these inaccuracies, what gives one pause is Mr. James's claim that he has "tried to avoid retrospective morality and its present-day repercussions." It is his historical argument for British superiority—moral, political and economic—that frames "Empires in the Sun." In Mr. James's world, not only was Britain the standard bearer of all things modern, so too was it light years ahead of its European rivals, particularly the French.

A historian makes an unfashionable argument for the moral, political and economic superiority of the British among the colonial powers.

Where writers choose to begin and end their stories tell us a great deal. The book's opening with France's sacking of Algiers in 1830 is an unorthodox point of entry for a history of Europe's African exploits. It signals, however, one of the author's overarching themes: "The events in Algiers and the reactions of Frenchmen set the pattern and tone for over a hundred years of European conquest in Africa." To be fair, Mr. James does suggest that Britons, too, got their hands dirty, but the infelicities are framed within the moral rectitude of the mid-Victorians and their humanitarianism. General Kitchener is largely given a pass, particularly at Omdurman; and Alfred Milner's creation of a web of labor exploitation in southern Africa—the disruptive effects echo down to the present day—is left unmentioned.

It's here that Mr. James's failure to acknowledge revisionist histories that undercut abolitionist triumph is thrown into relief. This under-emphasis of contrarian scholarship is carried forward, not only with the absence or minimizing of certain historical episodes, but also with the over-emphasis of other Europeans' avarice and exploitations.

Take, for example, the Mau Mau Uprising in Kenya, which began in 1952 and ended in 1960. The author offers up a few pages on the events, and ends with brief comments on the torture that British officials perpetrated in the colony's detention camps. Mr. James concludes "bad men did many bad things in Kenya," though it was more than just a few bad apples.

In fact, after four years in the dock and two courtroom defeats, the British government, in 2013, paid out £20 million in a settlement to over 5,000 former detainees. The charge was systematic torture; moreover, Foreign Secretary William Hague read a statement of "sincere regret" into the parliamentary record, a point Mr. James omits. In contrast to Mau Mau, he gives us a long chapter on France's deployment of similar, systematized methods of violence while decolonizing from Algeria.

In the end, the point should not be about who was better or worse in their "Mastery of Africa," but rather why was this happening in the 19th and 20th centuries, and in what ways is it still continuing down to the present day?

On this topic Mr. James gives us little new other than a lyrical account of British superiority in Africa. This is understood through a Whiggish prism of Africa's shortcomings and leadership failures. Language is everything, and Africans are consistently characterized as "negotistical" compared with British paragons of "bravery" and "faith" such as David Livingstone and General Gordon. Still, insofar as Mr. James provides an example of how history, politics and national identity can be wedded to both the art of forgetting and the craft of storytelling, "Empires in the Sun" is exemplary.

Ultimately, it's the historical events that Mr. James omits or foreshortens that offer much to think about. The question of industrial capitalism, and with it the twinned birth of liberalism and imperialism, provide a window into a complicated ideological position that can, at once, liberate and sustain inequalities. Liberalism and imperialism are two sides of the same capitalist coin. It's in unpacking this all-embracing conundrum that understanding Africa under colonial and post-colonial rule becomes ever more important to our grasp of the world as it exists today.

Ms. Elkins is a professor of history at Harvard University, a visiting professor at Harvard Business School, and the Pulitzer Prize-winning author of "Imperial Reckoning: The Untold Story of Britain's Gulag in Kenya."

By Karl Rove

It is impossible to deny that the past six months have been rough for the Republican Party. The GOP Congress failed to fulfill its pledge to repeal and replace ObamaCare, and the president now has a lowly 38% job-approval rating, according to the Real Clear Politics average.

Yet none of this means these are bright days for Democrats. Last week one of their own, West Virginia Gov. Jim Justice, announced—while standing next to President Trump at a boisterous rally—that he was switching to the Republican Party. With the addition of Mr. Justice, the GOP now holds 34 governorships, tying the party's nearly century-old record.

Mr. Trump's 42-point margin of victory in the Mountain State contributed to Mr. Justice's decision. The governor also laid blame, however, on Democratic state legislators, saying they had "walked away from me." Democrats controlled the legislature as recently as 2014, but Republicans now have majorities of nearly 2 to 1 in both the state House and Senate.

At first glance, one might assume the governor's party switch was what caused Sen. Joe Manchin's tirade on Sunday, when the West Virginia Democrat told the Charleston Gazette-Mail: "I just don't give a s—. Don't care if I get

elected, don't care if I get defeated." But Mr. Manchin's ire was actually directed at Democratic critics, who were irritated by his refusal to sign a letter on tax reform issued by his party's leadership.

Mr. Manchin is not the only Democrat facing pressure from the Elizabeth Warren-Bernie Sanders hard left. In May, Sen. Heidi Heitkamp of North Dakota cast the deciding vote to elect a Democratic House majority.

Then there is Sen. Bernie Sanders, who is demanding Democrats endorse a single-payer health-care system. Our Revolution—an aptly named advocacy group spun off from Mr. Sanders's presidential campaign—warns Democratic candidates to back single payer or lose the support of Sandernistas in Democratic primaries. The group showed its threats are real by endorsing a Democratic candidate in next year's Nevada Senate primary over former Sen. Harry Reid's favorite.

This trend points to a broader problem for Democrats: their lack of a credible, unifying, positive message. Senate Minority Leader Chuck Schumer and House Minority Leader Nancy Pelosi attempted to offer one in late July under the label "A Better Deal." It fell flat, with their slogan mocked as a rip-off of a Papa John's Pizza commercial and their agenda dismissed as a rehash of traditional liberal initiatives that haven't spurred much support.

That leaves Democrats with a platform that entirely consists of furious resistance to President Trump. Yet their message of obstructionism has been wholly ineffective so far. Democrats have failed to flip a single Republican congressional seat in this year's special elections, even after their candidate in Georgia's Sixth District—which Mr. Trump won by just over 1%—outspent his opponent \$30.2 million to \$6.6 million. In this year's Virginia gubernatorial race, Republican Ed Gillespie has so far parried Democratic Lt. Gov. Ralph Northam's attempts to make the contest all about Mr. Trump. The race is a dead heat in a state that has recently turned Democratic.

So while the press has focused on the difficulties of Mr. Trump's first 200 days, the Democratic Party—out of power and far weaker than it has been in a century—faces its own set of life-threatening challenges. If Democrats were wise, they would stop obsessing about the president and instead focus on what their party must do to appeal to Middle America. But that's not likely to happen, since out-of-touch ideologues and radicals have such an iron grip on the party.

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

Freedom of Speech Is Not Enough

By Zachary Wood

North Carolina last week became the latest state to enact a law protecting free speech on college campuses. The Restore Campus Free Speech Act requires schools to discipline students and faculty who substantially disrupt or interfere "with the protected free expression rights of others."

Such legislation, sensibly enforced, should bolster efforts to increase viewpoint diversity and send a clear message that heckler's veto will not be condoned. But leaders in higher education need to do more than protect free speech. Their greater challenge is to teach students how to discuss controversial topics thoughtfully and see the value of understanding those with whom they disagree.

The need for such understanding became clear to me while serving as president of Uncomfortable Learning, a club at Williams College that tries to broaden the range of

dialogue on campus by hosting controversial speakers. After I invited conservative commentator John Derbyshire in 2016 to speak about race and national identity, one student angrily told me that if the speech wasn't canceled, Mr. Derbyshire wouldn't make it through the door in one piece.

Colleges should also teach students how to debate respectfully.

"What do you mean?" I asked. "You can't be serious." The student paused, leaned over the table and looked me in the eye: "Whatever it takes, he will not make it through that door."

I had received criticism before and had my character attacked, but a face-to-face physical threat was something new. Two days later, the college president banned Mr. Derbyshire from campus.

safe spaces made comments that reflected some appreciation of Washington's approach to ameliorating the effects of racial subjugation.

Another useful approach may be for educators and administrators to lead the way in discussing campus issues in ways that represent the concerns of the entire student body. Rather than characterize a problematic protest as an example of either politically correct lunacy or entirely legitimate grievance, focus on the tension between expression and inclusion, respectfully acknowledging both points of view.

While free-speech legislation serves a critical purpose, punishment for disruptive protest shouldn't overshadow the common aim of enhancing the state of intellectual discourse on campus.

Mr. Wood is a Robert L. Bartley Fellow at The Wall Street Journal and will be a senior at Williams in the fall.

OPINION

REVIEW & OUTLOOK

Trumpian Fury on North Korea

When Donald Trump threatened North Korea with "fire and fury" Tuesday if it continues to menace the U.S. with nuclear weapons, he provoked almost as much backlash at home as in Pyongyang. The usual diplomatic suspects, including some American lawmakers, claimed his remarks hurt U.S. credibility and were irresponsible.

The President's point was that the North's escalating threats are intolerable; he didn't set any red lines. True to form, Pyongyang responded by putting the U.S. island of Guam in its cross hairs. Mr. Trump may be guilty of hyperbole (*quelle surprise*), but that is far less damaging to U.S. credibility than Barack Obama's failure to enforce his prohibition on the Assad regime's use of chemical weapons in Syria. The foreign-policy elite who claim to be shocked also don't have much credibility after their policy across three Administrations led to the current North Korean danger.

While the President's words were unusually colorful, the Communist-style language may have been part of the message: Kim Jong Un isn't the only one who can raise the geopolitical temperature. The U.S. has military options to neutralize the regime's nuclear threat if it continues to develop long-range missiles, and the U.S. is considering those options.

National Security Adviser H.R. McMaster said as much in an interview Saturday, explaining that Pyongyang's nuclear threat is "intolerable from the President's perspective. So of course, we have to provide all options to do that. And that includes a military option." Defense Secretary Jim Mattis reinforced that message Wednesday, warning North Korea to stop acting in ways that could "lead to the end of its regime."

Last week Senator Lindsey Graham told a morning television program, "There is a military option to destroy North Korea's program and North Korea itself." The South Carolina Re-

**China needs to know
that the threat of
military action is real.**

publican revealed that Mr. Trump told him there will be war if the North continues to develop long-range missiles: "He has told me that. I believe him. If I were China, I would believe him, too, and do something about it."

The China reference is a tip-off that the main audience for this rhetorical theater is in Beijing. Kim Jong Un won't stop now that he's so close to his goal of a nuclear deterrent. But China might restrict the flow of oil to the North, for example, if it believes that stronger action on its part could forestall a U.S. pre-emptive strike.

The other audience for Mr. Trump's remarks is the North Korean leadership around the young Kim. If they believe they are doomed by Kim's nuclear course, their best chance of self-preservation is to remove him. Regime change and then reunification is the ultimate solution to the North Korean problem.

One statement isn't going to change minds in Beijing or Pyongyang. The Trump Administration can also signal its seriousness by imposing secondary sanctions on more Chinese companies, financial institutions and individuals. The U.S. also needs to move more military assets into the region to make the use of force credible.

Striking North Korea remains a last resort because the regime can hit the South with nuclear, chemical and conventional weapons. Yet in 1994 then-President Bill Clinton used the threat of military action as he tried to force the North to give up its nuclear program. But former President Jimmy Carter exceeded his diplomatic mandate and maneuvered Mr. Clinton to accept a deal that propped up Pyongyang without adequate inspections.

Diplomacy works best when there is a credible stick to go with the carrots. The Trump Administration has the right idea, even if the President's words lack the usual diplomatic politesse.

A Berkeley 'Escape Hatch'

The University of California at Berkeley played down news last summer that it had installed an "escape hatch" from protesters in the chancellor's office. The term was "the concoction of a 19-year-old headline writer," a university spokesman said, referring to the student reporter who broke the story. "It's a door," the rep said, later adding that campus security thought it was "beneficial" to have more than one exit.

But internal emails we've seen show that a staff "deeply disturbed by [recent] occupations" did build the exit to protect themselves from potentially dangerous students.

In a proposal requesting funding for the \$9,000 security door, the chancellor's office detailed the risk of "vandalism & malicious mischief" and a "high... level of probability of future loss or injury if [the] condition is not addressed." The proposal noted that protesters had "rushed the building and attempted to occupy" the chancellor's office in April 2015. "Staff people pushed to close the office doors while protesters pushed them open."

Approval of the project was "GREAT NEWS" and provided "a more secure exit for the Chancellor and staff in the event of a serious, and possibly life-threatening emergency," wrote Dee Middleton, building manager for the hall that houses

**Emails show how
afraid university staff
are of protesters.**

the chancellor's office, in a June 18, 2015 email.

After repeated vandalism and trespassing, the university also installed a \$700,000 security fence around the home of Chancellor Nicholas Dirks. In April Mr. Dirks said his office's "so-called escape hatch" was installed at the behest of nervous staffers, adding that while he personally felt safe on campus, "I do feel, though, that Berkeley is under siege."

He has a point. In February rioting protesters prompted Berkeley to cancel a speech by blogger Milo Yiannopoulos and evacuate him from campus. Some of the masked activists set fires, threw Molotov cocktails, and tossed fireworks and rocks at university police.

Berkeley's associate executive vice chancellor Phyllis Hoffman wrote on June 4, 2016 that administrators at "both [University of California] Santa Cruz and Davis talked about the level of trauma their staff has experienced," adding that they were "fearful after some intrusive and aggressive student protests, similar to ours."

So there you have it: Administrators are no longer figuratively retreating or cowering from out-of-control students. They're creating the physical architecture to literally do so. It might be more dignified and less expensive to have these kids arrested when they break the law.

New York's Liberal Subway War

New York Governor Andrew Cuomo and New York City Mayor Bill de Blasio famously hate each other, but they seem to agree that the victims of their feud should be the people of New York. Witness their brawl over who deserves the blame for the rapid decline of New York's subways.

The city's train service has deteriorated as years of misspent resources have led to only 61.7% of trains now reaching the station on time. Straphangers often cram onto filthy or overheated cars. And the commute is so unreliable for the 5.6 million weekday passengers that almost a third of those riders surveyed by the Comptroller's office said they've been reprimanded or lost wages because of tardy trains, and 2% were fired. To drown commuters' sorrows, Long Island's Blue Point Brewery is even releasing a beer it calls "Delayed Pilsner."

Gov. Cuomo is chiefly responsible for the Metropolitan Transportation Authority (MTA) that runs the subway, as he appoints the chairman plus five of the 14 voting members of the 23-person board. (Mr. de Blasio appoints four voting members.) But Mr. Cuomo needs a political foil as he contemplates a run for the White House, and so he's tried to throw Mr. de Blasio on the tracks by demanding that the mayor match state funding for urgent subway repairs.

The mayor's default response: Raise taxes. Though the mayor calls his proposal a "millionaire's tax," it would hit individuals who earn more than \$500,000. These 32,000 tax filers would see their income-tax rate rise to 4.4% from 3.9%, bringing their combined city and state rate to 13.2%. Only California penalizes income more with a 13.3% top tax rate.

In 2014, the last year on record, the top 1%

Cuomo vs. de Blasio is a hoot but New Yorkers are paying the price.

which would hit New Yorkers hard.

Mr. de Blasio's tax is supposed to pay for repairs, but the mayor plans to earmark \$250 million annually—from a tax that would raise \$700 million to \$800 million—to pay for half-priced train fare for 800,000 low-income New Yorkers.

That's no surprise, since the MTA has long operated as a patronage shop for liberal politicians. To organized labor's delight, payroll for the subway has ballooned 26% under Mr. Cuomo's tenure. Money for pension and health benefits has taken priority over money for repairs and technology upgrades.

The political backdrop is that Mr. de Blasio is running for re-election this year and has his own eye on a White House run. Albany will have to sign off on his tax increase, but Mr. Cuomo is up for re-election in 2018 and the subway woes have pulled down his approval ratings. Mr. Cuomo may face a primary challenge from, among others, actress Cynthia Nixon, a de Blasio ally whose wife works for his Department of Education.

Though Mr. Cuomo campaigned in 2010 against a tax increase enacted by his predecessor, he has repeatedly extended it. If he needs to raise taxes to fight off the left in a primary, rest assured his principles are pliable. There's nothing like a progressive blood feud for entertainment, but the people who pay the price are the subway riders and taxpayers of New York.

of wage earners accounted for 49.3% of New York City's income tax revenue. That's a dangerously narrow tax base to fund an \$85 billion budget. In 2014 New York state led the nation in outmigration of those making \$200,000 or more a year. Those who remain are watching congressional calls to end the federal state-and-local tax deduction, which would hit New Yorkers hard.

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LETTERS TO THE EDITOR

Opioids: Should Drug Cops Bust Uncle Sam?

Regarding your editorial "Government Opioid Abuse" (Aug. 1): A significant contributing element in the opioid addiction crisis is over-regulation.

The Joint Commission, the premier hospital and clinic accreditation organization in the country, published new "pain management" standards that would be required of recognized facilities effective Jan. 1, 2001. The standards required robust assessment and treatment of patient complaints of pain. Under these new standards, clinicians must respond quickly to patient reports of pain, and patients who report pain are to be believed.

Before 2001, a surgeon could assume a conservative approach to prescribing a pain-relieving controlled substance and could pre-operatively educate the patient to expect some discomfort after surgery, and that although judicious use of medications would be ordered, the patient to some degree would likely experience discomfort, the "tough-it-out" approach. No longer. Or consider cases where the clinician suspects the patient of outright drug-seeking behavior. Nowadays, the doctor is required to believe the patient's report of pain and respond accordingly. What to do?

In 2007 the government started to tether reimbursement for clinical services to patient satisfaction surveys, including assessment of the patient's satisfaction with pain management. If too many patients are dissatisfied, the doctor's reimbursement is reduced.

Between these Joint Commission standards and government reim-

bursement to health-care providers, prescribers have been placed in a difficult position. Many patients associate great medical care with the absence of pain. Accordingly, many doctors are left wondering how to balance keeping the patient happy and keeping the patient well.

At least the Joint Commission has since ratcheted down some of these pain management standards.

RICH ZEIS, CLINICAL PSYCHOLOGIST
Walker, Iowa

State attorneys general, who have an obligation to protect all of their citizens, victims and taxpayers alike, will no doubt take legal action. If they do so, it should be without paying outrageous fees to private lawyers who often return the favor in the form of massive campaign contributions.

LISA A. RICKARD,
President, U.S. Chamber Institute
for Legal Reform
Washington

A majority of physicians have a deep-seated desire to help their patients, and with 7-12 years of additional schooling and training beyond college, they are in the best position to do so. However, intrusive bureaucrats are increasingly inserting themselves into the doctor-patient relationship with unintended, deleterious consequences. The opioid crisis will require a comprehensive, multi-faceted solution, but these same bureaucrats filling their coffers with settlement money obtained under threat of litigation is not it.

BRAD STEVINSON, M.D.
Denver

Maine's Senators and U.S. Health-Care Policy

Maine Gov. Paul LePage claims that Sens. Susan Collins and Angus King voted against repealing the ACA because they are out of touch with their constituents, and they don't listen to real Mainers "struggling to make ends meet" ("Maine's Two Senators Let Us Down," op-ed, Aug. 2). He is wrong—they listened to me.

I am the parent of an adult with disabilities, a community that would be devastated by the Republicans' proposed repeal of the ACA and billions of dollars in Medicaid cuts.

With a small group of parents and people with disabilities, I met with both Sens. King and Collins's staffs. They gave us hours of their time, took notes, asked questions and responded with concern when we explained that nearly everything that gives meaning to the life of an adult with disabilities is funded by Medicaid: job coaching, in-home support, day programs, transportation and supported housing, in addition to medical care.

Under Gov. LePage's version of "fiscal responsibility," these community-based programs are now crumbling.

LISA WESEL
Bowdoinham, Maine

Gov. LePage's op-ed reminds me that were it not for two senators from Maine, Olympia Snowe and Susan Collins, siding with Democrats in 2009 to advance the so-called Affordable Care Act out of committee, ObamaCare would likely not see the light of day. Maine, you can really pick 'em.

BRINT BROOKS
Englewood, Fla.

Real Science Is Based on Insights, Not Identity

Regarding Jillian Kay Melchior's "Higher Ed Goes Lower" (op-ed, Aug. 4): It's the end of straight white men. The diversity thugs are everywhere, even in obscure, purportedly scientific journals. Scholars are choosing sources based on authors' identities instead of their insights.

This is one of the few truly transparent conspiracies in modern society. Their goal is to eliminate straight white men from all desirable positions and jobs in society. Once all straight white men have been eliminated, all positions must be filled by the diversity thugs.

Their motivation really is strikingly straightforward.

EM. PROF. GORDON E. FINLEY
Florida International University
Miami

I have been an active conservative faculty member for decades, and I can tell you that such omnipresent partiality in higher education varies by geography, leadership, subject matter and individual differences within higher education, but it is without material exception.

From the lack of hiring of faculty and administrative conservatives (see several surveys by Los Angeles Higher Education Research Institute to this effect) to the publishing of only progressive points of view in major journals in social sciences and

Pepper ...
And Salt

THE WALL STREET JOURNAL



"You have a valid social security number, a photo ID and a credit score. As far as I'm concerned you exist."

CORRECTION

A medical condition that impairs bone marrow function is Fanconi anemia. The Aug. 8 editorial, "Money for Marrow, Finally," misspelled the name.

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

OPINION

How Trump Won, in Two Dimensions

By F.H. Buckley

Before the arrival of Donald Trump, the Republican establishment tended to define politics along a one-dimensional economic axis. Their Democratic opponents were socialists while they were the growth and opportunity party. Mitt Romney's candidacy embodied this view. His campaign's 59-point plan of sensible free-market ideas was a manifesto for Republican insiders. No one but them ever read it. The Republican one-dimensional man was left in 2012's dustbin.

A study shows the 2016 electorate was far more socially than economically conservative.

The Voter Study Group's Lee Drutman recently looked beyond the simple left-right paradigm in a questionnaire asking 2016 voters to identify both how they voted and how they felt about various economic and social issues. Mr. Drutman then mapped the results in a diagram, with economic preferences on the horizontal axis and social preferences on the vertical. The diagram revealed some surprising insights about American politics.

Most Hillary Clinton voters were deeply liberal on both axes. The surprise was the Trump voters, who were very conservative on social issues but moderate on economic ones. By Mr. Drutman's count, 73% of all voters were left of center on economics. Most of the remaining Trump

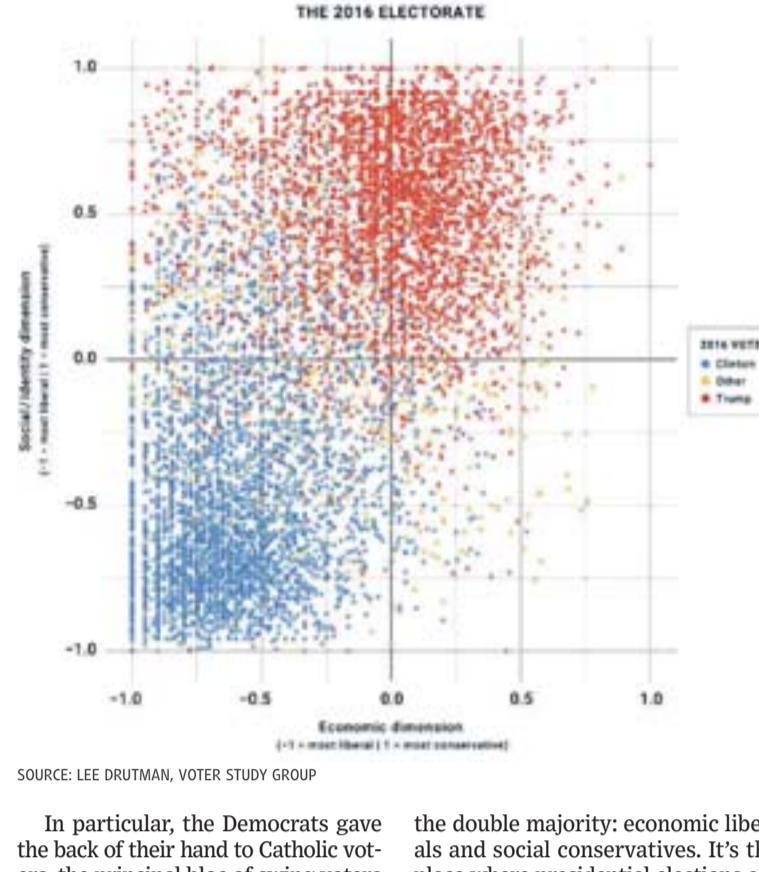
supporters were quite moderate on economic questions.

After the election, the so-called NeverTrumpers claimed that each of their favored candidates would also have beaten Mrs. Clinton. Mr. Drutman's figures show what a pipe dream that is. A presidential candidate like Ted Cruz, who defines himself primarily through right-wing economic policies, begins with nearly three-quarters of the electorate in the other camp. Such a candidate isn't likely to go very far.

While the great majority of voters were liberal on economic issues, a small majority (52%) were social conservatives at the top of the diagram, enough to swing the election to Mr. Trump. Only 3.8% of voters were libertarians in the lower-right quadrant, socially liberal and economically conservative. They split their votes evenly between Mr. Trump and Mrs. Clinton.

The crucial differences between the two parties came down to social concerns, including pride in America, immigration, and especially moral issues such as abortion and gay marriage. The social-conservative awakening that helped elect Mr. Trump came when voters recognized that the liberal agenda amounted to something more than a shield to protect sexual minorities. It was also a sword to be used against social conservatives.

The Trump voters might have grumbled about the Supreme Court's 2015 *Obergefell v. Hodges* decision, but same-sex marriage didn't pick anyone's pockets and no great political protest followed. That changed, however, when homosexual activists employed their newly won rights to start putting religious believers out of business.



SOURCE: LEE DRUTMAN, VOTER STUDY GROUP

In particular, the Democrats gave the back of their hand to Catholic voters, the principal bloc of swing voters in America. Democrats of the past would have been horrified to learn that their party makes faithful Catholics feel unwanted. That's what they thought Republicans did. But Mr. Trump courted white Catholics, and they provided him with the winning margins in Pennsylvania, Ohio and Michigan. Those three states determined the outcome of the election.

The sweet spot in American politics is thus the upper-left quadrant of

the double majority: economic liberals and social conservatives. It's the place where presidential elections are won, and the winner is usually going to be the candidate who's won't touch Social Security and who promises to nominate judges in the mold of Antonin Scalia. In other words—Donald Trump. Mr. Drutman labeled such voters populists, but I prefer the term that Mr. Trump himself has applied to them: the Republican "workers party." They constituted nearly 30% of voters in 2016 and they split 3 to 1 for Mr. Trump.

What of the future? The Democrats know they're in a bind. They want to learn how to connect with the forgotten voter in the heartland, but the "Better Deal" they trotted out last month is simply more left-wing economics. The problem for Democrats is they've already nailed the pocketbook issue. It's on the social side where they're weak. It's hard to see how they can moderate their maximalist positions on abortion, Black Lives Matter and transgender issues. The entire current leadership of the Democratic Party would need to be replaced.

That's not likely to happen. Instead, the Democrats will bet on the triumph of their socially liberal ideas, force-fed to students at our universities and preached by most media outlets. They assume that the arc of history, to which President Obama so frequently appealed, bends only their way and that all history moves in their direction. Everything that has gone before was merely a prologue for history's apotheosis in the persons of Mr. Obama and Mrs. Clinton—it's Herbert Butterfield's Whig theory of history dressed up as a campaign strategy.

The Republicans won the 2016 presidential election, but it hasn't made governing any easier. Because of the separation of powers, there are now two—or maybe even more—different Republican parties. For presidential elections, however, the Republican Workers Party will be the future of American politics.

Mr. Buckley is a professor at Scalia Law School at George Mason University and the author of "The Way Back: Restoring the Promise of America."

ISIS Airmail: The Bomb Shipped From Turkey to Australia

By Ahmet S. Yayla

Islamic State's plan to blow up a commercial jet out of Sydney a month ago was "one of the most sophisticated plots that has ever been attempted on Australian soil," police said last week. For reasons that aren't yet clear, the terrorists aborted the attack, and police are confident the bomb would not have made it through airport security. Still, terrorists managed to acquire plastic explosives and the components needed to set it off—all shipped by airmail from Turkey. The Australian authorities discovered the plan only when, nearly two weeks later, they received a tip from a foreign intelligence service.

Make no mistake: Islamic State jihadists will continue trying to carry out spectacular terrorist attacks in the West. ISIS has lost control of Mosul, Iraq, where an estimated 30,000 of its fighters were killed. Now it is being pushed out of its putative capital, Raqqa, Syria. As it begins to look less like a traditional state and more

like an insurgency, ISIS fighters will try to mobilize sympathizers around the world.

Last month, for instance, ISIS affiliates in Turkey released the "Lone Wolf's Handbook," a manual of 60-some pages, with dozens of illustrations, that explains the most efficient way to make a bomb or drive a truck into pedestrians. Such attacks are meant to prove that ISIS still exists and reinforce its bragging rights as the meanest, most fearsome warriors for Islamism. They're also meant to dominate the news, particularly in the West, to help recruit future jihadists.

At the same time, ISIS is getting smarter about circumventing Western security, as the failed attack in Australia shows. An ISIS commander, probably in Raqqa, coordinated the plot and guided the terrorists for more than three months. He had the bomb assembled with high-end, military-grade explosives.

The device was shipped from Turkey to Australia by air cargo, probably in a passenger jet, evading

security along the way. The plotters in Sydney received the package without any problems and set up the bomb. They put it in their luggage and went to the airport but then abandoned the plan before going through security. Instead they began working on a chemical-dispersion device to release hydrogen sulfide, a highly toxic gas.

In the end, the plot failed. But it leaves plenty of questions—and shows where to tighten security.

A sophisticated supply chain like this raises obvious questions: Where else may the ISIS cell in Turkey have sent bomb components? How did it obtain the plastic explosives found in Sydney, and how much more does it have?

Western governments considering the Australia plot ought to respond

in three ways: First, they should review the shipping and handling of air cargo and fortify security procedures. The successful delivery of plastic explosives constitutes a major world-wide threat. Plastic explosives are hard to detect, but newer X-ray machines usually have the capacity to find them.

Second, the other countries of the North Atlantic Treaty Organization should lean on Turkish authorities to crack down on jihadist networks. Almost all of the materials to produce the bomb in Australia were sent from Turkey. Last month Brett McGurk, the U.S. special envoy for the coalition against Islamic State, said that al Qaeda fighters had established a "safe haven" in Syria just across the Turkish border. "How are they getting there? They're not paratroopers," Mr. McGurk said. "The approach by some of our partners to send in tens of thousands of tons of weapons, and looking the other way as these foreign fighters come into Syria, may not have been the best approach."

Third, counterterrorism agencies should be more vigilant than ever about monitoring connections between their citizens and Islamic State fighters. Terrorists always try to recruit the people they trust. A foreign fighter's close circle in his homeland is perhaps the easiest recruitment target when ISIS goes looking for future jihadis to carry out attacks.

The Australian suspects are instructive. The men arrested and charged, Khaled Khayat and Mahmoud Khayat, are brothers. They were reportedly recruited by another brother, Tarek Khayat, who is an ISIS commander in Syria. Looking for these kinds of needles in the haystack is tiring work, but that is the essential job of intelligence agencies.

Mr. Yayla, an adjunct professor at George Mason University, formerly led the counterterrorism and operations department of the Turkish National Police in Sanliurfa (2010-13).

Congress Has a List, but That Isn't in the Constitution

By Theodore B. Olson

The framers of the U.S. Constitution regarded the carefully wrought system of separated powers as essential to securing liberty, freedom and stability. In Federalist No. 48, James Madison warned that the legislature would try to be the most powerful branch, "everywhere extending the sphere of its activity, and drawing all power into its impetuous vortex." Congress, Madison foresaw, would "mask, under complicated and indirect measures, the encroachments which it makes on the coordinate departments."

One of the most important responsibilities the Constitution assigns the president is the power to nominate the people who execute our nation's laws. This subject was debated extensively at the 1787 Constitutional Convention. One group, led by Benjamin Franklin, sought to vest the appointment power in the Senate, fearing that lodging that power in the executive

would lead to monarchy. The other faction, led by Madison and Alexander Hamilton, believed the executive was better suited to the task, because "collective appointments were usually marked by intrigues, deals, and machinations."

The Constitution's Appointments Clause was a compromise. The president has the power of appointment, constrained by the Senate's power to advise and consent.

But true to Madison's prediction, lawmakers have repeatedly enacted measures that encroach on the president's constitutional prerogatives, including the appointment process.

Just last year, they did it again in a

statute known as Promesa—the Puerto Rico Oversight, Management and Economic Stability Act.

Promesa establishes the seven-member Financial Oversight and Management Board for Puerto Rico to address the commonwealth's fiscal challenges. The act gives the president authority to choose only one of

the board's members. It directs him to select the remaining six members from lists supplied separately by the House speaker, the Senate majority leader and both chambers' minority leaders. Those lists have never been made public.

The statute provides that if the president picks his nominees from the lists, no Senate confirmation is required. The president theoretically could select others, but they would be subject to Senate confirmation, which had to be obtained within two months of the statute's enactment—during which time the Senate was in session for only eight days. President Obama acquiesced in this legislative squeeze-play and selected six of the board's members from the congressional leaders' lists. None of the members were confirmed by the Senate or publicly vetted in any way.

The constitutional problems with this method of choosing the Oversight Board's members were no secret to Congress. Sen. Maria Cantwell of Washington warned during the debate that the bill violated the Appointments Clause. Congress attempted to paper over the problem by inserting a definitional provision stating that the board is part of the

territorial government of Puerto Rico, not the federal government.

But what matters under the Appointments Clause is the source of an entity's authority, not the label Congress puts on it. The board is federal in every relevant respect. It was created by federal law, and its members are appointed by federal officials to

The 2016 law creating an oversight board for Puerto Rico blatantly violates the Appointments Clause.

carry out federal law. The board functions as a federal super-governor for Puerto Rico: It alone has the power to initiate, and then manage on behalf of Puerto Rico in a federal court, what is likely to be the largest bankruptcy proceeding in American history.

People who exercise important congressionally granted authority are unquestionably principal officers of the United States. Thus, under the Constitution, they had to be appointed by the president with the

consent of the Senate. In fact, since the Constitution was ratified, every federally appointed territorial governor—including in Puerto Rico, which began electing governors only in 1948—has been nominated by the president and confirmed by the Senate.

None of the board's members were appointed that way. Instead, it consists of one person chosen by the president and six secretly hand-picked by individual members of Congress, and the Senate abdicated its duty to confirm all seven of them—in blatant violation of the Constitution. The board's members wield massive federal authority and are accountable to no one—a recipe for corruption. If Congress can get away with this latest circumvention, you may be sure that it will do the same thing again and again, "drawing all power into its impetuous vortex."

It will be up to the courts to stop it.

Mr. Olson, a lawyer with Gibson, Dunn & Crutcher, represents fund entities managed by Aurelius Capital Management LP in a challenge to the constitutionality of the Puerto Rico Oversight Board.

Notable & Quotable: The 'Diversity' Paradox

Evolutionary psychologist Geoffrey Miller in "The Google Memo: Four Scientists Respond," Quillette.com, Aug. 7:

For what it's worth, I think that almost all of the Google memo's empirical claims are scientifically accurate. Moreover, they are stated quite carefully and dispassionately. Its key claims about sex differences are especially well-supported by large volumes of research across species, cultures, and history. . . .

Here, I just want to take a step

back from the memo controversy, to highlight a paradox at the heart of the 'equality and diversity' dogma that dominates American corporate life. The memo didn't address this paradox directly, but I think it's implicit in the author's critique of Google's diversity programs. This dogma relies on two core assumptions:

• The human sexes and races have exactly the same minds, with precisely identical distributions of traits, aptitudes, interests, and motivations; therefore, any inequalities

of outcome in hiring and promotion must be due to systemic sexism and racism;

• The human sexes and races have such radically different minds, backgrounds, perspectives, and insights, that companies must increase their demographic diversity in order to be competitive; any lack of demographic diversity must be due to short-sighted management that favors groupthink.

The obvious problem is that these two core assumptions are diametrically opposed.

WORLD NEWS

Supporters Rallying Around Netanyahu

Israeli prime minister addresses crowd of thousands as pressure mounts amid probes

BY RORY JONES

TEL AVIV—Prime Minister Benjamin Netanyahu addressed a rare public rally here as police corruption probes pose a growing threat to the Israeli leader's 30-year political career.

Mr. Netanyahu, leader of the right-wing Likud party and known by his nickname "Bibi," on Wednesday blamed the turmoil on a "witch hunt" by left-wing Israelis and the media to topple him from power.

"I can only tell you what I've been saying since day one: There won't be anything because there isn't anything," Mr. Netanyahu told thousands of supporters, who waved Likud flags and chanted "Bibi Bibi!"

Despite the show of support, mounting public pressure means Mr. Netanyahu faces a test of survival like no other during his time in office. According to a poll this week for broadcaster Channel 10, two-thirds of Israelis believe the prime minister should resign if he is indicted on a charge of corruption, and half of them don't believe he is innocent.

The police probes gained a key witness last week when Ari Harow, the prime minister's former chief of staff and



Mr. Netanyahu told the rally in Tel Aviv: 'There won't be anything because there isn't anything.'

longstanding confidant, agreed to cooperate. Analysts said that development could increase the political pressure on Mr. Netanyahu.

An indictment wouldn't obligate Mr. Netanyahu to resign but would likely lead to calls for him to step down.

Mr. Netanyahu's departure would have a profound effect on Israeli politics, the country's relations with the U.S., the conflict with Palestinians, and its ties with Arab neighbors and nations throughout the Middle East.

He started his second stint as prime minister in 2009, and has no clear successor in his party.

After years of strained ties with former President Barack Obama, Mr. Netanyahu has nurtured a close relationship with President Donald Trump's administration.

The Palestinian leadership, who deeply distrust the Israeli leader, would hope to reboot peace talks with Israel if Mr. Netanyahu moved on and a new leader explored that option. Settlement construction has ex-

panded under Mr. Netanyahu while negotiations have stalled.

Mr. Netanyahu's loyalists have rallied behind him during this time of political peril. Ministers from Likud in recent days have made statements backing his leadership and party members organized Wednesday's rally in Tel Aviv.

The prime minister's coalition partners also show no sign of pulling out of the 66-seat governing alliance in the 120-member Israeli parliament and aren't calling for Mr. Netanyahu's resignation.

Under Pressure

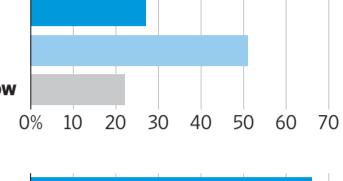
A recent poll showed that most Israelis believe Prime Minister Benjamin Netanyahu should have to resign if he is indicted.

Do you believe the prime minister's claim that he's innocent?

Yes

No

Don't know

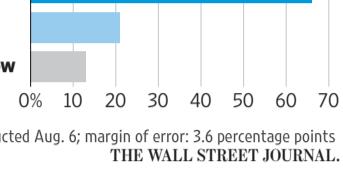


If there is an indictment should Netanyahu have to resign?

Yes

No

Don't know



Source: Channel 10 poll of 751 Israelis conducted Aug. 6; margin of error: 3.6 percentage points

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investigation.

Mr. Netanyahu has repeatedly said the investigations will come to nothing as he has done nothing illegal.

The possibility of an indictment has gotten the attention of the Israeli public. "There's no question he should resign," if indicted, Heli Sinai, a home décor importer in Tel Aviv, said outside the rally. "Maybe at another time he was good for Israel. But he's not the right man now."

Mr. Netanyahu has remained popular among his right-wing base because they view attacks against the leader as politically motivated attempts to force him from power, according to Mitchell Barak, a political analyst and director at Jerusalem-based Keevoon Global Research.

Kenya President Has Strong Lead in Contested Vote

BY MATINA STEVIS
AND JOE PARKINSON

NAIROBI, Kenya—Kenya's President Uhuru Kenyatta looked set for another four-year term as unofficial results from Tuesday elections handed him a big lead over opponent Raila Odinga, but allegations of fraud sparked protests, clouding an otherwise peaceful vote in one of Africa's largest economies.

With official results pending, Mr. Odinga cried foul on Wednesday, alleging that a hack of the electoral commission's software system had enabled "massive fraud" that rendered the vote "illegal."

The veteran leader's claim was followed by protests in several of his strongholds across the country, as supporters clashed with riot police in Nairobi's sprawling informal settlements and in small pockets in western Kenya.

There was no official estimate of injuries, but Doctors Without Borders, the medical organization, said two protesters had died in confrontations with security forces in Nairobi's Mathare slum.

"This morning's claims of election database hacking have raised suspicion and already pushed opposition supporters in some areas onto the streets," said Muthoni Wanyeki from rights group Amnesty International.

Still, the vast majority of the country and Nairobi, one of Africa's key business hubs, were calm throughout the day.

With all polling stations reporting, Mr. Kenyatta led Mr. Odinga by 54% to 45% of the vote from Tuesday's election,



THOMAS MUKOYA/REUTERS

Allegations of fraud sparked protests in Kenya, as seen in Mathare on Wednesday, but most of the country was calm throughout the day.

according to unauthenticated results streamed on the website of the Independent Electoral and Boundaries Commission.

Mr. Odinga, speaking at a news conference, rejected the commission's figures, saying its computer system had been hacked in "an audacious attempt to overrule the power of Kenyatta."

Mr. Odinga produced a 52-page document that he said substantiated his claims. He also asserted that last week's gruesome killing of the

commission's top information technology official, Chris Msando, was part of an attempt to return Mr. Kenyatta to power at any cost. "Chris Msando's blood has been shed on the altar for thirst for absolute power," Mr. Odinga said.

"You can only cheat a people for so long. This election is illegal."

A senior official from the governing Jubilee coalition said Mr. Odinga had no evidence for his claims and was simply lashing out after an election loss to Mr. Kenyatta, who is seeking a

second four-year term.

"This is disinformation. It comes after months of promising his supporters that the only way he could lose is if the poll was rigged," said Raphael Tuju, Jubilee's secretary-general. "I'm not concerned about widespread violence. He has campaigned to incite people but he has failed and will be isolated."

The electoral commission rejected claims of a hack late Wednesday after originally saying it didn't know if there had been one or not.

"Our election management system is secure. We confirm there were no interferences before, during and after the poll exercise," the IEBC said in a tweet from its official account.

In 2007 elections, allegations of vote rigging and voter intimidation escalated into tribal-related violence that left 1,100 people dead and drove hundreds of thousands of others from their homes. While both Messrs. Kenyatta and Odinga pledged during the campaign to spend heavily on

development projects for Kenya's 48 million people, tribal divisions continue to frame Kenyan politics.

Mr. Kenyatta says his leadership transcends ethnicity, even though he is dependent on support from his Kikuyu tribe, Kenya's largest, and its allies. Mr. Odinga says his Luo tribe, and others aligned with it, have been neglected.

Tuesday's election was the fourth run at the presidency for the 72-year-old Mr. Odinga, who said only fraud would cost him victory in his latest presidential bid. Mr. Kenyatta, 55, defeated Mr. Odinga in a disputed poll in 2013.

"This is a dramatic statement [by Mr. Odinga]. It isn't quite a call to arms, but it is putting people on notice," said Justin Willis, an Africa specialist at Durham University in England. "But provisional results show Kenyatta leading by a large margin...Even if it is discovered that there are irregularities they'd have to be huge to nullify the result," he added.

Election monitors from the Carter Center, the National Democratic Institute and the European Union were scheduled Thursday to issue statements about the conduct of the elections and the vote count.

In Kibera, a vast slum on the edge of Nairobi and an Odinga stronghold, residents said the atmosphere was tense.

"Everybody was very confident yesterday because when Raila came here to vote, it was very emotional," said Mary Okuo, a 47-year-old pastor. "I will accept the results, but I don't know about anyone else. We're praying," she said.

Thai Navy Makes Surgical Strike on Monkeys

BY JAMES HOOKWAY

SATTAHIP NAVAL BASE, Thailand—Here at Thailand's largest navy base, an enemy lurks within packs of marauding monkeys that have taken over parts of the facility in their search for chips, nuts and maybe a bar of chocolate or two.

And the sailors are fighting back. Their weapon of choice? Monkey vasectomies.

Squeezed out of the nearby jungles by new housing developments and tourist resorts, the long-tailed macaques have chewed through telephone cables, knocking the entire base off the grid. They drag rocks onto roads to slow down cars and trucks so they can jump aboard and rummage for food.

"They're smart, but they're a problem. I am sick of them," said Cmdr. Suranart Jiemjit, whose superiors ordered him three years ago to head off the monkey menace.

But now, as the monkey



population swells to 10,000, Cmdr. Suranart is implementing the new vasectomy strategy to defend the navy from attack without hurting their furry neighbors.

Thailand's navy has tried sterilizing the macaques before.

Three years ago Cmdr. Suranart brought in a team of veterinarians to trap males and then cas-

trate them. It didn't work. The vets found castrating the males overturned the monkeys' social hierarchy. Dominant males who were castrated were sometimes ostracized from the troop and females would simply find a fertile male to mate with. The population continued to grow. Culling wasn't an option, either. Most Thais are Buddhists and

frown upon the practice.

Vasectomies, while trickier to perform, make the monkeys easier to control and don't upset the tribe's social order.

Praphat Sathitwat, who works on the problem for the local civilian government of the Thai district of Sattahip, says the new approach seems to be working. "I see fewer babies than before, so this suggests that the population is growing slower than before and will stabilize," he said.

Vasectomies, however, work only if you can catch the monkeys in the first place. And that is becoming something of a problem.

Sailors used to set cages with the door open and lure the macaques inside with treats.

The sailors were sometimes able to slam the door shut and cart them off for surgery.

But the monkeys are getting wise to that. They won't enter the traps if they sense humans are nearby.

WORLD WATCH

CHINA

Death Toll Rises to 19 In Jiuzhaigou Quake

Tourists and residents struggled Wednesday to clear roads and cope with power cuts caused by a powerful earthquake that killed at least 19 people and injured 247.

The magnitude-6.5 quake Tuesday night knocked out power and phone networks, complicating efforts to locate and evacuate survivors.

Most of the deaths were recorded near Jiuzhaigou or Jiuzhai Valley, a national park that attracts visitors from China and overseas. More than 30,000 tourists were relocated to safer accommodations, the Xinhua News Agency said.

On Wednesday, another strong quake struck far northwestern China, 1,360 miles from Jiuzhaigou, injuring 32 people, Xinhua reported.

—Associated Press

UNITED KINGDOM

Central Bank Plans New Conflict Rules

The Bank of England said it would implement in full a suite of recommendations to overhaul its approach to managing conflicts of interest, after the failure of a senior official to disclose a potential conflict led to her resignation.

Charlotte Hogg resigned in March from her dual role as chief operating officer of the U.K. central bank and its deputy governor for markets and banking after lawmakers criticized her for failing to disclose during four years at the BOE that her brother worked in a senior role at U.K. lender Barclays PLC.

Ms. Hogg said her failure to inform BOE directors of the potential conflict of interest was an oversight, but accepted that it breached the central bank's code of conduct.

—Jason Douglas

BUSINESS & FINANCE

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Top Buyout Firm Scrutinized on Loans

Canada looks into complaints Catalyst inflated values and deceived borrowers

BY ROB COPELAND
AND JACQUIE McNISH

TORONTO—At least four individuals have filed whistleblower complaints with Canadian securities regulators alleging fraud at a multibillion-dollar investment firm and its publicly traded lending arm, according to people familiar with the matter and documents reviewed by The

Wall Street Journal.

Catalyst Capital Group Inc., one of Canada's largest private-equity firms, is accused in the complaints of artificially inflating the value of some of its assets and deceiving borrowers about the terms of loans it made. The complaints have prompted officials at the Ontario Securities Commission, the country's leading securities regulator, to make inquiries and question people familiar with Catalyst, according to the people and documents.

A unit of the Toronto Police Service that specializes in financial crimes has separately begun its own inquiries, a de-

partment spokeswoman said.

The inquiries don't necessarily lead to an investigation. Catalyst is led by Newton "Newt" Glassman, 53 years old, who has described his businesses as the "Goldman Sachs of Canada."

His private-equity firm, which oversees 6 billion Canadian dollars (\$4.8 billion) for international clients, is one of the country's more aggressive investors, industry executives say. Catalyst mostly invests in high-interest loans to financially distressed firms such as casino game makers or biopharmaceutical companies, and sometimes takes control

Fund Raise

Canadian private-equity firm Catalyst Capital has been one of the most frequent fundraisers globally over the past decade.

Fund	Year	Amount raised
Catalyst I	2002	\$186 million
Catalyst II	2008	\$635 million
Catalyst III	2011	\$1 billion
Catalyst IV	2013	\$1 billion
Catalyst V	2015	\$1.5 billion

Sources: filings, investor documents

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of the businesses if the loans aren't paid.

Company officials declined to comment before publication for this article.

panies said they believe the whistleblowers are filing "deliberately misleading" reports with the OSC.

"Callidus believes that it is the actions of those individuals that warrants investigation," the statement said. Callidus Capital Corp. is the lending arm of Catalyst.

Under a program begun last year, Ontario regulators accept whistleblower submissions from any individual with original information about an alleged violation of securities law. Regulators dismiss many complaints without any inquiries, according to people familiar with the process.

Please see LOANS page B2

PERSONAL TECHNOLOGY | By Geoffrey A. Fowler

To Get Tech Savvy, Don't Ask Your Children

Asking your offspring for tech support is... just asking for it.

Their responses, often accompanied by an eye roll: "Why is that so hard?" or "I already showed you!"

Older adults are wising up to how iPads, smartphones and fitness trackers can improve their lives. But a key to conquering fears and thriving with new technology is knowing where to get help that won't run out of patience. Anything with circuits tends to amplify teen brattiness, adult anxiety about aging and senior insecurities about being left behind. If at all possible, get an outsider involved.

That's what brought Cheryl de la Mere, 71, with her big silver laptop and a taped-on list of passwords, to a San Francisco Public Library branch last weekend. She was there for assistance from a teenage volunteer named Justin. Asking family members "brings out too many emotions," Ms. de la Mere said. "Justin here is not going to insult me."

Seniors' biggest obstacle is the false sense that tech is just for young people. Much of the blame belongs on tech companies. Seniors are a growing market yet treated as an afterthought by developers, very few of whom are seniors themselves.

That's a mistake. Engineers would be hard pressed to find a better target population. Seniors face tremendous challenges with isolation, financial independence



Rosalia Lapena, center, and Marianna Carcenac, left, get free tech lessons at the Senior Planet Exploration Center in New York City.

and health—which video chats, savings apps and wearables can help.

In fact, tech companies ought to employ retirees as product testers. "Seniors are the canaries in the coal mine for bad technology design," says Thomas Kamber, executive director of Older Adults Technology Services, a New York nonprofit.

The shift from keyboards to touch screens made computing more accessible. But software still hides functions

behind hieroglyphic icons and impossible-to-guess finger swipes. The reality is, today's tech is hard to break. It's also a good way to find fulfillment after retirement.

"Smart devices have so much to offer along with a better quality of life, I am surprised more people are not in a learning mode," says Kent Hayward, 77, of Aurora, Ill. He got up to speed by taking classes at an Apple store and now teaches classes at his public library.

What doesn't work

"The problem with family members, especially if they're in their 20s or 30s, they don't really have any patience," says Versie Martin, 65, a recent retiree in New York. "They may show you very quickly, and once they show you, then they expect you to get it and they don't want to repeat it again."

Talking to Wall Street Journal readers and professional trainers, I spotted

other avoidable tech mistakes for seniors and people who love them.

Don't stick seniors with castaway gadgets. I've written about many good uses for out-of-date gear. If you no longer want that jittery old iPad, why would you expect your mom to have a quality experience with it?

Be skeptical of so-called senior tech. So much is either junk, or more accurately described as accessibility

Please see FOWLER page B4

INSIDE

The Week When Crisis Went Global

By COLIN BARR

Ten years ago this week, the first glimpses of the global financial crisis came into view.

The French bank BNP Paribas froze three investment funds, saying a lack of trading in subprime securities made valuing them impossible. The bond market seized up, rattling investors and central bankers who previously soft-pedaled the notion that the U.S. housing bust would hit the economy.

Aug. 9, 2007, marked the beginning of the most far-reaching economic disruption since World War II. The events on that Thursday made clear that subprime-lending excesses wouldn't be "con-

tained," as Ben Bernanke, then Federal Reserve chairman, had predicted just months earlier. Yet few people appreciated the scope of the disaster that would unfold over the next 18 months.

By now, it is widely under-

stood that the global financial industry was overleveraged, that the U.S. mortgage market was rife with loans that wouldn't be repaid, that investors and financial institutions everywhere were paying high prices for highly rated securi-

ties that were actually extremely risky.

Ten years later, it is clear that those errors set in motion a crisis that in 2008 shook the world, bringing down Bear Stearns Cos. and Lehman Brothers Holdings Inc. and forcing the \$182 billion rescue of American International Group Inc.

But at the time, that larger meaning wasn't evident, even to financial-industry executives and the central bankers charged with overseeing them. The economy was growing at a nearly 4% clip and stocks were hitting new highs. Many still

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DAIRIES HOPE TO REINVENT MILK

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LOANS

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miliar with the process. Those

reports that merit a review are sent to the program's inquiries team, which conducts interviews and other research before deciding whether to open a formal investigation, the people said.

Some but not all of the filers of the Catalyst whistleblower complaints have worked at companies that borrowed money from Mr. Glassman's firms, and later had their businesses seized, said people familiar with the matter. Some are involved in litigation with Catalyst, the people said. Some of the complaints involve a series of loans to a small technology distributor, while others focus on other investments and the firm's accounting.

Each of the complainants may receive up to C\$5 million under the OSC whistleblower program if their allegations prove true.

Neither Mr. Glassman nor his companies have been accused by authorities of any wrongdoing.

Mr. Glassman is also chief executive of Callidus, the alternative lender listed on the Toronto Stock Exchange. Callidus's lending practices are also a subject of the whistleblower complaints, according to the people and documents.

Catalyst funds own a majority of Callidus's public shares

tivity Media LLC.

Well-known in Canadian business circles, Mr. Glassman is protective of his own privacy. He has at times forbidden friends and journalists from taking his photograph.

His companies sometimes file multiple lawsuits against borrowers believed to have violated the terms of their loans.

One of those borrowers is Jeff McFarlane. Mr. McFarlane is the former chief executive of computer distributor Xchange Technology Group, known as XTG. He said his company began borrowing from Callidus in late 2012 after the lender purchased its \$11.6 million loan from a U.S. bank.

Within a year, Xchange was in insolvency proceedings. Callidus purchased the company for about \$34 million, according to court documents.

When Callidus went public in 2014, Catalyst, its majority shareholder, agreed to cover future losses on loans including Xchange.

In September 2015, Callidus recorded the Xchange investment as an asset for sale at C\$66.9 million in a quarterly earnings report.

Then in March 2016, Catalyst transferred C\$101 million to Callidus for Xchange, "an amount equal to the total outstanding principal plus accrued and unpaid interest," filings show.

In December 2016, Catalyst told its investors that the Xchange stake was only worth a fraction of what it had paid that March, triggering losses on two of its funds, according to one of the whistleblower complaints and documents reviewed by the Journal.

Mr. McFarlane confirmed he filed one of the whistleblower complaints. His complaint, and one other, alleges that Catalyst funds overpaid Callidus to acquire the Xchange investment, and delayed and underreported potential losses. "I have serious concerns about the integrity of Callidus's accounting around XTG," Mr. McFarlane said.

Last month, the Court of Appeal for Ontario found Mr. McFarlane responsible for a personal guarantee on Xchange's debts that was far less than Callidus was seeking in a civil suit.

Regarding Xchange, Catalyst said in Wednesday's statement that "the accounting treatment and disclosure were entirely appropriate and there is no basis for allegations to the contrary."

Mr. Glassman's companies have also sued or counter sued government agencies and former employees for damages in relation to alleged business breaches and misconduct.

Callidus in February sued a former employee and alleged he was responsible for "artificially inflating" the financial performance of some of its investments, including Xchange. The employee responded in a court filing denying that, and said Callidus made the claim to deflect attention from "multiple complaints and regulatory investigations." Litigation is ongoing.

As part of its quarterly earnings, Callidus in May disclosed that its accounting practices were under review from the OSC.

Continued from the prior page
believed the mortgage problems would blow over.

In the minds of many at the time, what Wall Street began grappling with on Aug. 9 was a liquidity outage in the trading of risky securities, one that might be solved with infusions of central-bank money.

Investors understood the housing bust would hit the finances of major lenders such as Countrywide Financial Corp.

But even after the firm warned that afternoon of "unprecedented disruptions" in markets, few appreciated how gravely impaired the entire U.S. mortgage sector would become as borrowing costs rose, housing prices fell and losses started to mount.

That day didn't expose just the disarray of the global financial industry. It also illuminated behavioral patterns that helped accentuate the crisis, notably investors' expectation that central bankers and other policy makers would intervene

when markets started to shake.

On Aug. 9, for instance, a spike in short-term interest rates such as Libor prompted central bankers to spring into action, pouring funds into the market and promising further support. Those efforts were successful—but they didn't create incentives for capital raising and deleveraging, which is what the markets needed most desperately.

Ultimately, those behaviors together helped enact a recurring cycle of panic and intervention that wouldn't be broken until governments in the U.S. and Europe stepped in later in 2008 and put the tab on national balance sheets.

From the vantage point of August 2017, it is clear there have been changes. Yet markets' dependence on central-bank largess appears largely unabated. The decline of volatility readings and the rise of valuations in all asset classes seem to presume any market shock or economic downturn can be handily contained. Perhaps some lessons are easier learned than others.

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BUSINESS NEWS

Ad Firms Are Hit By New Allegations

By SUZANNE VRANICA

The Association of National Advertisers said a new study found a variety of nontransparent practices in the advertising production business, a conclusion that likely will add to mounting concerns about how business is conducted on Madison Avenue.

The U.S. trade group, which represents big advertisers such as AT&T Inc., Procter & Gamble Co., Wal-Mart Stores Inc. and General Motors Co., didn't single out any advertising firms by name.

But it detailed a range of improper behavior, including allegations that some agencies have steered production contracts to their in-house production and postproduction outfits by urging other companies to inflate their prices during the bidding process.

In other cases, ad firms allegedly try to disguise their ownership of production outfits, so their clients aren't aware of the affiliation.

"The system is compromised by the fact that the agency is not only controlling the bidding process but is also part of the bidding process and that is a conflict of interest," said Bob Liodice, ANA's chief executive.

The report also zeroed in on the production incentives some states offer for filming in certain locations. About 39% of advertisers surveyed who were eligible for production incentives in the past two years either didn't receive those benefits or didn't know, the study said.

Marla Kaplowitz, CEO of the American Association of Advertising Agencies, an industry trade group that represents ad firms, said in a written statement that the group "condemns any activity or business practice that is unethical or, of course, illegal."

"We haven't seen a final version of the report, although the ANA did circulate a draft version some months ago, which we thought was flawed in several material ways," ad holding company WPP PLC said in a written statement. "It would not be appropriate to comment on this final report

A trade group's new study alleges conflicts of interest in the bidding process.

until we have seen a copy."

MDC Partners Inc. declined to comment because it hadn't seen the report. Omnicom Group Inc. and Publicis Groupe SA also declined to comment. Interpublic Group Cos. didn't return calls for comment.

The process of how commercials are produced and which companies are hired for the work is already under scrutiny. The U.S. Justice Department has been investigating whether the bidding process for contracts has been manipulated, The Wall Street Journal has reported.

Subsidiaries within several big ad holding companies were subpoenaed by the Justice Department and have said they are cooperating with the probe.

Over the past few years, the ANA has been dialing up the pressure on ad companies to better disclose their business practices.

Its probe last year of the media-buying sector alleged ad firms were being rewarded with cash rebates from media companies for spending a certain amount on behalf of clients. Big ad companies have denied wrongdoing. That report, which also didn't name specific agencies, led many marketers to audit agency contracts.

The ANA's latest task was to pull the curtain back on the production business, which is made up of hundreds of companies that offer services such as directing, editing, special effects and color correcting. Annual spending on video commercial production is about \$6 billion in the U.S.

Web Travel Prepares for Long Road

By CHRIS KIRKHAM

Shares of Priceline Group Inc. fell Wednesday after the online travel company cut forecasts for growth in hotel bookings.

TripAdvisor Inc. shares initially swooned after that company, too, said revenue growth would slow, but rebounded by the end of the trading day.

The reasons behind the reduced forecasts were very different for the two companies as are the long-term implications, according to analysts.

TripAdvisor was briefly down more than 4% and Priceline Group fell by nearly 8% in midday trading. Priceline closed 6.9% lower and TripAdvisor rose 2.5% on Wednesday.

Both companies earn money in online travel, but TripAdvisor is largely reliant on online advertising revenue associated with the company's hotel listings and reviews. Priceline earns money through customers booking on its sites.

TripAdvisor's revenue per hotel shopper was down 2% from a year earlier, according to its earnings release Tuesday, and the company cut revenue-growth expectations for the year. Executives pointed to a faster-than-expected shift toward mobile devices, where advertising generates less revenue than on desktop and laptop computers.

Priceline Group is projecting slower growth in gross bookings for the third quarter, about 9% to 14%, which compares with growth of 15% to



20% for the same quarter last year. The drop Wednesday was the largest for the company's shares in more than a year.

Analysts said Priceline's decline is likely a blip driven by the slower growth forecast, and the company has historically been conservative in its estimates. For TripAdvisor, however, they see a longer-term challenge as more customers shift to mobile devices for shopping.

"A mobile shopper monetizes at less than a third of a desktop shopper," said Shyam

Patil, an analyst with Susquehanna Financial Group. "More of your traffic is going to a channel where you're making less money off the eyeballs."

The company said mobile accounted for more than 40% of its hotel shoppers last quarter, which is up from about a third a year earlier. In prepared remarks, the company said the acceleration in mobile hotel shoppers is a short-term challenge, though it might become a benefit in the long run as people are likely to have more

opportunities to shop online.

"On the one hand, it highlights our increasing engagement on this strategic platform," the company said. But less revenue per shopper "exacerbates the near-term revenue growth headwind." The company declined to elaborate on comments it made in the earnings call.

TripAdvisor had been trying to shift more toward a booking model in recent years where customers would find hotels, read reviews and book through the site. Executives earlier this year

said they were de-emphasizing the approach after it failed to meet growth expectations.

On its earnings call Wednesday, executives pointed to the non-hotel attractions segment as a bright spot. Stephen Kaufer, TripAdvisor's president and chief executive, said the attractions space has "the biggest short-, medium- and long-term upside for us."

TripAdvisor shares are down 14% since the start of the year, while Priceline is up more than 28% over the same period.

GE Delays Boston Tower as Chief Reviews Spending

By THOMAS GRYTA

General Electric Co. has delayed the completion of its new Boston headquarters in an effort to spread out the costs of the \$200 million project, as new CEO John Flannery looks to cut spending.

GE is building a new headquarters on the Boston water-

front, uprooting itself from more than 40 years in Fairfield, Conn., where it sold its campus last year. It planned to renovate two buildings and build a new office tower, all for completion in 2019.

The company said this week that it will continue the renovations but delay the start of the new building, which now

isn't expected to be completed until 2021. News of the delay was earlier reported by the Boston Globe.

GE will get an incentive package from Boston and Massachusetts valued at as much as \$145 million for moving 200 jobs and ultimately having about 800 at the headquarters.

The timeline on the new

tower is the only change to the latest plans, GE said, and the company said it remains committed to Boston.

Mr. Flannery took the reins from GE's longtime leader Jeff Immelt earlier this month and is conducting a review of the entire company, including the headquarters project.

GE pledged to boost its

cost-cutting program earlier this year after discussions with activist investor Trian Fund Management LP, which has been frustrated by missed profit goals at GE.

GE has eliminated \$670 million in industrial spending this year and is on track to meet or beat its full year \$1 billion savings goal.

BUSINESS WATCH

DALIAN WANDA GROUP Hong Kong Unit To Be Transformed

Dalian Wanda Group, the Chinese entertainment and property giant controlled by billionaire Wang Jianlin, is transforming its publicly listed unit in Hong Kong into a business that manages hotels and theme parks in a deal valued at more than \$1 billion.

The unit—Wanda Hotel Development Co.—will pay its parent company 6.3 billion yuan (\$946 million) to buy its theme-park-management business and 750 million yuan to acquire its hotel-management business, the unit said in a regulatory filing late Wednesday.

Separately, the unit said it will sell back real-estate development projects in China, the U.K., the U.S. and Australia to its parent company for an undisclosed amount based on an independent assessment, according to the regulatory filing.

Shares in Wanda Hotel Development were up more than 20% in Hong Kong after the announcement.

—Wayne Ma and Chester Yung

\$1.9 billion defamation suit filed by Beef Products Inc. over a 2012 series of stories the network aired about its processed-meat product, which critics had called "pink slime." Terms of that settlement weren't released.

In its fiscal third quarter filing, Disney said the \$177 million settlement is a net sum after "committed insurance recoveries."

A Disney spokesman declined to elaborate on the disclosure while an ABC News spokeswoman didn't respond to a request for comment. A spokesman for Beef Products said: "As Disney disclosed, \$177 million is not the total settlement amount. Based on Disney's disclosure, it appears that Disney is funding \$177 million of the settlement and its insurers are paying the rest."

—Joe Flint

WENDY'S Menu Pricing Cited For Sales Growth

Wendy's Co. credited competitive menu pricing, new products and its social-media strategy for helping it achieve its 18th consecutive quarter of same-store sales growth in North America.

CEO Todd Penegor said the burger chain plans to have mobile ordering available in 75% of its North American restaurants by year-end and plans to expand delivery beyond initial test markets.

Mr. Penegor said most delivery orders are coming at lunch but that the biggest growth is coming in the evening.

The company also plans to install self-order kiosks in about 300 restaurants by year-end.

—Julie Jargon

WALT DISNEY Settlement Is Disclosed

Walt Disney Co. disclosed a \$177 million litigation settlement in its quarterly report Tuesday.

The company didn't offer details of what the settlement was related to, though it comes just six weeks after its ABC News unit reached a settlement of a



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Japan Display Casts Gaze Abroad

Phone-screen maker says it would consider partnership with firm from China or Taiwan

BY TAKASHI MOCHIZUKI

TOKYO—Embattled Apple Inc. supplier Japan Display Inc. said it wouldn't rule out a partnership with a Chinese or Taiwanese company to survive—a departure from its original aim of being Japan's national champion in the display business.

Executives at the smartphone-screen maker apologized Wednesday for what they described as poor management and laid out an across-the-board restructuring plan, including the slashing of 3,700 jobs world-wide—nearly 30% of its total workforce. The company also intends to shut domestic factories and shrink its overseas operations.

Japan Display booked a net loss of ¥31.5 billion (\$286 million) for its most recent quarter ended in June.

The company's struggles are the latest sign of difficulty in Japan's technology industry. Toshiba Corp. is trying to stay afloat after the bankruptcy of its U.S. nuclear subsidiary, Westinghouse Electric Co., left it with an estimated loss of nearly \$9 billion. Last year, iPhone assembler Foxconn Technology Group of Taiwan acquired Sharp Corp.

Japan Display was created

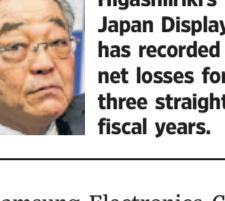


Japan Display on Wednesday laid out plans for a broad restructuring that will eliminate 3,700 jobs.

or OLED, displays—which Japan Display doesn't manufacture—in future models.

A Japan Display executive recently said its "major North American customer" was making "a faster-than-expected shift to OLED."

The company said Wednesday it would accelerate its efforts to develop OLED display panels, but South Korean ma-



Nobuhiro Higashiriki's
Japan Display
has recorded
net losses for
three straight
fiscal years.

jors Samsung Electronics Co. and LG Corp. are far ahead of Japanese peers in that field. Analysts have said it would be almost impossible for the Japanese companies to catch up.

Japan Display has recorded net losses for three straight fiscal years, which Mr. Higashiriki attributed to large fixed costs as a result of a heavy reliance on the volatile smartphone business.

"We continue to face very severe market conditions," financial chief Takanobu Oshima said, predicting a 15% to 25% drop in revenue for the year ending in March 2018 compared with a year earlier.

To prop up its fragile balance sheet, the company said banks agreed to provide a new loan window of ¥107 billion.

Scientists: DNA Can Hack Into Computer

BY JAY GREENE

SEATTLE—University of Washington researchers figured out a way to use biology to infect computers with malicious code.

In their experiments, the researchers stored malware in synthetic DNA and demonstrated how that code can compromise a computer analyzing the DNA after it has been run through a gene-sequencing machine.

The danger of such an attack is still years away, the researchers said, adding they haven't seen evidence of hackers attempting this sort of breach. The experiments highlight a new type of threat that could allow sophisticated coders to gain control of computer systems if precautions aren't taken.

"This is something [the genomics industry] and the U.S. government should be concerned about," said Tadayoshi Kohno, a computer-science professor at the university and a member of the research team.

The team will present the results of its experiments, conducted in late 2016 and 2017, at a security symposium in Vancouver on Aug. 17.

The hack makes use of technology in which digital bits of data are converted into synthetic DNA. Researchers believe DNA data storage could prove far more durable than stashing information on hard disks and flash drives, which last just a few years and can crash without warning. The nascent technology converts the 1s and 0s of computing's binary code into A, C, G and T, the letters that correspond to DNA base types, adenine, cytosine, guanine and thymine.

As the genomics industry has blossomed, the cost and speed of producing and sequencing those synthetic strands has dropped sharply. At some point, it is conceivable hackers could harness those tools to exploit vulnerabilities.

Once a data file, such as a book or video, is converted, it can be reproduced into physical strands of synthetic DNA. The data can be retrieved by running the strands through DNA sequencing machines.

Phone Startup Gets Amazon, Tencent Backing

BY ROLFE WINKLER

Essential Products Inc., the smartphone maker founded by the creator of Google's Android mobile software, confirmed it has a new \$300 million war chest as it prepares for the seemingly insurmountable task of taking on Apple Inc. and Samsung Electronics Inc.

The startup on Wednesday unveiled the large roster of investors taking a chance on it, including Chinese internet company **Tencent Holdings** Ltd. and **Amazon.com** Inc.'s Alexa Fund. Essential also disclosed that **Best Buy** Co. stores and Amazon will be its retail launch partners in the U.S.

But the company stopped short of the big reveal: When

exactly its \$699 titanium-encased smartphone will be available.

"We're a few weeks away," said Niccolo De Masi, Essential's president, repeating what company founder Andy Rubin said a few weeks ago. "I will give you an exact date in a week."

Mr. Rubin's company is attempting to challenge Apple and Samsung with a new phone at roughly the same time as the smartphone behemoths roll out major releases. Apple in September is expected to unveil three new phones, instead of the usual two, including a special 10th-anniversary iPhone with a different display and new features like wireless charging and facial-recognition technology.

Samsung next month is ex-

pected to launch its premium Galaxy Note 8 phone.

Essential has gained attention largely because of the pedigree of Mr. Rubin, who sold his previous startup, An-

Essential, founded by Google's Android creator, plans to take on Apple, Samsung.

droid, to Google—now a unit of **Alphabet** Inc.—in 2005, and then helped turn its software into the world's most-used smartphone operating system, rivaling Apple's iPhone.

Essential is trying to create the same brand affinity that

Apple has created by building a complete hardware-software ecosystem.

The Essential smartphone itself comes with a special port that the company hopes will attract the development of a wide range of accessories, to go with its own 360-degree camera.

It also plans a device called Home that will control household smart devices. Mr. De Masi declined to provide release-date details for that device.

Essential isn't targeting mass-market popularity out of the gate. The initial strategy is to take advantage of the company's small scale to innovate faster than larger rivals, said Mr. De Masi, pointing to his phone's titanium-ceramic shell, which he said wouldn't be pos-

sible to manufacture in iPhone-size quantities.

"If we are able to sell low-single-digit millions [in the first year] that's very successful for a startup," Mr. De Masi said.

Distribution will be limited at the start. Sprint Corp., the fourth-largest carrier in the U.S., is the only wireless company that will stock it in the U.S. Telus Corp. will carry it in Canada.

The phone will also be available unlocked, for use on any carrier network, at Amazon.com, Best Buy and Essential.com.

Mr. De Masi declined to provide details for those carriers' offers.

He said international carrier relationships would be announced later this year.

Activision Lands Big Names for Esports

BY SARAH E. NEEDLEMAN

Activision Blizzard Inc. netted two more big names in professional sports for the videogame league it expects to launch by the end of the year.

Stan Kroenke, owner of the **National Football League's Los Angeles Rams**, and his son Josh Kroenke, president of the **National Basketball Association's Denver Nuggets**, bought the rights to one of two teams that will be based in Los Angeles. Jack Etienne, owner of esports organization **Cloud9**, bought the rights to a

team in London.

Activision Blizzard plans to announce the new owners Thursday.

The videogame giant is building its esports league around "Overwatch," a team-based shooter videogame with a cartoonish bent that launched in May 2016. The nine teams revealed to date were sold for \$20 million apiece, according to people familiar with the matter.

That amount is double the fee **Tencent Holdings** Ltd.'s Riot Games in June said it planned to charge qualifying

teams to join its North American league next year for "League of Legends," a team-based battle game released in 2009.

In esports, teams of people compete at videogames, often by controlling virtual characters. Players sport matching jerseys, have corporate sponsors and vie for million-dollar-plus prize pools. Fans watch matches at stadiums, on live streaming sites such as **Amazon.com** Inc.'s Twitch and a growing number of television networks such as **Time Warner** Inc.'s TBS.

The Overwatch League will require teams to pay players a minimum annual salary of \$50,000 and provide health insurance, a retirement-savings plan, housing and a practice facility.

Others details about the league, though, haven't yet been disclosed, including the start date and where matches will be broadcast.

Fans won't initially have the opportunity to watch local teams compete in stadiums, as Activision Blizzard has said owners are still establishing venues.

new tech devices, according to the American Library Association.

Senior centers, too, are crafting tech-training programs that really work. The Senior Planet Exploration Center in New York, offering people age 60-plus long-term, highly social programs, is a model that ought to be replicated. On a recent Monday, the center felt like the common room in a college dorm, with seniors playing with laptops on couches, or banging through Solitaire and email at desktops. One woman, stuck at home, popped in for some fun via a telepresence robot. Senior Planet centers also operate in Plattsburgh, N.Y., and Montgomery County, Md. They have found that people aren't interested in learning to use a computer as an end in itself.

"People are here for a purpose," Mr. Kamber said. "When they ask about email, they're really talking about communication. When they talk about Excel, they really want budgets."

FOWLER

Continued from page B1
tech. Most often, seniors need products that are easy to learn, not reduced in functionality.

And seniors, don't assume everybody under 20 loves tech and knows enough to work at the Genius Bar. That person may have no idea how to back up a computer.

What works

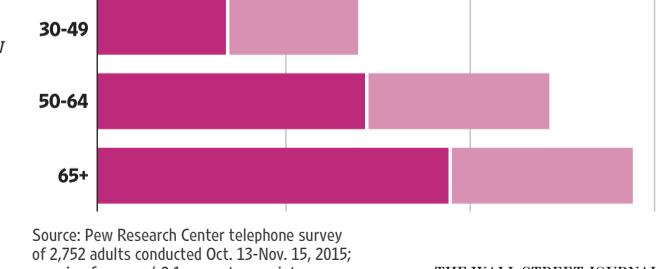
If you do find yourself seeking or giving family tech support, take a deep breath. Biases about aging run deep. Learning to operate a smartphone is a lot like learning a language: It won't happen quickly, and it definitely won't work when only one of you does all the talking.

Look the person you're working with in the eye. If you live far away, use a program like the free TeamViewer that allows both sides to see and remotely control what's happening on the Mac or PC screen.

Do You Need Help With Tech?

How people of different ages identified with the statement: 'When I get a new electronic device, I usually need someone else to set it up or show me how to use it.'

Very well Somewhat well



Source: Pew Research Center telephone survey of 2,752 adults conducted Oct. 13-Nov. 15, 2015; margin of error: +/- 2.1 percentage points.

But seniors, instead of treating relatives as tech-support hotlines, the better plan is to find help from people who are technically—and emotionally—ready.

Apple stores provide free setup for new products. Classes can be hit or miss, but it's hard to beat free. One "basics" class I attended re-

cently was pretty advanced, but instructors tailor the content to the group. Apple also offers "studio hours" offering one-on-one help for a project like organizing vacation photos. Microsoft stores offer personal classes for a fee.

Chances are, you can get free support at your public library: 62% offer training on

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BUSINESS NEWS

In Venezuela Tumult, a Rum Flows

Distribution deal with Bacardi brings premium brand Santa Teresa 1796 onto global stage despite national upheaval

By ANATOLY KURMANAEV
AND NICOLE HONG

In a dimly lighted Manhattan speakeasy, bartender Erika Ordoñez brought a \$15 glass of Venezuela's Santa Teresa 1796, the world's oldest vintage blended rum, to her nose.

"You can definitely get a little bit of the nuttiness of the aging," Ms. Ordoñez said. Though little known in the

CORPORATE FOCUS U.S., Santa Teresa has become a standard rum for the \$19 daiquiri at Slowly Shirley, an underground, art-deco bar in the West Village where she works.

It is also about to go mainstream because of a new global distribution deal with **Bacardi Ltd.**, the world's biggest rum maker. The agreement will make Santa Teresa's 35-year-old 1796 brand available worldwide starting in September.

Ron Santa Teresa CA is part of a small group of Venezuelan companies leaning on exports to overcome a political maelstrom that has gutted the country's economy.

Owner Alberto Vollmer, 48 years old, says expanding his prized tipple abroad is easy compared with operating in a country steeped in graft and stifling state controls. To get his products to port, Mr. Vollmer's trucks have to run a gauntlet of looters, flash riots, protest barricades and military checkpoints. Signatures have to be secured from a dozen government agencies. Then there is the wait for the increasingly rare ship still docking in Venezuela.

He said he has done it by working with local communities, building ties with officials and concentrating on exports. "We're in the



WIL RIEVA FOR THE WALL STREET JOURNAL

Venezuela's Ron Santa Teresa CA plans to boost export volume of its rum 30% by 2020 to about 200,000 cases, its owner says.

business of extreme sports," said Mr. Vollmer, a fifth-generation rum maker whose family has distilled sugar cane in Venezuela's lush Central Valley since 1796.

Venezuela's economy has shrunk by one-third during the past four years. Anti-government protests have claimed more than 120 lives since April.

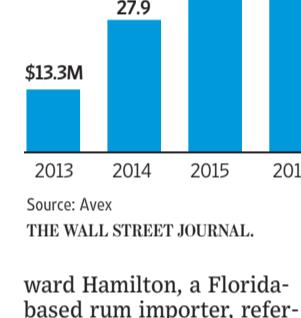
About 20% of all companies went broke last year, according to Venezuela's largest business group, Fedesarcomas.

The industrialists who haven't fled the country are operating at one-third of capacity. In June, hungry people looted 80 businesses just 15 minutes' drive from the Santa Teresa estate.

"That is a little surprising to me that they continue to make this product," said Ed-

Aging Well

Venezuela's rum exports have more than tripled since 2013.



Source: Avex

THE WALL STREET JOURNAL

ward Hamilton, a Florida-based rum importer, referring to Santa Teresa. Mr. Hamilton is also the author of four books about Caribbean rum.

Yet Mr. Vollmer is expanding the company. Santa Te-

resa plans to boost export volume 30% by 2020 to about 200,000 cases, he said.

Focusing on exports allows Mr. Vollmer to keep 80% of the hard currency earned from every bottle sold abroad. Those U.S. dollars permit him to import inputs such as oak casks, pay some of the country's highest salaries and invest in local social projects to deter theft. In contrast, companies that only earn the nearly worthless local currency are collapsing from constant devaluations and 700% inflation.

Mr. Vollmer's detractors say his access to dollars is a sign of preferential treatment from an increasingly dictatorial government.

Earlier this year, local social media went wild with indignation when a photo

emerged of Mr. Vollmer smiling at a public event next to a Venezuelan official reviled by the opposition.

Mr. Vollmer countered that having working relationships with local officials is a required part of manufacturing, anywhere. "It is easier to criticize than to produce," Mr. Vollmer said.

The Bacardi deal allows Mr. Vollmer to keep control of the family business while tapping a global supply chain.

For Bacardi, Santa Teresa 1796's vintage expands the Bermuda-based company's foothold in a growing segment of the industry, said John Burke, who runs Bacardi's craft brands.

Bacardi said it is confident Santa Teresa can continue producing quality rum despite Venezuela's macroeco-

nomic difficulties.

The wider rum industry has contracted 9% by volume in the past six years, according to research firm IWSR.

The exception has been expensive aged rums like 1796, which retails for about \$45 a bottle in specialty shops. Ultra-premium brands are the only rum products growing in sales this year, according to data company Nielsen.

"Consumers are drinking less—and better," said Mr. Burke. A 0.75-liter bottle of Bacardi Superior, the company's flagship product, goes for about \$15 online.

There appears to be ample room for growth, because ultra-premium brands account for just 3% of all U.S. rum sales, according to Nielsen. This compares with 26% for whiskey.

"People used to think of rum as bad '80s cocktails with over-the-top fruity flavors served at frat parties," said Kenneth McCoy, owner of The Rum House bar by New York's Times Square. "Today, people who know rum like to drink it neat," meaning no ice, at room temperature.

In Venezuela, rum sales have been a rare bright spot in a dire economy.

The country exported \$43 million in rum last year, the most since 2003, according to the Venezuelan Exporters Association. The world's largest spirits company, **Diageo PLC**, said it plans to expand its Venezuelan-made Ron Pampero to new markets.

Back in New York, Venezuela's troubles rarely come up as connoisseurs sip 1796, said Mr. McCoy of The Rum House. "A lot of rum products come from countries with a lot of problems," he said, "but you don't think of that when you're serving cocktails."

21st Century Fox Earnings Buoyed by Cable TV Business

By MARIA ARMENTAL

tional Geographic.

Overall, net profit fell to \$476 million in the quarter or 26 cents a share. Excluding restructuring charges and other items, profit fell to 36 cents a share from 45 cents a share a year earlier, when results in-

ownership.

The results come as 21st Century Fox seeks to buy the shares of British TV giant **Sky PLC** it doesn't already own. The deal remains under review in the U.K.

In the most recent period, 21st Century Fox reported \$16 million in equity earnings of affiliates, compared with a year-earlier loss of \$72 million, largely driven by higher equity earnings at Sky and lower equity losses at **Endemol Shine Group**, the production giant behind such shows as "MasterChef" and "Big Brother."

Meanwhile, 21st Century Fox is discussing a joint venture with **ION Media Networks** Inc. that would combine their local television station holdings, the Journal has reported. The deal could give 21st Century Fox's broadcast network more control over distribution and leverage over advertising and negotiation of retransmission fees.

Over the past year, the company's Fox News unit has been hit with lawsuits and accusations of sexual harassment and racial discrimination that have led to several high-level departures, both in front of the camera and in the executive suites, including that of its founding chief executive, Roger Ailes.

Through March 31, the first nine months of 21st Century Fox's business year, the company disclosed \$45 million in costs related to settlements and legal expenses following Mr. Ailes's July 2016 resignation.



'MasterChef Junior,' produced by a unit of Fox's Endemol Shine.

36¢

21st Century Fox's adjusted earnings per share.

cluded a tax benefit of 7 cents a share. Revenue rose to \$6.75 billion, from \$6.65 billion a year earlier. Analysts surveyed by Thomson Reuters had projected adjusted profit of 35 cents a share on \$6.77 billion in revenue.

The Wall Street Journal parent **News Corp** and 21st Century Fox share common

affiliates. Revenue rose to \$6.75 billion, from \$6.65 billion a year earlier. Analysts surveyed by Thomson Reuters had projected adjusted profit of 35 cents a share on \$6.77 billion in revenue.

The Wall Street Journal parent **News Corp** and 21st Century Fox share common

Borrowing Benchmarks | WSJ.com/bonds

Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Inflation

June index Chg From (%)

level May '17 June '16

U.S. consumer price index

All items 244.955 0.09 1.6

Core 252.014 0.07 1.7

International rates

Latest Week -52-Week-

ago High Low

Prime rates

U.S. 4.25 4.25 4.25 3.50

Canada 2.95 2.95 2.95 2.70

Japan 1.475 1.475 1.475 1.475

Policy Rates

Euro zone 0.00 0.00 0.00 0.00

Switzerland 0.50 0.50 0.50 0.50

Britain 0.25 0.25 0.25 0.25

Australia 1.50 1.50 1.50 1.50

Overnight repurchase

U.S. 1.07 1.06 1.38 0.15

U.S. government rates

Discount 1.75 1.75 1.75 1.00

Federal funds

Effective rate 1.1700 1.1700 1.2000 0.3300

High 1.9800 1.9800 1.6000 0.5625

Low 1.1600 1.1600 1.1700 0.2800

Bid 1.1700 1.1700 1.1900 0.3000

Offer 1.1700 1.1700 1.1900 0.3000

August 9, 2017

Latest Week -52-Week-

ago High Low

Treasury bill auction

4 weeks 0.985 0.990 0.990 0.160

13 weeks 1.040 1.070 1.180 0.250

26 weeks 1.140 1.130 1.140 0.420

Secondary market

Fannie Mae

30-year mortgage yields

30 days 3.420 3.459 3.865 2.817

60 days 3.445 3.483 3.899 2.848

Other short-term rates

Call money

Latest Week -52-Week-

ago high low

DTCC GCF Repo Index

Treasury 1.074 24.500 1.366 0.244

MBS 1.074 90.300 1.506 0.257

Open Implied

Settle Change Interest Rate

DTCC GCF Repo Index Futures

Treasury Aug 98.915 unch. 3567 1.085

Treasury Sep 98.885 -0.005 1954 1.115

Treasury Oct 98.805 -0.005 1741 1.195

Notes on data: **U.S. prime rate** is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective June 15, 2017. **Other prime rates** aren't directly comparable; lending practices vary widely by location. **Discount rate** is effective June 15, 2017. **DTCC GCF Repo Index** is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in millions of U.S. dollars. **Federal-funds rates** are Tullett Prebon rates as of 5:30 p.m. ET. **Futures on the DTCC GCF Repo Index** are traded on NYSE Liffe U.S.

Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; SIX Financial Information; General Electric Capital Corp.; Tullett Prebon Information, Ltd.

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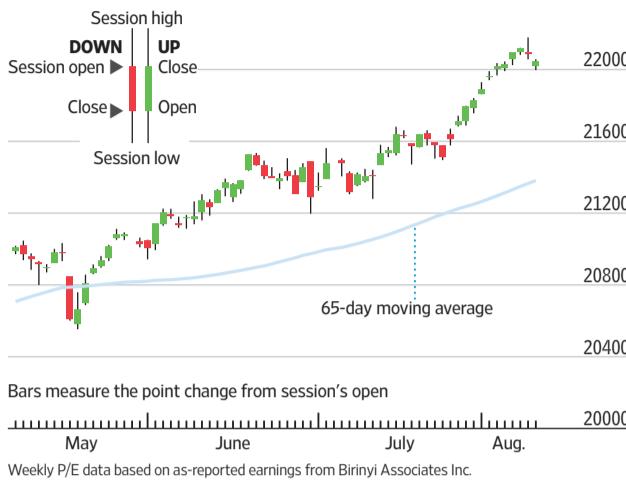
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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

22048.70 ▼36.64, or 0.17%
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open
May June July Aug.

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2474.02 ▼0.90, or 0.04%
High, low, open and close for each trading day of the past three months.



May June July Aug.

Nasdaq Composite Index

6352.33 ▼18.13, or 0.28%
High, low, open and close for each trading day of the past three months.



May June July Aug.

65-day moving average

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.	
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	22048.70	-36.64	-0.17	19.2	11.6
Industrial Average	22057.19	21996.69	22048.70	-36.64	-0.17	22118.42	17888.28	19.2	11.6	10.0	
Transportation Avg	9239.30	9179.85	9235.41	2.56	0.03	9742.76	7755.40	18.4	2.1	4.5	
Utility Average	737.43	731.94	732.89	-2.79	-0.38	737.51	625.44	6.1	11.1	10.5	
Total Stock Market	25548.44	25444.66	25545.17	-37.18	-0.15	25692.25	21514.15	13.7	9.7	8.2	
Barron's 400	647.79	643.97	645.84	-3.88	-0.60	661.93	521.59	18.2	7.3	7.4	

Nasdaq Stock Market

Nasdaq Composite	6355.04	6309.44	6352.33	-18.13	-0.28	6422.75	5046.37	22.1	18.0	13.3
Nasdaq 100	5920.96	5866.17	5919.39	-6.96	-0.12	5950.73	4660.46	23.7	21.7	15.0

Standard & Poor's

500 Index	2474.41	2462.08	2474.02	-0.90	-0.04	2480.91	2085.18	13.7	10.5	8.6
MidCap 400	1741.18	1730.61	1735.94	-12.07	-0.69	1791.93	1476.68	11.5	4.5	8.0
SmallCap 600	848.03	841.02	844.00	-7.48	-0.88	876.06	703.64	13.7	0.7	9.0

Other Indexes

Russell 2000	1409.78	1393.24	1396.95	-13.20	-0.94	1450.39	1156.89	14.2	2.9	7.3
NYSE Composite	11930.13	11896.36	11929.46	-20.51	-0.17	12000.02	10289.35	10.7	7.9	3.7
Value Line	521.94	517.44	518.85	-3.09	-0.59	533.62	455.65	7.9	2.5	2.2
NYSE Arca Biotech	3942.02	3898.57	3918.94	11.22	0.29	4075.95	2834.14	18.8	27.4	12.1
NYSE Arca Pharma	523.35	519.98	522.97	1.80	0.35	549.20	463.78	-2.6	8.6	1.5
KBW Bank	96.69	96.01	96.55	-0.54	-0.56	99.33	69.05	39.8	5.2	11.9
PHLX® Gold/Silver	83.40	82.29	82.84	1.14	1.39	112.73	73.03	-26.5	5.1	-6.5
PHLX® Oil Service	128.42	125.06	126.13	-1.51	-1.18	192.66	126.13	-21.4	-31.4	-24.1
PHLX® Semiconductor	1091.84	1080.91	1090.49	-3.28	-0.30	1138.25	768.37	41.1	20.3	21.6
CBOE Volatility	12.63	11.11	11.11	0.15	1.37	22.51	9.36	-7.8	-20.9	-11.0

\$Philadelphia Stock Exchange

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 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
VanEck Vectors Gold Miner	GDX	6,763.6	22.65	0.05	0.22	22.66	22.58	
Vonage Holdings	VG	5,686.5	8.42	...	unch.	8.42	8.35	
Ambev ADR	ABEV	5,657.2	6.12	...	unch.	6.12	6.12	
SPDR S&P 500	SPY	4,954.0	247.33	0.08	0.03	247.52	246.73	
Gerdau ADR	GGB	4,128.2	3.55	...	unch.	3.55	3.54	
SPDR S&P O&G Exp Prd	XOP	3,497.7	30.78	-0.04	-0.13	30.85	30.67	
AT&T	T	3,277.9	38.39	0.03	0.08	38.40	38.32	
iPath S&P 500 VIX ST Fut	VXX	2,833.7	11.58	-0.12	-1.03	11.70	11.50	

Percentage gainers...

Extraction Oil Gas	XOG	12.4	14.00	2.20	18.64	14.00	11.79
Amtech Systems	ASYS	6.3	11.05	1.41	14.63	11.05	9.95
22nd Century Group	XXII	142.7	2.49	0.25	11.16	2.49	2.18
Kindred Healthcare	KND	56.9	8.00	0.70	9.59	8.00	7.30
Laureate Education Cl A	LAUR	46.5	16.90	1.29	8.26	16.90	15.61

...And losers

Babcock Wilcox Ent	BW	35.9	6.90	-2.85	-29.23	9.75	6.70
Quantum Corp	QTM	28.8	5.79	-1.62	-21.86	7.41	5.75
Chicago Bridge Iron	CBI	1,217.3	13.3				

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open	
Copper-High (CMX) -25,000 lbs.; \$ per lb.	2,9345	2,9430	2,9200	2,9300	-0.0125	1,971	
Aug	2,9345	2,9550	2,9160	2,9270	-0.0155	150,229	
Gold (CMX) -100 troy oz.; \$ per troy oz.	1260.20	1277.80	1260.20	1273.00	16.60	2,306	
Oct	1262.70	1281.20	1262.70	1276.00	16.70	46,985	
Dec	1266.10	1284.70	1265.90	1279.30	16.70	345,767	
Feb'18 1270.80	1287.90	1270.60	1282.80	16.70	18,589		
Jun	1279.10	1294.60	1279.10	1290.00	16.70	9,205	
Dec	1297.00	1305.00	1297.00	1300.80	16.60	7,631	
Palladium (NYM) -50 troy oz.; \$ per troy oz.	1260.20	1277.80	1260.20	1273.00	16.60	2,306	
Aug	885.00	885.00	885.00	896.85	-6.55	4	
Sept	898.35	898.75	888.60	891.85	-6.55	29,827	
Dec	892.10	893.45	883.60	886.55	-6.45	5,326	
Platinum (NYM) -50 troy oz.; \$ per troy oz.	962.60	965.30	962.60	973.30	1.60	1	
Oct	975.70	985.00	974.20	976.10	1.60	62,603	
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	16.35	16.850	16.475	16.834	0.474	110	
Sept	16.440	16.945	16.430	16.863	0.474	119,909	
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.	49.00	49.72	48.90	49.35	0.39	411,744	
Sept	49.12	49.87	49.06	49.72	0.37	286,421	
Nov	49.33	50.01	49.23	49.87	0.35	152,094	
Dec	49.43	50.13	49.39	50.01	0.31	308,419	
June'18 49.93	50.42	49.77	50.36	50.31	0.31	155,264	
Dec	49.90	50.27	49.77	50.23	0.25	176,648	
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.	1,6188	1,6564	1,6128	1,6533	0.0241	112,600	
Sept	1,6232	1,6583	1,6176	1,6557	0.0227	62,520	
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.	1,6045	1,6248	1,5960	1,6200	-0.0088	112,400	
Oct	1,5183	1,5326	1,5074	1,5288	0.0010	80,633	
Natural Gas (NYM) -10,000 MMBtu.; \$ per MMBtu.	2,811	2,899	2,800	2,883	0.061	276,246	
Oct	2,835	2,933	2,835	2,920	0.060	228,026	
Nov	2,923	3,010	2,923	2,993	0.052	97,357	
Jan'18 3,173	3,251	3,173	3,237	0.049	131,181		
March	3,137	3,199	3,133	3,184	0.044	81,851	
April	2,846	2,879	2,845	2,869	0.019	105,116	

Agriculture Futures

Corn (CBT) -5,000 bu.; cents per bu.	369.00	372.50	368.75	372.25	2.50	400,254	
Sept	383.25	386.75	383.00	386.25	2.50	614,230	
Oats (CBT) -5,000 bu.; cents per bu.	273.25	274.75	270.50	270.50	-3.00	646	
Dec	276.75	277.75	275.50	275.50	-1.25	5,637	
Soybeans (CBT) -5,000 bu.; cents per bu.	964.00	965.25	958.00	963.00	... 399		
Nov	973.25	977.75	967.25	973.25	... 352,731		
Soybean Meal (CBT) -100 tons; \$ per ton.	308.00	308.20	305.80	306.60	-1.20	824	
Dec	313.70	315.00	311.70	312.90	-1.40	168,689	
Soybean Oil (CBT) -60,000 lbs.; cents per lb.	33.88	34.06	33.73	34.13	.33	685	
Dec	34.27	34.60	34.10	34.53	.31	193,349	
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.	1220.00	1232.50	1217.50	1231.00	16.50	7,114	
Nov	1246.00	1258.00	1243.00	1258.00	17.50	2,601	
Wheat (CBT) -5,000 bu.; cents per bu.	457.25	461.50	454.00	459.50	2.50	148,965	
Dec	484.00	488.75	481.25	486.75	2.75	173,946	
Wheat (KCC) -5,000 bu.; cents per bu.	460.75	465.00	457.50	463.75	3.25	78,462	
Dec	487.75	492.50	485.00	491.00	3.25	92,744	
Wheat (MPLS) -5,000 bu.; cents per bu.	730.75	740.00	730.75	734.00	2.75	24,647	
Dec	744.00	751.50	742.00	745.50	2.50	37,523	
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.	145,525	145,525	141,525	141,525	-4.500	13,017	
Sept	146,000	146,175	142,150	142,150	-4.500	18,434	
Cattle-Live (CME) -40,000 lbs.; cents per lb.	112,300	112,450	109,875	110,000	-2.475	16,941	
Oct	110,225	110,450	107,875	108,050	-2.500	169,588	
Hogs-Lean (CME) -40,000 lbs.; cents per lb.	83.80	84.175	83.75	84.125	.600	14,897	
Oct	67.925	68.750	67.725	68.250	.500	118,020	
Lumber (CME) -11,000 bd. ft., \$ per 1,000 bd. ft.	373.50	374.60	367.40	368.00	... 3,198		
Sept	359.30	360.00	354.40	354.80	.50	1,248	
Milk (CME) -200,000 lbs.; cents per lb.	16.27	16.44	16.21	16.43	.20	5,210	
Sept	16.36	16.95	16.42	16.94	.44	5,468	
Cocoa (ICE-US) -10 metric tons; \$ per ton.	2,011	2,021	1,971	2,002	-16	56,234	
Dec	2,021	2,030	1,983	2,005	-23	107,829	

Source: SIX Financial Information

Macro & Market Economics

Watching the Gauges: U.S. Supply and Demand

Inventories, imports and demand for the week ended August 4. Current figures are in thousands of barrels or thousands of gallons per day, except natural-gas figures, which are in billions of cubic feet. Natural-gas import Natural-gas import and demand data are available monthly only.

Inventories, 000s barrels

	Current	Expected change	Previous week	Year ago	4-week avg	5-year avg	
Crude oil and petroleum prod	1,311,769	...	1,316,1392	1,317	1,196	10,368	...
Crude oil	475,437	-2,700	482	524	483	406	7,762
Gasoline	231,103	...	228	235	230	216	1,108
Finished gasoline	23,576	-1,600	23	24	23	36	56
Reformulated	49	...	0	0	0	0	0
Conventional	23,527	...	23	24	23	36	56
Blend, components	207,526	...	205	211	207	180	1,052
Natural gas (bcf)	3,010	...	3	3	3	3	...
Kerosene-type							...
jet fuel	40,349						

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISYE and BATS.

The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more 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. the previous day.

Wednesday, August 9, 2017

		Stock	Sym	Close	Net Chg	Stock	Stock	Sym	Close	Net Chg	Stock	Stock	Sym	Close	Net Chg	Stock	Stock	Sym	Close	Net Chg	Stock	Stock	Sym	Net Chg					
NYSE		Athene	ANTM	192.85	.87	BritishAmTob	BTI	64.48	.07	BrixmorProp	BRX	19.76	.13	Coca-Cola	KO	45.59	-.01	FedEx	FDX	2016.88	-.02	Ingenred	INGR	122.93	.98	OKE	OK	52.76	.21
ABB	ABB	23.26	-.05	Aon	AON	140.19	.11	Broadridge	BRD	74.65	-.41	FlatChrysler	FCAU	11.77	-.01	Ferrari	FCA	111.26	.60	InterContinent	IG	54.13	-.10	OccidentalPetrol	OCX	61.66	.31		
AES	AES	11.25	-.03	Apache	APA	43.58	-.54	BrookfieldMgt	BIP	43.29	.20	FibraCellulos	FBR	10.92	-.02	FirstData	FDC	17.95	-.10	Int'lFlavors	IFF	139.6	.54	OmegaHealthcare	OH	30.59	-.63		
Aflac	AFL	81.77	.53	ApplGlobalgmt	APG	30.02	.04	BrookfieldProp	BIP	43.29	.20	FidelityNatFin	FNF	48.20	-.46	FirstEnergy	FE	31.61	-.34	Int'lPaper	IPG	53.41	-.58	Omnicom	OMC	78.82	.23		
AGCO	AGC	74.26	-.44	ArcoMktl	AMK	40.00	-.04	Calgate-Palmive	CL	71.57	-.01	FNVF	FNVF	16.85	.05	FootLander	FL	19.89	-.04	Interpublic	IPG	21.14	-.01	Oracle	ORCL	49.06	-.04		
AT&T	T	39.26		ArcoMktl	AMK	26.92	-.02	ColgateNorthStar	CLNS	13.86	-.60	FidelityTrifn	FIS	89.39	-.60	FootMotor	FM	49.82	-.24	Orange	ORAN	16.89	-.13	OrbitAlTAk	OA	106.81	1.69		
AbbottLabs	ABT	48.77	-.11	ArcherDaniels	ADM	42.49	.51	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	Orion	IX	82.73	-.02	OrbitAlTAk	OA	106.81	1.69						
Aff Vie	ABV	72.02	.05	ArclorMittal	ADM	40.26	-.02	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	Oshkosh	OZM	3.00	-.03	OrbitAlTAk	OA	106.81	1.69						
Accenture	ACN	129.82	.49	ArcoMktl	AMK	40.26	-.02	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69										
AculityBrands	ACV	193.88	-.26	Assurant	AIZ	105.02	.27	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69										
Admire	ADM	65.26	.23	AtanZeneca	AZ	29.47	.01	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69										
AdvanceAuto	AAP	109.18	-.21	Athene	ATH	49.36	-.10	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69										
AdvSemEnviro	ASX	6.30	.18	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69										
Aegon	AGR	5.67	-.04	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69										
AerCap	AER	49.99	.05	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69										
Alberta	ALR	84.34	-.81	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69										
Albermarle	ALB	113.26	.25	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69										
Alcoa	AA	38.62	-.06	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69										
AlexandraRealEst	ARE	120.82	.03	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69										
Alibaba	BABA	154.79	-.01	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69										
Alleghany	AY	597.88	.01	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69										
AllieGen	AGL	80.59	-.78	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69										
Allstate	ALL	94.70	.04	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69										
AllyFinancial	ALLY	22.76	-.11	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69										
AlltriteUSA	ATU	31.09	.04	BankAmerica	BAC	24.74	-.16	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69						
Altisource	ASX	6.30	.18	BankAmerica	BAC	24.74	-.16	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69						
Altria	MOT	65.31	-.01	BankAmerica	BAC	24.74	-.16	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69						
AlumofChina	ACH	19.04	.24	BankAmerica	BAC	24.74	-.16	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69						
Ambev	ABEV	6.12	-.04	BankAmerica	BAC	24.74	-.16	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69						
Ameren	EE	58.06	.35	BankAmerica	BAC	24.74	-.16	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69						
AmericaMovil	AMX	17.86	-.01	BankAmerica	BAC	24.74	-.16	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69						
AmEricaCamp	AMC	47.04	-.01	BankAmerica	BAC	24.74	-.16	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69						
AEP	AEP	70.96	.14	BankAmerica	BAC	24.74	-.16	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69						
AmericanExpress	AEX	85.69	-.25	BankAmerica	BAC	24.74	-.16	AtmosEnergy	ATO	87.43	-.04	FourBanks	FB	74.47	-.09	FidelityTrifn	FIS	89.39	-.60	OrbitAlTAk	OA	106.81	1.69						
AmericanFam	AFM	10.30	.01	BankAmerica	BAC																								

BANKING & FINANCE

BofA Plans a New Premium Card

By ANNAMARIA ANDRIOTIS

Bank of America Corp. is preparing to join the premium rewards-card fray, planning a new twist on hot products like the Sapphire Reserve card from **J.P. Morgan Chase & Co.**

Over the past year, rewards cards such as Sapphire Reserve and **American Express** Co.'s Platinum card have become sought after among millennials and big spenders. Cardholders can rack up more rewards with these cards, which they can use to cover travel and other expenses. The cards' popularity has prompted new entrants and ever-higher rewards—and caused some concern among issuers, who fear an overheated market.

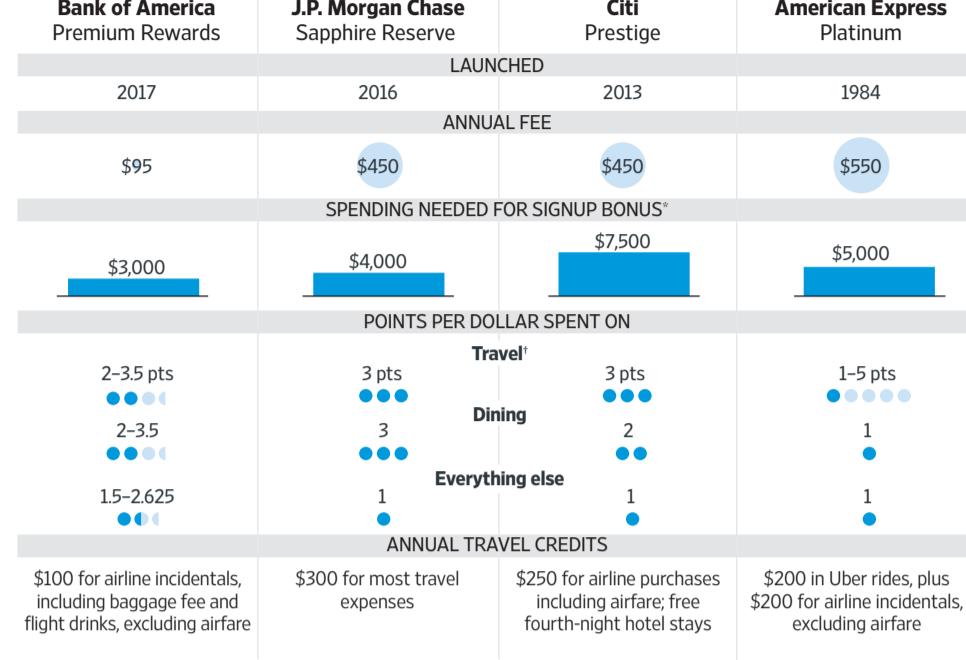
Bank of America is the last of the four largest U.S. credit-card issuers to enter the premium rewards-card market. Rolling out in September, its Bank of America Premium Rewards credit card will have a \$95 annual fee, said Jason Gaughan, a card product executive at the bank. That is well below fees of \$450 for Sapphire Reserve or \$550 for AmEx's Platinum card.

Bank of America's card will distribute two points to cardholders for every dollar they spend on travel and dining and 1.5 points per dollar spent on everything else, without caps on the number of points users can earn. In this, it is similar to more mass-market cards from J.P. Morgan and Citigroup Inc.

But Bank of America cardholders who have at least \$20,000 at the bank in checking, savings or investment ac-

Regarding Time

Competition in the premium credit-card space is heating up



*Spending needed within first three months from account opening to receive extra rewards points.

Travel is for air travel and hotels for Citi. Other issuers include airfare, hotels and other travel categories.

Source: the companies

counts will earn more.

Customers who have between \$20,000 and less than \$50,000 at the bank will receive 2.5 points per dollar spent on travel and dining and 1.875 points on everything else. Those with between \$50,000 and less than \$100,000 will earn 3 points and 2.25 points, respectively.

At its most generous, the card offers 3.5 points per dollar spent on travel and dining to cardholders with at least \$100,000 at the bank and about 2.6 points per dollar spent on all other purchases.

Customers must enroll in the bank's Preferred Rewards program to benefit.

The Premium Rewards card will also offer a sign-up bonus of 50,000 points to cardholders who spend \$3,000 in the first three months from account opening—one of the lowest spending thresholds among premium cards.

Bank of America's new card is designed to compete against a range of cards, including airline and hotel co-brand programs, said Mr. Gaughan.

Even so, questions are arising over how profitable some

of these premium cards are. J.P. Morgan lowered its initial 100,000-point sign-up bonus offer earlier this year and is pushing for about \$200 million in new cost cuts in the unit that oversees the card.

Among concerns in the card industry are so-called gamblers, cardholders who sign up for the lucrative rewards offered early on but then stop using their cards when they redeem those rewards. Many issuers need to retain cardholders for several years or run the risk that revenue projections will fall short, said Brian Riley, director of the

credit advisory service at **Merator Advisory Group** Inc.

By linking rewards to account balances, Bank of America potentially reduces its exposure to gaming since banking customers aren't quick to move balances.

The card is an extension of the bank's Preferred Rewards program. Introduced in 2014, it offers higher interest rates for deposits and discounts on loan fees and interest rates in an attempt to get consumers to have more than one relationship with the bank. Bank of America launched the program as part of a post-financial-crisis strategy to encourage customers to do all of their saving and borrowing with the institution.

The bank said it is entering the premium card market to encourage existing customers to use its card over competitors and to bring in more deposits.

Bank of America is the second-largest credit-card issuer in the U.S., with around \$102 billion in outstanding balances as of the end of 2016, according to trade publication the Nilson Report. J.P. Morgan is the largest issuer, with around \$142 billion in outstanding balances.

Bank of America also has a deep pool of affluent clients. Its wealth-management division is among the largest in the U.S., with around \$2.6 trillion in client balances in the second quarter of 2017. The bank is also a large lender of jumbo mortgages, which are mostly geared toward the wealthy.

Bank of America's card will run on the Visa network.

—Rachel Louise Ensign contributed to this article.

Not All of Avaya's Pensions Protected

By ANDREW SCURRIA AND LILLIAN RIZZO

Avaya Inc.'s recent deal to exit bankruptcy has put some of the telecom company's pensioners at ease, but a small group stands to lose a significant portion of their retirement income.

Under a deal announced Monday to bring Avaya out of chapter 11, benefit payments to nearly 8,000 participants in a legacy pension plan for salaried workers will be taken over by the Pension Benefit Guaranty Corp., the federal government's retirement guarantor.

For those retirees, not much would change if the deal wins court approval—they would begin receiving their monthly checks from the PBGC, the largest single creditor in Avaya's bankruptcy, instead of the company itself.

Pensioners getting supplemental checks would get 8 cents on the dollar.

The PBGC guarantees pensions up to a certain amount depending on age; for a 65-year-old pensioner, that cap is \$64,432 a year. Early analysis by the PBGC shows that 100% of those 8,000 retirees' benefits are guaranteed by the agency. And payments to an additional 6,900 people in a separate plan covering hourly employees will remain the company's responsibility after it surfaces from bankruptcy.

But the same can't be said for Bob Stone, 74 years old, and more than 800 other beneficiaries who, in addition to their regular PBGC-backed plans, received supplemental retirement checks under a separate program. Avaya cut off those payments starting in February, weeks after it filed for chapter 11. It was revealed Monday that the monthly amount to be reinstated from those checks would amount to about 8 cents on the dollar.

Bankruptcy exposes employees and pensioners to cuts or the complete loss of benefits, only some of which are protected under federal pension laws. When a company goes bankrupt or out of business and can't sustain its retirement plan, the PBGC steps in as a last resort to provide guaranteed benefits. It typically tries to salvage as much money as possible from the company to soften the financial blow.

In Avaya's case, in exchange for filling in a \$1.1 billion pension funding gap, the PBGC stands to receive \$300 million in cash and 7.5% of the common stock of Avaya's business once it emerges from bankruptcy. The settlement must be approved in bankruptcy court.

Avaya was once part of AT&T, a stalwart company where workers could spend decades and presumably retire safely with pensions in hand. AT&T spun out the business in 1996 as part of Lucent Technologies Inc., which in turn spun out Avaya in 2000.

But a boom-era leveraged buyout of Avaya, led by private-equity firms TPG and Silver Lake, went awry and eventually led Avaya to file for bankruptcy protection to restructure a balance sheet weighed down by \$6 billion in secured debt.

Pensioners who spoke with The Wall Street Journal said the amount of supplemental payment varied from several hundred to thousands of dollars a month.

Mr. Stone, who left the company in 2002 after 22 years with Avaya and its predecessors, said the supplemental plan made up 40% of his benefit package, "and losing that really shut down a few things in my life."

He said he had made some purchases without realizing Avaya could be headed for trouble and now struggles with debt that has been difficult to service without his supplemental benefits.



Tesla is likely to keep issuing junk bonds to keep growing, and subsequent debt sales could be harder to place, fund managers say.

TESLA

Continued from page B1

heard Tesla's pitch for the eight-year, \$1.5 billion unsecured bond this week say it is a little different than the normal one they get from potential borrowers.

Executives and bankers have focused on Tesla's nearly \$60 billion market value and lofty ambitions while placing less emphasis on the details of its actual financial performance.

Trying to assuage investors'

concerns during a meeting in Manhattan on Monday, Chief Executive Elon Musk compared the Tesla's near-term production challenges to sawage-making, saying a somewhat ugly process would ultimately pay dividends.

Tesla's leadership in the electric-vehicle industry and its status as the most valuable U.S. auto maker are both factors that will help some bond buyers overlook the company's lack of profitability, some fund managers said. And the bond deal is small enough that underwriter Goldman Sachs Group Inc. is expected to find

buyers for it, especially given this summer's scarcity of other new bond sales in the market.

The trouble for bond analysts evaluating Tesla is the uncertainty about when the company will start making cash rather than spending it. The firm had about \$3 billion of cash in June—and would increase that by 50% with the bond offering—but is projected to spend \$2 billion in the second half of 2017.

"The early-stage nature of Tesla makes it something we're not interested in," says William Zox, chief investment officer at mutual-fund firm Di-

mond Hill Capital Management Inc.

The cash burn is likely to continue throughout next year and the company could return to bond markets for more funds to pay for its new product line, the moderately priced Model 3, says Nishit Madlani, an analyst for **S&P Global Ratings**, which rates the company B-minus.

Tesla's leverage, a risk measure that compares debt to earnings before interest, taxes, depreciation and amortization, is about six times but will likely rise to eight times by the end of the year, Mr. Mad-

lani said.

Tesla is burning through cash at a rapid pace to ramp up production before traditional auto makers catch up. That means the company is likely to keep issuing junk bonds in coming years to keep growing, and subsequent debt sales could be harder to place, fund managers say.

The more debt the company takes on, the riskier the investment becomes for bondholders and Tesla has already borrowed \$4.5 billion of loans that would rank ahead of the bonds if the company ever defaulted.

Labor Proposes Delay Of the Fiduciary Rule

By LISA BEILFUSS

The Labor Department is proposing to delay the fiduciary rule's compliance deadline by 18 months, a move that experts say suggests the retirement-savings rule will emerge from a re-evaluation with significant revisions.

The agency, which has been reassessing the Obama-era rule's economic impact, said Wednesday in a court document that it submitted a proposal to push the Jan. 1, 2018, compliance date to July 1, 2019. The document, filed as part of a lawsuit in the U.S. District Court for the District of Minnesota, also says the Labor Department is considering loosening restrictions on the types of transactions that are prohibited under the rule, including insurance products and rollovers of individual retirement accounts.

The fiduciary rule "is likely here to stay, but its impact could be significantly reduced over the next few years if exemptions from the rule are significantly expanded," said Jamie Hopkins, a professor at

The Labor Department had no immediate comment.

The first phase of the rule, requiring financial-advice providers to act in retirement savers' best interest, took effect June 9. The request for a delay would give agency officials more time to conduct their economic-impact review and give industry players more time to weigh in.

In Wednesday's filing, Labor Secretary Alexander Acosta said the agency had also proposed changes to how certain transactions are treated under the rule. Transactions such as IRA rollovers and insurance products including annuities could become exempt under the final rule, the document suggests.

The delay notification stems from a lawsuit brought by Thrivent Financial for Lutherans against the Labor Department. The organization has challenged the department's authority surrounding the rule and approach to how clients can bring cases against financial advisers.

Vantiv, Worldpay Agree to a \$10 Billion Payments Merger

By BEN DUMMETT

LONDON—**Vantiv** Inc. agreed to acquire certain assets of **Active Network** Inc. for about \$1 billion from the private-equity firm Vista Equity Partners.

At the same time, buyout firms, which typically cash out of investments within a fixed period, are also driving deal

Last week, Atlanta-based **Global Payments** Inc. agreed to acquire certain assets of **Active Network** Inc. for about \$1 billion from the private-equity firm Vista Equity Partners.

As businesses and consumers increasingly use mobile devices to transfer money, private-equity firms are betting the appetite for providers of secure online payment services will remain strong.

On Friday, Blackstone Group LP and CVC Capital Partners struck a deal to acquire **Payments** Inc. for about \$920 million.

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As businesses and consumers increasingly use mobile devices to transfer money, private-equity firms are betting the appetite for providers of secure online payment services will remain strong.

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MARKETS

Treasuries Rise Amid Saber Rattling

BY AKANE OTANI

Prices of U.S. government bonds climbed as escalating tensions between North Korea and the U.S. pushed investors into haven assets.

The yield on the 10-year Treasury note settled at 2.246%, down from 2.282% on Tuesday. Yields decline as bond prices rise.

North Korea late Tuesday said it was examining firing missiles at

Guam, stoking demand for Treasuries, gold and the Japanese yen—considered to be havens—while spurring selling in stocks around the world. North Korea's comments came just hours after U.S. President Donald Trump warned the country that if it issued more threats, it would face “fire and fury like the world has never seen.”

While the threats between the two countries rattled global markets, some traders said the response in the Treasuries market appeared to be relatively muted, a testament to how critical inflation has become to changes in direction in the bond market.

Soft inflation data, which investors think will keep the Federal Reserve from raising interest rates quickly, has kept Treasury yields relatively range-bound in recent months. Investors see inflation as a major threat to long-dated government debt since it erodes the purchasing power of their fixed payments.

AUCTION RESULTS

Here are the results of Wednesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

10-YEAR NOTES

Applications	\$58,295,430,700
Accepted bids	\$29,920,439,700
“noncompetitively”	\$27,816,500
“foreign noncompetitively”	\$0
Auction price (rate)	100.000000 (2.250%)

Interest rate 2.250%

Bids at clearing yield accepted 54.53%

Cusip number 9128232R0

The notes, dated Aug. 15, 2017, mature on Aug. 15, 2027.



A one-day move in J.C. Penney's stock of as much as 16% following the company's earnings release on Friday is the current bet by options traders.

Traders Prep for Swings in Retail

Wagers rise on big moves after companies report their results as sector's woes continue

BY GUNJAN BANERJI

Short sellers and options traders are betting on more turbulence for the struggling American retail sector.

U.S. retailers are shutting stores at the fastest pace in more than a decade. A wave of bankruptcies has hit the group, and an exchange-traded fund tracking major retailers has declined 8% in 2017.

The stressed have pushed investors to take out about \$130 million from the SPDR S&P Retail ETF in the past month, according to data from FactSet.

Now, options traders are pricing in big swings for heavyweights such as Macy's Inc. and J.C. Penney Co. Both have shed more than a third of their market values this year.

Options traders are betting on as much as a 16% one-day move in shares of J.C. Penney after the company's earnings are released on Friday—a move that is greater than the average 8.5% after the retailer's past eight releases, Trade Alert data show.

J.C. Penney's stock “is sitting near long-term lows, and some traders are shopping for another drop,” wrote David Russell, Chicago-based senior manager at the brokerage E*Trade Financial Corp. in a note on the options activity ahead of the retailer's report. J.C. Penney shares hit a record closing low of \$4.33 this year.

Options activity on major retailers such as Macy's and Nordstrom Inc. has also turned bearish, he said in an interview.

For Macy's, which reports results on Thursday, traders project a 9.3% move, slightly under the average 9.6% swing after the past eight earnings releases, the data show.

As earnings from some of the biggest U.S. retailers ramp

Bearish Bets

Retail companies within the S&P 500 are more heavily shorted than the broader index. Average percentage of shares out on loan*

■ S&P 500 retail companies ■ S&P 500



*An indication of how many bearish bets are outstanding; data are as of Aug. 8

Source: IHS Markit

THE WALL STREET JOURNAL

increased by 30% since the beginning of April, while the number of calls, or bullish options, has fallen by 23% over that period, data from Trade Alert show. Investors can use options to make directional bets or hedge existing holdings.

Earnings seasons have become crucial for stock performance, spurring greater volatility than in prior years, according to Goldman Sachs Group Inc. data. For many sectors, more than 30% of quarterly returns stemmed from earnings week itself, the firm wrote in a July report.

Still, others may be positioning for a rebound. E*Trade's Mr. Russell said traders have been scooping up call options on Target Corp. recently. The company's shares have fallen 20% so far this year.

“It looks like traders are hedging, or maybe even looking for a bounce,” Mr. Russell said.



The Trump administration Tuesday announced duties of 17% to 81% on aluminum foil from China. A worker at an aluminum smelter.

Aluminum Soars on Cutback Hopes

Surges in Chinese steel-rebar futures to five-year highs and global aluminum prices to heights last reached in 2014 share a cause: the prospect of reduced production in China.

Beijing's stated aims in restructuring the country's metals industry

include cutting costs—following

years of losses—and cleaning up the environment, but its orders to major aluminum producers to wipe out illegal capacity have been occurring as pressure increases from a U.S. antidumping probe.

Alleging government subsidies, the Trump administration on Tuesday announced duties of 17% to 81% on aluminum foil from China. Analysts say reigning in capacity would send a message to the U.S. that China takes the issue seriously.

China makes slightly more than half of the world's aluminum—nearly 10 times as much as the U.S.—so the idea that it will cut back has been key to

the rally. Three-month aluminum futures on the London Metal Exchange hit a three-year high Wednesday, and Shanghai futures are at levels not seen since 2012, up 22% this year, including 5% on Wednesday.

Orient Futures foresees a capacity cut of as much as 10% in China this year as Beijing squeezes. And Vivek Dhar, commodities strategist at Commonwealth Bank of Australia, said there could be an additional 2% reduction in global aluminum production as capacity goes offline during China's heating season. Aluminum production is very energy-intensive.

Still, as expectations grow of a global shortage by year-end, some analysts see signs of the speculative fervor common to China's boom-and-bust markets. On Tuesday, trading volume for Shanghai aluminum futures was nearly triple that of a week earlier.

Rising hope for Beijing's stern efforts to cut aluminum output stoked bullish sentiment at home and spilled over

to the global markets,” said Cao Yang, senior analyst at Orient Futures. But soaring prices, of course, could encourage production, delaying or even preventing shortages and likely sending prices into a retreat.

“While the rally is based in large part on fear of a potential supply shortage in winter, speculative funds are also a key force behind the frenzied rally,” added Mr. Cao. “This feels like a crazy ride all over again.”

In April, China said aluminum production lacking the required government approvals would be shut down within six months; that followed its orders last winter to cut steel and aluminum output in 28 cities to reduce pollution.

Local authorities have taken steps to enforce Beijing's will. Shandong province gave two giant aluminum producers until the end of July to shut down alleged illegal production, most of it at the world's biggest smelter. The shutdowns have taken place, investment bank

ING said earlier this week. Analysts say more provinces may follow suit.

In July, China produced a record 2.9 million tons of aluminum, 7% more than a year earlier. The country's infrastructure projects have helped absorb the gush, but that demand is expected to weaken following the government-leadership shuffle this fall.

And U.S. barriers may force Chinese aluminum producers to find alternative markets, mostly in Asia, Macquarie said. Only 15% of China's aluminum output is exported, analyst Helen Lau at Argonaut Securities noted, but that is a lot of product to move.

Government steps to rein in aluminum production have occurred alongside steps dating to last year regarding low-grade steel. They have helped produce shortages in some products and have sent steel-rebar futures surging some 45% this year.

—Yifan Xie and Biman Mukherjee

risks in the country were rising.

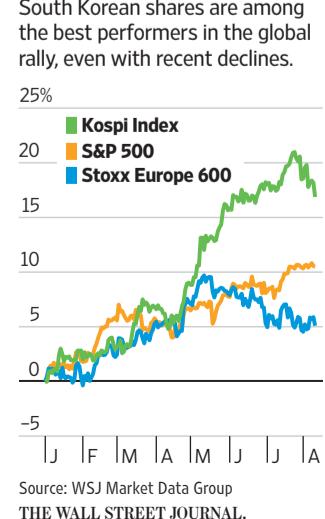
Yet the Kospi is up 17% this year, making it one of the best-performing indexes in the world. In July, it notched its first eight-day winning streak in six years, despite a string of North Korean missile tests and the prospect that South Korea's most powerful businessman, Samsung conglomerate heir Lee Jae-yong, could be sentenced to years in prison.

Far from feeling cowed, South Korea's mom-and-pop investors are taking on more risk, with an unusually large increase this year in the number of people making big stock trades of 100 million won (around \$89,000) or more, and \$76.3 billion—a record amount—of borrowing to fund stock purchases at the end of July.

Kim Sung-woo, who quit his job as a software developer to become a full-time stock investor last year, said his only concern about the escalating rhetoric from North Korea and the U.S. is that it will spook foreign investors who have flooded into South Korean stocks this year. South Koreans are “used to it,” he said.

Keeping Calm

South Korean shares are among the best performers in the global rally, even with recent declines.



Source: WSJ Market Data Group

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MARKETS

Stocks Decline Amid Geopolitical Risk

Investors are skittish about a correction to global rally; corporate results disappoint

By ALEXANDER OSIPOVICH
AND JUSTIN YANG

Rising tensions between the U.S. and North Korea rattled markets around the world, interrupting a rally in stocks that has been fueled by corporate earnings and global economic growth.

In the U.S., major indexes ended Wednesday with relatively mild

losses as the market pared declines toward the close. The sell-off in the U.S. began Tuesday after President Donald Trump warned Pyongyang against making more threats, saying it faces "fire and fury like the world has never seen." North Korea responded that it was considering firing missiles at Guam.

The Dow Jones Industrial Average fell 36.64 points, or 0.2%, to 22048.70, after earlier being down nearly 89 points. The index's one-day drop was its biggest since July 24.

The S&P 500 declined 0.90 point, or less than 0.1%, to 2474.02. The Nasdaq Composite shed 18.13 points, or 0.3%, to 6352.33.

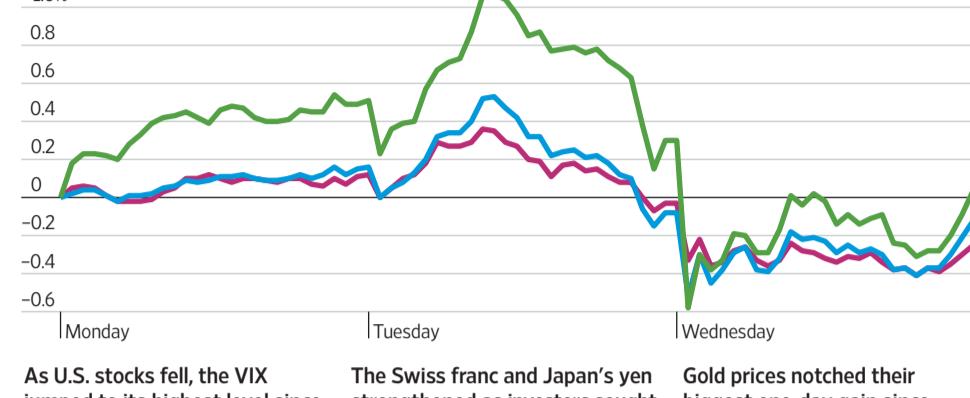
The two-day slide—which ended a 10-session winning streak for the Dow industrials on Tuesday—showed many investors are skittish that a correction is around the corner, said Philip Blancato, chief executive of Ladenburg Thalmann Asset Management. "There are enough folks with fingers on the trigger that have made a lot of money for the past eight years," he said.

Stocks have rallied globally this year, with the Dow industrials up 12% in 2017. Investors have been encouraged by better-than-expected quarterly results from big U.S. companies

Speed Bump

Investors sold global stocks and scooped up assets they consider to be relatively safe after threats between the U.S. and North Korea escalated late Tuesday.

Nasdaq Composite ■ S&P 500 ■ Dow Jones Industrial Average



As U.S. stocks fell, the VIX jumped to its highest level since early July.

CBOE Volatility Index



Sources: SIX Financial (U.S. indexes, stocks); FactSet (Asia indexes, currencies); Thomson Reuters (VIX, Treasuries); CGO (gold)

The Swiss franc and Japan's yen strengthened as investors sought relatively safe stores of value.

Change in how many francs (■) or yen (■) \$1 buys



\$1,275 a troy ounce

1,270

1,265

1,260

1,255

1,250

1,245

1,240

1,235

1,230

1,225

1,220

1,215

1,210

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