

THE WALL STREET JOURNAL.

DOW JONES | News Corp **

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WSJ.com EUROPE EDITION

DJIA 21844.01 ▼ 0.93%

NASDAQ 6216.87 ▼ 2.13%

NIKKEI 19729.74 ▼ 0.05%

STOXX 600 376.05 ▼ 1.00%

BRENT 51.90 ▼ 1.52%

GOLD 1283.70 ▲ 0.84%

EURO 1.1753 ▼ 0.06%

What's News

Business & Finance

Leego has jettisoned its CEO after just eight months in the job, naming a younger leader with technology experience. **B1**

♦ **Snap's loss** nearly quadrupled to \$443 million on slowing revenue and user growth, hurt by competition from Facebook. **B1**

♦ **Wells Fargo's board** is planning a shake-up that is likely to include Stephen Sanger stepping down as nonexecutive chairman. **B7**

♦ **OPEC oil production** rose in July, in the latest sign the cartel's efforts to reduce output and drain a global supply glut are falling short. **B8**

♦ **Toshiba** said it reopened talks with Foxconn and Western Digital over selling its memory-chip unit. **B3**

♦ **Wisconsin's governor** defended a \$3 billion tax-incentive package to lure Foxconn to the state. **B3**

♦ **Macy's and Kohl's** reported another quarter of shrinking sales, though the declines weren't as deep as in recent quarters. **B2**

♦ **Invitation Homes** and Starwood Waypoint agreed to merge in a deal that creates a home-rental giant. **B7**

♦ **Blue Apron shares** fell 18% as the firm struggled to reassure investors it can contain costs and fend off rivals. **B3**

♦ **Elliott lost** its a legal challenge to oust Akzo's chairman before a Sept. 8 shareholder meeting. **B5**

♦ **Glencore posted** strong first-half results, boosted by rising commodity prices. **B5**

World-Wide

♦ **China is struggling** to find options in its stance toward North Korea as the war of words between Washington and Pyongyang continued. **A1**

♦ **The number of migrants** arriving in Italy has dropped sharply, raising hopes Europe may have turned the corner in its migration crisis. **A1**

♦ **Kenya's opposition** doubled down on claims the presidential vote was rigged, even as monitors found no evidence of fraud. **A3**

♦ **The risks** of a budget crisis or fiscal mishap in Washington are rising as deadlines near, according to a survey of economists. **A5**

♦ **Trump criticized** Republican Majority Leader McConnell for the failure to advance a health-care bill through the Senate. **A5**

♦ **Trump declared** the opioid epidemic a national emergency, a designation that could shape the way his administration responds. **A5**

♦ **Vitamin B3** can prevent a rare genetic form of birth defects, a study by researchers in Australia found. **A3**

♦ **Sessions is urging** the White House to pick a tough-on-crime judge for a sentencing-guidelines panel. **A5**

♦ **French officials** said the man suspected of ramming a car into a group of soldiers is an Algerian. **A4**

♦ **A philanthropist** launched a program to let students earn a year's worth of college credit for free. **A5**

♦ **EUROPE EDITION**

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WORLD NEWS

BRUSSELS BEAT | By Daniel Michaels and Laurence Norman

Disputes Expose Hard Limits of EU's Power

Europe's latest crisis, over rule of law, is a slow-burning one that could play out over years. But it may prove as corrosive as the sudden shocks from the eurozone debt blowup or the 2015 migration wave.

The European Union is grappling with challenges from members including Poland, Hungary and Greece to what had widely been deemed basic legal and political norms.

That presents Brussels with two dilemmas. The EU, which is a voluntary club of democracies, has never fully resolved how to respond if members' elected governments stray from democratic norms to tighten their grip on power.

Second, what happens to the EU's single market, its currency union and border-free zone if EU governments simply stop following the EU's rules and laws?

Countries have always griped about forking over cash, surrendering their national currencies or opening their markets and borders. But ultimately they have either accepted the consensus or, in a few cases, struck special deals with the rest to opt-out of common projects.

Now, in an unprecedented cavalcade of rejections, members are flouting pronouncements of EU institutions, including its courts.

A Greek appeals court recently convicted the country's

former top state statistician on charges of dereliction of duty, despite Brussels' defense of the ex-official and warnings the case was undermining the independence of the country's statistics agency, a pillar of the bloc's economic rules.

Poland's nationalist government brushed aside an injunction from the European Court of Justice to prevent logging in a protected forest, saying logging should continue. Poland's dismissal of the interim ruling came days after the European Commission began an infringement case—a legal action that can end in a court case—against Poland for passing a law that Brussels has said also threatens the country's judicial independence.

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The EU has also been locked in a protracted fight with Prime Minister Viktor Orban of Hungary over his government's unwillingness to adhere to EU laws. Despite victories in EU courts, the commission was unable to stop Mr. Orban from tightening his grip on Hungarian courts. Brussels is now struggling to rein in Mr. Orban over legislation that could let him shut Central European University.

The cases have alarmed EU officials. European Commission Vice President Frans Timmermans, who has become a lightning rod for the

EU's critics in Budapest and Warsaw, said the judicial developments in Poland pose a threat to the whole bloc.

"The rule of law is one of the values on which our Union is founded and which defines our Union," he said. "What is happening in Poland affects the Union as a whole."

Donald Tusk, a former Polish prime minister who is now the European Council president and is a political foe of Poland's current leaders, said last week his country's flouting of EU decisions raises "a question mark over Po-



People in Warsaw protested against a plan that Brussels said threatens Poland's judicial independence.

land's European future." The governments have pushed back, accusing the EU institutions of interfering in sovereign decisions to support politicians who are friendlier to Brussels.

Poland says its planned court changes are similar to practices elsewhere in the bloc and that logging in the forest is only being allowed to prevent a bark-beetle infestation.

President Andrzej Duda of Poland bowed to outside pressure and vetoed two of the

three laws involved in the judicial overhaul. However, the Hungarian and Polish governments have generally been bolstered politically by their fights with Brussels.

That has underlined how constrained the EU is in enforcing its vision of fundamental standards. The bloc granted Brussels in 2009 a more powerful instrument to curtail a member state's voting rights and funding if democratic standards are undercut. But such punishments require unanimity from the other 27 EU countries. Hun-

gary's Mr. Orban has pledged to veto EU sanctions against Poland's government.

Of course, EU members have long broken rules and landed in EU courts. Last year alone, the EU started 111 so-called infringement cases, alleging a breach of rules. Even Britain, once considered a golden boy when it came to applying EU rules, has scored above the EU average every year since 2004 in terms of the number of pending infringement cases.

But those disputes have taken place within accepted legal boundaries: Member states ultimately obeyed courts' decisions, protecting the legal coherence of the bloc's single market of goods and services and other key legislation.

The EU has battled through its past crises at least in part by forging often gradual compromises on new rules and procedures that were painful for some countries to accept.

Yet Poland and Hungary have declined to abide by EU legislation agreed at the height of the migration crisis in 2015, which sought to spread refugees across the bloc.

EU members "may bend the rules or abuse them, but we agree they exist," said Aneta Wiewiórowska, a senior researcher in the European Legal Studies Institute at Osnabrück University in Germany. "Poland says they do not exist—the consensus is gone."

MIGRATE

Continued from Page One

said Italian Interior Minister Marco Minniti this week. "We are starting to feel the migration flows can be controlled. We are seeing light at the end of the tunnel."

Italian officials, though, caution that the drop in arrivals could easily reverse, given the instability of Libya. Moreover, the number of people trying an alternative route to Europe by crossing into Spain more than doubled in the first half of the year to 6,500 from a year earlier. And political groups and human-rights organizations have raised serious concerns about the condition of prison-like centers where migrants rescued by the Libyan Coast Guard are detained.

"It is too early to call a victory," said Mario Morcone, head of immigration at the Italian Interior Ministry in an interview. "But we are seeing the fruit of a number of policies we have put into place."

Greece, another country hard hit by the influx of migrants, also is seeing its migration problem ease. Between the start of 2015 and spring 2016, nearly one million migrants arrived in Greece. An European Union agreement last year with Turkey to take back migrants from Greece then succeeded in cutting off the arrivals, but left about 60,000 migrants stranded in



Migrants from Africa, miles from the coast of Libya, waited to be rescued last week.

Greece because border controls in the Balkans prevented them from traveling to Northern Europe.

Today, about 70 migrants arrive in the country a day, but the total number living in Greece has receded to about 40,000. Some have found ways to sneak over the border and travel north, while 17,000 others have participated in an EU program to relocate them to other member states.

The change comes just two years after a huge surge in migrants reaching Europe caused deep political and social turmoil in the continent, helping to spur the rise of populist parties and exposing bitter divisions among member states.

Attitudes toward immigrants soon hardened in Europe, compounded by revelations that terrorists were able to hide among the migrant

flows. In response, countries, particularly in the Balkans and Eastern Europe, have erected borders to keep migrants out and have forcibly repatriated those who remain illegally.

Efforts to slow the migrant flow from Libya have been complicated by the lawless state the country fell into after the overthrow of Moammar Gadhafi in 2011.

In response, Italy, which has seen 600,000 African and Mid-

dle Eastern migrants arrive since the start of 2014, has used a series of carrots and sticks to try to stem the flow—actions they believe are having an effect. It has given Niger—a key country on the routes smugglers use to ferry African migrants to Libya—about €50 million (\$59 million), in part to police its border and disrupt the migrant traffic.

Italy also has given €18 million to the International Organization for Migration to support voluntary repatriations of migrants willing to return home from Libya. The IOM has repatriated 6,000 people from Libya so far this year—more than all of 2015 and 2016—and expects to return up to 9,000 more during the rest of 2017, according to Joel Millman, IOM's spokesman.

Meanwhile, Italy—a former colonial power in Libya and the only Western country with an embassy there—has raised diplomatic and military pressure this year in an attempt to stop the smugglers.

With support from the European Union, Italy in June delivered about 10 boats of migrants to the Libyan coast guard and has trained coast-guard crews, with the goal of empowering Libya to fight traffickers and conduct search-and-rescue operations on its own.

Rome also sent two military ships to sit within Libyan waters and give its coast guard logistical support and inter-

vene should smugglers threaten the Libyan crews. As a result, the Libyan coast guard has rescued about 12,000 migrants so far, bringing them back to Libyan shores, according to the IOM. The number of people who died trying to make the crossing from Libya this year through Aug. 6 dropped to nearly 2,400, compared with 3,151 during the period in 2016.

As a result of Italian aid efforts, according to Libyan coast guard and military officials in some of Libya's main smuggling areas, tribes also have stopped providing cover for family members involved in the smuggling trade. In some cases, tribes are even working with authorities to stop the smugglers.

"International pressure played a strong role in convincing local tribes to pressure smugglers," says Taher Ghurbali, the head of the military council in Subrata, a town roughly 50 miles west of Tripoli that has been the main launching point for migrant vessels. Subrata took over from Zuwara as the main base for smuggling when international pressure on the latter convinced elders there to rein in the trade.

According to Mr. Ghurbali, the tribes may have pushed some smugglers to quit the business. And without concern of upsetting powerful tribes that have strong influence over most official structures in the lawless state, Libyan authorities are able to crack down on the smuggling business more effectively.

Tribal pressure is "unlikely to be an answer to the epidemic," added Mr. Ghurbali, but "it is a start."

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the bitcoin-related technology known as "blockchain" to his college. Others debated whether bitcoin would keep surging despite a divisive debate over how large trades are handled in the currency.

Since the party, organized by an Ethereum Meetup group, bitcoin has advanced an additional 24% through Wednesday afternoon despite some traders splitting off to form a new currency called Bitcoin Cash. Ethereum, whose network went live about two years ago, is less widely known than its older relative, but a sharp increase in value is starting to change that. Beginning the year at \$8, the price of Ethereum skyrocketed 50-fold in the first half of the year, trading as high as \$400 before settling down to \$302 Wednesday.

The attendees at last month's party were an eclectic group, ranging from crypto veterans in T-shirts and baseball caps to staffers from New York Gov. Andrew Cuomo's office and the Federal Deposit Insurance Corp. Bitcoin entrepreneurs held court, a former congressman dropped by and one attendee dropped to a knee to propose marriage in

Taking Off
Returns in 2017 for bitcoin and the S&P 500 stock index*

Bitcoin ■ **S&P 500**



*From year's first trading day through Wednesday

Sources: WSJ Market Data Group (S&P); CoinDesk (bitcoin)

THE WALL STREET JOURNAL.

It is no coincidence that both speculators and entrepreneurs were drawn to the event. Ethereum, which is often quoted in "ether," was based upon the same concepts as bitcoin, but the focus is different. Bitcoin's network is designed to support a currency. Ethereum is designed to be a hosting service for apps, a sort of decentralized operating system.

The software behind Ethereum makes it easier for developers to create their own coins with just a few lines of code. That ease of creation has helped spur initial coin offerings. The various tokens have had a mixed performance record, but their proliferation has fueled Ethereum's rally.

Ms. Lin heard about virtual currencies while working at Morgan Stanley's brokerage unit. Entrepreneurs she was recruiting to be clients of the Wall Street firm told her about bitcoin and Ethereum, and she soon wanted to be a part of it.

About a month ago, Ms. Lin and her business partner, bitcoin veteran Brad Chun, incorporated GopherCard, which will give holders of the new currencies a way to spend their money on prepaid gift cards. For Ms. Lin, the party

was a chance to talk to experts about how her startup should refine its business model and build a brand.

She found the response encouraging, a far cry from the attitudes about work she encountered in finance. "People were willing to share ideas and build stuff," she said, "rather than just drink and party."

CORRECTIONS & AMPLIFICATIONS

Murithi Mutiga works for the International Crisis Group. A World News article in Monday's editions about Kenya's election misspelled the name as Muttinga.

Passive Vanguard mutual and exchange-traded funds owned 5% or more of shares in 481 companies in the S&P 500 at the end of March. A July 17 Finance & Markets article incorrectly said those funds owned 5% or more of the shares in 485 companies.

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

WORLD NEWS

Kenya Monitors Find No Election Fraud

Opposition leader Raila Odinga, trailing in the vote, insists balloting was rigged

By MATINA STEVIS
AND JOE PARKINSON

NAIROBI, Kenya—Kenya's opposition party doubled down Thursday on claims that this week's presidential election was rigged, even as international monitors said there was no evidence of organized fraud.

The claims by opposition leader Raila Odinga came as provisional results appeared to confirm a comfortable victory for the incumbent, President Uhuru Kenyatta. Kenya's electoral commission is set to announce final results by mid-day local time Friday.

The fresh allegations raised fears of a protracted—and potentially violent—face-off in a country vaunted as one of Africa's top economies and most dynamic democracies. A Kenyatta victory would give the incumbent leader a second term and a mandate to spend heavily on development projects for Kenya's 48 million people.

Musalia Mudavadi, a senior member of Mr. Odinga's NASA coalition, claimed widespread rigging of the vote, not specifying further. He said an unidentified electoral commission official had revealed results indicating that Mr. Odinga was ahead of Mr. Kenyatta by more than 200,000 votes out of a total estimated 15 million. He didn't offer evidence to substantiate his claim.

"We demand that the [commission] chairperson announce the presidential election results



forthwith and declare Raila Amolo Odinga...as the duly elected president," Mr. Mudavadi told reporters as Mr. Odinga stood silent and stony-faced next to him.

The fraud claim marked a shift from Wednesday when Mr. Odinga said the commission's computer voting system had been hacked to falsify provisional results. An official from Kenya's electoral commission on Thursday reiterated that its servers hadn't been compromised.

A Kenyan official said the government didn't intend to comment until formal results were declared. Mr. Kenyatta

hasn't spoken since casting his vote on Tuesday.

Some analysts said the shift in the opposition's claims undermined their credibility but warned they risk raising tensions. In Kenya's 2007 elections, allegations of fraud escalated into tribal-related violence that left 1,100 people dead and drove hundreds of thousands from their homes. The U.S. State Department on Thursday called for any challenge to the results to be done through legal and peaceful means.

"NASA's outright declaration that Odinga is the rightful winner raises the risk of further vio-

lence in opposition areas should the [commission] confirm Kenyatta's victory," said Emma Gordon, senior Africa analyst at Verisk Maplecroft.

Shortly after the press conference, opposition supporters in the party's western stronghold of Kisumu took to the streets in celebration. Hundreds gathered and chanted slogans as a police helicopter circled overhead. In Nairobi's sprawling Mathare slum, where two people were killed after protests turned violent on Wednesday, young men rallied for Mr. Odinga as security forces watched.

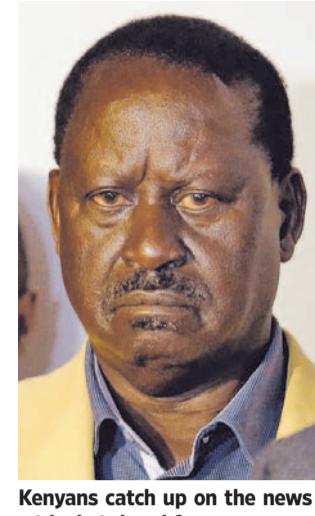
At the heart of the election

controversy are two paper forms that legally authenticate the polls. Agents from rival parties are required to sign off on the forms—which were still trickling in from across the East African nation Thursday—before they are transmitted for final tallying.

Gabrielle Lynch, a Kenya expert at Warwick University, raised questions about the opposition's claims.

"The question is, if results are so different as it is being claimed, why are those discrepancies being raised at the constituency level?" Ms. Lynch said.

International observer mis-



Kenyans catch up on the news with their breakfast on Thursday at a cafe in the capital Nairobi. Above, opposition leader Raila Odinga at a news conference.

sions, including one led by former Secretary of State John Kerry, called the poll largely free and fair on Thursday and urged Mr. Odinga to follow due process to address his grievances.

"We listened very carefully to his concerns...and they deserve to be taken seriously," Mr. Kerry told a press conference. "I know what it's like to lose an election, I lost by one state the presidency of the United States...but you have to get over it and move on."

Tribal divisions continue to frame Kenyan politics, giving Mr. Kenyatta's Kikuyu tribe and its allies an electoral advantage. Mr. Odinga says his Luo tribe, and others aligned with it, have been neglected.

Mr. Kenyatta's message of stability and leadership for all Kenyans appears to have appealed to more than half of voters.

Ex-Hostages Describe Ordeal of Six Years in al Qaeda Captivity



FREE TO TALK: Johan Gustafsson, shown with his wife in Sweden, made his first public appearance Thursday since being released in June from al Qaeda captivity in northern Mali. Stephen McGowen, a South African held with him and freed in July, spoke separately in Johannesburg. Mr. Gustafsson, who said he converted to Islam "to save my life," had been on a motorcycle tour of Africa when he was seized. Both Sweden and South Africa say they did not pay any ransom for the hostages' release.

Vitamin in Spread Averts Some Birth Defects

By ROB TAYLOR

CANBERRA, Australia—for years, Australians have extolled the virtues of Vegemite, a salty, yeast-based spread that frequently elicits polite no-thank-yous when offered to non-natives.

But new medical research has shown Australians were on to something, as a vitamin in the spread was found to prevent some birth defects and miscarriages.

A 12-year study by researchers at Sydney's Victor Chang Cardiac Research Institute found that Vitamin B3 in Vegemite, similar spreads and vitamin supplements can counter a rare genetic cause of birth defects.

"The ramifications are likely to be huge," said lead researcher Prof. Sally Dunwoodie. "This has the potential to significantly reduce the number of miscarriages and birth defects around the world, and I do not use those words lightly," she said.

The report, published Thursday in the New England Journal of Medicine, identified



Vegemite in a Melbourne store. Vitamin B3 in Vegemite and similar spreads was found to counter birth defects and miscarriages.

a major cause of miscarriages, in addition to heart, spinal, kidney and cleft palate problems in newborn babies. Drawing on research conducted with mice, the researchers found that a molecule known as NAD— which is important for organ development and is found in all living cells—can lead to birth defects in a developing baby.

"We have discovered a whole new cause of birth defects and a way to treat it as well," Prof. Dunwoodie said.

Nicotinamide adenine dinu-

cleotide, or NAD, is one of the most important molecules in all living cells, essential for everything from cell repair and energy creation. But environmental and genetic factors can disrupt production, the researchers said, causing a deficiency that can harm a developing embryo.

The discovery was similar to research last century that showed folic acid supplementation can prevent spina bifida and other neural-tube defects in babies, Prof. Dunwoodie said.

As a result, consumption of folic acid was adopted by expectant mothers worldwide, leading to a 70% decrease in babies born with neural-tube defects.

But other experts said that while the Vitamin B3 discovery was important, the described genetic condition was rare, meaning the research was likely to apply to a relatively small number of pregnant women.

Ownership of Vegemite, Australia's best-known condiment, was brought home this year when Bega Cheese Ltd. bought a basket of brands from Mondelez International Inc. for nearly \$350 million.

Nicotinamide adenine dinucleotide (NAD)

Backers Rally Around Beleaguered Netanyahu

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 probes gained a key witness last week when Ari Harow, the prime minister's former chief of staff and 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, 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. He has served longer as Israel's leader than anyone other than founder David Ben Gurion.

After years of strained ties with former President Barack Obama, Mr. Netanyahu has nurtured a close relationship with President Donald Trump's administration, including a visit to the White House and coordinated messages on construction of Jewish settlements in contested territory.

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 expanded under Mr. Netanyahu while negotiations have stalled, even amid indications that Sunni Arab states are willing to engage more with Israel.

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.

"He's the best prime minister we've ever had. It's never been better than this," Evan Cohen, 49, a lecturer at Tel Aviv University said inside the exhibition hall where the rally was held. "These investigations have been going on for 23 years. And all they can muster is that he got cigars from a friend."

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?



If there is an indictment should Netanyahu have to resign?



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

THE WALL STREET JOURNAL

WORLD NEWS

Surveillance Feeds Are China's New Reality TV

Websites show real-time footage from thousands of cameras

By JOSH CHIN

BEIJING—They may be blocked from watching YouTube, but China's 751 million internet users can binge on real-time video streams of yoga studios, swimming lessons, alpaca ranches and thousands of other scenes captured by surveillance cameras.

Much of what's available would be unthinkable in the West, according to legal experts, because people dining out, taking dance classes or shopping would likely object to having their live images beamed publicly, and doing so without their permission could invite litigation.

In China, however, surveillance is both pervasive and widely accepted. And that's the subject of a new film by one of China's best-known contemporary artists.

In "Dragonfly Eyes," director Xu Bing uses real surveillance footage to tell the story of an ill-fated romance between a young woman who works on a dairy farm and a

technician who watches her through the farm's surveillance system. Mr. Xu believes it's the first full-length fiction film to be made entirely with surveillance footage.

To make the movie, which premieres Thursday at Switzerland's Locarno Film Festival, Mr. Xu and his assistants sifted through 7,000 hours of footage, most of it downloaded from Chinese websites.

The largest of the sites, Shuidi, is run by internet security company Qihoo360 Technology Co. Another, Ezviz, is operated by Hangzhou Hikvision Digital Technology Co., the world's largest maker of surveillance cameras. Together, the sites host feeds from thousands of cameras scattered around the country.

Creating "Dragonfly Eyes" convinced Mr. Xu of the pre-sence of "The Truman Show," the 1998 satire starring Jim Carrey as a man whose every moment is telecast live without his knowledge, the director said. "The entire world has become a gigantic film studio,"

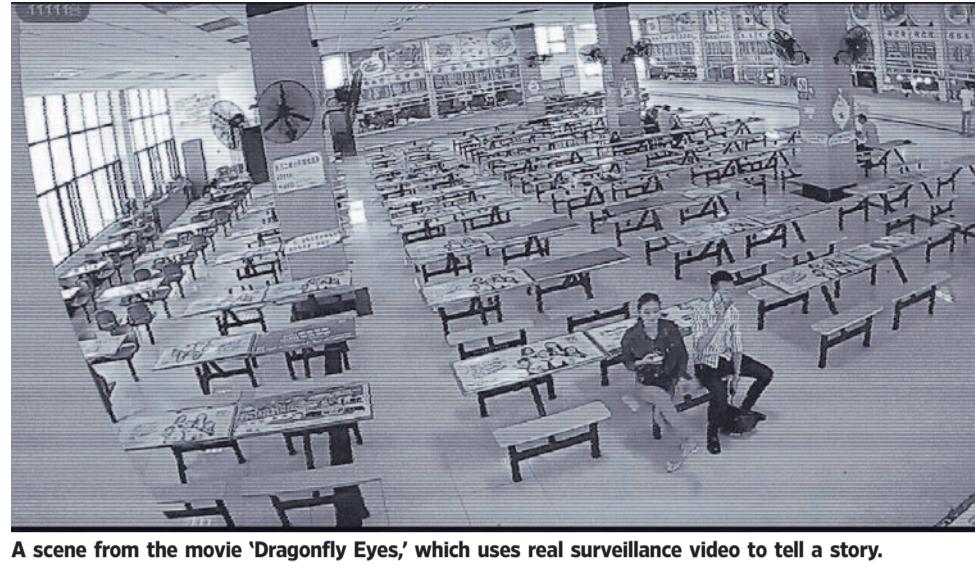
he said.

The voyeurism of the project initially made Mr. Xu uneasy, he said, but most people who appeared in the footage had no problem signing releases, and some told him they also watched the feeds.

"People's relationship to surveillance is changing," Mr. Xu said. "In the past, it was the government using it. But now it's expanded from the government to everyone."

Relaxed popular attitudes toward privacy are one reason China's government has been able to push the boundaries of surveillance. Authorities are implementing a system that will assign each person a "social credit" score based on data about their behavior and have rolled out facial-recognition technology more broadly than any other country, without widespread complaint.

China is unique in offering up such a trove of surveillance video, privacy advocates said. While sites exist elsewhere that provide live access to surveillance video, none do it on



A scene from the movie 'Dragonfly Eyes,' which uses real surveillance video to tell a story.

the scale of Chinese sites, said Simon Davies, a senior fellow at Electronic Privacy Information Center, a Washington, D.C.-based advocacy group.

Charles Farrier, founder of U.K. privacy activist group No CCTV, said the sites normalize spying on fellow citizens, "thus making it more acceptable for the police or the state to spy on its citizens."

Manufacturers shipped 5.7 million stand-alone network cameras like those that feed Qihoo's Shuidi platform in 2016, up from four million the year before, according to analytics provider IHS Markit Ltd. A dust-up occurred earlier

this year after local Chinese media reported stories of students who were angry over live surveillance feeds in classrooms. Qihoo issued a statement saying it requires camera operators to put up signs notifying people of the video streams.

Hikvision's live-streaming rules require users to promise not to violate others' image and privacy rights.

Neither company responded to requests for comment.

No notice was visible at the **Shang Ya Dance School** in northern Beijing last week as a white Qihoo camera live-streamed a dozen young girls in pastel leotards twirling

around a cramped studio.

Parents and a staff member at the studio said they thought the feed was only visible in a private chat group for parents, but it was open to the public on the Shuidi site.

"The first and second ones in the front row are the best dancers," an anonymous user wrote in a comments section.

"I'm going to talk to the teacher," one father said after learning anyone on the internet could watch his daughter. A few days later, the feed was locked with a password.

—Liyan Qi in Beijing and Junya Qian in Shanghai contributed to this article.

Latest North Korea Standoff Leaves No Easy Way Out

By JONATHAN CHENG

SEOUL—When North Korea has made military threats in recent times, it has usually sought an off-ramp before tensions could spill over into armed conflict.

But the current standoff—U.S. President Donald Trump warning North Korea of "fire and fury," Pyongyang declaring its intention

ANALYSIS to send missiles into the waters off Guam, site of a U.S. military base—could extend for weeks or months, security experts and scholars say. Unlike in the past, North Korea is near having the plausible ability to strike the U.S. mainland with nuclear weapons.

The exchange of threats comes at a particularly delicate moment on the Korean Peninsula, less than two weeks before a planned joint military exercise by the U.S. and its allies in South Korea. The annual Ulchi Freedom Guardian drills, expected to start around Aug. 21 and usually lasting about two weeks, incense North Korea. A spokeswoman for the U.S. military in South Korea declined to comment on the exercises beyond saying they are "regularly scheduled" drills.

On the North Korean side, the general leading the country's missile program is set in "mid-August" to present leader Kim Jong Un with a specific plan for the simultaneous launch of four intermediate-range missiles toward



North Koreans attend a mass pro-government rally on Wednesday at Kim Il Sung Square in the capital Pyongyang.

Korean industrial park and warned foreign diplomats to leave Pyongyang as it threatened missile strikes on U.S. Pacific bases, including in Guam and Hawaii. In August 2015, Pyongyang told Seoul it would attack in 48 hours unless South Korea ceased propaganda broadcasts over loudspeakers at the demilitarized zone separating the countries.

Both times, North Korea backed down.

Leif-Eric Easley, a professor of international studies at Ewha University in Seoul, said launching missiles toward Guam would be so provocative that Pyongyang is unlikely to deliver on that threat.

Still, this time could be different. With less certainty about the U.S. approach under Mr. Trump, scholars and security experts see a higher possibility of miscalculation on either side.

"The added risk this year is at the rhetorical level—how the perennial North Korean provocations are perceived in the White House," said Adam Mount, senior fellow with the left-leaning Center for American Progress think tank in Washington.

North Korea may also be trying new tactics, now that it has missiles capable of reaching prominent U.S. military targets.

The threat to Andersen Air Force Base on Guam may be aimed at persuading the U.S. to stop sending its B-1B bombers stationed there on flyovers of the Korean Peninsula, as it has several times this year.

CHINA

Continued from Page One the stability of the North Korean government, said Zhao Tong, a nuclear-policy specialist at the Carnegie-Tsinghua Center for Global Policy in Beijing.

Mr. Trump's warning this week that any further threats from North Korea "will be met with fire and fury" was aimed in part at jolting China into doing more to enforce the sanctions.

China in February suspended North Korean coal imports for the rest of this year, as part of efforts to enforce U.N. sanctions passed last November, which targeted Pyongyang's reliance on coal sales as its single largest source of revenue.

To tighten the pressure, China could cut off the crude oil supply to North Korea and ban imports of North Korean textiles and workers, said Mr. Zhao, who said he was among a number of foreign-policy experts consulted by Chinese officials in recent days. Those moves could dangerously weaken the North Korean economy, so "China will never take that step," he said. "Basically those steps are off-limits for now."

Beijing has repeatedly in recent months urged Washington

and Pyongyang to acknowledge each other's security concerns and avoid provocative action. It has called on Pyongyang to suspend its missile and nuclear programs and on Washington and Seoul to do the same with joint military exercises—moves China hopes will lead to negotiations. Though Russia has supported China's bid, the U.S., South Korea and North Korea have objected to it. This week's exchange seems to dim prospects for China's plan further, some experts said.

Worse for China's leaders, the latest escalation comes as they are preparing for a Communist Party congress that will

reapportion power across its top leadership and give President Xi Jinping his second five-year term. Mr. Xi and other leaders are believed this week to be meeting in the coastal resort town of Beidaihe, where top officials have gathered most summers to discuss policy and political matters in secret. This year, party leaders are likely focused on negotiating promotions and personnel arrangements, according to Chinese politics experts.

"China's leaders have directed their attention to domestic affairs, and lack sufficient time and energy to tackle foreign-policy crises," said Mr. Cheng, the Beijing-based academic.

"There's an absence of leadership" on the North Korean nuclear issue, Mr. Cheng said.

He said China should ratchet up its diplomacy, dispatching envoys to rally other regional powers like Russia and South Korea and coordinate policy to counter North Korea's actions.

China has been quietly preparing for a crisis over North Korea. In recent months, Beijing has bolstered defenses along its 880-mile frontier with the hermit state and realigned military forces in surrounding regions to prepare for a potential crisis across their border.

Mr. Zhao, the nuclear policy specialist, said a consensus among Chinese officials and experts is that more pressure should be exerted on the U.S. to persuade it to talk directly with North Korea. Beijing remains hopeful that Washington will relax its conditions for negotiations with Pyongyang, as it has appeared to do in recent months, he said.

U.S. Secretary of State Rex Tillerson, in remarks this month, said Washington wasn't interested in removing the North Korean government, and suggested the U.S. would accept talks with Pyongyang if it stopped launching missiles.

—Eva Dou, Te-Ping Chen and Junya Qian contributed to this article.



South Korean soldiers stand watch at a guard post near the heavily fortified demilitarized zone dividing the Korean Peninsula.

WORLD WATCH

FRANCE

Details Emerge on Paris Attack Suspect

The man suspected of deliberately ramming a car into a group of soldiers in a Paris suburb, injuring six, is an Algerian national in his mid-30s, officials said Thursday.

The man, who was shot and detained on a highway north of Paris hours after the Wednesday attack, remains hospitalized with bullet wounds, officials familiar with the matter said.

Police searched his house in the northern Paris suburb of Bezons, a police officer said. He has had no convictions in court, the officials said.

Paris prosecutors are treating the attack as an act of terrorism. The attack highlights the shift from the kind of large-scale attacks carried out by extremist cells that have hit the Continent in the past, including Islamic State militants' gun-and-bomb attacks in Paris in November 2015.

French authorities say they have seen an uptick in terror activity—often the small-scale, less-organized kind.

There have been roughly a dozen attacks in France since November 2015, and more than half of those targeted military patrols or police. Three police officers have been killed.

The soldiers who were attacked were among some 7,000 deployed around France to protect sensitive targets such as government offices, schools, places of worship and tourist attractions.

The hit-and-run marks the second potential terrorist attack in just a few days in the Paris region.

A knife-wielding man with a history of psychological problems tried to force his way into the Eiffel Tower on Aug. 5. He later told police he was targeting soldiers.

—Noémie Bisserbe

SRI LANKA

Foreign Minister Quits Over Graft Allegation

Sri Lanka's foreign minister resigned on Thursday after being accused of possessing a luxury apartment paid for by a businessman investigated for shady treasury bond transactions.

Ravi Karunanayake, who was the finance minister at the time the deals took place, denied the allegation but told Parliament he is resigning from the cabinet to "set an example" to others and protect the government. He said he would remain a lawmaker.

—Associated Press

U.S. NEWS

Risk of National Fiscal Mishap Rising

Economists forecast greater chance of shutdown and default as deadlines loom

By JOSH ZUMBRUN

The risks of a budget crisis or fiscal mishap in Washington are rising, which could weigh on financial markets in the weeks ahead.

Forecasters in The Wall Street Journal's monthly survey of economists see on average a 22% chance of the government shutting down at the end of next month and a 17% chance that the U.S. Treasury will, at least temporarily, skip making payments on obligations such as government payroll or issuing Social Security checks to manage looming funding challenges.

The survey pointed to rising angst about land mines awaiting lawmakers when they return from their August recess. Two crucial fiscal deadlines are drawing nearer: The Treasury has estimated Congress must act by Sept. 29 to address the nation's debt ceiling, and Sept. 30 is the end of the fiscal year, and thus the deadline for Congress to authorize legislation to keep the government functioning when the new fiscal year begins Oct. 1.

Similar showdowns have rocked Wall Street in recent years. Though calamities were averted, that is no guarantee of a clear path now.



There is a 17% chance the U.S. Treasury will, at least temporarily, skip making payments on obligations such as government payroll or issuing Social Security checks, economists said.

"The annual games of Debt Ceiling Roulette and Federal Budget Chicken pose greater risks than ever this year," said Amy Crews Cutts, chief economist of the credit reporting agency Equifax.

Economists see a 6% chance the U.S. will default on debt payments. While 6% is fairly low, it's double the risk from earlier this summer for a scenario that most economists believe would be calamitous.

"Default would have quick and severe effects on the economy that no party wants to bear," said Brian Schaitkin, se-

nior U.S. economist at the Conference Board.

The Journal surveyed 62 economists from Aug. 4 to Aug. 8.

Even if the debt ceiling is raised, a contentious debate can have significant impact. Earlier this year, researchers at the Federal Reserve estimated the episodes in 2011 and 2013, in which Congress nearly failed to raise the debt ceiling, caused interest rates to rise, costing taxpayers about \$250 million in each episode.

A Goldman Sachs research note this week cautioned that

investors are starting to avoid Treasury bills that mature around this year's key fiscal deadlines, pushing up interest rates on those securities.

With Republicans in control of Congress and the White House, this isn't the post-election environment many had expected.

President Donald Trump took office pledging to swiftly repeal and replace his predecessor's health-care law, promising to give the tax code a business-friendly rewrite, and considering a \$1 trillion infrastructure package to rebuild

the nation's roads and bridges, while reviving up factories and construction firms.

Fed Rate Increase Seen in December

Economists surveyed by The Wall Street Journal this month see the Federal Reserve raising interest rates once more in 2017 and three times in 2018, a view that matches the Fed's own projections.

Almost three-quarters of the economists surveyed said they thought the central bank would begin unwinding its \$4.5 trillion balance sheet at its next meeting, in September. Roughly the same share anticipated the next rate increase would come in December.

The economists' expectations for the path of monetary policy through the end of next

year suggest Fed officials have managed to move outsiders' views more in line with their own thinking.

At least in the short run. Expectations for 2019 diverge, with economists anticipating a slower path of increases than policy makers.

Fed officials appeared to hint at a balance-sheet move at the Sept. 19-20 meeting by saying in the statement following their July meeting that they planned to begin the process of shrinking the portfolio "relatively soon."

On Wednesday, Chicago Fed leader Charles Evans said the central bank could hold off on raising rates in September and instead begin winding down its balance sheet.

—David Harrison

and House Republicans on the same page for an ambitious legislative agenda. Democrats have been unified in opposition. The challenge was most apparent when the Senate failed to advance its health-care bill last month.

The failed health-care bill has raised broader doubts about the legislative agenda. In January, 71% of economists in the Journal's survey said they expected a "substantial" boost to the economy from legislative changes such as a tax cut or infrastructure program. By this month's survey, just 26% expected such a

boost.

Trump Criticizes McConnell Over Health-Care Bill

BY BYRON TAU

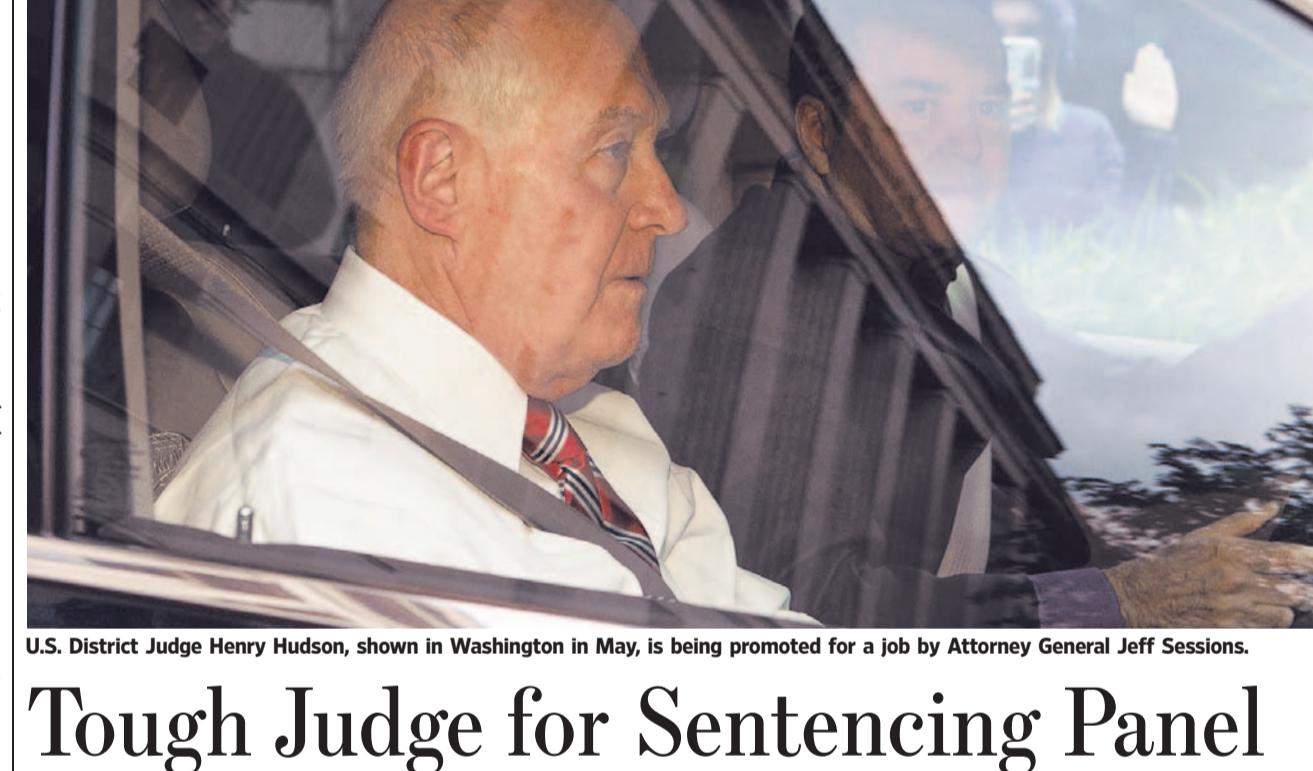
WASHINGTON—Tensions flared publicly between President Donald Trump and Senate Majority Leader Mitch McConnell, with the president criticizing his party's Senate leader for the failure to advance a health-care bill through the Republican-led chamber.

"Senator Mitch McConnell said I had 'excessive expectations,' but I don't think so. After 7 years of hearing Repeal & Replace, why not done?" Mr. Trump wrote on Twitter on Wednesday. He was referring to the GOP effort to roll back and replace former President Barack Obama's 2010 Affordable Care Act.

And on Thursday morning, the president wrote, "Can you believe that Mitch McConnell, who has screamed Repeal & Replace for 7 years, couldn't get it done. Must Repeal & Replace ObamaCare!"

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



U.S. District Judge Henry Hudson, shown in Washington in May, is being promoted for a job by Attorney General Jeff Sessions.

Tough Judge for Sentencing Panel

BY BETH REINHARD

WASHINGTON—Attorney General Jeff Sessions is urging the White House to nominate a federal judge and tough-on-crime ex-prosecutor once nicknamed "Hang 'Em High" Henry Hudson to an independent, bipartisan panel that issues sentencing guidelines.

Mr. Sessions' recommendation for one of three openings on the U.S. Sentencing Commission, confirmed by people familiar with the process, reflects the Justice Department's broader crackdown on violent crime, including the reversal of several Obama-era policies.

The department is urging the commission to toughen sentences for certain violent criminals, drug offenders, illegal immigrant smugglers, and so-called career offenders.

In its annual report to the commission, the department asked it to preserve the long,

mandatory-minimum sentences that supporters say help fight crime but critics say inflate prison costs and disproportionately hurt minority communities without improving public safety.

President Donald Trump, who campaigned on a promise to "restore law and order," has the authority but is under no requirement to fill two Republican vacancies and one Democratic spot on the seven-seat commission.

Judge Hudson is best known for sending pro-football quarterback Michael Vick to prison in 2007 for running a dogfighting ring and for finding unconstitutional a key provision of the Affordable Care Act in 2010.

"I'm excited about the opportunity to serve on the commission," Judge Hudson, who serves in the U.S. District Court in Richmond, Va., said in a phone interview Thursday.

Mr. Hudson would be the first new commission member tapped by Mr. Trump, who has reappointed two members previously nominated by former President Barack Obama. A White House official declined to discuss Mr. Hudson's prospects, but said the administration is committed to filling all federal vacancies.

The Sentencing Commission, which sets penalty guidelines for federal crimes, was created in 1984 to address complaints that judges across the country were imposing widely disparate sentences on defendants who were guilty of the same offenses.

Mr. Hudson would be expected to shake up the low-profile but powerful panel, which has produced research on the prison population, recidivism and sentencing that advocates have cited in pressing for an overhaul of the criminal-justice system.

In its most consequential decision in recent years, the commission in 2014 rolled back penalties for most federal drug offenses, allowing more than 30,000 inmates to seek reduced sentences and helping to trim the federal prison population for the first time in decades.

That trend is expected to reverse under Mr. Sessions, a former U.S. attorney and senator from Alabama. After a string of major overhauls of Obama administration policies that sought to curb potential abuses by police and prosecutors Mr. Sessions is now seeking to make his mark on the sentencing commission.

Mr. Sessions' embrace of mandatory-minimum sentences is at odds with a nationwide trend in states led by both Republicans and Democrats toward lighter punishments, especially for nonviolent drug offenders.

U.S. WATCH

EDUCATION

Philanthropist Offers Free Freshman Year

A New York philanthropist launched a program designed to let students earn a full year's worth of college credit free of charge—adding to a growing array of free options for students.

The venture, called "Freshman Year for Free," is the brainchild of Steven Klinsky, founder and chief executive of New Mountain Capital. He is covering the cost of the creation of 40 online courses designed and taught by professors from accredited universities. To earn college credit, students must pass the Advanced Placement or College Level Examination Program exams.

"We all know college has gotten more and more expensive year after year. This is a way that lets any hardworking self-motivated person get a year of full credit for free," said Mr. Klinsky.

—Douglas Belkin

TRUMP ADMINISTRATION

Opioid Crisis Called National Emergency

President Donald Trump declared the opioid epidemic a national emergency Thursday, establishing a formal designation for the crisis that could shape the way his administration responds.

"The opioid crisis is an emergency, and I'm saying officially right now it is an emergency. It's a national emergency. We're going to spend a lot of time, a lot of effort and a lot of money on the opioid crisis," Mr. Trump said.

A White House commission on the opioid crisis chaired by New Jersey Gov. Chris Christie, a Republican one-time rival and subsequent backer of Mr. Trump, recommended that Mr. Trump declare a national emergency in a preliminary report released last week. Some antiaddiction activists have questioned the value of the move beyond its symbolism.

—Louise Radnofsky

nated election systems "critical infrastructure" in January.

Still, state officials of both parties continue to say they have lacked clarity on whether sensitive cybersecurity information could be shared.

"Cyberthreats launched from nation-states into county clerks' offices nationwide is not a fair fight, and we cannot continue to be reactionary due to lack of information," said West Virginia Secretary of State Mac Warner. "I am pleased that DHS has agreed to sponsor security clearances for the states' chief election officials toward this goal."

The clearances are for the purpose of sharing classified cyberthreat information related to election systems with each state's top election official, a DHS official said. The clearances would be at the "secret" level, which is midlevel and doesn't include the nation's most sensitive secrets.

The DHS contacted state officials to begin the process of obtaining security clearances last week, an official said. Officials in West Virginia, Vermont, Maine and Arizona told the Journal they had heard from the DHS on the subject.

According to a January re-

port from the U.S. intelligence agencies, Russia's interference in the 2016 election included cyberoperations. Evidence suggests Russian hackers may have targeted election systems in 21 states during the 2016 election, DHS official Jeanette Manfra said at a Senate Intelligence Committee hearing in late June. Russian President Vladimir Putin has denied any state involvement in the attacks.

State and federal officials have said no votes were affected by the alleged interference. Arizona and Illinois are the only states that publicly confirmed hacking incidents.

IN DEPTH

VISA

Continued from Page One

This summer, businesses here managed to muddle through. They remain open and have found temporary solutions, but the lack of visas disrupted the crucial summer season. It forced some local managers to hunt further afield for employees, and crimped profits.

Some employers recruited foreign workers through other means. And others say the crunch has pushed them to try harder to hire Americans—something opponents of the H-2B visa program favor.

"I have more Americans working than I've ever had," says Josh Aronie, executive chef at the Home Port Restaurant in the Vineyard fishing village of Menemsha. He also reports his restaurant has been short of staff and many of the workers he does have don't know the basics of cooking or even how to read the orders.

It is too early to know whether, if such visas remain in short supply, the troubles seen this summer in Martha's Vineyard would ease as businesses adjust, or would persist or worsen, threatening their long-term health. On the national level, it is difficult to isolate the impact of the H-2B program on overall labor markets because it is used unevenly.

H-2B visas were established in 1952 to attract guest workers for nonagricultural, seasonal jobs for which Americans are unavailable. They have proven appealing to businesses in beach resorts and ski areas, as well as to fisheries, landscapers and other employers that have big labor demands for parts of the year.

In 1990, Congress capped the program at 66,000 visas each year, evenly divided between summer and winter seasons. Demand was so intense in the mid-2000s that Congress exempted from the cap foreigners returning to the same jobs. With that change, the total number of those visas issued soared, reaching nearly 130,000 in 2007.

During the recession, demand for the visas fell, and then rose again when unemployment dropped. Congress reinstated the exemption for returning workers for fiscal year 2016, and nearly 85,000 visas, including those for returnees, were issued.

This year, lawmakers opposed to increased immigration blocked a similar provision for returning workers, leaving the program capped once again at 66,000. The 33,000 visas allotted for the summer season were gone by March, the earliest ever.

In a compromise signed into law in May, lawmakers gave the **Department of Homeland Security** authority to issue additional visas if it determined they were needed.

Then-DHS Secretary John Kelly said at the time he was lobbied by lawmakers on both sides and suggested he was torn about what to do. Aides said he also was annoyed Congress had left the matter to him. In July, he approved another 15,000 visas for businesses able to prove they will suffer "irreparable harm" without them.



The Home Port Restaurant in Menemsha, Mass., applied for 18 H-2B visas for foreign workers and received none.

SCOTT BRAUER FOR THE WALL STREET JOURNAL

Help Wanted

Job openings have soared in the leisure and hospitality sector, pushing up hourly wages.

Job openings in leisure and hospitality



Average hourly earnings for nonmanagerial leisure and hospitality workers, change from a year earlier



The first visas from this new pool should be available this month. Some businesses applied for them; others say the decision came too late.

In Alaska, **Silver Bay Seafoods**, a big user of the program, received 31 H-2B visas this year for workers to help process salmon, down from more than 900 in 2016. The company responded by spending more than \$1 million to recruit workers in 32 states, plus U.S. territories such as Puerto Rico and the U.S. Virgin Islands.

"It's very difficult to find people to do this work," says Joe Misenti, general counsel for Silver Bay. The company succeeded in hiring about 1,600 workers, replacing all of the foreign workers with Americans, counting those from the U.S. territories.

The downside, Mr. Misenti says, was lower retention rates among new workers who lacked industry experience. Because the operation is running less efficiently, he says, the company suspended fishing on some days, forgoing four million pounds of salmon at one of five plants, so the processing plant could catch up. The result, so

far, is a loss of several million dollars to local fishermen who sell to the company and even more to the company, he says.

Landscape workers, the heaviest users of the H-2B program, appear least affected. Because many need workers earlier in the season, they can apply earlier for the first-come, first-served program. Many, though not all, landscaping companies received all the visas they requested, industry officials say.

On Martha's Vineyard, the population swells to 115,000 during the tourist season, from 15,500 the rest of the year. Employers and other residents say filling temporary jobs with local workers is hard because people who live there year-round want year-round employment.

The unemployment rate on the island in June was 3.8%, compared with 4.4% both in Massachusetts and nationally. The jobless rate on the island is consistently lower than in the state during the summer, but this summer the differential is greater than it has been for five years, according to **Bureau of Labor Statistics** data, suggesting labor is even harder to find than usual for local businesses.

Nationwide data on the leisure and hospitality sector also shows a tightening labor market. In June, average hourly earnings in the sector increased 4% from a year earlier, according to government data analyzed by **Moody's Analytics**, exceeding wage growth across the overall economy. In May, there

laundry room awaiting one of two industrial washers.

Mr. Baxter was able to return this year as an H-2B worker because he didn't leave the U.S. after last summer's season. He spent the winter working at a ski resort in Vermont, a summer-winter job shift that foreign workers can take advantage of for up to three years. Many of the H-2B workers on the island this summer did the same.

Some employers fill gaps on their payrolls by giving second jobs to H-2B visa holders who are sponsored by others, an arrangement that violates the program's rules. The result is that employers limit their overtime spending, while workers put in as many as 80 hours a week at standard pay rates because they are paid by more than one employer.

Daniel Ferguson, 50 years old, works at both Murdick's Fudge, his sponsor, and a deli and grocery store in nearby Oak Bluffs. His wages help support his mother, sister and sister's children as well as his own. Another employee, Doris Brownmiller, 49, works at a hotel during the day and re-

were 755,000 job openings in the accommodation and food-service industries, way up from the start of the year, according to Moody's. In April, 5.3% of jobs in the sector were open, the highest rate since 2001.

On Martha's Vineyard, the Harborside Inn in Edgartown had 14 H-2B workers last year, all from Jamaica. This year, it got none. "This is the repercussion of the cap," says employee Allan Baxter, gesturing at a

mound of white sheets in the

cruises housekeepers there to work at Murdick's with her in the evenings.

Mike McCourt, the manager at Murdick's, says he knows this is against the rules but "it's just kind of the nature of the game here on the island. I can't really defend myself other than it really does fill a need." He says he prefers H-2B workers to college students, who go back to school before the summer season is out, and to high-school students, who he says don't work as hard. American teenagers, he says, "know you need them more than they need you."

Government data on this summer's wages on Martha's Vineyard won't be available for months. H-2B worker wages are generally tied to average local wages, and some have risen modestly over time. Murdick's Fudge, for instance, paid H-2B workers \$10.61 an hour in 2015, \$11.45 in 2016, and \$11.85 in 2017, according to petitions filed with the Labor Department.

Economists say American workers would turn up for seasonal jobs in remote places if employers raised their wages high enough. Some business people in Martha's Vineyard don't think that is feasible.

Mark Snider, who owns the Winnetu Oceanside Resort outside Edgartown, where a two-bedroom suite runs \$1,800 per night, calls the idea of raising wages "naïve." He says most Americans want year-round, full-time work and wouldn't take the summer jobs he has to offer. In any case, he says, he can't afford to raise wages too much. "There's a limit to what you can afford to spend, and everybody has to make that choice in terms of running a business," he says.

At the Home Port Restaurant in Menemsha, Mr. Aronie recalls meeting with his small staff in a panic in June just a few days before the scheduled opening. He had applied for 18 H-2B visa workers and received none. Because of the staffing crunch, the restaurant initially was open just five nights a week, and didn't open for lunch until late July. Mr. Aronie jokes about the qualification he requires for hiring: "Are you breathing? Excellent." He has paid a premium to hire three people via a Boston-based temp agency.

Joel Shevack, property manager of the company that owns the Home Port and two inns, says he hired three local housekeepers this summer but then fired them because they weren't thorough enough. He replaced them with foreign college students who are in the U.S. on J-1 cultural-exchange visas.

Nancy's, a snack shop and restaurant in Oak Bluffs, didn't get the raw bar it requested. It cut its raw bar because it didn't have the staff to shuck the oysters, and replaced ceramic ramekins with disposable cups for tartar sauce to ease pressure on the dishwashing station.

Nancy's is relying heavily on foreign students in the U.S. on cultural-exchange visas to fill the void left by lack of H-2B workers. But that program is "not ideal," says owner Doug Abdelnour Jr., because the workers are free to change employers. "If someone says, 'I'll give you 25 cents more an hour,' they're gone," he says.

FED

Continued from Page One

at 33 Liberty St. may be gold-plated fakes. Some conspiracy-minded investors think the Fed has been secretly leasing out the gold to manipulate prices.

"There has to have been a central bank spewing their gold into the market," said John Embry, an investment strategist for Sprott Asset Management in Toronto until 2014 who once managed its gold fund.

"The gold price didn't act right" during the time he was watching it and the likely explanation for the movement was Fed action, he said.

After this article was published digitally, a Fed spokeswoman said the Fed doesn't own any of the gold housed at the New York Fed, which "does not use it in any way for any purposes including loaning or leasing it out."

The Fed has been selective in giving details about the contents of the vault and in the past has said it can't comment on individual customer accounts because of confidentiality agreements. Former Fed Chairman Alan Greenspan said in a July interview: "When you deposit your funds in a bank, should that bank make your

account balances available to whomever asks?"

Seeking a better glimpse inside the vault and at Fed procedures and records, The Wall Street Journal filed Freedom-of-Information requests with the New York Fed. Among the Journal's findings, from a heavily redacted tour-guide manual provided by the Fed:

Tour guides are informed that "visitors are excitable" and should be asked to "please keep their voices down."

Three Fed staffers must be present when gold is moved or a compartment opened, even to change a lightbulb, and no attempts have been made to break in, documents state.

The Fed gives some information about the vault on a website and offers tours. A guide on one tour gave some details: Inside is enough oxygen for a person to survive 72 hours, should someone get trapped; custodians wear magnesium shoe covers to help prevent injuries, should they drop 27-pound bars; the Fed charges \$1.75 a bar to move gold but nothing to store it; most of the gold is owned by foreign governments.

Along with the foreign gold, the Fed's Manhattan vault holds about 5% of America's roughly \$11 billion in gold reserves and coin, valued at the statutory rate of \$42.22 per

fine troy ounce, according to the U.S. Mint. The U.S. government keeps the rest in Denver, Fort Knox, Ky., and West Point, N.Y.

Elaborate theories build on what the Fed doesn't say about goings-on in its vault's 122 compartments.

It doesn't report when bars enter or leave and doesn't let in outsiders—other than auditors and account holders—to count the bars or review records.

Visitors on vault tours see only a display sample and can't verify bars up close.

"All you see is the front row of gold bars," said James Turk, co-founder of Goldmoney, a gold custodian. "There's no way of knowing how deep the chamber is or how many rows there are."

Mr. Turk, based in London, believes much of the gold has been "hypothecated," or lent out to other parties, and then rehypothecated, or lent to multiple parties at once. In doing so, he says, "central banks actually own less gold than people believe."

Some gold bugs—investors bullish on the yellow metal—think the Fed secretly lends it out to suppress prices, partly to protect the dollar's value.

Then there's the purity question. Mr. Turk said there are "questions in gold circles

as to what's in an actual bar."

One theory, he said: They could be gold-plated tungsten, which would weigh almost the same. "I think the gold they have there is real gold," he said, "but until you do random sampling you don't know for certain."

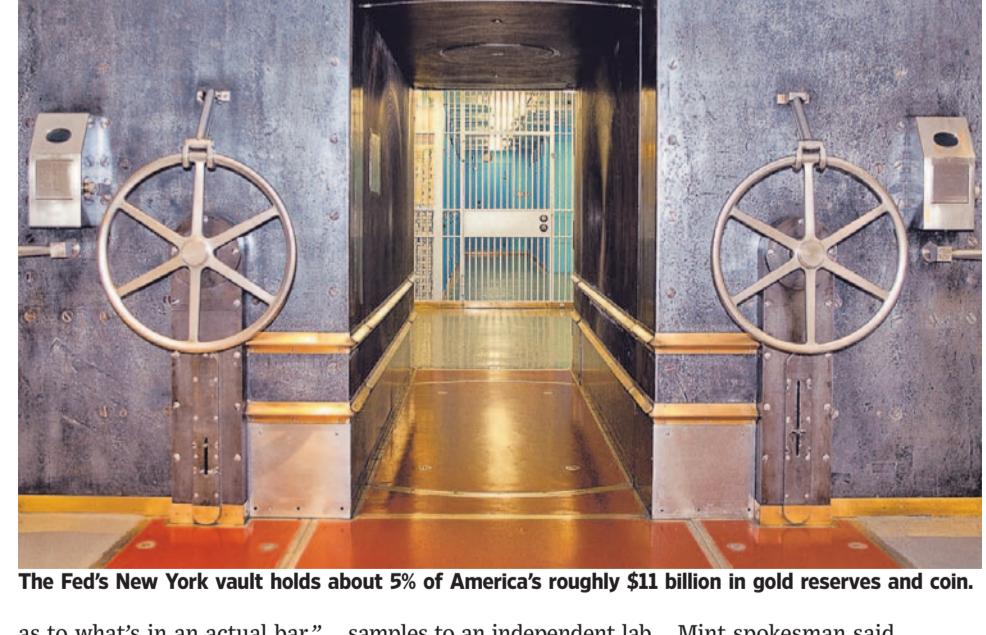
In a 2012 audit of U.S. gold at the Fed's vault, the U.S. Mint and the Treasury's Office of Inspector General sent 367

samples to an independent lab for testing. All but three samples came back within 0.13% of the purity recorded by the government, within standard industry tolerance, according to the Mint and Treasury.

Since then, annual government audits of the Fed's vault have inspected only the locks and joint seals on the compartments to check they haven't been tampered with, a spokesman said.

Mint spokesman said.

New legislation, nicknamed the "Audit the Fed" bill, could allow the Government Accountability Office to audit the Fed's vault, said a spokesman for the bill's Senate sponsor, Rand Paul (R., Ky.). GAO lawyers wouldn't speculate on the bill's reach. Mr. Paul's spokesman said the senator has arranged a personal visit to Fort Knox this fall.



FEDERAL RESERVE BANK OF NEW YORK

BOOKS

'Some ticket buyers think they don't like Jews.' —Jack L. Warner

The House That Jack Built

Warner Bros
By David Thomson
Yale, 220 pages, £14.84

BY LESLIE EPSTEIN

DAVID THOMSON'S "Warner Bros: The Making of an American Movie Studio" is the latest in the exemplary Yale Jewish Lives series, which now stretches from Jacob the Patriarch to Jacob Wonskolosar, known to the world as Jack L. Warner (1892-1978). Does one sense a certain falling off? A devolution in the history of the Jewish people?

Don't be too sure. For while Mr. Thomson, perhaps our most distinguished film critic and historian, does say that Jack is "the biggest scumbag ever to get into a Jewish Lives series," he immediately notes that the term in Hollywood connotes a certain affection for rascally villains and, more important, that Jack and his brothers—Harry, Albert and Sam—went on to have at least as much influence in the daily lives of the American people as Freud or Einstein, two other figures in the Yale series, did in shaping the attitudes and opinions of the rest of the world.

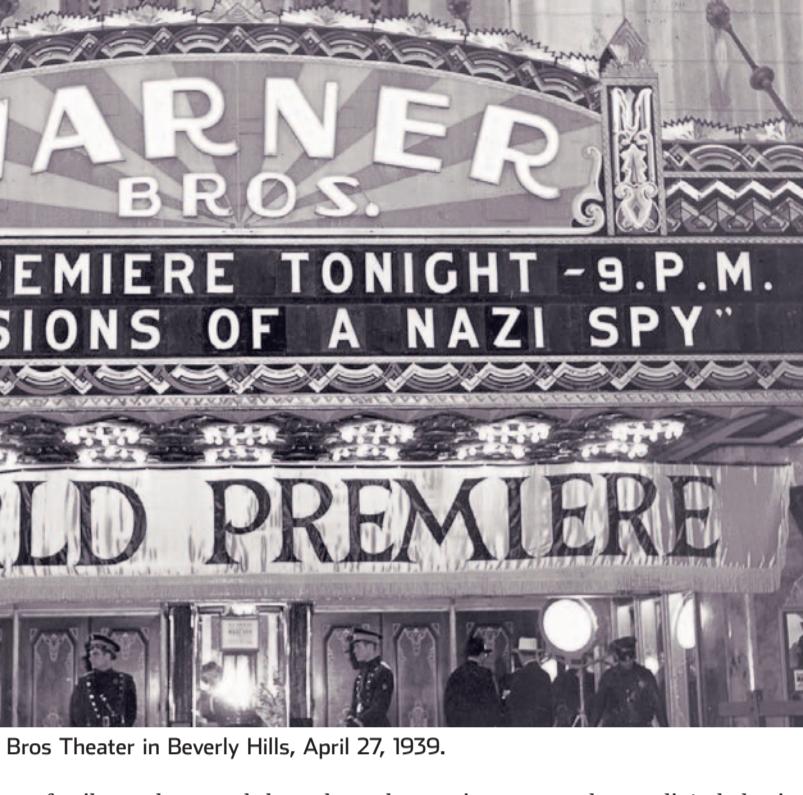
Mr. Thomson is at some pains to point out that he is not Jewish, but that he came to realize at a very early age that the Holocaust would be "the most important cultural event" in his life.

That is credential enough for me. Indeed, he is quite sensitive in his portrayal of the ways this immigrant family became an example—"crazy, yearning yet hardly planned"—of how "early-twentieth-century Jews [strode] to be American." The whole industry wished to be—often against their own instincts—wholesome, respectable, Republican.

It lay low during World War II, lest it seem that a Jewish industry was making propaganda for Jews. From Pearl Harbor to V-J Day the words "Jew" or "Jewish" occurred in only one film dealing with American life; that was "Mr. Skeffington." (All right, it was written and produced by my father and uncle: that is *my* credential.)

These new moguls couldn't change their habits or their faces, but they could change names. Jack told Julie Garfinkle that "people are gonna find out you're a Jew sooner or later, but better later." Julie became John Garfield.

I can't resist adding that Jack approached Phil and Julie Epstein with the same advice. After turning him down they snuck into his office and stole a piece of stationery. To the newly arrived Don Taylor, a fellow Nittany Lion, they wrote, "All of us at



ON WITH THE SHOW The Warner Bros Theater in Beverly Hills, April 27, 1939.

GETTY IMAGES

Warner Bros are looking forward to your great career as an actor and to a long and fruitful relationship with you under your new name of Hyman Rabowitz. Sincerely, Jack L. Warner."

It is the not quite hidden theme of this book that as much as the newly arrived immigrant Jews attempted to make themselves and their industry American, their ultimate accomplishment was to make America Jewish. I don't mean merely that Mr. Thomson recognizes that the new medium taught those trapped in the dark how to dress, think, behave, and what was good and what was not. Nor does he restrict his critique to saying that under the guise of accepted morality, the available technology was in fact "dynamic and disruptive... cater[ing] to loneliness, instability, and escape."

No, he quite consciously intends to demonstrate that it was the immigrants themselves, and specifically the Warners, and most specifically Jack, who were filled with "instability," ruthlessness and "dangerous energy." It was those attributes that would come to characterize not just their studio, founded in 1923, but also the country that watched their films.

The brothers Warner were fractious, rebellious and antagonistic to each other. Their internecine war reached its climax when, in 1956, Jack persuaded the family to liquidate the studio and take their profits, only to buy it back for himself—an act of treason that Harry Warner's widow called murder.

Mr. Thomson argues, always imaginatively and often enough persuasively, that the sibling rivalry of the

family can be traced throughout the work they produced, particularly in the Cain-and-Abel parable of "East of Eden" and the fraternal tensions in "The Searchers." Here, all the way through to what is almost a parody of sibling conflict in "What Ever Happened to Baby Jane?", Mr. Thomson invites us to discover "a persisting pattern of mythic emotional forces acting out family antagonisms."

Or take the gangster film, a genre in which Warner Bros gave us "dames, gunfire, jazzy music, wisecracks, and outrageous, unhindered ids... guys who'll go for broke because they know they're doomed." Jack, himself, was a "charming pirate" who ran a studio that "copyrighted attractive gangsters" and was "run like a prison." If you worked for the studio, you didn't, in those days, or ours, "follow the money... not if you wanted to keep some of it."

As Mr. Thomson remarks, it might have been Warner, not Cagney, who pushed a grapefruit in the face of respectable society, with its high morals, its censorship and its denial of the real world around it.

What Warner Bros provided, more than any other studio, was a clear-eyed view of not only the cruelty of much of American life during the Depression but also the growing threat of fascism in the wider world. The references here are the biopics of Pasteur and Zola, "The Sea Hawk" and above all the brave "Confessions of a Nazi Spy," a film that infuriated Goebbels and forced Jack Warner to dig up his lawn searching for bombs.

The flip side of Jack's (and more to the point, Harry's) social con-

science was the studio's behavior when its workers went on strike: The goons and their guns and fire hoses were brought in, which inspired the Epstein boys to replace the Warners' motto, "Combining Good Picture-Making with Good Citizenship," with "Combining Good Picture-Making with Good Marksmanship."

Warner Bros was the smartest, toughest studio and Jack Warner its smart, tough driving wheel.

Perhaps that's why Jack named my father and uncle before the House Un-American Activities Committee, though they were nothing more than Roosevelt Democrats—true, a radical position nowadays. When asked whether they ever belonged to a subversive organization, they replied "Yes: Warner Bros."

As this fine book progresses, Mr. Thomson turns his attention away from the brothers and their studio and onto individual actors and films. These form a remarkable series of critiques and vignettes—cranky, idiosyncratic, sometimes improbable, but always ingenious, and now and then inspiring.

He doesn't miss anyone or anything: Flynn, Bogart, Bacall and Davis; Muni, Jolson, Blondell, Robinson, Cagney, Stanwyck, Wayne—even Rin Tin and Bugs Bunny.

There are thoughtful and surprising analyses of, beside the pictures I have already mentioned, "The Great

Train Robbery," "The Jazz Singer," "The Public Enemy," "Black Legion," "To Have and Have Not" (his favorite, I think), "The Big Sleep" and plenty more. His discussion of "Gold Diggers of 1933" (ahem, co-written by my stepfather, Erwin Gelsey), particularly the six-minute sequence during which Joan Blondell sings "Remember My Forgotten Man," is remarkable. No one else could call it an "epic of political statement" and "a marker in our history" and convince us that he is absolutely right.

But that is typical of this author, who can daringly compare Busby Berkeley and Leni Riefenstahl, "The Great Train Robbery" and "The Wild Bunch," Stanwyck and Streisand and make us use our heads, not just scratch them.

He has the most to say about "Casablanca," much of it insightful and cogent. On the one hand, it's an "adroit masquerade," yet also part of what it was, and is, to be American: "Wry, fond of sentiment yet hard-boiled, as if to say we're Americans, we can take it and dish it out, we're the best, tough and soft at the same time." Thus did the qualities of this film, and others, pass "into the nervous system of the country," making it what it remains to this day.

I am in a position to point out one of the few outright mistakes, not of judgment but of facts, in this book. Mr. Thomson naively accepts screenwriter Casey Robinson's claim that he created the ending of "Casablanca." The truth is that the ending was thought up at a red light on the corner of Sunset and Beverly Glen, when Phil and Julie turned to each other, as identical twins will, and cried out, "Round up the usual suspects!" By the time they reached Doheny they knew Maj. Strasser had to be shot and by the time they reached Burbank they knew who was going to get on the plane with whom.

Jacob the Patriarch fought with his brother and stole his birthright. He had a vision of a ladder with exiled angels moving up and down, which according to Rashi were the generations of Jewish people expelled from their land. He had his share of wives. He wrestled with an angel, just as his namesake Jacob Wonskolosar did with his demons.

Jack is lucky to have a man who has brought a lifetime of sitting in theaters, shellacked by the beams of the projectionist's light, and who has thought so deeply and eccentrically and opinionatedly and ultimately so brilliantly about him. We, his readers, are lucky too.

Mr. Epstein is the author of 11 books of fiction. He teaches in the creative writing program at Boston University.

The View From Below

Ants Among Elephants

By Sujatha Gidla
Farrar, Straus & Giroux, 306 pages, £21.37

BY TUNKU VARADARAJAN

BEFORE WE TURN to a remarkable family history, it may be worth highlighting a fact that the author chooses not to touch upon. Nowhere in "Ants Among Elephants," the story of an Untouchable family in India that spans most of the 20th century, does Sujatha Gidla explain that her first name means "woman of good caste" in Sanskrit. The omission is a tease, since she and her family are *mala*, among the lowliest in the caste system of Andhra Pradesh, a southern Indian state.

One suspects that Ms. Gidla's parents—her irrepressible mother in particular—named their daughter in an act of defiance and subversion. How could it have been otherwise, given that the family's story is one of almost nonstop struggle against oppression by the "good castes"?

Ms. Gidla's family is Christian, her maternal great-grandfather having converted from Hinduism. Her maternal grandfather, we learn, was educated by Canadian Baptist missionaries. He joined the British Indian Army and was deployed in Mesopotamia during World War II, returning after the war to work as a schoolteacher in the family's native district—an impoverished, feudal and incorrigibly caste-ridden part of India. Ms. Gidla's distant ancestors, she tells us, had worked as bonded slaves for local landlords.

Only the castes that scavenge for carrion beef or collect people's excrement from dry latrines by hand are beneath the *mala* caste in this Hindu system—a hierarchy into which one is born and from which one can never quite escape, even after conversion to Christianity.

But Ms. Gidla did break free. Having reached, improbably, the Madras campus of the Indian Institutes of Technology (India's equivalent of MIT), she traveled to America for

The lowest members of the caste system are born into forms of misery and humiliation from which it is nearly impossible to escape.

graduate school at age 26. She is now 53 and is (perhaps dishearteningly) a conductor on the New York City subway system, having been laid off from a bank job in 2009.

By coming to America, Ms. Gidla says, she found her voice: "Only in talking to some friends I met here did I realize that my stories, my family's stories, are not stories of shame." Along with America's tolerance, she encountered its pickup lines. One time in a bar in Atlanta, she writes, "I told a guy I was untouchable, and he said, 'Oh, but you're so touchable.'

Ms. Gidla's story is "subaltern" history, as academic theorists would call it: The story of a country told

through the experience of its oppressed groups.

Two narratives run through her tale. One, the more arresting—and frequently so painful that a reader has to pause for breath—is the account of her own kin, in which her grandfather, maternal uncle and mother are the main characters.

One of them, Ms. Gidla's mother, Manjula, became a university lecturer in political science. Another, Satyam, the author's uncle, eventually became a leader of the People's War Group, a Maoist-Naxalite terrorist outfit that wages an armed "liberation struggle" against the Indian state. He was regarded by many as the Ho Chi Minh of India but was expelled from his party late in life because even its leaders couldn't abide his low caste.

"Ants Among Elephants" may well be eye-opening not just for non-Indians—who will recoil in righteous horror from the intimate details of caste discrimination—but also for many Indians, for whom the lives of Untouchables take place out of sight.

One reads of how Ms. Gidla's mother failed to get a first-class degree in history at the prestigious Banaras Hindu University only because a Brahmin professor, unable to

stomach a highly intelligent Untouchable woman, gave her the lowest possible passing grade out of sheer casteist spite. She and her siblings, as children, could not enter the homes of their upper-caste classmates through front doors but had to be ushered in through the back; and when their playmates' fathers returned from work, the *mala* children were hustled out before they could be seen by adult eyes.

Debt, starvation, disease and wretched housing were constant factors in the lives that Ms. Gidla describes. Even when her grandfather was the only schoolteacher in a village, upper-caste residents wouldn't let him live in their midst.

Students in high school and college, and even teachers, taunted both Satyam and Manjula for their origins. An upper-caste girl whom Satyam loved struck him along until, one day, she told him brusquely that they had no future together because of his caste. He did not sit in a car until he was a provincial party leader in his 30s. And even then "he felt too embarrassed to ride in the backseat. Instead he sat beside the driver... and pretended to be a repairman."

This is where Ms. Gidla's story is so precious—in its descriptions of how her family, and people like them, guarded their own humanity even as others denied it. The dignified Untouchable is a staple of progressive Indian literature, but in this book of nonfiction one reads of real people fighting real cruelty with real courage and grace.

Mr. Varadarajan is a fellow at Stanford University's Hoover Institution.



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Ms. Gidla's story is "subaltern" history, as academic theorists would call it: The story of a country told

BOOKS

'A man . . . can understand only things that are true, for if the things be false, the apprehension of them is not understanding.' —Isaac Newton

Newton's God-Filled Universe

Priest of NatureBy Rob Iliffe
Oxford, 522 pages, £26.58

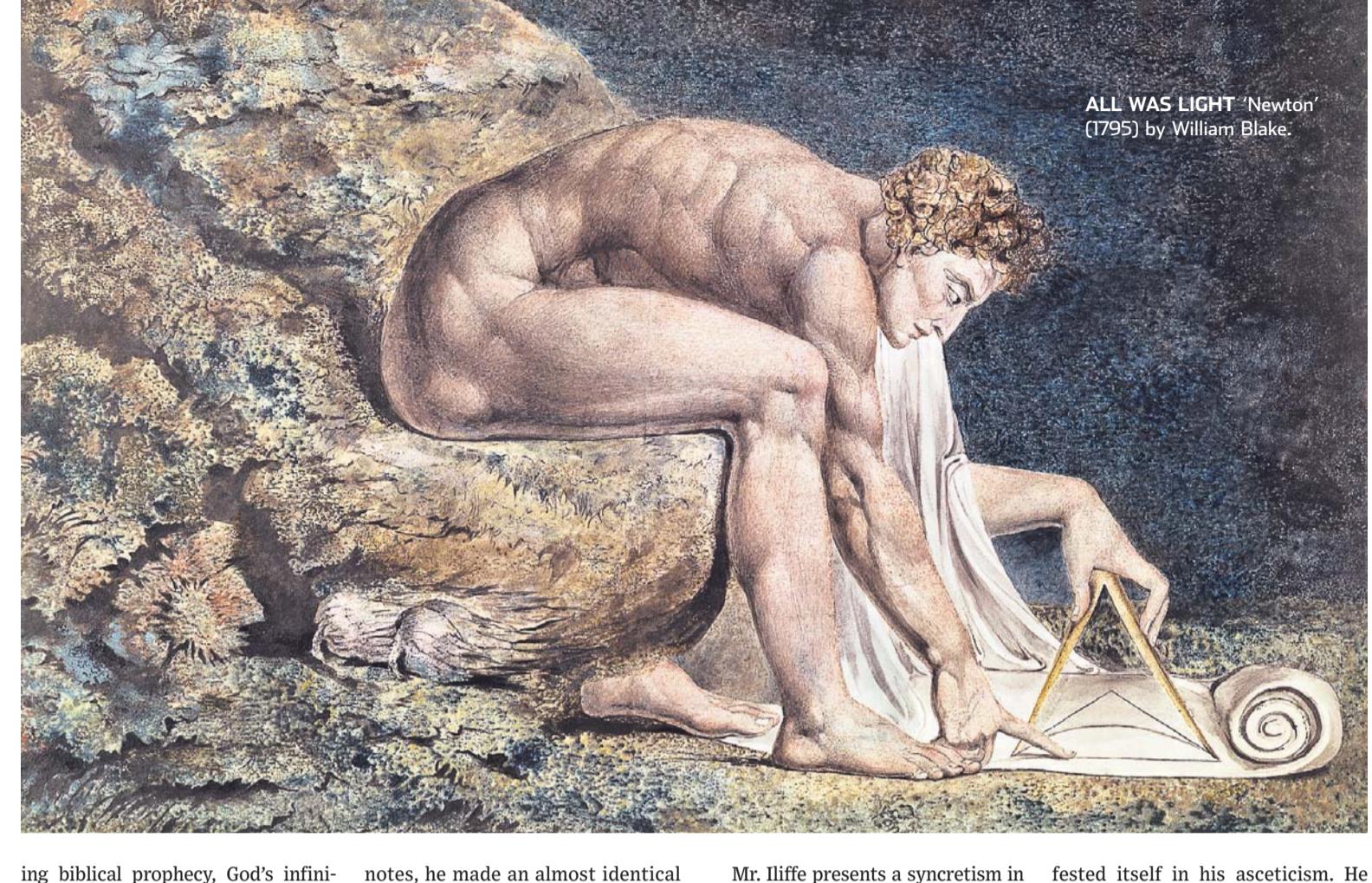
BY DAVID DAVIS

THE POTTED HISTORY of Isaac Newton's life is well known. Following a puritanical upbringing, Newton went to Cambridge in 1661, already a mathematical prodigy. As a professor there, he became a champion of the new mechanical sciences and redefined man's understanding of the physical world with works like "Opticks" and "Philosophiae Naturalis Principia Mathematica." This is the Isaac Newton of whom Voltaire said: "Metaphysicians and theologians are much like those gladiators who were obliged to fight hoodwinked. But when Newton worked, with the bandage removed from his eyes . . . his sight pierced to the utmost limits of nature." This version of Newton's life is a narrative of scientific triumph, of intellectual light shining in the darkness. It is also gapingly incomplete. Rob Iliffe's "Priest of Nature" fills in the crucial missing piece: the fact that Newton's "Christian faith was the most important aspect of his life."

That Newton's religious devotion often has been underemphasized is not surprising. As Mr. Iliffe notes, modern audiences may struggle with the idea of Newton—"the founder of Enlightenment rationality"—being so completely absorbed by matters of God. Yet even in his own time, Newton had good reason to keep most of his theological writings unpublished. His views were heretical: They would have cost him his university appointment, his seat in Parliament and his scientific renown.

Recent studies of those unpublished manuscripts, however, reveal a more complicated life than the Enlightenment narrative would have allowed. And while other biographies acknowledge that Newton possessed a sincere, though heterodox, faith, Mr. Iliffe serves up the most complicated picture to date of the faith itself. He completely recasts the relationship of Newton's scientific inquiry to his religious beliefs, tying the two together to an unparalleled degree.

Mr. Iliffe, a professor of history at Oxford, documents the depth and breadth of Newton's religious inquiry, explaining how, in thousands of manuscript pages, Newton explored the mechanics of optics and motion alongside diligent theological research. His topics were varied, cover-



ALL WAS LIGHT 'Newton' (1795) by William Blake. GETTY IMAGES

ing biblical prophecy, God's infinitude, the Incarnation, idolatry and the nature of the soul. Mr. Iliffe demonstrates how Newton pored over biblical scholarship, exhibiting a mastery of Greek as well as the chief sources on church history.

Interestingly, Newton's study of prophecy overlapped the period of his most groundbreaking scientific work—in part because the discipline with which he approached one intensified the rigor of the other. Newton's underlying assumption was that religious truth was itself rational, because it, like science, was an explanation of the divine order.

While Newton did not use the Bible as a book of science, his science was grounded in Christian assumptions that "humans were made in the image of God" and that rational thought could provide insight into the Creator God. His interpretation of scripture developed a universal order, through which all prophecy could be understood—as assumptions that also provided a framework for the mathematical system of Newton's "Principia."

In natural philosophy, Newton despised speculation. He had little use for theories that lacked mathematical certainty and empirical support. In religious matters, Mr. Iliffe

notes, he made an almost identical distinction between claims rooted in scripture and those added by "false traditions." Of the latter, Newton saw the Roman Catholic Church as the most egregious promoter; for this reason, Mr. Iliffe explains, he (like many 17th-century English Protestants) saw Catholicism as "the epitome of satanic anti-Christianism."

The false tradition that most consumed Newton was the doctrine of a triune God. Jesus Christ, he believed, was separate and unequal to God the Father. Trinitarianism not only was the genesis of ecclesiastical corruption, in Newton's schema, but also was "inevitably accompanied by the complete loss of true scientific knowledge" in Western Europe. He considered church fathers like Athanasius, who defended the Nicene Creed and its vision of the trinity, to be adversaries of both true religion and science. This singular conception of God was heresy not only to the Catholics but also to most Protestants, including the Church of England. In an era when politics and religion were overshadowed by the English Civil War and Glorious Revolution, such views were personally and professionally dangerous.

Mr. Iliffe presents a syncretism in Newton's thinking that eludes simple classification. He should not be labeled a rationalistic Deist like John Toland, despite his devotion to mechanical science. Nor was he an

Newton's science and faith were grounded in a belief that rational thought could provide insight into God.

occultist like Giordano Bruno, even though Newton believed in a primeval *prisca sapientia*, a sort of golden-age religious philosophy. For Newton, at the same time, believed in the immanence of the Christian God in prophecy. And, despite his theological disagreements, he remained loyal to the Anglican Church.

Newton thoroughly lived this heterodox faith, as Mr. Iliffe documents. He never eschewed his puritan upbringing, he made lists of his personal sins (which included playing chess), and he avoided "temptations of the imagination." He never abandoned the impulse to "make his life that of a godly man," which manifested itself in his asceticism. He published little, neglected meetings of the Royal Society, and dodged public debate as much as possible. Where other intellectuals like Christopher Wren and Robert Boyle nurtured public personas, Newton was intentionally aloof.

Mr. Iliffe also attends carefully to neglected periods of Newton's life, including the teen years he spent laboring in an apothecary's workshop and his stints as a Member of Parliament. Attention to such detail, woven deftly into a finely constructed and well-written narrative, makes Mr. Iliffe's "Priest of Nature" a robust portrait with broad appeal. Both the academic and lay reader will appreciate how, in shattering the simplistic Enlightenment account of Newton, the book reveals the flexibility of the great man's capacious mind. This Anglican who condemned the Nicene Creed was the same man who charted a mathematically enclosed universe but allowed for the possibility of divine revelation. Mr. Iliffe's Newton remains unrivaled in his genius, but his sight sweeps across a much broader range of human experience than Voltaire would allow.

Mr. Davis is an assistant professor of history at Houston Baptist University.

All the Light We Cannot See

ZappedBy Bob Berman
Little, Brown, 261 pages, £19.95

BY ALAN HIRSHFELD

I LIE FACEDOWN on the treatment table, a morgue-like slab that guides me into the maw of the great machine. A momentary silence, then a chorus of alien chitters and groans as the instrument's wishbone-shaped jaws swivel around me, seeking out the flock of offending cells that have

Radio waves link our phones; microwaves warm our food; we ourselves emit infrared light.

nested on my back. An electrical buzz signals that treatment has begun: A beam of X-rays launches its five-week campaign to eradicate the tumor. Invisible to the eye, the deadly light betrays its presence only afterward in an oblong, rosy blemish—the thumbprint of a high-tech phantom.

As I leave the treatment center, I picture the maelstrom of unseen rays that crisscross around us and through us. The human optical system is a biochemical paint-by-number, synthesizing a landscape or a lover's lips from the matrix of wavelengths and trajectories of light rays striking the retina. But the eye is sensitive to only a sliver of the electromagnetic spectrum. Radio waves and X-rays, for example, are forms of "light" as well, only with wavelengths too long or too short to trig-

ger our retinal cells. Our blinkered view leaves us oblivious to a host of emanations that are nonetheless critical to our understanding of the universe, the functioning of our tech-enabled society and the stealthy beam that saved my skin.

Radio waves link our cellphones to the world; microwaves warm our mac and cheese; infrared pulses turn on our televisions from across the room. Indeed, our body emits infrared photons sourced from the metabolic furnace within. These fleet emissaries of luminous power have several attributes in common: Their energy derives from oscillating or accelerating electric charges; they move at the speed of light; they propagate freely through the vacuum of space; they are characterized by their wavelength (although in some experiments, they act like particles).

There are two ways to detect the invisible: either indirectly, from environmental cues—Hollywood used a floating cigarette to help manifest "The Invisible Man"—or directly, with specialized sensors engineered to capture, quantify and image photons in a chosen electromagnetic band. That is what radio astronomers do when they study the cosmos. When and how did scientists come to recognize the existence of invisible light? What are its properties and practical applications? Which types are harmful or beneficial to our health? Veteran astronomy author Bob Berman surveys the historical and scientific aspects of unseen radiation in "Zapped: From Infrared to X-rays, the Curious History of In-



CATCH A WAVE Liquids in ultraviolet light.

reading remained elevated, indicating the presence of invisible "heat rays," or infrared light. Mr. Berman elaborates on the effects of infrared on the weather, describes next-generation space telescopes that will take infrared pictures of nascent galaxies, and explains the difference between heat (the vibration of atoms and molecules) and infrared (a form of electromagnetic energy emitted by these vibrating particles).

Barely a year after Herschel, a German scientist named Johann Ritter projected the solar spectrum onto a photo-reactive strip of paper. The paper darkened in the colorless void alongside the violet, proving the existence of ultraviolet light. Cellular changes wrought by UV rays are proven precursors of skin cancer; hence the ubiquitous warnings about spending too much time in the sun or on a tanning bed. Mr. Berman offers a primer on safeguarding oneself from UV overexposure but points out that UV is key to the body's production of vitamin D, an essential nutrient.

Radio waves, first generated in 1887 by the German physicist Heinrich Hertz, are visible light's longest-wavelength cousins, each undulation spanning meters or more. (Radio waves with centimeter lengths are categorized as microwaves.) Mr. Berman reviews the principles and history of AM and FM transmission, then segues into the operation of GPS, which uses a radio-wave link to a suite of positioning satellites.

Last, at the ultra-short-wavelength end of the electromagnetic spectrum, are X-rays and gamma rays. X-rays date back to 1895, when the German

experimentalist Wilhelm Röntgen noticed that a barium-infused plate in his lab glowed whenever he flipped on a high-voltage vacuum tube, even with an opaque barrier between the two. Inspired by the penetrating power of these invisible rays, Röntgen used them to photograph his wife's hand. (She was horrified by the skeletal portrait.) It wasn't long before Thomas Edison invited members of the public to inspect their bony innards under his "fluoroscope." In the ensuing decades, "radiologists" hawked the allegedly restorative beam for a host of ailments, a cautionary tale that Mr. Berman infuses with woeful pathos.

"Zapped" includes digressions into atomic and nuclear physics, astrophysics, biology and medicine, and human behavior. Mr. Berman devotes a chapter to the purported hazards of cellphone radiation and casts a skeptical eye on ESP and mental telepathy. Although dense with technical information, the narrative is briskly conversational: We're on the porch, shooting the breeze with a knowledgeable neighbor.

Mr. Berman's avowed goal in writing this book, he says, was "to open a window onto the enormous universe of omnipresent energies." Once that window is thrown open, it is hard to look at the world the same way. We augment visual reality with nature's hidden brush strokes, limned in our own imagination. As to that old saw, "Seeing is believing," don't you believe it?

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

BOOKS

'I deeply respect American sentimentality, the way one respects a wounded hippo. You must keep an eye on it, for you know it is deadly.' —Teju Cole

The Do-Gooders' Playground

White Man's Game

By Stephanie Hanes

Metropolitan, 287 pages, £21.37

BY JAMES ZUG

IT IS AN OLD, old story. A wealthy man comes to town, promising change and a brighter future. He's the expert. He knows best. Inevitably, it doesn't exactly work out that way.

Stephanie Hanes, an American correspondent for the Christian Science Monitor, spent three years watching one particular version of that fairy tale unfold in central Mozambique.

The wealthy man was Greg Carr. An Idahoan, Mr. Carr had made millions first by selling voice-mail systems and then by running Prodigy, an early internet service provider. At age 40, he turned to philanthropy and in 2004 went to Mozambique to see if he could help that southern African nation still recovering from centuries of under-development and a vicious civil war. He took over a former national park, called Gorongosa, pledging \$40 million to bring back the wildlife and tourists that would restore this so-called Lost Eden and support the neighboring communities.

In "White Man's Game," Ms. Hanes outlines, in a nonpolemical way, the long history of Western involvement in Africa's wilderness. Some of the episodes are perhaps familiar, like "Dr. Livingstone, I presume?" (the question that Henry Morton Stanley asked, in 1871, of the "lost" explorer David Livingstone); or Teddy Roosevelt's post-presidential hunting safari in East Africa; or Live Aid, the mid-1980s benefit concerts aimed at helping famine-struck Ethiopia.

Turning to the present day, Ms. Hanes takes World Wildlife Fund, Nature Conservancy and other Western groups—known as Big Green—to task for their conservation colonialism. She thinks they are too cozy with multinational companies interested in "green-washing" their own dirty industries, and she questions whether they are really effective in helping the environment and the people in it. She also points out that they are a bit cynical. "The conservation industry mirrors the humanitarian assistance industry," she writes, "with



TRUNK ROAD Warning signs in Chobe National Park, Botswana.

GETTY IMAGES

alarmist pledge drives, heart-stirring photos and admonitions to 'act now!'—all to be repeated for the next grant cycle."

Juxtaposed to Big Green are eco-barons. Ms. Hanes incisively profiles some of these "wealthy environmentalist do-gooders"—for example, a couple who created a tiger rehabilitation scheme in South Africa (tigers in Africa—don't ask) and a Louisiana tycoon who dreamt up a massive conservation-cum-golf courses project in southern Mozambique. Ms. Hanes believes that such unorthodox projects too often misfire, leaving disappointment in their wake.

Greg Carr is perhaps the most committed of the eco-barons and Gorongosa the most ambitious project. In 1995 I passed through the region on a backpacking expedition. About the size of Rhode Island, it was beautiful, with a mountain that reached more than 6,000 feet high. Stark reminders of the civil war that had ended just a few years earlier abounded, however, including rusting tanks and blown-up bridges. I saw a lot of people farming and hunting.

The people were still there a decade later, when Mr. Carr helicoptered in. He had great intentions but, according to Ms. Hanes, never effec-

tively partnered with the local communities. After explaining Mr. Carr's wide-ranging approach (importing elephants from South Africa's Kruger National Park, planting trees, building schools and clinics), she gamely searches out the locals, presumably accompanied by an interpreter. She talks to a poacher whose brother is a ranger, to Mozambican anthropologists, to resident chiefs.

It is clear from Ms. Hanes's account that a complex interplay of social, political and economic matters affected Gorongosa, not just one man's ambition. The imported elephants inevitably roamed outside the park and into nearby towns, damaging crops and perhaps killing a villager. Mr. Carr's tree planting, a laudable goal on the surface, was seen negatively by the people there because, culturally, tree planting was a way of marking one's territory. When visiting a prominent local leader, Mr. Carr arrived in a red helicopter, oblivious to the fact that, in Gorongosa culture, red is the color of violence. For locals, Mr. Carr was the latest in a long line of outsiders invading their land. He destabilized rather than restored.

In the West, Mr. Carr's work catalyzed praise: a glossy piece on Gorongosa in National Geographic by

the noted biologist E.O. Wilson, a profile in the *New Yorker*. But the reality on the ground was different. Few tourists came to Gorongosa, and a flare-up of civil-war tensions led to violence. Overall the 150,000 Mozambicans who lived in the district,

In Africa, environmental groups and eco-barons launch projects that often misfire and may do harm.

according to Ms. Hanes, saw little measurable improvement in their lives. Park staff even tortured suspected poachers.

In the most powerful scene in the book Ms. Hanes observes Mr. Carr and his associates staring at a map of Mozambique and contemplating expanding the park borders to incorporate a vast swath of land so that animals could migrate again. They wanted to rewild central Mozambique. It was just another example of the "generations of white man standing around maps," observes Ms. Hanes. They never mentioned the millions of people who lived in those lands.

The only drawback to Ms. Hanes's magnificent book is the fact that it is out of date. She reported from Gorongosa from 2006 to 2009. She evidently hasn't been back since. "White Man's Game" was delayed in coming out, and she hints at the reason in an afterword. Though not having actually seen the book, Mr. Carr and Mr. Wilson, along with two dozen academics and aid-agency leaders, sent Ms. Hanes and her publisher letters attacking the book, arguing that things are going quite well there now. She dissects the one-sided statistics that Mr. Carr et al. provide, but she isn't on the ground to tell the current story of Gorongosa and its people.

What is really happening there? What is the fate of the poacher, the ranger, the chiefs? Fewer than 1,000 tourists visited last year, so the promise that eco-tourism would transform the local economy hasn't come true—but I wished that she had gone back to tell us for sure. But maybe that is just another wistful Western idea, hoping against hope that this time the West got it right.

Mr. Zug is the author of "The Guardian: The History of South Africa's Extraordinary Anti-Apartheid Newspaper."

Holmes off the Page

The Life and Death Of Sherlock Holmes

By Mattias Boström

Head of Zeus, 597 pages, £25

BY MICHAEL SALER

BEGINNING IN the 1890s, Sherlock Holmes became the first avowedly fictional character to be widely and persistently treated as if he were real. There had of course been vogues for other fictional characters before, but nothing equaled the continued, communal imagining by the public of Holmes and Watson as living presences that could be talked about as if they existed outside the page, while the actual author was deliberately sidelined as Watson's literary agent. Holmes and Watson set the template for later obsessions with fictional worlds and characters as autonomous entities, from "The Lord of the Rings" to Harry Potter and beyond. While the deducing duo first appeared in two novels in 1887 and 1890, they didn't become wildly popular until Arthur Conan Doyle wrote short stories about them for the Strand Magazine beginning in 1891. At that point, Sherlock Holmes launched modern fandom.

There have been many works recounting his fictional life during the past century, but Mattias Boström has provided a timely overview of the great detective's actual genesis and multiple transformations as a mass cultural icon. As translated from the Swedish by Michael Gallagher, it is a riveting tale involving brilliant artists, cunning criminals, eccentric characters and illuminating moments of tragedy and triumph. Following Holmes's avidity for "Data! Data! Data! . . . I can't make bricks without clay," Mr. Boström has expertly unearthed entertaining instances of the sleuth's diverse appearances in all media, throughout the world—

starting from his sketchy debut in Conan Doyle's notebook as "Sherrinford" to Benedict Cumberbatch's recent turn as that charismatic misanthrope, "Sherlock." Like Dr. Watson, Mr. Boström is a genial raconteur who mines human interest from the exotic lore he's quarried. Thus, we learn of the tragedy of Frederic Dorr Steele, a seminal illustrator of the tales, who was tasked with drawing Holmes gazing over the Reichenbach Falls for the cover of Collier's Weekly, not long after his own 3-year-old son had drowned. As Mr. Boström quietly observes, "there was no sign of water anywhere in the image."

Some of Holmes's iconic features—curved pipe, deerstalker hat—were not invented by Conan Doyle.

In a history more narrative than analytic, Mr. Boström doesn't directly address the mystery of why Holmes and Watson became the first virtual reality characters in Western literature. But he provides enough clues for readers to solve it for themselves. Conan Doyle's inspired creations are obviously a major factor. Mr. Boström insists that the author's "stroke of genius was not in fact the creation of the detective . . . but rather that of his faithful companion, Dr. Watson," to whom ordinary readers could relate as he reminisced about his exceptional companion. This is an important factor, but not the key one: Edgar Allan Poe's detective C. Auguste Dupin had his anonymous narrator but did not ignite an immediate fan following.

Mr. Boström also suggests the short stories distilled Holmes's eccentricities and followed a familiar pattern, encouraging the immediate production of parodies and pastiches

that in turn made the character omnipresent. In addition, the sleuth's complex personality—logical and aesthetic, languid and athletic, arrogant and amiable—provided ample scope for multiple remixes of his character by subsequent hands. Finally, readers were inspired to emulate Holmes's attractive combination of imagination and reason.

The point of a detective story is often for the reader to "play along" and match wits with the sleuth. In



FAMOUS PROFILE Tiles in the Baker Street Tube station, London.

prominent than their authors. Fans could now obsess about invented icons through articles and advertisements in magazines, journals and newspapers. This was the route taken by the journalist Christopher Morley on the road to founding the Baker Street Irregulars (B.S.I.) in the United States in 1934.

Mr. Boström recounts the origins and fortunes of this and other important associations, including contemporary ones on the internet. They

own image. Several of the detective's most identifiable features were not original to Conan Doyle. Sidney Paget, an illustrator for the Strand, crowned the sleuth with his iconic deerstalker hat; the American actor William Gillette gave him his curved pipe and the catchy refrain, "Elementary, my dear Watson." Mr. Boström surveys many other actors who left indelible impressions, including Basil Rathbone and Nigel Bruce, Peter Cushing, Jeremy Brett, Robert Downey Jr., Mr. Cumberbatch, Jonny Lee Miller and Lucy Liu ("Dr. Joan Watson"), as well as Vasily Livanov, who played an extraordinarily faithful version of Holmes in a Russian television series during the 1980s.

Running like a tangled skein through this wonderfully entertaining history are the attempts by Conan Doyle and his heirs to control Holmes's dissemination through copyright law. The author's wastrel sons, Denis and Adrian, depended on

income from the detective to finance addictions to fast cars and big-game hunting, which at times threatened to bankrupt the Estate. They and their sister, Dame Jean Conan Doyle, also deployed legal sanctions to protect their father's public image. Nevertheless, Conan Doyle himself has become a fictional character, in novels by Mark Frost and Julian Barnes, and in the TV series "Murder Rooms."

As Mr. Boström demonstrates, the proliferation of real Sherlocks and fictional Conan Doyles rarely has fooled any adult who bothered to consider the evidence and draw some elementary conclusions. Sherlock Holmes always represented both an alternative fact and its solution, a neat trick of the mind worth cultivating today.

Mr. Saler is a professor at the University of California, Davis, and the author of "As If: Modern Enchantment and the Literary Prehistory of Virtual Reality."

popularized the "Great Game," a manner of discussing the stories in which they are taken as real and used as a basis to expand Holmes's world into a plethora of scenarios never recounted by Conan Doyle. One honorary member of the B.S.I., President Franklin D. Roosevelt, argued that Holmes was actually an American brought up in the underworld, "thus learning all the tricks of the trade in the highly developed American art of crime."

Mr. Boström writes that from the

1890s to the present, Holmes "lives[s] on . . . in parallel," with each new generation creating a Holmes in its

OPINION

REVIEW & OUTLOOK

Everyday Terror in France

Time was when an alleged terror attack such as that in a Paris suburb on Wednesday would have been major news. A car plowed into six soldiers in what an official described as a "deliberate act." Yet this type of attack is now common in France, and fortunately at least this time no one was killed.

Police haven't released many details about the alleged attacker, who they say they arrested in a highway shootout after he fled the scene. But this incident bears all the hallmarks of other recent Islamist attacks in France. The police and military have become preferred targets, and vehicles are common weapons. Media reports suggest the suspect may be a North African immigrant.

These attacks aren't as severe as the November 2015 shooting rampages at cafes and a nightclub that killed 130, or last year's truck attack at a Bastille Day fireworks display in Nice. But cumulatively, the smaller-scale violence is shocking.

One police officer killed on the Champs-Elysees in April; one policeman injured by a man with a hammer and knives in front of Notre Dame cathedral in June; soldiers targeted by an attacker at Paris's Orly airport in March; one soldier injured by a machete-wielding man at the Louvre museum in February; a police officer and his wife murdered in his home in June last year. And that doesn't include attacks on civilians such as the July 2016 murder of a priest after Mass in Normandy.

This challenge is as difficult for President Emmanuel Macron as his economic revival agenda. France's policing response to terrorism has been among the most aggressive anywhere, with an extended state of emergency giving authorities wide powers. Officials say they've broken up at least seven plots this year.

But France will never be able to stop terrorism solely through better policing. It can't

Smaller attacks persist while Paris struggles with deradicalization.

cope with the more than 17,000 already on lists of potential radicals and faces a constant threat of attacks from internet-radicalized terrorists not previously on the police radar screen.

Paris is more than a decade behind neighbors such as Britain, Denmark and Germany in developing programs to intervene before people fall prey to Islamist proselytizing or to deradicalize those already in thrall to extremism. Officials have struggled even to name the threat they face, with Mr. Macron's predecessor, François Hollande, often referring to "obscurantism" instead of "radical Islam."

The government has boosted spending on deradicalization efforts since 2013, but much of the tens of millions of euros it has expended have been wasted. Much of the money has been distributed scattershot with little thought for reaching the most vulnerable neighborhoods or Islamist recruiting hot spots such as prisons.

The highest-profile project is a toll-free phone line people can use to report suspected radicals. An attempt to create voluntary deradicalization centers collapsed last month after too few eligible youths—only nine—signed up to attend the first center to open and those were insufficiently vetted. It cost €2.4 million (\$2.8 million).

No one has found a silver bullet for reducing radicalization, but France needs to avoid falling further behind in the hunt for a solution. Mr. Macron was on the right track when, in a speech last month, he shifted more responsibility for spotting and stopping radicalization to France's large Muslim community—although his more *dirigiste* ideas, such as inserting the state into the training of imams, seem destined for failure.

A start would be to name the threat consistently as the radical Islamic terrorism it is. The everyday terror attacks keep happening, and the French deserve to hear an honest explanation of the causes and solutions.

An Aussie Terror Warning

The international media paid little attention when Australian police rolled up a terrorist plot in the Sydney suburbs last month, the 13th time in three years the country has dodged a mass-casualty attack. But it has since become clear that Islamic State nearly brought down a large plane without authorities having a clue. That should ring alarm bells across the world.

On July 15, brothers Khaled and Mahmoud Khayat placed a bomb inside a meat grinder and gave it to a third, unwitting brother to carry in his luggage on an Etihad Airways flight to Abu Dhabi. At the last moment the bag wasn't checked in, apparently because it was too heavy. An Australian antiterrorism task force began to watch the Khayat family only after a tipoff 11 days later from British intelligence. They arrested the brothers on July 29 and found evidence that the bomb could have brought down the plane.

Tests with a dummy version suggest that it would have been caught by the luggage-screening system at Sydney's airport. But the fact that the plot progressed to such an advanced stage is proof of a major intelligence failure. Luck was on the side of the authorities this time, but it easily could have favored the terrorists.

Islamic State came close to taking down a passenger plane.

The would-be attackers gave little indication that they had been radicalized. Khaled Khayat, a 49-year-old butcher of Lebanese descent, briefly appeared on the intelligence radar because a fourth brother is an Islamic State commander in Syria. But he and Mahmoud appeared to be well-integrated members of the community.

Aussie authorities say that, unlike typical distant recruits, the brothers received direction from an Islamic State controller in the Middle East. Components for making the bomb, including a military-grade explosive, were shipped to them on a cargo flight from Turkey. Since 2001 no terrorist plot on Western soil has used such sophisticated material.

Western authorities will be hard pressed to stop attacks if Islamic State can put high-powered bombs in the hands of Islamic radicals not on a watchlist. Terrorism expert Paul Cruickshank has dubbed this the IKEA model of terror for its ability to replicate cheaply.

The terrorists will be encouraged by their near success to try again. The West must examine how the Khayats slipped through the net and the role that Turkey is playing as a global Grand Central station for terrorists.

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.

"It's \$7 a day—that's a half hour of parking in a typical Midtown Manhattan garage," Mr. de Blasio said of his plan Monday. "People who pay for expensive meals and parking aren't going to miss \$7 a day."

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

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

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.

For Liberalism in America, It's the 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 Democratic 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 trains 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., on 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 such as Los Angeles, New York and San Francisco 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 RCAs.

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

Economists for Citigroup have called cities such as New York and San Francisco "plutonomies"—urban econ-

omies propped 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 *In These 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."

"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 California, Connecticut, Illinois, Maryland, New Jersey and New York.

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

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 opened 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 California, Illinois, Michigan and New York into Florida, Georgia, North Carolina and Texas. 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 snug but falling-apart plutonomies.

Write henninger@wsj.com.

LETTERS TO THE EDITOR

Reagan's Economic Policies Then vs. Today

Phil Gramm and Michael Solon's argument for tax cuts for the U.S. economy are less than persuasive. America's economy involves hundreds of components and to select just two for cause and effect is very misleading ("Reagan Cut Taxes, and Revenue in America Boomed," op-ed, Aug. 7)

Citing the tax burden as the cause of the 1980-82 recession ignores the two oil-price increases and Paul Volcker's massive interest-rate increases to eliminate inflation. Attributing the economic growth in the late 1980s to Reagan's tax reductions ignores Reagan's \$2 billion stimulus (deficit financing) that tripled the national debt. He also subsequently raised taxes. Certainly deregulation had some positive effects on the economy, but they also led to the S&L crisis.

Around 47% of Americans don't pay federal income taxes. Therefore, any rate cuts will primarily benefit higher-income earners, who don't spend a high percentage of their income to the benefit of the economy.

Due to a multiplicity of factors, economic growth has varied up and down following tax cuts.

JOHN ROPER
Los Gatos, Calif.

Reagan cut taxes, therefore revenue boomed. The rooster crows and therefore the sun rises. The real reason the economy boomed was because millions of baby boomers were coming of age.

DANIEL S. SMITH
Northville, Mich.

Messrs. Gramm and Solon ignore the substantial differences between the economy that Reagan inherited and the one that faces us today. Today the unemployment rate is 4.3%, which by most definitions is close to full employment. Yes, labor-force participation rates are too low, and compensation hasn't advanced for most workers

as much as it should have, but this is far from a recession. As a result, the economy doesn't have the room to grow the way it did in the 1980s, when much of the growth that took place was simply a matter of recovery from a double-dip recession. The Fed is certainly in no position to do any dramatic rate cuts. The effective fed-funds rate is now 1.16%. The Fed is raising rates, not cutting them.

Cutting taxes in the manner suggested by Messrs. Gramm and Solon is highly unlikely to bring back 1980s growth rates, and given the likely effects on the size of the federal deficits and debt, it would probably do more harm than good.

JOSEPH R. ALEXANDER

Estero, Fla.

Each generation must understand that what it wants must be paid for, and not simply passed on to the next generation in the form of an increased national debt. The Reagan tax cuts continued long-term deficit financing as a political expedient to provide what the nation couldn't afford. It's time for Congress to take charge and put the nation on a responsible path to financial stability.

KEN TOMCICH, E.A.

Arlington, Va.

Phil Gramm and Michael Solon could have written an article headlined "Clinton Raised Taxes—Revenue and Business Boomed."

BRUCE DELAHORNE

Evanston, Ill.

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.

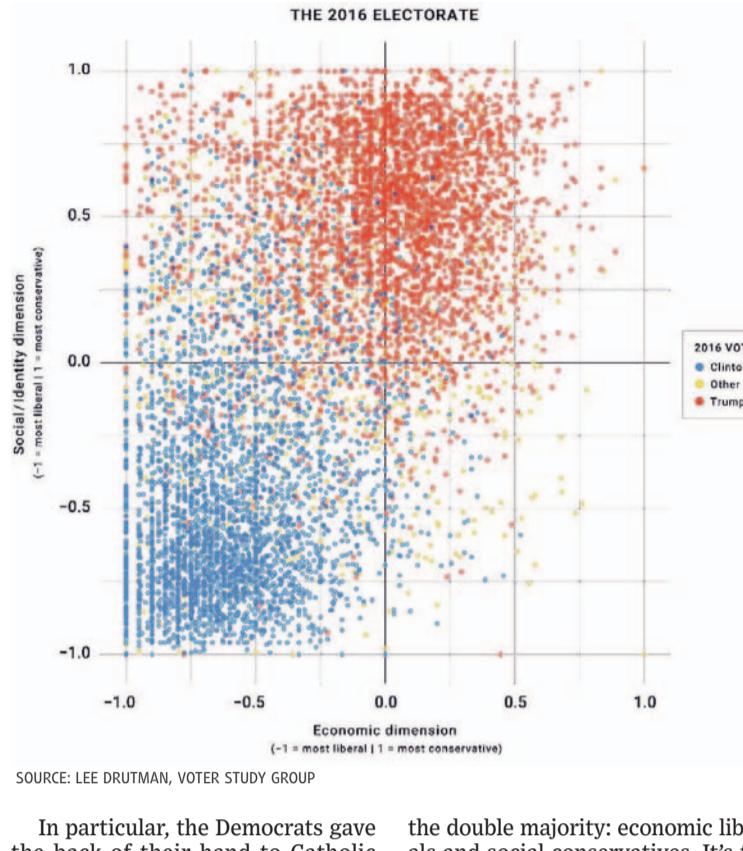
After the election, the so-called NeverTrumpers claimed that each of their favored candidates would also have beaten Mrs. Clinton. Mr. Drutman's figures show what a pipe dream that is.

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 Michigan, Ohio and Pennsylvania. 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 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 made up 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 pocket-book 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 America's 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 last month 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 wouldn't 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 jihadis will continue trying to carry out spectacular terrorist attacks in the West. Islamic State 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, in Syria. As it begins to look less like a traditional state and

more like an insurgency, Islamic State fighters will try to mobilize sympathizers around the world.

Last month, for instance, Islamic State 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 Islamic State 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 jihadis.

At the same time, Islamic State is getting smarter about circumventing Western security, as the failed attack in Australia shows. An Islamic State 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

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

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.

Such sophisticated supply chain raises obvious questions: Where else may the Islamic State 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 Islamic State 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 Islamic State 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).

How U.S. Congress Violates 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 America'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 Sen-

ate, 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 fis-

cal 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

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

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 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, un-

der 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 it 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;

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

LIFE & ARTS

Elizabeth Olsen as Taylor and Aubrey Plaza as Ingrid in 'Ingrid Goes West'; below: Ms. Plaza



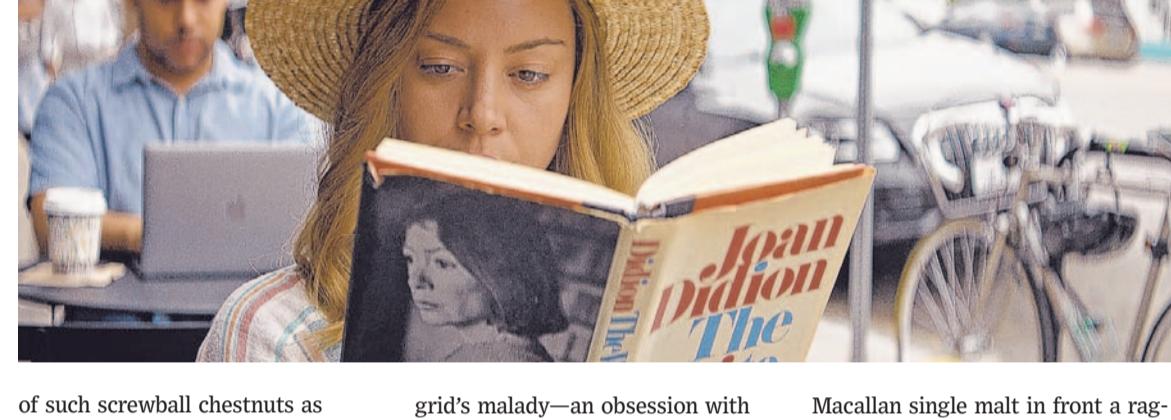
FILM REVIEW

#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 cell-phone.

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; In-

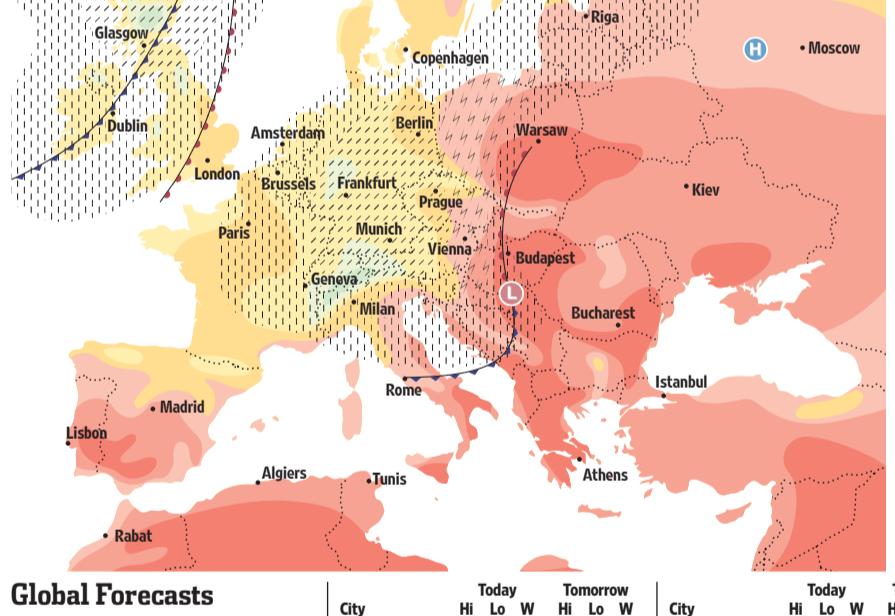
grid's malady—an obsession with the life she's not living, as defined by someone else's social-media posts—might have never had an outlet in another space and time. As it is, Ingrid is institutionalized, treated, and leaves the facility with all her depression intact. The ailing mother she's lived with 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 a raging alcoholic. Likewise, Ingrid's discovery, on the pages of Elle, of the sun-kissed, honey-blond 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 paradisiacal life, and there deposits the residue of her personal hell. There are terrific performances by Ms. Olsen, by Wyatt Russell 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.

Weather



Global Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	18	14	sh	19	13	sh
Anchorage	16	12	c	15	10	sh
Athens	36	27	pc	36	26	s
Atlanta	30	22	t	30	23	pc
Bahrain	49	30	s	50	29	s
Baltimore	28	20	t	27	20	t
Bangkok	36	27	t	36	27	pc
Beijing	34	23	pc	30	22	t
Berlin	23	14	r	19	13	pc
Bogota	20	8	c	19	8	r
Boise	35	19	pc	36	19	s
Boston	27	17	pc	22	19	sh
Brussels	19	13	sh	19	13	sh
Buenos Aires	18	13	r	16	5	r
Cairo	37	26	s	37	26	s
Calgary	24	11	s	27	13	s
Caracas	33	27	pc	33	26	pc
Charlotte	30	21	t	32	22	pc
Chicago	26	17	pc	25	16	pc
Dallas	36	26	c	36	27	t
Denver	28	14	t	29	14	t
Detroit	27	17	pc	26	16	pc
Dubai	45	35	s	44	35	s
Dublin	19	11	sh	18	9	pc
Edinburgh	18	10	r	18	8	pc
Frankfurt	17	12	r	19	13	pc

AccuWeather.com

The WSJ Daily Crossword | Edited by Mike Shenk



EAGLE SCOUT | By Marie Kelly

The answer to this week's contest crossword is a noted sports figure.

Across

- 1 YouTube performer's goal
- 5 Yellow-white dwarf
- 10 Paisley person
- 14 Alpine climber
- 15 Climbed
- 16 Make reductions to
- 17 Jar
- 19 Eon divisions
- 20 Blanche's younger sister
- 21 Brushes up on
- 23 Founder of two car companies
- 25 Lake with a Daytime Emmy
- 26 Taste of one's own medicine
- 30 Strong headwinds, nautically
- 33 Far from familiar
- 34 Expert
- 36 She rabbit
- 37 Misfortunes
- 38 Prepares to be captured
- 39 It's not fair
- 40 Blanc of many voices
- 41 Berth places
- 42 Lush
- 43 To a certain degree
- 45 Legislative production
- 47 barrel (at one's mercy)
- 49 Trade barbs or jabs
- 50 Nickname of Bill Cassidy in more than 60 movies
- 53 Wood in Hollywood
- 57 SportsCenter network
- 58 Flyer covertly owned by the CIA

► Email your answer—in the subject line—to crosswordcontest@wsj.com by 11:59 p.m. Eastern Time Sunday, August 13. A solver selected at random will win a WSJ mug. Last week's winner: Chuck Voss, Mesquite, TX. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

PUZZLE CONTEST

- 27 Host with "12 Days of Giveaways"
- 28 Rehab candidate
- 29 Has legs
- 31 Galvanize
- 32 Three-time French Open champ
- 35 Police protection
- 38 Braised entree
- 39 Tool with a low loft
- 41 "Le Moribond" songwriter
- 42 Told too often
- 44 "Come in!" in Campania
- 46 Early hominids
- 48 Maria's "West Side Story" friend
- 50 Chops
- 51 Fed. workplace monitor
- 52 Understand intuitively
- 18 Exhausted
- 22 Business school subj.
- 55 Top pair
- 56 Villainous prince in "Frozen"
- 26 "The Evil Dead" director

Previous Puzzle's Solution



The Journal.
Anytime, Anywhere.

Quickly access all of the Journal's need-to-know news, markets data, commentary and analysis when you're on the go with **WSJ Apps**.



THE WALL STREET JOURNAL.

Read ambitiously

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday - Sunday, August 11 - 13, 2017 | B1

Euro vs. Dollar 1.1753 ▼ 0.06%

FTSE 100 7389.94 ▼ 1.44%

Gold 1283.70 ▲ 0.84%

WTI crude 48.59 ▼ 1.96%

German Bund yield 0.415%

10-Year Treasury yield 2.211%

Lego Replaces CEO After Eight Months

By SAABIRA CHAUDHURI

Lego A/S has jettisoned its chief executive after just eight months in the job, appointing a younger leader with technology experience in a surprise move it hopes will help it compete in an increasingly digitally-focused environment.

The Billund, Denmark-based toy maker named Niels B. Christiansen, the 51-year-old former boss of Danish industrial group **Danfoss** A/S, as its new CEO. He succeeds Bali Padda, a 61-year-old Briton who in December became Lego's first non-Danish chief since its foundation in 1932.

Mr. Christiansen approached Lego's former CEO Jørgen Vig Knudstorp over the summer to express his interest

in the top role, shortly after announcing in March that he would resign from Danfoss, according to Mr. Knudstorp. The pair had met many times at business events but weren't friends and hadn't worked together previously, he said in an interview with The Wall Street Journal.

At the time, Mr. Knudstorp says, he was actively searching for new CEO candidates since Mr. Padda's appointment was never intended to be long-term due to his advanced age. "One of my central responsibilities in my new capacity was thinking about succession," he said, adding that he thought finding a long-term CEO could take years.

Mr. Knudstorp liked Mr. Christiansen's global experi-



SCANDINAVIA/DENMARK/REUTERS

Niels B. Christiansen will lead the Danish toy maker.

ence and Danish roots, his focus on social responsibility and his reputation for having transformed Danfoss—which has customers in more than 100 countries and employs

more than 25,000 people—into more digitally focused company. Lego Foundation board member William Hoover, who serves on the board of Danfoss, also vouched for

Mr. Christiansen.

"The most important thing for me is I can feel there's a fire in the belly, a passion for the Lego brand and that's very much there in a guy who trained as an engineer," said Mr. Knudstorp of the incoming CEO.

The appointment comes as Lego, which employs 18,500 people, grapples with slowing sales growth and competition from smartphone apps and videogames. It is locked in battle with **Mattel** Inc. to be the world's largest toy company by sales. For now, Mattel is slightly bigger, with \$5.46 billion in revenue last year. Lego sales rose 6% last year to \$5.38 billion, following a decade of double-digit growth, after a big marketing push in

the U.S. failed to lift stalled sales there.

On Thursday, Mr. Knudstorp denied the leadership change was motivated by weak performance, saying the U.S. slump is tied to problems that date back to his own tenure as CEO. "The key thing is we simply haven't had the products that will add incrementally to the high level of sales we have had," he said. "The issues we face in the U.S. are my fault."

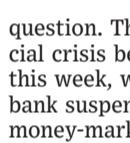
Lego underscored Mr. Christiansen's digital capabilities. Mr. Knudstorp described Mr. Christiansen as having "transformed a traditional industrial company into a technology leader" during his time at Danfoss.

—Dominic Chopping
contributed to this article

STREETWISE

By James Mackintosh

A New Financial Crisis Is Brewing



The measure of a true financial crisis is that money itself comes into question. The global financial crisis began 10 years ago this week, when a French bank suspended three money-market funds. What savers thought was money turned out to be merely credit, and the realization rapidly trashed U.S. money-market funds and the global banking system.

There is little risk of a repeat any time soon. While there is plenty of financial innovation going on, the amounts being parked in modern money alternatives are relatively small, at least outside China. Cryptocurrencies like bitcoin and peer-to-peer lenders are obviously more risky than the money alternatives of 2007.

So much for the good news. The bad news is that it doesn't take a once-in-a-lifetime financial crisis to put a big dent in your savings, merely a perfectly ordinary mismatch between expectations and reality. The way markets are being priced suggests there is just such a mismatch—and even if nothing bad happens, investors could still be disappointed.

The near-universal expectation is that inflation will stay low, central banks will be cautious about tightening monetary policy, corporate debt costs will stay low and profit margins will stay high. If the assumption proves right, long-term returns will be much lower than in the past. If the assumptions are Please see STREET page B2

Fruits, Vegetables and the Web

Amazon and Whole Foods need to chart a path forward after their deal; Echo in grocery aisles?



PATRICK T. FALLON/BLOOMBERG NEWS

Produce on sale at a Whole Foods Market 365 in Santa Monica, Calif. Amazon is acquiring Whole Foods in a \$13.7 billion transaction.

By LAURA STEVENS

Amazon.com Inc.'s acquisition of **Whole Foods Market** Inc. could mean that consumers see Echo and Kindle devices for sale in the grocery aisle and 365 organic foods in Amazon's green delivery totes.

But beyond the simple cross-selling opportunities, a big question in the \$13.7 billion deal is: How deeply will the online retail giant integrate its new brick-and-mortar subsidiary?

At a town hall meeting at Whole Foods headquarters in Austin, Texas, on June 16, the day Amazon announced its biggest-ever acquisition, executives implied a light touch.

"We have enormous admiration and respect" for the way Whole Foods has built its business, Jeff Wilke, Amazon's chief executive of worldwide consumer, said at the

time. "And the worst thing that we could do would be to ask you to change it in some discontinuous way."

Still, Whole Foods CEO John Mackey added, "Things are gonna change. There's just no question about that."

Amazon's options with Whole Foods range from leav-

ing the grocer essentially as a stand-alone to giving it an overhaul. While the deal is expected to close this year, Amazon is typically deliberate when it comes to establishing an integration plan, and it could take several months for it to become clear, according to former Amazon employees and people familiar with its

acquisition strategy.

So far, Amazon has shed little light on its plans. The deal materialized in approximately six weeks, leaving executives at both companies little time to craft a concrete integration plan, other than to keep Mr. Mackey at Whole Foods' helm. It is likely to try

to continue to struggle with inefficiencies. Too much change, and it bleeds loyal customers and staff, potentially prolonging a same-store sales decline.

A look back at Amazon's record shows it is largely hands-off with its acquisitions, except in some cases in which it has bought a company for scale or to remove a rival.

Its \$1.2 billion acquisition of Zappos in 2009 largely left the online shoe seller autonomous, in part to preserve Zappos' relationship with brands and customers.

The two companies established operating guidelines and limited integration to "must-haves."

"We have our own separate culture and way of doing business," said CEO Tony Hsieh, who has been leading Zappos since before the acquisition.

Change Whole Foods too little, and the company con-

tinues to struggle with inefficiencies. Too much change, and it bleeds loyal customers and staff, potentially prolonging a same-store sales decline.

Both Amazon and Whole Foods declined to comment.

The deal poses risks for Amazon.

Change Whole Foods too little, and the company continues to struggle with inefficiencies. Too much change, and it bleeds loyal customers and staff, potentially prolonging a same-store sales decline.

Like any loans, though, they can go bad and leave banks holding assets that aren't easy to value or sell. Goldman will likely auction Natita, which already has been on the market for almost two years without any takers.

Goldman spokesman declined to comment on the case. Mr. Kallop didn't respond to requests for comment. A lawyer for Mr. Kallop declined to comment.

Banks pushed wealth lending in recent years against a backdrop of increasing deposits and tepid demand for traditional loans. Goldman's private bank has quadrupled its overall lending balances since 2012 to \$29 billion. Morgan Stanley wealth-loan balances are up

93% from a year earlier. Goldman's private bank has quadrupled its overall lending balances since 2012 to \$29 billion. Morgan Stanley wealth-loan balances are up

93% from a year earlier.

Snap Inc. said Thursday that its loss nearly quadrupled to \$443 million in the second quarter amid slowing revenue and user growth, hurt by intensifying competition from larger rival **Facebook** Inc.

Snap, the parent company of messaging app Snapchat, said revenue in the second quarter rose 153% to \$182 million, missing analysts' expectations of \$186.8 million. That beat the company's previous high mark of \$165.7 million in revenue, which it logged in last year's fourth quarter.

Snap's loss also exceeded the analysts' estimate of \$366 million. It posted a loss of \$115.9 million a year earlier.

Snap added 7.3 million new

Diversity Push Is Hard Sell In Silicon Valley

BY GEORGIA WELLS AND YOREE KOH

Champions of Silicon Valley's efforts to make the technology industry more inclusive of women and minorities are facing an unwelcome reality: not all employees in the sector have bought into the diversity push.

The recent manifesto criticizing **Google**'s initiatives wasn't the first time that Danielle Brown, Google's new head of diversity, had encountered opposition.

Previously, when Ms. Brown had the same role at **Intel** Corp., employees anonymously posted approximately 40 negative comments on an internal company website in response to positive articles about Intel's diversity programs, according to a former Intel employee. Ms. Brown left Intel in June to join Google.

Some of the comments questioned why Intel was devoting \$300 million over a number of years to improve diversity, or suggested managers would be forced to hire unqualified workers to satisfy goals, according to the former employee. Other comments said the initiative was just for good public relations.

"This work is hard," Ms. Brown said in an interview with The Wall Street Journal in February about her work at Intel. "Engineers...don't believe we have a problem until we see the data behind it."

One reason for the skepticism is that three years and hundreds of millions of dollars spent on diversity have produced meager results.

The tech industry continues

Please see JOBS page B4

Why Goldman Sachs Seized Client's Yacht

By LIZ HOFFMAN

Goldman Sachs Group Inc. owns hundreds of billions of dollars of stocks, bonds and commodities. Add to its portfolio: a 217-foot luxury yacht called Natita.

The story behind the boat begins with a 2014 loan to a private Goldman client, billionaire Texas oilman William Kallop. It ends with Goldman suing its own client and the U.S. Marshals last month swooping down on a West Palm Beach marina to impound the yacht—which boasts a movie theater, Jacuzzi and helipad.

Goldman's nautical trophy is a strange but inevitable outcome of Wall Street's latest gold rush: lending to wealthy clients, the loans backed by everything from

Warhol art to wine. These loans, which are growing quickly at firms such as Goldman, **Morgan Stanley** and **UBS Group** AG, are an ex-

ceptional spin on the most basic

thing banks do: lending money to people. They have the added benefit of building loyalty among prized, ultra-

wealthy clientele.

Like any loans, though, they can go bad and leave banks holding assets that aren't easy to value or sell. Goldman will likely auction Natita, which already has been on the market for almost two years without any takers.

Goldman spokesman declined to comment on the case. Mr. Kallop didn't respond to requests for comment. A lawyer for Mr. Kallop declined to comment.

Banks pushed wealth lending

Snap Says Loss Ballooned As Competition Increased

By GEORGIA WELLS

Snap Inc. said Thursday that its loss nearly quadrupled to \$443 million in the second quarter amid slowing revenue and user growth, hurt by intensifying competition from larger rival **Facebook** Inc.

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Snap's loss also exceeded the analysts' estimate of \$366 million.

It posted a loss of \$115.9 million a year earlier.

Snap added 7.3 million new

daily users during the second quarter, bringing its total user base to 173 million. Many analysts expected Snap to add eight million new users during the quarter.

"Snap has gone from industry darling to troubled child overnight," said Bryan Wiener, chairman of advertising agency 360i.

Snap's stock-market listing in March shifted the conversations that advertisers are having about the social-messaging company. When the early buzz was around how Snapchat was "taking millennials and Gen Z by storm," the conversation in the boardroom among CMOs is what are we doing about this," said Mr. Wiener. "Now they are questioning whether Snap is viable."

The yacht Natita, seized by Goldman, is listed for \$39.9 million.

DUTCHMEGAYACHTS

Please see YACHT page B2

BUSINESS NEWS

Eclipse Sparks Counterfeit Sales

Demand for special glasses fires up plenty of fake products, prompting warnings

BY MICHELLE MA
AND DANIELA HERNANDEZ

Booming demand for special glasses to view the coming solar eclipse is pushing manufacturers to their limits and prompting warnings of fake products that could threaten viewers' eyesight—as well as legitimate makers' sales.

On Aug. 21, the daytime sky will darken across 14 states, an event many stargazers have nicknamed the "Great American Eclipse." It is the first time since 1918 that an eclipse will spread from coast to coast in the U.S. As many as 500 million people, primarily in the U.S., Canada and Mexico, will be able to view the spectacle, which requires special glasses to safely stare at the sun.

Dozens of models are sold via Wal-Mart Stores Inc., Toys "R" Us Inc., Amazon.com Inc. and other retailers, plus museums and science groups. The most popular are versions selling for as little as \$1 to \$4 a pair that use thin filter film set in foldable paper frames.

Brands such as Celestron LLC, Explore Scientific LLC and American Paper Optics LLC said they have sold tens of millions in recent months. But cranking out the glasses—which must meet strict safety standards—as well as a raft of other eclipse-themed novelties



Tennessee-based American Paper Optics LLC is one of the main manufacturers of eclipse glasses.

like T-shirts and jewelry poses logistical challenges, and some makers are struggling to meet demand.

Lance Lucero, product manager for astronomy at Torrance, Calif.-based Celestron, an optical-products manufacturer and distributor, said he wished his company had planned to make more glasses early on.

"We are kind of kicking ourselves because we're in a position where we're actually selling out of most of our shelves," said Mr. Lucero, whose Celestron glasses were picked up by Best Buy Co.

among others. Celestron won't be able to produce more glasses in time for the Aug. 21 event, he said, estimating the company may have missed out on selling millions more.

A large part of production time is devoted to making the filter material itself, which must meet safety standards published by the Geneva-based International Organization for Standardization. These specify how much light and solar radiation eclipse glasses must block out, plus the types of testing manufacturers must do.

"Dealing with trying to

make so much of something in such a short time is a lot," said Scott Roberts, president and founder of telescope manufacturer Explore Scientific, based in Springdale, Ark., which also sells paper viewers. "There was a nervousness," Mr. Roberts said, about how many rolls of the filter film to buy, and how much to invest up front for the event.

Explore Scientific has sold 4½ million pairs of glasses over the past six months direct to consumers as well as to companies such as Toys "R" Us and Kroger Co. "It's the first time in my company

where we've had such a huge bump like that," said Mr. Roberts, who believes he will have enough supply.

American Paper Optics, based in Bartlett, Tenn., has doubled its head count to 70, with most of the new temporary workers printing, cutting, gluing and packaging glasses. Chief Executive John Jerit estimated 7,000 to 8,000 dealers are buying custom-printed glasses, on top of direct-to-consumer sales.

E-commerce, especially via Amazon.com, has streamlined logistics, allowing sellers without sophisticated distribution channels to reach consumers, Mr. Jerit said. That trend also has given rise to more counterfeit and substandard products, according to manufacturers and the National Aeronautics and Space Administration, which warned on its website of "unsafe paper solar glasses being distributed."

The agency issued the warning after "members of the American Astronomical Society and NASA bought random pairs from places like Amazon" and found that they let in too much light when worn outside, according to Alex Young of NASA's Goddard Space Flight Center.

Mr. Jerit said some dealers on Amazon have created copycat versions of his company's Soluna brand of eclipse glasses, sold by GSM Sales LLC. He said the knockoff Solunas are replicas and often are sold at much lower prices. A pack of 10 legitimate Soluna eclipse viewers cost \$39.95 on Amazon as of Aug. 4.

Toshiba Revives Talks for Chip Unit

BY TAKASHI MOCHIZUKI

TOKYO—Toshiba Corp. said it has reopened talks with Foxconn Technology Group and Western Digital Corp. over selling its memory-chip unit, erasing a Japanese-led group's status as the preferred buyer in a deal potentially valued at \$20 billion.

The disclosure suggested the troubled industrial conglomerate was struggling to close the deal despite urgent time pressure to find a buyer and get regulatory approval. Toshiba has said it needs to sell the unit to bring its shareholder equity back into positive territory by the end of its fiscal year in March 2018. Otherwise, its shares would be delisted under Tokyo Stock Exchange rules.

Toshiba has said it needs to sell its chip unit to avoid its stock being delisted.

In June, Toshiba said it had selected a consortium led by Innovation Network Corp. of Japan, a fund backed by the government, as the preferred bidder.

On Thursday, Toshiba Chief Executive Satoshi Tsunakawa revised that description, saying: "In addition to the consortium, we are also in talks with Western Digital and Hon Hai Precision Industry Co., the formal name of Taiwan-based Foxconn.

As of June 30, Toshiba's shareholder equity—its assets minus liabilities—stood at minus-\$504 billion (\$4.6 billion), mainly stemming from losses on U.S. nuclear power plant projects handled by a now-bankrupt Toshiba subsidiary, Westinghouse Electric Co.

In a rare piece of good news, Toshiba said Thursday that its auditor had given qualified approval to its financial statements after disputes over accounting for the Westinghouse losses.

Analysts and people involved in the chip-unit deal say it could raise ¥2 trillion or significantly more because of the popularity of the unit's NAND flash-memory chips for computers, smartphones and game devices.

Blue Apron's Costs Eat Profit; Shares Sour

BY HEATHER HADDON
AND CARA LOMBARDO

Shares of Blue Apron Holdings Inc. plunged 18% as the meal-kit maker struggled to reassure investors it can contain costs and fend off competition in the fast-growing food-delivery business.

In its first earnings update since going public in June, Blue Apron said its costs jumped 86% to \$65.7 million, as the New York-based company hired more employees and opened an additional fulfillment center in New Jersey. Blue Apron said last week that hundreds of employees could be laid off as it closes a separate New Jersey facility to retool its distribution network.

Delayed product launches also hurt Blue Apron's ability to attract and retain new cus-

tomers, executives said. They also acknowledged increasing competition from other food, grocery and meal-kit delivery services such as Amazon.com Inc.

"We're not a business that is just focused on market share," Chief Executive Matt Salzberg said in an interview. "We're a business that's focused on building a healthy, sustainable long-term brand for our customers."

Meal kits are gaining popularity as consumers gravitate toward the convenient format for making meals at home with preportioned ingredients. With roughly a million customers, Blue Apron is one of the most successful companies in the sector.

But competition has grown since Blue Apron made its debut in 2012. Kroger Co. and



The meal-kit maker said it is encountering growing competition.

other large grocery chains are selling meal kits in their stores that don't require shoppers to commit to a subscription. Meal kits currently sold on Amazon are attracting customers, and the e-commerce giant is also pushing into the

space. It filed a trademark for prepared food kits last month.

Blue Apron executives said they are learning more about their customers and fine-tuning their menus to give customers more of what they want. The five-year-old com-

pany said revenue grew 18% to \$238.1 million in the quarter ended June 30, but it posted a loss of \$31.6 million. That was worse than the \$30.8 million loss analysts polled by Thomson Reuters expected. On a per-share basis, Blue Apron reported a loss of 47 cents—17 cents worse than expected.

Blue Apron shares are down more than 40% from their \$10 price when they began trading on June 29.

They tumbled by 18% to \$5.14 late Thursday.

Blue Apron is valued at about \$1 billion, far less than the \$3 billion target its bankers used when approaching investors ahead of the initial public offering.

Its IPO lost the most value this year for a company raising at least \$100 million, according to Dealogic.

BUSINESS WATCH

DINEQUITY

New CEO to Lead Restaurant Operator

DineEquity Inc. named a new chief executive and plans to close as many as 160 restaurants, as it wrestles with less business at its Applebee's Neighborhood Grill & Bar and IHOP restaurants.

Steve Joyce will leave Choice Hotels International Inc. to join DineEquity effective Sept. 12.

Mr. Joyce, who has been on DineEquity's board for five years, said in a written statement that he plans to work to "stabilize performance at Applebee's and identify new pathways to growth for IHOP." He has been CEO and a member of the Choice Hotels board since 2008.

Former DineEquity CEO Julia Stewart resigned from the company in March after holding the position for 16 years.

Revenue came in at \$155.2 million. Income totaled \$21.3 million, or \$1.18 a share.

—Justina Vasquez

local developers at a disadvantage by not responding to queries in Chinese.

Lin Wei, an attorney at the Beijing-based Dare & Sure law firm, said he filed the complaint on Tuesday with the National Development and Reform Commission, which handles antitrust issues in China, and the State Administration for Industry & Commerce. The government agencies didn't respond to requests to confirm the filing or to say whether they would review the allegations.

In a statement, Apple said that "most submissions in China are reviewed and approved to be on the store within 48 hours." It added that its App Store guidelines apply equally to all developers in every country.

—Alyssa Abkowitz

TOYOTA

Start of Production Is Delayed in Mexico

Toyota Motor Corp.'s is pushing back the start of production at its new plant in Mexico, as it retools the assembly line to make the Tacoma pickup truck, instead of the Corolla sedan.

The factory in Guanajuato will begin producing the midsize pickup in the first half of 2020, a spokesman for Toyota said.

Once the Mexican plant opens, it will eventually nearly double Tacoma production to about 400,000 vehicles a year.

Corolla production originally intended for the Mexican plant is headed instead to a new factory in the U.S. that will be jointly operated by Toyota and Mazda Motor Corp. The factory is to begin production in 2021.

—Sean McLain

Foxconn Deal Defended in Wisconsin

BY SHAYNDI RAICE

ing talent across the country and around the world."

In a White House ceremony last month, President Donald Trump announced that Foxconn would be investing \$10 billion to build a 20 million-square-foot campus in southeastern Wisconsin that could employ up to 13,000 workers over a period of up to six years. The facility, which would build liquid-crystal display technology, or LCD,

screens used for Apple Inc.'s iPhone, would be the first of its kind in North America.

The deal, which must be approved by the state legislature, will come at a high cost to taxpayers. The state is offering one of the largest incentive packages to a foreign company, according to tax experts.

Foxconn, formally known as Hon Hai Precision Industry Co., would receive \$2.85 billion in state income

tax credit over 15 years and up to \$150 million in tax exemptions for building materials and supplies used to construct its Wisconsin campus.

On Tuesday, a state fiscal analysis found that taxpayers wouldn't recoup their investment until the 2042-2043 fiscal year.

That analysis is leading some members of the state legislature to question the wisdom of the deal.

Wanda Unit to Focus On Hotels and Parks

back to its parent company for an undisclosed amount subject to an independent assessment, the regulatory filing said.

Shares of Wanda Hotel Development closed up almost 20% in Hong Kong on Thursday.

The move comes as Dalian Wanda shifts to a so-called asset light model that would allow it to earn income from building, selling and managing projects instead of outright owning them.

Last month, Wanda said it would sell most of its hotels to Chinese property developer Guangzhou R&F Properties Co. for 19.91 billion yuan and its fledgling chain of theme parks to another property developer, Sunac China Holdings Ltd., for 89.24 billion yuan, which includes debt.

Wanda said it would continue to manage the properties.

Central Government Institution Type of contract: Public works contract Form of the Agreement: Concession/PPP Object of concession/PPP: Improvement, building, operation and maintenance of Arbi Road. Contract period: 13 years

Location: Arbi Road begins in northeast of Tirana city and ends in border point of Blloka, near Dibër, Albania

Project value: based on the feasibility study is: 33,600,000,000 lekë (vat excluded).

Currency: Project currency will be Albanian Lekë.

Bid Security: of 2% of its Project Value, open

Bidding Procedure: open

Bidding criterion: Technical proposal for building and maintenance of the road, Environmental Impact, Social Impact, Works execution deadlines, Financial offer.

Bid Validity Period: 8 months

Bid Language: Albanian

Submission Deadline: Date: October 2, 2017 Time: 12:00 Central European Time

Location: www.app.gov.al Date of publication of this document: 10/08/2017

HEAD OF CONTRACTING AUTHORITY

MINISTER Sokol Dervishaj

REPUBLIC OF ALBANIA

MINISTRY OF TRANSPORT AND INFRASTRUCTURE

CONTRACT NOTICE

Contracting Authority

Name Ministry of Transport and Infrastructure

Address Square "Skënderbej" no.5, Tirane

Tel/Fax +355 42 380 750

E-mail info@transporti.gov.al

Web www.transporti.gov.al

Name and address of contact person: Mr. Muharem Cakaj (Muharem.Cakaj@transporti.gov.al)

Type of Contracting Authority and its activity: Central Government Institution

Type of contract: Public works contract

Form of the Agreement: Concession/PPP

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HEAD OF

TECHNOLOGY

WSJ.com/Tech

Scientists Say Hackers Can Deploy DNA

Researchers find it is possible to turn to biology as a means to infect computers

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, British Columbia, Canada, 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.

The technology makes it possible for hackers to create malware in synthetic DNA as well. The Washington researchers did that, designing a



A vial with strands of synthetically created DNA

machine. When that sequence is analyzed by personal-computer software, it triggers the malware, giving the team full control over the computer.

In theory, hackers could mix synthetic DNA strands containing malware into a solution and send it to a lab for sequencing. Once they gained control of computers, the hackers could launch other attacks, similar to efforts to gain control of PCs by tricking users into unknowingly running executable codes.

Companies that create synthetic DNA take steps to prevent human-made viruses, the Washington research team said. But they believe no systems are in place to prevent the creation of DNA strands containing human-made computer malware.

"They certainly aren't checking for things that are computer code," said Peter

Ney, a doctoral student in computer science on the Washington team.

For hackers lacking the researchers' technology and expertise, there still are many challenges to pulling this exploit off. The biggest is creating the code to be turned into DNA strands, which remains arduous. What's more, hackers need to find vulnerabilities to target in the software that sequencing companies use, the same way they would in trying to exploit a PC's operating system.

The researchers said that is why they published the findings now, believing their work might help the genomics industry understand the potential risk and take steps to mitigate it.

"If industry does its job well, it's a problem that will never manifest," Dr. Kohno said.

Facebook Hits Play On Its New Video Tab

BY DEEPA SEETHARAMAN

Facebook Inc. is taking a serious shot at YouTube.

The tech behemoth, which isn't shy about replicating rivals' features, is redesigning its video tab to bring Facebook's original programming front-and-center. The revamped video tab, now dubbed Watch, includes sections that showcase videos a user's friends are watching or those that spark a lot of debate on the platform, Facebook said Wednesday.

The new tab will roll out over the next several weeks.

Fidji Simo, who leads Facebook's video efforts, said that unlike YouTube, Facebook wants its shows to generate conversation, preferably on Facebook itself. Early on, new shows will have to apply, but eventually Facebook wants to make it possible for any creator to simply upload a show on Facebook, as they do on YouTube.

"The thing that we're doing that's similar is really creating a platform where everybody can come in, but the thing that's very different is all the content that we want to create is really around bringing communities together," Ms. Simo said. "The angle that we're taking is really finding shows that are about bringing fans together."

The initiative is part of Facebook's broader push to invest more in video, which Chief Executive Mark Zuckerberg predicts will be the largest driver of Facebook's business over the next two to three years. Video ads will also help offset what Facebook expects will be slowing growth in news feed advertising, its primary source of revenue.

Last year, Facebook paid publishers to produce live videos to jump-start production of live streams among its users. Today, one in five videos posted on Facebook is a live video.

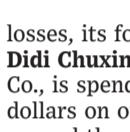
Ms. Simo said a small portion of Facebook's new original shows are paid for by the company while the rest will receive a portion of ad revenue. Facebook's goal is to create an ecosystem of video creators who are entirely sustained by revenue from ads shown in the middle of their videos, also known as ad breaks or mid-roll ads, she added.

This strategy echoes that of YouTube, a division of Alphabet Inc., which in 2011 spent as much as \$100 million buying content as part of the service's attempt to compete with cable television. While YouTube's shows weren't particularly popular, they helped build a broader infrastructure to support creators, many of whom rely mainly on YouTube for revenue. Earlier this year, YouTube reached a milestone when it reported that its viewers world-wide were watching more than one billion hours of videos a day.

Facebook declined to say how much it is spending on original content.

CHINA CIRCUIT | By Li Yuan

Can Didi Justify Its \$50 Billion Valuation?

 While Uber Technologies Inc. is trying to dig out from scandals and curtail losses, its former China rival, Didi Chuxing Technology Co., is spending billions of dollars on other startups around the world.

Didi recently announced investments in three ride-sharing apps in as many weeks: Careem in the Middle East and North Africa, Taxify in Europe and Africa and Grab in Southeast Asia. Early this year, Didi invested in 99, a ride-sharing company in Brazil. It is also putting money into Lyft Inc. in the U.S. and Ola in India. Didi has reached beyond car services, investing in Ofo Inc., one of China's top bike-sharing apps, and in Ele.me, a major app-based food-delivery service.

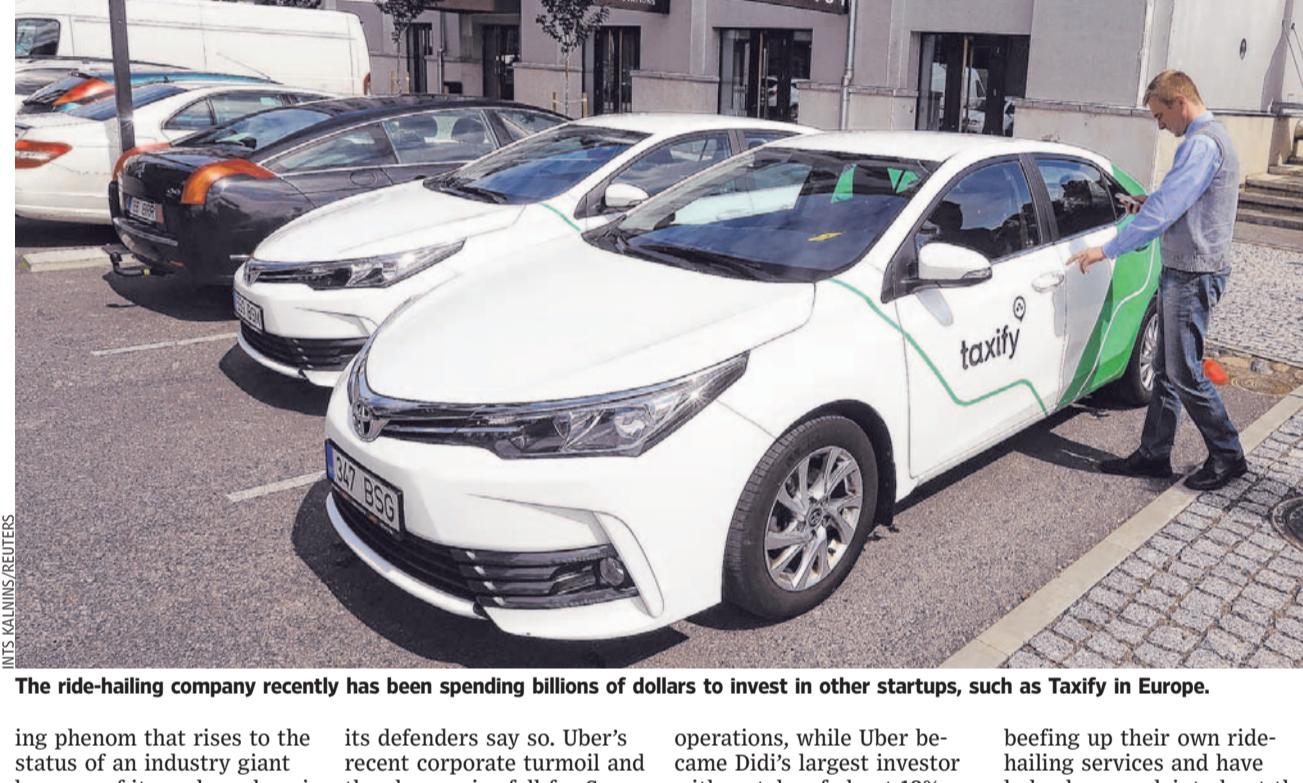
To some venture capitalists, Didi seems to be doing what it usually does—raising money from investors and betting on startups seen as having growth potential. To others, Didi is following the playbook of internet giants Alibaba Group Holding Ltd. and Tencent Holdings Ltd., both of which have invested in a wide range of domestic and foreign startups, including Didi.

In either case, analysts and members of the investment community say Didi isn't behaving like a startup—even if it is the second most valuable startup in the world, with a \$50 billion valuation, just behind Uber.

"It's not normal for an unprofitable company to do this," says Wang Cong, a finance professor at China Europe International Business School. "Unprofitable startups should use the capital they raise on operations."

In the year since it vanquished Uber after a depleting, subsidy-fueled battle for the China market, Didi is still unprofitable and has become more of an investor in other startups than a cutting-edge disrupter.

It now represents a new kind of startup, a fast-grow-



The ride-hailing company recently has been spending billions of dollars to invest in other startups, such as Taxify in Europe.

ing phenom that rises to the status of an industry giant because of its scale and capital. Abetting this is a winner-takes-all trend in the internet industry. Investors pile their cash on a small field of megastartups, hoping to choose the one company that will dominate a particular sector (think Facebook for social media or Alibaba for e-commerce).

In its five years of existence, Didi has raised more than \$15 billion in venture funding, private equity and debt financing, including \$5.5 billion in April—the largest round for any tech startup to date. That is more than the \$12 billion Uber raised in total in seven years.

"Didi is a fundraising machine," a venture capitalist who isn't a Didi investor told me. "Its biggest competitive advantage is the huge amount of capital it raised, not its technology."

Bulked up with cash and seemingly dominant in its home market, Didi needs to justify its \$50 billion valuation more than ever—even

its defenders say so. Uber's recent corporate turmoil and the share-price fall for Snapchat parent Snap Inc. since its market debut show that the fortunes of widely admired startups can change quickly.

In announcing deals, Didi says its investments are strategic and that the company benefits from its relationships with regional winners across the world by sharing

operations, while Uber became Didi's largest investor with a stake of about 18%.

Still, it proved to be too early for victory laps. Some of China's largest cities enacted stringent regulations on ride sharing, decreasing the numbers of eligible drivers—and hence the number of rides. With Uber out, Didi cut back on subsidies and raised prices for some services, sparking user com-

plaints and criticism from state media. The popularity of bike sharing has also cut into Didi's business, according to mobile-data monitoring site Trustdata.

While there is no sizable competitor for Didi, there are more than 130 ride-hailing platforms in the country, according to the transportation ministry. Some taxi companies—Didi's biggest regulatory headache—are

ment to our diversity and inclusion efforts," she said.

Through a Google spokesman, Ms. Brown declined to comment for this article.

James Damore, the Google

engineer who was fired Monday, said he wrote his memo decrying Google's diversity efforts after attending a diversity program that he disagreed with.

"I had some discussions with people there but there was a lot of just shaming. 'No, you can't say that. That's sexist. You can't do this,'" Mr. Damore said in an interview with conservative YouTube personality Stefan Molyneux that appeared on Google's video platform this week.

"There's just so much hypocrisy in a lot of the things they're saying, so I decided to create the document to clarify my thoughts."

In his memo, Mr. Damore said that he doesn't think "diversity is bad" but argued that Google's approach to fixing it is flawed because of what he called the company's liberal bias. A spokesman for Google declined to comment. Mr. Damore didn't respond to a request for comment.

Continued from page B1

to be a mostly white or Asian male workforce. Google, part of Alphabet Inc., said in June that 69% of its staff is male, only 1 percentage point less than in 2014, the first year it began reporting its diversity numbers. At Intel, 85% of U.S. employees are either white or Asian, the company said in December, also down just 1 percentage point from three years ago.

Alphabet has over 75,000 employees and Intel has more than 100,000, making it harder for those companies to move the percentages.

The people with the most to lose may also resist change to how the system works. "Diversity efforts can be a tough sell to some employees—primarily those from majority groups," said Joelle Emerson, chief executive of Paradigm, a

consultancy that advises many Silicon Valley companies on diversity. "It's not uncommon for people to worry about the implications these efforts will have for them."

Intel's new chief diversity and inclusion officer, Barbara Whye, said in a statement that Intel's diversity efforts make it a stronger company. "We remain steadfast in our commit-

ment to our diversity and inclusion efforts," she said.

Through a Google spokesman, Ms. Brown declined to comment for this article.

James Damore, the Google



Google's new head of diversity, Danielle Brown, last year, when she held a similar post at Intel.

NOAM GALAI/GETTY IMAGES FOR TECHCRUNCH

JOB

Continued from page B1

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FINANCE & MARKETS

A Legal Setback for Elliott in Akzo Fight

Dutch court says activist can't force a vote to remove CEO before Sept. 8 meeting

BY BEN DUMMETT

Elliott Management Corp. lost its latest legal challenge to remove **Akzo Nobel NV's** chairman, but the legal decision on Thursday signaled that the New York hedge fund could pursue this effort later.

Last month, an Elliott-led group petitioned the Netherlands' Interim Relief Court to force the big Dutch paint maker to hold a shareholder vote on the dismissal of **Antony Burgmans**.

Elliott argued shareholders had lost confidence in Akzo's leadership after it rejected calls from Elliott and several other large shareholders for the company to hold such a

vote and enter into sale talks over **PPG Industries Inc.'**s \$27.6 billion takeover bid.

Mr. Burgmans's "views on shareholder democracy [are] archaic and wholly unacceptable in today's capital markets," Elliott said as partial reason for its legal action. The investor owns a 9.5% stake in Akzo, making it the company's largest shareholder.

The Dutch court ruled it couldn't force the vote on Mr. Burgmans' dismissal because Akzo has already scheduled a shareholder meeting for Sept. 8 that will allow investors to hold the board accountable.

Akzo scheduled that meeting last month to hold a vote on the appointment of its new chief executive, Thierry Vanlancker, to the company's board of management.

Mr. Vanlancker, who had headed up Akzo's specialty-chemicals business, assumed the top job after former CEO

Ton Buchner resigned for health reasons. Shareholders won't get to vote on Mr. Burgmans's dismissal at that meeting.

The court ruled that the Sept. 8 meeting "partially meets the wishes of shareholders" by giving investors the opportunity to challenge Akzo's governance practices and thus makes Elliott's request premature. But the court also indicated that the activist investor could seek Mr. Burgmans's dismissal after that meeting.

"We are pleased the court recognized the rights of shareholders to hold [a shareholder meeting] and make use of a right to dismiss a member of the supervisory board, although we respectfully disagree with the notion that accountability is premature," an Elliott spokeswoman said. An Akzo spokesman couldn't be reached to comment.



A lower Dutch court in May rejected Elliott Management's attempts to remove Antony Burgmans.

The latest legal decision comes after a lower Dutch court in May rejected Elliott's previous attempt to force Akzo to hold a vote on Mr. Burgmans's removal. That court ruled that the dismissal of the company's chairman is a matter of strategy, making it a decision for management and Akzo's supervisory board,

not shareholders.

Pittsburgh-based **PPG** dropped its takeover bid in June after Akzo rejected as too low the initial offer in March and two subsequent sweetened bids. The company also argued a tie-up would face a complex and uncertain antitrust review. Akzo is betting that the planned spinoff

of the chemicals business and a plan to boost dividend payouts would offer shareholders more value and greater certainty of completion.

Elliott countered that Akzo couldn't make that decision until first determining if the company could negotiate a better deal through negotiations with PPG.

SoftBank Takes Extra Risk in Fund

BY MAYUMI NEGISHI

TOKYO—Filings by SoftBank Group Corp. show it has taken on a hefty amount of risk in its new SoftBank Vision Fund, which has said it would have at least \$93 billion to put into big technology bets.

SoftBank's quarterly earnings report and balance sheet as of June 30, released Monday, offer clues into the workings of the fund, which is led by SoftBank Chief Executive Masayoshi Son.

Investors include the government funds of Saudi Arabia and Abu Dhabi, as well as **Apple Inc.** and other tech companies.

The fund has already lined up multibillion-dollar invest-

ments in British chip architect **ARM Holdings Inc.**, graphics-chip designer **Nvidia Corp.**, and shared-office-space firm **WeWork Cos.**

This week, it announced a \$1.1 billion investment in pharmaceutical developer **Rovant Sciences Ltd.** and, on Thursday, an investment in India's e-commerce leader, **Flipkart Ltd.**

The Vision Fund hasn't outlined in detail how the investors will share the risks and rewards of its investments. But there is a hint in the earnings report because the assets and liabilities of the Vision Fund are included on SoftBank's books.

The earnings report said SoftBank recorded a ¥105 bil-

lion (\$954.5 million) gain in the value of assets that are set to be transferred to the Vision Fund from SoftBank. It says ¥44 billion of that gain, or 41%, belonged to third parties, not SoftBank itself.

The report doesn't say as of what date those calculations were made, but it suggests that at least at one point, SoftBank was in position to get 59% of any gains the Vision Fund achieved.

SoftBank representatives declined to say whether the situation has changed or could be affected by new contributions from the partners.

The figures in the earnings report are in line with a Wall Street Journal article in May, which said SoftBank would

take about half the equity in the Vision Fund.

The article reported that \$39 billion of the \$93 billion in investment commitments would go into preferred instruments that earn yearly payouts and whose upside is limited.

The fund has said it hopes to line up an additional \$7 billion in commitments by the end of the year to bring the total war chest to \$100 billion or more.

SoftBank has said it is committing \$28 billion of that \$100 billion, but the earnings report is the first official sign that it could be taking on more risk and could see greater upside than that 28% portion might suggest.

A Top Buyout Firm Scrutinized on Loans

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 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 department 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 (US\$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 of the businesses if the loans aren't paid.

Company officials declined to comment before publication for this article.

In a statement following digital publication, company officials said they know of no legitimate basis for any whistleblower complaint. The companies said they believe the whistleblowers are filing "deliberately misleading" reports with the OSC.

Existing investors include the endowments of Harvard University, McGill University and wealthy clients of Morgan Stanley, according to people familiar with the matter.

As part of its quarterly earnings, Callidus in May disclosed that its accounting practices were under review from the OSC. Mr. Glassman told analysts at that time that the review was "nothing extraordinary." He added, "If there was a significant issue with the Commission, I'm fairly certain the Commission would force us to disclose it."

Glencore Profits on Commodity Boom

BY SCOTT PATTERSON

Swiss mining and trading giant **Glencore PLC** reported strong first-half results on Thursday, benefiting from rising commodity prices as it continues to recover from a downturn that sparked widespread worries about its financial health and caused an investor revolt.

Glencore, one of the world's largest coal, copper and zinc producers, reported a \$2.5 billion net gain for the first six months through June, compared with a \$369 million net loss in the same period a year earlier. It posted a net gain of \$1.4 billion for all of 2016.

"Rising commodity prices have naturally had a very strong favorable effect on our performance," Chief Executive Ivan Glasenberg said Thursday.

Glencore shares fell 2.5% in London.

The earnings update closely follows other strong reports



Resilient prices of copper helped Glencore report strong results.

from global diversified miners. Rio Tinto PLC reported a net profit of \$3.3 billion in the first half, up from \$1.7 billion a year earlier, fueled by a 25% gain in revenue. Anglo American PLC reported first-half net income of \$1.4 billion, compared with a net loss of \$813 million last year.

Glencore expects commodity markets to remain strong in the second half of the year, estimating that its trading division will report earnings before interest and taxes for 2017 in the range of \$2.4 billion to \$2.7 billion, a \$100 million increase from its previous guidance.

"The second half has started well," said Chief Financial Officer Steven Kalmin.

Mr. Glasenberg highlighted the rise of electric vehicles as a growing trend that is driving demand for several of the firm's most important commodities.

"The potential large-scale rollout of electric vehicles and

energy storage systems looks set to unlock material new sources of demand for enabling commodities, including copper, cobalt, zinc and nickel," he said.

The company is the world's biggest producer of cobalt, a key commodity in the lithium-ion batteries that power electric vehicles and mobile phones.

Cobalt prices were up 109%

in the first half from the same

period last year, it said.

Glencore's first-half revenue rose 44% to \$100 billion compared with the same period a year earlier, helped by rising and resilient copper, coal and zinc prices. The firm's trading division posted earnings before interest and taxes of \$1.4 billion in the first half of the year, a 13% gain from a year earlier. Net debt was \$13.9 billion, down from \$15.5 billion at the end of 2016.

Company officials declined to comment before publication for this article.

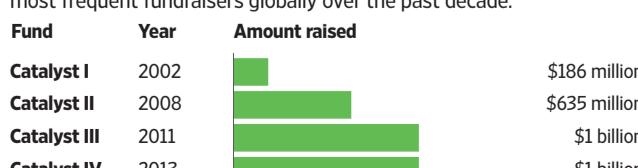
In a statement following digital publication, company officials said they know of no legitimate basis for any whistleblower complaint. The companies said they believe the whistleblowers are filing "deliberately misleading" reports with the OSC.

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,

Fund Raise

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



Sources: filings, investor documents

THE WALL STREET JOURNAL.

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MARKETS DIGEST

Nikkei 225 Index

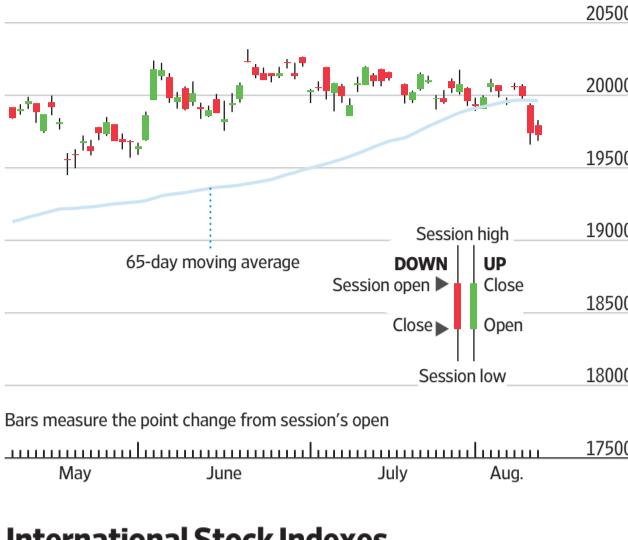
19729.74 ▼8.97, or 0.05%

High, low, open and close for each trading day of the past three months.

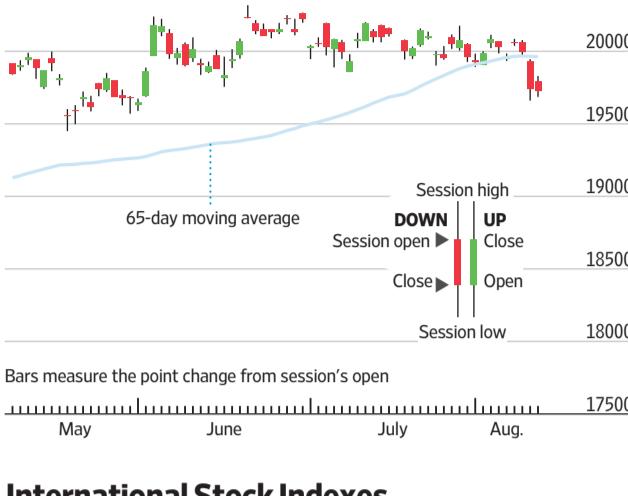
Year-to-date
52-wk high/low
All-time high20230.41 16251.54
38915.87 12/29/89**STOXX 600 Index**

376.05 ▼3.79, or 1.00%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

**International Stock Indexes**

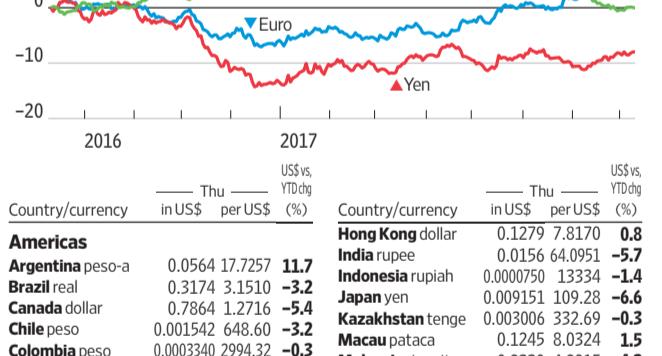
Data as of 4 p.m. New York time

Region/Country	Index	Close	Net Chg	% chg	52-Week Range	Close	High	YTD % chg
World	The Global Dow	2831.85	-26.90	-0.94	2386.93	2881.15	12.0	
	MSCI EAFE	1929.52	-8.42	-0.43	1614.17	1955.39	12.4	
	MSCI EM USD	1054.08	-14.84	-1.39	838.96	1078.53	32.7	
Americas	DJ Americas	585.90	-8.61	-1.45	503.44	599.20	8.4	
Brazil	Sao Paulo Bovespa	66878.54	-792.53	-1.17	56459.11	69487.58	11.0	
Canada	S&P/TSX Comp	15072.55	-144.78	-0.95	14319.11	15943.09	-1.4	
Mexico	IPC All-Share	50921.99	-315.51	-0.62	43998.98	51772.37	11.6	
Chile	Santiago IPSA	3835.69	-28.67	-0.74	3120.87	3908.55	19.0	
U.S.	DJIA	21844.01	-204.69	-0.93	17883.56	22179.11	10.5	
	Nasdaq Composite	6216.87	-135.46	-2.13	5034.41	6460.84	15.5	
	S&P 500	2438.21	-35.81	-1.45	2083.79	2490.87	8.9	
	CBOE Volatility	16.04	4.93	44.37	8.84	23.01	14.2	
EMEA	Stoxx Europe 600	376.05	-3.79	-1.00	328.80	396.45	4.0	
	Stoxx Europe 50	3064.20	-38.82	-1.25	2720.66	3279.71	1.8	
Austria	ATX	3198.46	-40.13	-1.24	2245.45	3285.00	22.2	
Belgium	Bel-20	3904.93	-21.65	-0.55	3384.68	4055.96	8.3	
France	CAC 40	5115.23	-30.47	-0.59	4310.88	5442.10	5.2	
Germany	DAX	12014.30	-139.70	-1.15	10174.92	12951.54	4.6	
Greece	ATG	833.78	0.17	0.02	548.72	859.78	29.5	
Hungary	BUX	36821.44	242.97	0.66	27462.89	36959.46	15.1	
Israel	Tel Aviv	1363.50	-13.37	-0.97	1346.71	1490.23	-7.3	
Italy	FTSE MIB	21681.61	-166.76	-0.76	15923.11	22065.42	12.7	
Netherlands	AEX	523.63	-4.58	-0.87	436.28	537.84	8.4	
Poland	WIG	62451.57	-480.71	-0.76	46321.24	63531.24	20.7	
Russia	RTS Index	1029.26	-5.72	-0.55	937.32	1196.99	-10.7	
Spain	IBEX 35	10450.00	-146.00	-1.38	8393.50	11184.40	11.7	
Sweden	SX All Share	561.29	-6.12	-1.08	489.12	598.42	5.0	
Switzerland	Swiss Market	8949.86	-77.29	-0.86	7585.56	9198.45	8.9	
South Africa	Johannesburg All Share	55700.64	-279.41	-0.50	48935.90	56396.24	10.0	
Turkey	BIST 100	107800.42	-914.16	-0.84	71792.96	110321.81	38.0	
U.K.	FTSE 100	7389.94	-108.12	-1.44	6654.48	7598.99	3.5	

Source: SIX Financial Information/WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



London close on Aug. 10

US\$ vs. in US\$, YTD chg (%)

Country/currency

Thru in US\$ per US\$ (%)

Country/currency	Close	Net Chg	% Chg	YTD Chg
Americas	Argentina peso-a	5760.90	-4.80	-0.08
China	Shanghai Composite	3261.75	-13.82	-0.42
Hong Kong	Hang Seng	27444.00	-313.09	-1.13
India	S&P BSE Sensex	31531.33	-266.51	-0.84
Japan	Nikkei Stock Avg	19729.74	-8.97	-0.05
Singapore	Straits Times	3323.24	5.16	0.16
South Korea	Kospi	2359.47	-8.92	-0.38
Taiwan	Weighted	10329.74	-140.64	-1.34

Key Rates

Latest 52 wks ago

Cur Stock	Sym	Last	% Chg	YTD% Chg
Asia Titans				
HKS ALA Group	I299	60.00	-0.50	-37.14
AUS AustNZB	ANZ	29.83	-0.27	-1.94
AUS BHP	BHP	26.07	-0.53	4.03
HKS CKHutchson	CKH	103.30	-1.81	7.52
AUS CSL	CSL	127.78	-0.54	27.26
HKS ChinaMobile	CM	87.00	-0.78	-2.78
HKS ChinaPetro&Chem	CP	5.84	-0.68	-6.18
AUS CmwhbKust	KAUST	81.05	-0.07	-1.65
HKS EastJapanRailway	EJR	10305.00	0.88	2.03
HKS ChinaLifeInsuranc	CLICO	24.25	-2.02	-8.66
HKS ChinaMobile	CM	87.00	-0.78	-2.78
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Home-Rental Giants Unite

Big U.S. landlords plan to merge, as a sector that grew out of crisis consolidates

BY RYAN DEZEMBER

Two of the country's largest rental-home owners agreed to merge in a deal that would create a giant landlord with roughly 82,000 homes in 17 metro areas.

Blackstone Group LP's Invitation Homes Inc. and Starwood Waypoint Homes plan to combine in a bid to gain scale and operating efficiencies in markets that include Atlanta, Miami and Southern California.

The deal between the publicly traded real-estate investment trusts is the biggest yet in the rapidly consolidating institutional rental-home business, which sprouted from the foreclosure crisis when big investors raced to buy homes at steep discounts.

The combined company, which will keep the Invitation Homes name and be led by Starwood Chief Executive Fred Tuomi, would be the country's largest private owner of single-family homes by a wide margin.

American Homes 4 Rent, which was founded by self-storage magnate B. Wayne Hughes, owns about 49,000 houses in 22 states.

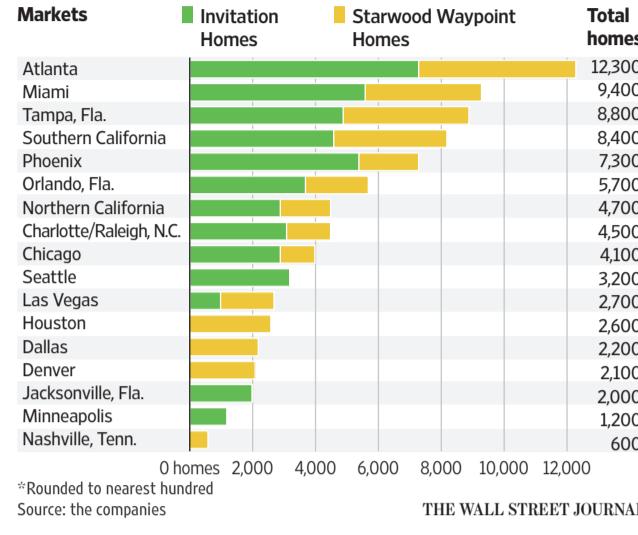
Under terms of the agreement, Invitation Homes shareholders will own 59% of the combined company's shares while Starwood's investors will hold the remainder. The companies have a combined stock-market value of about \$10.7 billion, and about \$9.5 billion in debt between them.

Blackstone took Invitation Homes public in January and owns about 71% of its stock, according to securities filings. The firm will own about 41% of the combined company's shares.

The company's C-suite will consist of a mix of executives from both firms and its board

For Rent

Invitation Homes and Starwood Waypoint Homes plan to merge to become the country's largest private owner of single-family rental homes.



*Rounded to nearest hundred

Source: the companies

THE WALL STREET JOURNAL

will be split with six directors, including Blackstone's real-estate chief Jonathan Gray, coming from Invitation Homes, and five from Starwood, including its chairman, Barry Sternlicht.

"This turned out to be a business," said Mr. Sternlicht. "When we started out I think there were a lot of people who didn't think it was a business. They thought it was a trade."

82,000

Approximate number of homes the merged company would own

Mr. Sternlicht merged his rental-home portfolio last year with that of fellow real-estate mogul Thomas J. Barrack Jr. to create Colony Starwood Homes. The company changed its name last month to Starwood Waypoint after Mr. Barrack sold his stake in the firm.

Since the 2016 merger, the company's shares have taken off. The stock is up 17% this year and has been trading near records this summer. Shares of

Invitation Homes are up about 5% since its IPO.

Messrs. Sternlicht and Barrack had similar strategies to Blackstone following the mortgage meltdown a decade ago: They bought foreclosed homes by the thousand from the courthouse steps, often sight unseen, in markets predominantly in the Sunbelt and along the West Coast.

The investors targeted neighborhoods around rapidly growing cities, with low crime rates and good schools, and bought homes that could accommodate families and were fairly new and thus easier and cheaper to maintain. After fixing them up, sometimes at significant expense, they rented them out. These days, they are buying houses at a slower pace, usually on the open market.

While many investors that followed similar strategies have sold out now that home prices in some markets have surpassed their 2006 peaks, Blackstone and Starwood's founders have been among the few that decided to stick around in a bid to institutionalize single-family rental homes, as they did office towers, shopping centers and apartments before.

Their near-term wager is

that home-building will continue to trail demand and that bad credit, a lack of savings and tight lending will keep many renting. In the long term, they are wagering that homeownership will no longer be an essential component of the American dream.

By some measures, U.S. homes are the biggest asset class in the world. Their collective value of nearly \$25 trillion is greater than that of all the shares on the U.S. stock market and about double the worth of marketable Treasuries, according to Amherst Capital Management. And they are among the most diversely owned. The rental-home business, which has existed for decades, is nearly as fragmented as homeownership itself, having long been dominated by mom-and-pop operations and local investors, most of whom own just a property or two.

Analysts estimate that institutional investors own about 200,000 houses throughout the U.S. That is less than 2% of the estimated total of rental homes, yet the merger will create in some markets a mega landlord, the likes of which hasn't been seen. In Atlanta, the firm will own more than 12,000 houses. Around Miami it will own more than 9,000, and 8,000 in Southern California suburbs and near Tampa Bay.

Market density is key to the business plan. The more homes owned in proximity to one another, the more efficiently leasing agents, maintenance crews and contractors can work. The firms' combined holdings should also make for cheaper financing. And a larger company could mean inclusion in big stock indexes.

The companies believe they can achieve tens of millions in so-called synergies by combining. They overlap in 10 of their combined 17 markets. About 70% of the merged company's revenue comes from the West Coast and Florida, though Seattle, Chicago, Phoenix and Texas also are big markets.

Wells Fargo Shake-Up Could Oust Chairman

By EMILY GLAZER

ers' knowledge, sparking public and political outcries as well as numerous investigations.

More recently, the bank has said even more customer accounts may have been affected. It also is facing a new scandal in its auto-lending unit over insurance policies involving many borrowers. The bank has said it would reimburse customers for around \$80 million.

Mr. Sanger became nonexecutive chairman in October when then Chairman and Chief Executive John Stumpf abruptly retired in the face of the sales-practices scandal. Mr. Sanger was previously the lead director and had been on the board since 2003.

He previously had been CEO of packaged-food company General Mills Inc. until September 2007 and was its chairman until 2008. Mr. Sanger also is a director of Pfizer Inc.

Since his elevation, Mr. Sanger and other board members have contended with continued revelations about the depth of problems within Wells Fargo.

In addition, Sen. Elizabeth Warren (D., Mass.) in June mounted a public campaign to press the Federal Reserve to remove a dozen directors at the bank who served during the period when bad behavior occurred.

That "revealed severe problems with the bank's risk management practices—problems that justify the Federal Reserve's removal of all responsible board members," according to a letter that Sen. Warren sent to Fed Chairwoman Janet Yellen.

Even before that, shareholders at the bank's annual meeting in April had given only tepid support to the board. Nine directors, including Mr. Sanger, received less than 75% approval for their re-election.

Mr. Sanger garnered only 56% of the vote—far below the 95% or more that most directors usually receive.



PHILIPPE BOURGEOIS/REUTERS

Wells Fargo's Stephen Sanger

said. Vice Chair Elizabeth Duke, a former Federal Reserve governor, is then likely to take the top spot, some of these people said.

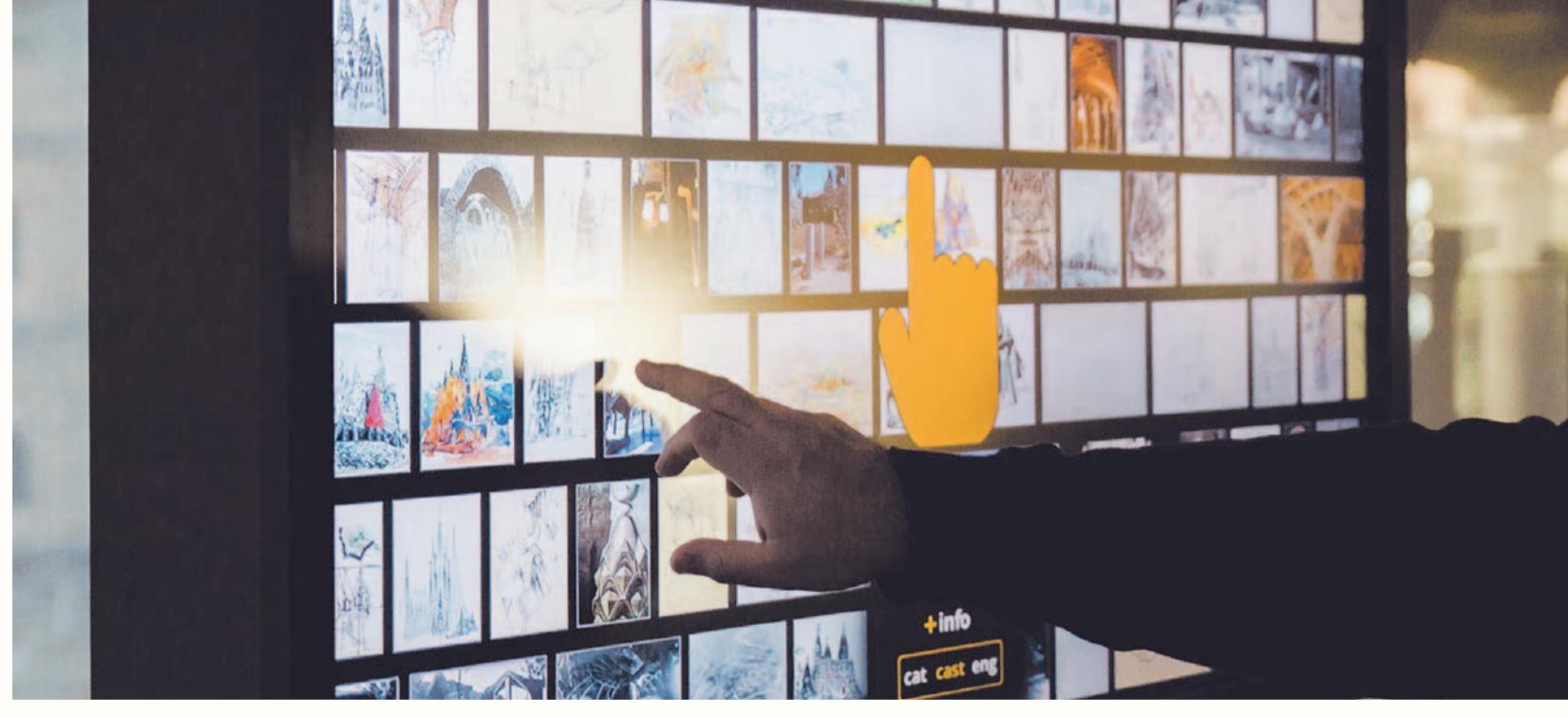
Discussions about board changes have been under way for a few months, spurred by dismal results at the bank's shareholder meeting. They also come against the backdrop of calls in Washington for even more dramatic action at the bank.

Neither Mr. Sanger nor Ms. Duke was immediately available to comment.

Wells Fargo, the third-biggest U.S. bank by assets, has spent most of the past year trying to put last fall's sales-practices scandal behind it.

The scandal showed employees had opened as many as 2.1 million accounts without custom-

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MARKETS

U.S. Stocks Extend Losses to Third Day

Investors turn to haven assets amid downbeat earnings, geopolitical tensions

By AKANE OTANI AND JUSTIN YANG

Stock markets tumbled for a third consecutive day, as disappointing earnings and an exchange of threats between North Korea and the U.S. pushed investors out of shares.

The declines have jolted markets from a period of calm, when stock indexes around the world climbed to records and volatility remained historically low. U.S. stocks have rallied this year with few interruptions, something many investors have attributed to the improving health of U.S. companies and steady global economic growth.

However, rising geopolitical tensions, a batch of tepid earnings reports and economic data showing sluggish inflation and productivity growth have raised the prospect of a more prolonged pullback.

Thursday's moves sent the Dow Jones Industrial Average down 204.69 points, or 0.9%,

to 21844.01. The CBOE Volatility Index, a measure of investors' expectations for swings in the S&P 500, soared 40% in late trading—on track for its second-biggest one-day jump of the year. The VIX has hovered near record lows this year.

In Europe, the Stoxx Europe 600 fell 1% to 376.05, its lowest close since late March.

After a largely steady rally that led the Dow industrials to nine consecutive records through Monday, many investors and analysts have cautioned that a sell-off was simply overdue. "You have these periods of large runs, and that's often followed up by pullbacks; and that's what we're seeing," said William Hamlyn, senior investment analyst at Manulife Asset Management.

Others said it was too early to conclude the week's moves marked the beginning of a deeper downturn.

Even after their recent losses, U.S. stocks remain near their all-time highs. The S&P 500 fell 1.4% Thursday but is still up around 9% so far this year.

"It's hard to consider a lot of 'what-ifs' before they happen," said Frank Cappelleri, executive director of brokerage Instinet. "The way the S&P has reacted, it doesn't seem like



Macy's shares slid 10% after it said same-store sales continued to decline in the second quarter.

people are pricing in nuclear war."

Strong earnings this season have helped bolster global markets, and the economy should grow in the second half of the year, said William Delwiche, managing director and

investment strategist at Baird.

"We have the international economy doing quite well and some evidence that the U.S. economy can get back in gear and accelerate a little bit," he said.

Investors retreated from

several of this year's winners on Thursday, including shares of large U.S. technology companies and biotechnology firms.

The Nasdaq Composite, which includes many such companies, fell 2.1%.

A series of downbeat corporate reports also weighed on U.S. stocks.

Retailers slid after department stores Macy's and Kohl's both said same-store sales continued to decline in the second quarter. Shares of Macy's lost 10% and Kohl's fell 5.5% in late trading.

Shares of **Blue Apron Holdings** fell 19% after it said it lost more money than analysts had expected in its first quarterly earnings report since going public in June.

Chip maker Nvidia, which is expected to report earnings after the close, fell 3.8% in late trading and was one of the biggest decliners in the S&P 500 tech sector.

As investors sold stocks around the world, assets perceived as havens—such as gold, the Japanese yen and U.S. government bonds—strengthened.

The yield on the 10-year U.S. Treasury note fell to 2.211%, according to Tradeweb, from 2.246% on Wednesday as prices rose. Gold jumped 0.8% to \$1,283.70 a troy ounce, while the Japanese yen strengthened 0.8% against the dollar.

Earlier, Hong Kong's Hang Seng Index lost 1.1%, while the Shanghai Composite Index fell 0.4% and Japan's Nikkei Stock Average lost less than 0.1%.

OPEC Says Crude Output Rose in July Despite Curbs

By CHRISTOPHER ALESSI

LONDON—OPEC crude-oil production rose further in July, in the latest sign the cartel's efforts to reduce output and drain a global supply glut are falling short.

The report comes as Saudi Arabia—OPEC's largest member and the world's biggest crude exporter—has been pressuring other members of the cartel for better compliance with an agreement to

The uptick, which was smaller than the prior month's increase, was driven by higher production in Libya, Nigeria and Saudi Arabia, according to OPEC's closely watched monthly market report.

Organization of the Petroleum Exporting Countries output increased by roughly 0.5%, to 32.87 million barrels a day last month, up by 172,600 barrels from June.

curb output.

OPEC and 10 producers outside the cartel including Russia first agreed late last year to cap their production at around 1.8 million barrels a day lower than peak levels of October 2016, with the aim of alleviating a global oversupply and boosting depressed oil prices.

But the deal, which was extended in May through March 2018, has failed to have a significant impact on prices.

Iraq and the United Arab Emirates for not meeting their output reduction goals.

However, those two countries showed production declines in July—even if short of their promised levels—according to the report. Iraq's output fell 33.1 thousand barrels a day, to 4.5 million barrels a day, while the U.A.E. pulled back by 6.7 thousand barrels a day, to 2.9 million barrels a day.

At the same time, Saudi Arabia, which exceeded its output limit of 10.058 million barrels a day again in July, committed this week to cutting exports to most buyers in Asia by up to 10% in September in an effort to comply with the deal, two Saudi oil officials said Tuesday.

The kingdom traditionally has high domestic oil demand in the summer that increases its output.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

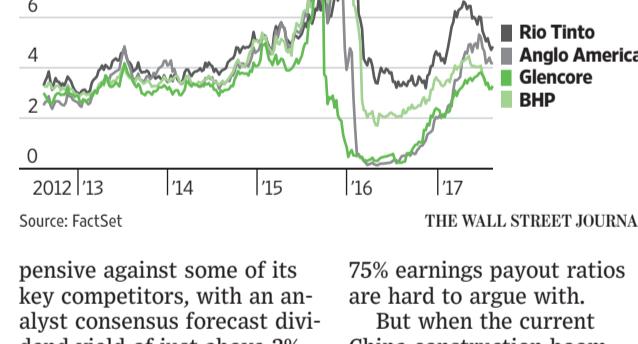
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Glencore Bets on Electric Cars

In a Hole

Next 12 months' dividend yield, analyst consensus



firms are still paying down net debt, which fell \$1.6 billion in the first half, into its targeted range below \$15 billion. And there could be upside on the payouts. Jefferies figures it could send around \$2.5 billion shareholders' way—a healthy 4% dividend yield in 2017 if current spot prices hold.

At the same time, the firm is adding to its positions in commodities such as copper, cobalt and coal. The former two will be big beneficiaries of the shift toward electric cars and battery storage for wind and solar. Coal will still be necessary for a while, particularly if the shift toward electric cars happens quicker than expected.

Investors who prefer cash in hand should go with Rio Tinto—but Glencore might electrify shareholders in the long run who elect to stick around.

—Nathaniel Taplin

Don't Count on an Altice-Charter Deal

How would European cable billionaire Patrick Drahi fund a bid for **Charter Communications**? It is the obvious question—but perhaps it misses the point.

Mr. Drahi is the majority shareholder in **Altice NV**, a Netherlands-listed entity that owns, among other assets, a majority stake in **Altice USA**, the fourth-largest U.S. cable operator following its takeovers of Cablevision and Suddenlink. When Altice USA completed its New York IPO in June, Mr. Drahi's managers made no secret of their interest in using the publicly traded shares as a currency to vacuum up more regional cable companies.

Wall Street speculated that privately owned **Cox Communications**, the third-largest U.S. cable group, was the obvious prize for Altice—if only the Cox family would sell. But now Altice says it is considering a bid for Charter, the second-largest after **Comcast**. Both

Sprint and **Verizon** also have poked around at doing deals with Charter.

It is hard to fathom the math behind an Altice USA bid for Charter. Even assuming that the Altice parent

company would use the full weight of its balance sheet, Charter is almost twice the size, with an enterprise value of \$176 billion. And much of that is debt, so Altice couldn't pay for all of the company by further leveraging up its balance sheet. It could issue equity, but Charter has indicated it is not interested in stock, so Mr. Drahi would have to drum up interest from external investors—and face dilution of his own stake.

That said, Mr. Drahi is known for bold bets, funded by his trademark knack for cutting costs. Altice USA's second-quarter adjusted earnings before interest, taxes, depreciation and amortization rose 22% year over year as the margin jumped 6.6 points to 42.7%. Charter's adjusted margin in the period was 37.1%. Bringing it up to Altice USA's level would boost Charter's earnings by roughly 15% or \$3 billion. With Charter's enterprise value trading at about 11 times Ebitda, that could be worth \$33 billion, funding a healthy takeover premium, though not the entire deal.

The bid discussion at Altice remains internal; the company has yet to sound out banks. The market's response hasn't been an unambiguous no: Shares in Altice USA barely moved, while its parent's stock fell slightly.

Perhaps this is another way for Altice USA, less than two months after its IPO, to make clear to the U.S. cable-and-telecom industry that it wants to be part of the consolidation game now taking shape. If Charter is the company in play, the new kid needs to find a way of playing—even if it's just talk.

—Stephen Wilmot

Markets Wait for a Sign on Inflation

One swallow doesn't make a summer, and a single data point doesn't make a trend.

But this summer's inflation data could prove unusually important in shaping markets. Friday's U.S. inflation reading, in particular, is one to watch closely.

That is because expectations around global central-bank policy are in flux. In late June, there was a flurry of excitement as central banks, the European Central Bank foremost among them, appeared to signal that they were thinking of following in the U.S. Federal Reserve's footsteps by starting to withdraw some of the extraordinary stimulus they have provided in recent years. The Bank of Canada even raised rates for the first time since 2010. Only the Bank of Japan

was left out of the rush.

For the most part, the consensus around this trend has dominated currency markets, especially the resurgence of the euro over the dollar. But lately, that consensus looks somewhat wobbly.

Expectations surrounding global central-bank policy are in flux.

July's ECB meeting was taken by markets, perhaps unwarrantedly, as a small step backward. German 10-year bond yields have fallen back below 0.5%. ECB President Mario Draghi has played

for time: More news on the fate of its government-bond-purchase program will come in the fall. And the pound, after a strong run against the dollar, has slipped lower as excitement about a U.K. rate increase has faded.

One element that could change things decisively is any hint that U.S. inflation is picking up. Markets hardly believe the idea that the Fed will carry on raising rates into 2018. Barely one rate increase is priced in over the next 18 months, ING notes. U.S. inflation has fallen back to 1.6% in June from a peak of 2.7% in January. Core inflation, which excludes food and energy, has been weaker than expected by economists for four consecutive months, J.P. Morgan notes. That is a test for the idea that weak-

ness in inflation is transitory, allowing the Fed to push on.

The dollar has already regained some lost ground due to the building geopolitical tensions between the U.S. and North Korea. If markets were to begin to reprice expectations for the Fed, the greenback would already have some wind at its back. That in turn should affect Europe, where the relative strength of the euro could be damping inflationary pressures.

The first half of 2017 saw headline inflation swing largely based on moves in energy prices. That distortion is now fading, and the real trend is becoming clearer. For markets in the second half, much will depend on it.

—Richard Barley



Patrick Drahi, the majority shareholder in Altice NV

ERIC PIERMONT/AGENCE FRANCE PRESSE/GETTY IMAGES

Jagger's edge:
Adopt his
rule-breaking
rugby look



W3

OFF DUTY



Does Honda's
Odyssey minivan
overshadow the
brand's crossover?
W6

EATING | DRINKING | STYLE | FASHION | DESIGN | DECORATING | ADVENTURE | TRAVEL | GEAR | GADGETS

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THE WALL STREET JOURNAL.

Friday - Sunday, August 11 - 13, 2017 | W1



F. MARTIN RAMBAUT/WALL STREET JOURNAL, GROOMING BY ELISA FLOWERS

Masked Men

Once, spa vacations were ladies-only. Now U.S. wellness retreats are trying to scrub away that perception, offering everything from manly hops-infused pedicures to all-guy boot camps. And male execs are buying it

BY MATTHEW KRONBERG

FOR ONE WEEK this summer, the crowd at Cal-a-Vie, a Provençal-style wellness resort spread over 600 acres of chaparral in Southern California, looked...different. "We had a corporate retreat here and it was 90% men," recalled Terri Havens, who owns Cal-a-Vie with her husband, John. "Twenty-five years ago, you couldn't get a guy to come in. We never dreamed we would see the day when we had more men than women here."

Circular reasoning was at work. "My image was of a bunch of ladies in robes getting their nails and their hair done," said Peter Shaper, a founding partner of a Houston private-equity firm. And that image—widespread as it was—kept men away: Guys didn't go because they thought guys didn't go. Mr. Shaper's wife, who frequented spas with her mother and sister, spent years trying to convince him to join

Please turn to page W2

OFF DUTY

SPA GETAWAYS FOR BROS

Continued from page W1
her on a trip, emphasizing the fitness and sport options, rather than the ylang-ylang-scented pampering. Eventually he went along to Arizona's Canyon Ranch, among the biggest names in American wellness retreats.

The verdict? "She was right," he said. He hiked, biked and did a boot camp class. "I didn't do any facials. I may have gotten a massage. At first I wasn't even that excited about that part." It was enough to entice him to try other spas with her, including Cal-a-Vie, which has long been trying to beckon guys like Mr. Shaper. Cal-a-Vie co-owner John Havens had "really rich leather boxing bags made for boxing class and he [added] rowing machines and TRX and then serious hikes. Macho stuff," said Ms. Havens. Even the spa offerings took on a testosterone tinge. "Instead of a mani-pedi," she added, "it's now a hand and foot sports conditioning."

Mr. Shaper's first visit to Cal-a-Vie was followed by another, with the business leadership group YPO, the Young Presidents' Organization. After that, he came back again, and then again. Friends—fellow CEOs and entrepreneurs—began to take notice. "I'd get some ribbing about it, but eventually I said 'Look, you guys will be shocked. You need to try it.'" Among those he converted: Chris Papouras, an oil industry executive, who had long written off the male spa experience as a "metrosexual boondoggle." Instead, he found it to be an "intense, physical experience," the only lowlight of which was "recognizing how out of shape I am." That recognition spurred a life-changing return to fitness, and a return visit.

While guys still constitute the minority of spa-goers, the industry's efforts to lure more men are paying off. At Primland, a resort in Northern Virginia where activities include hunting, recreational tree climbing (it's a thing) and motor sports, males have gone from just 10% of the spa's customer base when it opened seven years ago to 42% today. Golden Door, a hyperlux Southern California wellness retreat styled like a Japanese ryokan, has seen a nearly 70% jump in male clientele since 2012, said general manager Kathy Van Ness. The spa resort now offers a Men's Camp Week—think sleep-away camp with herbal wraps and ultracompetitive water volleyball—six times a year, up from just twice in 2012. Looking ahead, she added, "I think we could get to 10."

Among the guests at the spa's next such retreat will



HIS WAY Clockwise from left: A Tree House guest room at Primland resort in the Blue Ridge Mountains; the pool at California's Cal-a-Vie; a Thai massage at Canyon Ranch in Arizona.



MANLY AND PEDIE // SIX DESTINATION SPAS ACROSS THE COUNTRY THAT OFFER GUY-FRIENDLY TREATMENTS AND ACTIVITIES

Miraval Tucson, Ariz.

At this retreat in the Santa Catalina Mountains, outside of Tucson, activities range from rock climbing and mountain biking to making your own dreamcatcher.

Minimum Stay 1 night

Crowd Factor Medium, with 118 casita-style rooms and suites on 400 acres

Cost From \$549 per person per night

Which Includes

Meals, fitness classes, and activities like the 35-foot-high 'Desert Tightrope'

But Not Spa treatments, Pilates and some activities like the hands-on beekeeping experience, 'All the Buzz'

Sample Treatment

Deep River Stone massage incorporate-

ing heated basalt stones and cool marble. miravalresorts.com

Cal-a-Vie Vista, Calif.

At this SoCal-meets-Mediterranean-styled retreat, guys might come eyeing the golf course, but wind up embracing clean eating and exercise programs like Hydroride, an in-pool spin class.

Minimum Stay

Three nights

Crowd Factor Low, with 32 guest rooms on 500 acres

Cost From \$4,675 per person for three nights

Which Includes

Meals, fitness classes, and activities like the 35-foot-high 'Desert Tightrope'

But Not Spa treatments, Pilates and some activities like the hands-on bee-

keeping experience, 'All the Buzz'

Sample Treatment

Vinotherapie Hydrotherapy—an efferves-

cent soak that includes grapeseed, skin and pulp extract from the on-site vineyard. cal-a-vie.com

Golden Door San Marcos, Calif.

The goal of a stay at Golden Door is to shed the trappings of the outside world; they even issue you clothes—shorts, T-shirts and sweats—for the duration of your stay. Call it penitentiary-luxe.

Minimum Stay

Three nights

Crowd Factor Low, with just 40 single rooms (couples bunk down separately) and two villas on 600 acres

Cost From \$4,800 per person for three nights

Which Includes All classes, meals, and activities, as well as

daily in-room massages and skin care treatments

But Not Specialty one-on-one sessions ranging from Watsu water therapy to regression hypnosis

Sample Treatment

Hinoki Grounding Scrub, a woodsy scrub of hinoki, a type of cypress, and cedar, which claims to restore inner balance and clear mental fog. goldendoor.com

Canyon Ranch Lenox, Mass.

In the Berkshire Mountains, incorporating an 1897 mansion, Canyon Ranch's East Coast outpost also offers winter fitness programs like cross-country skiing and snowshoeing

Minimum Stay Two nights

Crowd Factor Me-

dium, with 126 rooms on 119 acres

Cost From \$2,400 per person for two nights

Which Includes

All meals and classes, and a credit toward spa and sport services

But Not Some activities, medical and spa treatments

Sample Treatment

Gentlemen's Facial—designed to address damage caused by sun and shaving. canyonranch.com/lenox

Minimum Stay Two days on weekends

Crowd Factor Me-

dium, with 58 double rooms on 500 acres

Cost From \$349 per person per night

Which Includes

Most classes, all meals, use of bicycles, kayaks, stand-up paddleboards

But Not Alcohol, spa treatments, private and semiprivate training classes, like the Pilates Reformer

Sample Treatment

Deep Forest Ritual with a coffee and dandelion exfoliation and massage using warm birchwood sticks and evergreen and citrus oils. thelodgeatwoodloch.com

courages you to keep your eyes skyward, whether it's watching for pheasants during a U.K.-style driven hunt, or looking into deep space from the resort observatory

Minimum Stay One night

Crowd Factor Low,

with 26 rooms, 21 homes and cottages and 3 tree houses on 12,000 acres

Cost From \$408 per room per night

Which Includes Your room

But Not Meals, activities, treatments

Sample Treatment

Blue Corn and Honey Wrap & Float, a body scrub with maize and a massage on a flotation table. primland.com

► For details on more destination spas, see wsj.com/travel

be chef Ludo Lefebvre, an owner of five Los Angeles restaurants. Mr. Lefebvre said he made his first visit to Golden Door, in 2015, after years of cooking, making TV shows, writing books and traveling the food festival circuit had taken a toll

on him. "I was at a breaking point," he recalled. Mr. Lefebvre spent his week there hiking, exercising, playing tennis and meditating. He had personal trainers and daily in-room massages. "I have the personality to be a bit extreme, so I did every-

thing the first time, which I don't recommend," he added. "My body hurt." Despite the price tag of just under \$9,000 for the seven-night stay, he'll be returning for his third Men's Camp Week this September.

At this point, you'd be

forgiven for deciding to forgo the spa vacation in favor of something more relaxing—like a triathlon. But not all male guests are drawn to the physically demanding aspects of the spa experience. Take Steven Kolb, the president and CEO of CFDA, the Council of Fashion Designers of America. "I don't do classes," he said, referring to his semi-frequent visits to the Lodge at Woodloch, in the Pocono Mountains, about 100 miles from New York City. He goes there "mostly after a busy work time like Fashion Week, or for a special occasion like a birthday," and when there, "I like a quiet room facing the lake and pine trees, the waterfall hot tub and lunch wearing a bathrobe." Add in a deep-muscle massage and a deep-pore facial and he's set.

Many men make spa treatments part of their routine, even outside of the spa. In his memoirs, Henry Kissinger recalls that Richard Nixon, "lying naked on the rubbing table" during a stay at the Kremlin Grand Palace, "made one of the more courageous decisions of his Presidency," when he reasserted his hard line stance in the SALT talks. Mr. Kissinger called it "a heroic position from a decidedly unheroic posture."

LONG BEFORE spas became ground zero for "girlfriend getaways," mineral springs and baths drew weary power players of both sexes, including a number of American presidents. Near the Roman Baths at West Virginia's Berkeley Springs State Park, you'll find a small stone tub fed by a 74.3 degree spring, marked as George Washington's Bath Tub. Washington first visited the spot in 1748, when he was 16, and frequented it for much of his life. The oldest spa structure in the U.S., dating to 1761, is the Jefferson Pools (formerly known as Warm Springs), now part of the Omni Homestead Resort in Warm Springs, Va. Thomas Jefferson bathed there for three weeks in 1818 to treat his rheumatism, saying in a letter to his daughter that "the spring with the hot and warm are those of the first merit."

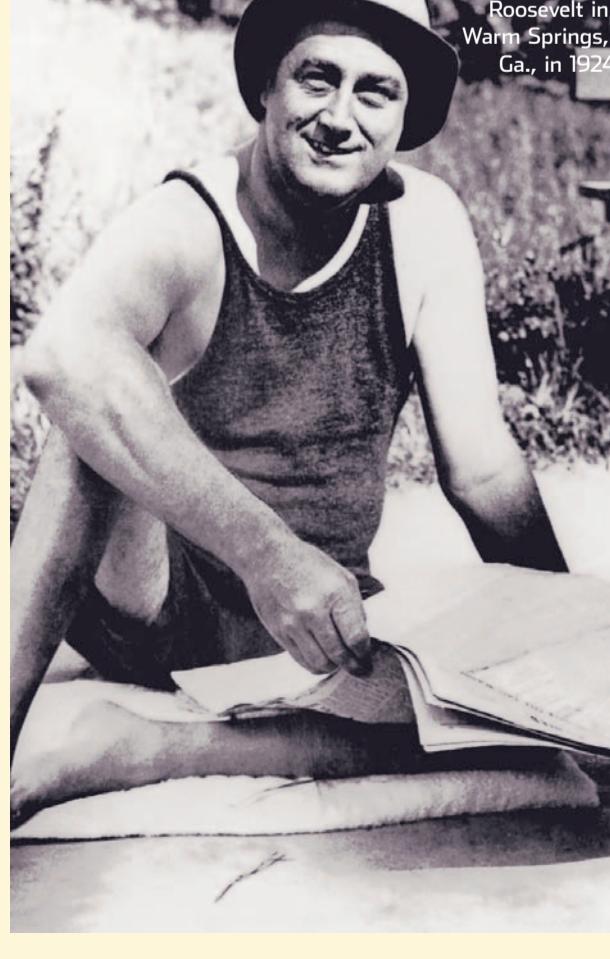
Virginia's Warm Springs should not be confused with Franklin Roosevelt's retreat of

the same name in Georgia, where he found relief from the effects of polio in 88 degree spring-fed pools. Reopening those pools—now part of Roosevelt's Little White House State Historic Site—for bimonthly public swims is the focus of a fundraising drive. Three years after Roosevelt's death, Harry Truman secretly spent election day 1948 at Elms Hotel & Spa in Excelsior Springs, Mo., where, the hotel website says, he "enjoyed the electric cabinet, salt rub, mineral water tubs and a massage."

The presumption in many places seems to be that guys feed on booze, cars and golf. The Lodge at Woodloch offers a "Renew and Brew" body scrub (or pedicure), with a hops- and barley-infused exfoliating treatment, followed by a massage and a craft

beer. At the Four Seasons in Chicago, spa-goers are offered a "Bourbon Hand and Foot Detailing" (note auto lingo), an undignified mani-pedi. Meanwhile, at the Ritz-Carlton spa on Georgia's Lake Oconee, you can get massaged with warm golf balls.

While a gimmicky golf ball massage might be a once-a-year indulgence, other spas offer services that resonate throughout the other 364 days. These include full medical consultations that physicians and nutritionists back home can follow up on. A spa visit can also help cultivate a habit of self-care that many men resist until they reach a crisis point. Bart Loring, founder and CEO of a Denver software company and a spa enthusiast who believes that a digital detox is key to reducing stress, gives his employees \$7,500 a year toward vacations where they are entirely disconnected. It can be Burning Man or Birmingham, as long as no work is done. Of course, he said, a wellness retreat is not a bad option. "My personal favorite is Miraval," a desert resort just north of Tucson, Ariz. "I also recently went to Deepak Chopra Center [in California]. When people are looking for something that's a little different, or their anxiety levels are high, I encourage them to go to one of these places. It might seem indulgent and expensive, but it's important to realize that [men] need some TLC too."

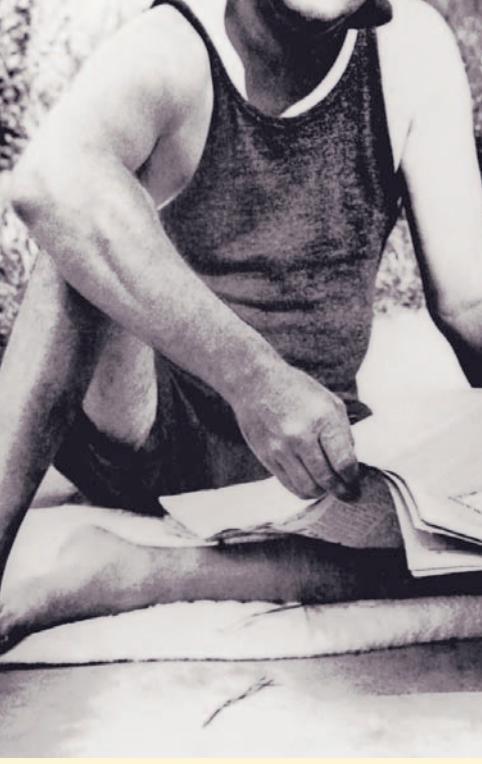


Franklin D. Roosevelt in Warm Springs, Ga., in 1924

Washington Schwitzed Here

Few jobs are more stressful than being a U.S. president.

Sometimes a soak and a rub is the only balm



Franklin Roosevelt's retreat of

OFF DUTY

COPY CAT

Stripes Like Jagger

Back when rugby shirts were still reserved for the upper crust, the Rolling Stones' front man co-opted one stylishly. Steal his strategy

BY JACOB GALLAGHER

SOME STYLE ICONS are an easy read. Frank Sinatra defined the two-martini rake. Fred Astaire? A dandy. Woody Allen, meanwhile, is a begrudging (and slightly bedraggled) prep.

Then there's Mick Jagger, a man whose look could never be described in such pat terms. "You never had a sense that you pegged him visually or in a fashion sense," said rock critic Anthony DeCurtis, who wrote the introduction for the catalog of "Exhibitionism," a traveling gallery-show dedicated to the history of the Rolling Stones, which recently closed in Chicago.

Originally, rugby was a game played by people who were privately educated so the shirt signified a kind of status.

Indeed. At the 1969 Rolling Stones concert in London's Hyde Park, Mr. Jagger pulled off a white puff-sleeved Elizabethan-style minidress (worn over white trousers) by British designer Mr. Fish. Two years later, when he married Bianca de Macias in Saint-Tropez, he suited up in a tan three-piece tux, which he finished off with slightly ratty plimsolls. "He dressed exactly as he wanted to," said Mr. DeCurtis. "He wasn't following any trends."

This photo (right) of Mr. Jagger with chanteuse Françoise Hardy, taken in London, in 1965, reveals much about his convention-flouting style. He wears a classic gold and blue striped rugby shirt tucked into rockstar-slim trousers, finished with a blazer and, it would seem, a devil-may-care attitude. While sporting a rugby this way might seem stylish in 2017, at the time it amounted to a minor subversion.

"[Rugby shirts] were an indicator of who you were and your status in the world," said De Montfort University professor Tony Collins, the historical consultant for Britain's Rugby Football League and author of "The Oval World: A Global History of Rugby." Originally, he explained, rugby was more exclusively a game

played by people who were privately educated so the rugby shirt signified prestige. As the son of a teacher and a hairdresser, Mr. Jagger hardly grew up steeped in high society; by co-opting the long-sleeve striped shirt, he was thumbing his nose at bona fide upper-class players.

The rugby has since been democratized, becoming a menswear staple, particularly at brands with preppy roots like Ralph Lauren, J.Crew and Land's End. The most significant recent upgrade is the weight of the fabric. The rugbies of yore had to be hardy enough to withstand a tackle from a 300-pound Irishman, which is less of a concern for a Seattle marketing exec wearing his rugger to a Saturday matinee of "Baby Driver."

"A rugby sometimes could be stiff and heavy," said Todd Parker, the men's sportswear merchant at L.L. Bean. "We've made it more lightweight so it broadens the appeal." The thinner rugby, said Mr. Parker, can function like a nonchalant layer during these transitional months.

For fall, some less expected labels are introducing their own spin on the shirt. To an otherwise classic iteration, Italian streetwear brand Palm Angels added its logo patch, making the look more head shop than "head and feed," to use a classic rugby term. Under Armour Sportswear cut its version in a techy fabric that feels like neoprene.

If you channel Mr. Jagger's mischievous styling approach, a rugger can look dashing 42 years later. Or even irreverent, said Andy Spade, the co-founder of Sleepy Jones, the New York label known for its pajamas, which began making rugby shirts two years ago. As a teen, he wore official-issue rugby shirts from sports outfitter Canterbury with Vans and old Levi's 501s, instead of pristine khakis and penny loafers. He still endorses that jaunty, skate-inspired look today.

It's certainly easier to achieve the Jagger effect with one of today's lighter-weight shirts that hang fluidly and tuck into pants more cooperatively. You can also swap the trousers for dark jeans or trade his dark blazer for a crisp denim jacket. The most essential accessory: a puckishly reckless attitude. Jagger "has this element of just grabbing what looks good," said rock historian Mr. DeCurtis. "He never seems to be trying too hard, but he always looks fresh."

A LEAGUE OF HIS OWN With his singular style, Mick Jagger, shown in 1965 with Françoise Hardy, subverted the then-status-laden rugby shirt.



JEAN-MARIE PERIER/PHOTOGRAPH (JAGGER); F. MARTIN RAMIN/THE WALL STREET JOURNAL STYLING BY ANNE CARDENAS (SHIRTS)



Clockwise from above: Rugby Shirt, \$340, pal mangels.com; Rugby Shirt, \$120, uasportswear.com; Rugby Shirt, \$118, sleepyjones.com; Rugby Shirt, \$125, Polo Ralph Lauren, 212-606-2100



IT REMAINS TO BE UNSEEN

In search of the best no-show socks

IT'S THOM BROWNE'S FAULT. The New York menswear designer's drive to get guys into cropped trousers led to the rise of the naked ankle and no-show sock, said Francis Wong, EVP and global creative director of trend-forecasting firm WGSN. And these days, said Randy Goldberg, co-founder of New York sock maker Bombas, "No shows sell year round. They're not just for summer." Success is all in the fit: The trick is finding comfortable socks that stay hidden and in place. A ring of visible sock is a no-show no-no.

To find the best, I took 10 pairs for a stroll on New York streets, alternating brogues, loafers and sneakers for each. The worst slithered down to toe-warmer size; others were so thin, why bother? Also, rubber heel patches don't compensate for a bad fit; polyester ones are like wearing tights (I imagine)—hot, constricting and bothersome. —Simon Collins

FIVE NOTABLE NO-SHOWS // FOR WHEN YOU WANT TO SLIP INTO SOMETHING MORE INVISIBLE

Pantherella

'Invisible' Socks, \$25, pantherella.us

The rundown Pantherella has been making socks for 80 years, and the expertise shows up in the fine-gauge cotton pairs boasting a "breathable top" and a sleek cut that "sits invisibly below a shoe line."

Tread test Soft and nicely taut across the top, these no-slipper footlets neatly frame a finely tanned ankle in a loafer. The downside of fine gauge? Too silky for a sneaker, plus, no cushioning to offset issues with new or heavy shoes, ruling these socks out for stomping around in brogues.

Bombas

No Shows, \$12, bombas.com

The rundown Contoured seams and linked stitching on the heels and toes promise a tighter grip at the back of the foot and a smooth, snug feel in front, all pluses while striding along city streets.

Tread test The cotton socks had excellent staying power, due to the ribbing that created a reliably close fit around the ankle. With well-padded, cushy soles, these puppies were comfortable, even while I dad-danced. Too much coverage for loafers; fine for sneakers/brogues.

J. Crew

No Shows, \$10, jcrew.com

The rundown These simple socks in breathable cotton and stretchy nylon promise to keep feet dry and odor-free. Plus, a superthin gripping heel pad keeps them from bunching up.

Tread test A slightly thicker knit insures more cushioning and protection from your hot and heavy leather shoes. Whether it was the touted grip pad or the clingy ankle ribbing, they performed admirably, providing enough (but not too much) coverage for whatever shoes I wore.

Muji

Foot Covers, \$5, muji.us

The rundown Known for its well-designed utilitarian basics, Japan-based brand Muji offers its plain "shallow toe foot covers" in an organic cotton blend with no-frills message: "good heel fit."

Tread test My regular choice to date: Proven to perform well in loafers, brogues, patent slippers and the occasional oxford, these absorbent socks stay in place, and hidden, thanks to a folded edge that hugs the top of the foot and protects skin from leather chaffing.

N/A

Sock/TwentyTwo, \$12, na-nyc.com

The rundown New York-based founder Nick Lewis kitted out these no-shows with an anti-slip gel heel and super stretch below the welt (the rim sewn around the edge) to "keep that sucker on your foot."

Tread test Even with a rolled edge instead of a ribbed one (that hugs more snugly), these pairs in a stretchy cotton/poly blend still delivered a close fit with cushioning for my brogues and sneakers. The tiny peek of sock in the loafers was so small it didn't bother me.



F. MARTIN RAMIN/THE WALL STREET JOURNAL (SOCKS)

OFF DUTY



BRYAN GARDNER FOR THE WALL STREET JOURNAL, FOOD STYLING BY JAMIE KIMM, PROP STYLING BY VANESSA VAZQUEZ

MEGA MEAL

The Pork Chop Artist

He wrote a Great American Novel or two. But he revealed his prodigious talent for living at the grill

BY JULIA REED

IFIRST MET the writer Jim Harrison in 1989 when I was an editor at Vogue with the book section in my purview and most of his work under my belt. When his publisher announced the reissue of all his fiction up to that point, it was the perfect occasion for a profile. Within days I arranged an interview and assigned a writer. Then, I came to my senses, lied to the writer and booked my own series of flights from New York to Michigan's Upper Peninsula, where Jim spent long stretches writing in the cabin he kept there.

I drove my rental sedan up the rutted driveway marked 'Trespassers Will Be Shot,' and there he was, preparing the grill.

Jim left us in 2016 with a whopping 40 books, including the much-loved "Legends of the Fall" and more than a half-dozen volumes of poetry, but he's almost as famous for his gregarious gourmandism. His last collection, "A Really Big Lunch," was published posthumously this past March; the title chapter describes an 11-hour, 37-course lunch held at a manor house in France. When we met, however, he'd written only a handful of food columns for his

friend and editor Terry McDonell, first at a magazine called Smart, then at Esquire (later to be collected in "The Raw and the Cooked"). I'd read—and loved—his poem "The Theory and Practice of Rivers," in which he makes menudo, the Mexican tripe soup, for New Year's revelers, and I knew something about his appetites. But I wasn't expecting a life-changing meal. I figured we'd dine at the Dune Saloon, site of the pay phone that had served as our only means of communication.

But then I drove my rental sedan up the cabin's rutted driveway, marked "Trespassers Will Be Shot," and there he was, preparing the grill for pork chops, a bunch of hardwood sticks in one hand and his beloved English setter Tess by his side. Our dinner consisted of a single course, but it remains among the most memorable of my life.

The thick chops were smoky and sweet from the wood, and there were chanterelles he'd foraged earlier in the day. When he combined them with asparagus and wild leeks in a sauté he dubbed Asparagus Julia, I'm sure I blushed.

There was plenty to drink, the result of one of Jim's messages to my assistant: "Make sure she brings wine." I didn't know if he needed fortification for the rest of his stay or a bottle or two for the night. Should it be red or white? French or Californian? In the end, my neighborhood liquor store man and I fixed up a mixed dozen, which I toted onto the pre-9/11 planes, a bag of six bottles straining each arm—including, I remember, at least two

ACTIVE TIME: 30 minutes **TOTAL TIME:** 3½ hours (includes brining and marinating) **SERVES:** 6

6 center-cut bone-in pork chops, about 1-inch thick
For the brine:
6 cups water
1 cup kosher salt
1 cup sugar
1 handful peppercorns

Jim Harrison's Grilled Pork Chops

ACTIVE TIME: 30 minutes **TOTAL TIME:** 3½ hours (includes brining and marinating) **SERVES:** 6

8 bay leaves
For the marinade:
1 tablespoon kosher salt
2 teaspoons freshly ground black pepper
2 teaspoons fennel seeds, chopped roughly with a heavy knife

1 teaspoon minced rosemary leaves
1 teaspoon minced thyme leaves
3 garlic cloves, smashed and minced
¼ cup olive oil
1 lemon, halved

- Brine pork chops: In a saucepan, bring 2 cups water to a boil. Add salt and sugar and reduce heat to low, stirring until salt and sugar dissolve. Pour into a deep bowl or large pot and add peppercorns, bay leaves and 4 cups cold water. Add pork chops, making sure they are completely submerged. Cover with plastic wrap and refrigerate at least 2 hours or overnight.
- Remove chops from brine and thoroughly pat dry with paper towels. Place on a cookie sheet or in a shallow pan.
- Marinate pork chops: In a small bowl, mix salt, pepper and fennel with herbs and garlic. Rub chops with olive oil and juice of half a lemon. Massage in salt-herb

mixture and let sit at room temperature 1 hour.

Preheat a gas grill or prepare a charcoal grill. (You can also do this in an iron skillet on the stove, over medium-high heat.)

Place chops on hottest part of grill and leave for 3 minutes. With tongs, rotate chops to create some nice grill marks and cook for about 2 to 3 minutes more. Turn chops and cook 3 minutes more, or until a thermometer inserted in thickest part of meat registers 140–145 degrees.

Return chops to cookie sheet, squeeze remaining lemon half over them and let rest at least 5 minutes before serving.

of Kistler Chardonnay. (I had not yet read his opinion that "white wine is Apollonian, the wine of polite and dulcet discourse, frippish gossip, banal phone calls...").

Since we didn't remotely stop with the Kistler, my memory of our conversation is a tad blurry, but it was anything but banal. Sitting across the table on his screened porch, listening to him talk—about everything from the poems of Rilke and the emotional poverty of Hollywood to the obvious fact that dogs have souls—I found myself visualizing the loop-the-loops of his muscular brain like the arcs of the fireflies still visible in the fading light. From

that meal forward, the two of us were fast friends and we shared many a great dinner together, including a mini-epic at Le Bernardin for which I had to buy him a tie.

Still, that first simple repast remains by far the most special. And to this day, I don't grill pork chops without thinking of my late, great pal. I also wouldn't think of grilling them without first brining them. After soaking a few hours in a solution of sugar, salt and water along with a flavoring or three of your choice, you can do pretty much anything to the chops and they'll be amazingly tender and flavorful.

In honor of Jim's friendship with

Mario Batali, who wrote the introduction to "A Really Big Lunch," I've given these chops a slightly Italian edge with crushed fennel seeds and garlic. They'd be terrific, obviously, with Asparagus Julia, though at this time of year, you might want to substitute fresh white corn for the asparagus and a chopped shallot or two for the leeks. Throw everything together in a skillet with lots of butter and a little olive oil and maybe a sprinkling of thyme leaves.

I'm not as dismissive of white wine as Jim was, but one of his favorite reds, a Bandol from Domaine Tempier, would round out the meal nicely.

HALF FULL

SHORTCUT TO THE CARIBBEAN

Rum punch can get complicated. This one's as breezy as summer should be



A GOOD FRIEND picks you up at the airport; a great one helps you move. But in my book, the best friend is the one who stirs up a batch of her deadly rum punch and delivers it in an icy Mason jar when your kid's sandbox is the closest you can get to a beach.

I'm blessed with a friend like that, a seasoned Caribbean traveler whose punch recipe was pieced together from the advice of Jamaican fishermen, retired rockers, chambermaids and a faded 1987 issue of Gourmet magazine. Including gen-

erous glugs of rum, nutmeg, ginger, bay leaves and both grapefruit and lime juices, it's a potion with roots in the 17th century, when British sailors flushed with rum rations carried a thirst for punch along on exploits ranging from the Indian Ocean to the West Indies.

No matter your latitude, there are few surer routes to beach-bum zen than a pitcher of punch. After years of trial and error, my buddy's layered concoction approaches perfection—but I still find fiddling with bay leaves and cloves and two

kinds of rum antithetical to the spirit of the drink.

So, this summer, I set out to engineer a shortcut. Determined to edit the number of components but reluctant to sacrifice the nuance that makes the drink more than just boozy "bug juice," I stumbled on a solution, not in the spice rack, but in the tea caddy. Turns out steeping a couple bags of chai—brimming with cloves, cinnamon, ginger, nutmeg and vanilla—in a standard simple syrup yields a concentrate that delivers a balanced sweetness and the complex flavors of the Spice Islands. It even seems apt, as many of the earliest British and American punch recipes included tea as a key ingredient.

Fresh-squeezed juice is a treat, but don't beat yourself up if all you can find is grapefruit cocktail and a can of pineapple juice. This recipe holds up well with ingredients obtained at a shore-town mini mart or corner bodega. And the chai syrup makes two batches, should be you inclined to share. What are friends for? —Sarah Karnasiewicz

West Indian Rum Punch

ACTIVE TIME: 5 minutes **TOTAL TIME:** 1 hour (includes cooling time) **SERVES:** 6

Make chai syrup: In a small bowl or jar, cover **½ cup granulated sugar** and **3 chai tea bags** (preferably Celestial Seasonings Bengal Spice) with **1 cup boiling water**. Stir to dissolve sugar. Let steep 15 minutes (mixture should be very dark), then discard tea bags. Cool to room temperature. (This makes enough for two batches.) // In a large ice-filled pitcher, combine **½ cup tea syrup**, **½ cups grapefruit juice** (preferably pink), **½ cups pineapple juice**, **1½ cups dark rum** and **½ cup real grenadine**. Stir well. // To serve, pour into ice-filled glasses. For a stronger drink, add a float of dark rum to each glass. Garnish with a **maraschino cherry** and a **splash of maraschino juice**.



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TECHNOLOGY COLUMNISTS

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GEAR & GADGETS



VAST AUTHORITY The 2018 Honda Odyssey offers a generous 38.6 cubic feet of cargo space behind the third row.

HONDA

RUMBLE SEAT DAN NEIL



Honda Odyssey: The Gas-Powered Marital Aid

AS A GROUP, minivan buyers must skew heavily toward the nice and well-adjusted—parents who know no other way but to put their kids first, who bury their own needs in a grotesque hole of denial never to be seen again.

I spent my childhood in a Ford pickup with my father chain-smoking and the windows rolled up, so I know the difference. Dad actually removed the lap belts because they were “in his way.”

For parents of young children, nothing beats a minivan. No vehicular helpmate is ever quite as there for you. Irrespective of your clinging to a previous automotive identity—the Jeep Wrangler permanently parked in the driveway, *sad!*—now that you are a parent, the functional advantages of a minivan are dispositive, starting with the magic of sliding side doors. With floor-to-ceiling hatches that roll back out of the way, access to second- and third-row seating is much less of a fight for passengers (stop fighting, you two!).

Most important for new parents, the sliders and low cabin floor make it easier to belt/unbelt young children in their safety seats—more comfortable for them, too, as opposed to being crammed through the door hole of a Honda Pilot SUV.

Sliding doors also alleviate the fear of parking too close to other cars and having the kids bang them like you own a body shop.

Are you feeling more relaxed already? Of course you are, because the essence of minivan design, the leitmotif, is stress reduction, ease of use and versatility. It’s an empowering freedom that says, “Yes, at any time, day or night, I can drive 200 miles to pick up the swim team.”

And as I have long argued, minivans are marriage savers. The primary cause of intimacy issues among American couples is daily stress and aggravation, which scientists call “children.” Minivans reduce the strain on the harried, horned-up bill-payers in front, by making things quieter, smoother, easier, safer, more connected and less contentious in the back.

These are the apparent motivations of our test car, the Honda Odyssey minivan, freshly overhauled

for 2018 and wrapped in a tighter, more soundproofed body; generously provisioned with active safety technology, such as front-crash mitigation; and stuffed to the gunnels with electronics.

(In the age of Big Data, I wonder, is it possible to compare the divorce rate between minivan and crossover/SUV buyers? Could we drill down to make and model? I think the Ford Raptor pickup’s number has got to be, like, 100%.)

Honda claims the Odyssey is the first minivan to offer unlimited data and video streaming via a 4G LTE Wi-Fi hotspot, supporting up to seven devices (Touring and Elite trim, \$20 a month after a three-month complimentary subscription). Our Elite tester was a fairyland of infotainment distraction, where Apple and Android muses swam in abundant Bluetooth waters, where devices charged wirelessly, and where even the rear climate control can be managed by mobile app. Mounted overhead amidships is a fold-down 10.2-inch HD screen with Blu-ray, backed up by a 550-watt, 11-speaker audio system. Key detail: The audio system’s three-zone volume control allows for discreet, and discrete, programming for front-seat adults.

The essence of minivan design is stress reduction, ease of use and versatility.

Here, at last, we have technology meaningfully brought to bear on parental self-soothing. You kids put on your headphones and watch “Frozen.” Mom and I will be up front, feelin’ it with Rihanna.

Nobody’s saying it’s right to ignore your children. The Odyssey offers two systems that allow the bridge crew to maintain contact/surveillance. One is CabinWatch, a closed-circuit monitoring system pointed at the rear seats—a dubious improvement over an ordinary mirror, but there you are. Also, should you need to get the attention of your lotus eaters, there is an in-car inter-

com.

By Honda’s count, the Odyssey led minivan sales (U.S. individual buyers, not fleet sales) for the last seven years, so it’s not like the old one is obsolete. But in these cross-over-crazed times, the real competition sits across the showroom floor. The Honda Pilot three-row SUV employs the same Global Light Truck platform with the same V6 engine and the option of all-wheel drive. It looks tough, runs great.

However, in terms of people moving, it’s not even close. Sure, the Pilot might seat as many as eight, but it can’t carry all their overnight bags. And you can just imagine the moment when Dad discovers this fact, standing there with his hatch hanging open at passenger pickup, traffic-cop whistles in his ears, bags at his feet. Now he has to explain why he is leaving Mom’s rollerboard at the curb. Those are some relationship headwinds.

Old fool that I am, when I look at the Odyssey, I see a mixed-material monocoque with 44% higher torsional rigidity (minivans have big holes for doors, windows and skylights, which makes acoustics and body stiffness a special challenge) and lower weight. Although virtually the same size as the previous model, the fifth-generation Odyssey’s insides have been scraped out like a jack-o’-lantern. Specialists will note the trailing-arm independent rear suspension is even more compact than in years past, further reducing intrusion into the cabin and the deep-floored luggage space.

I also see a fair bit of legacy, and even resting-upon oars. There is still no all-wheel drive option for the Odyssey, nor is there a PHEV variant to compare against the very fine Chrysler Pacifica Hybrid. The 3.5-liter V6 (with VTEC and cylinder deactivation ECO mode) has been the standard-issue engine for more than a decade; but it has been squeezed for another 32 hp here (280 hp) and reworked to reduce noise-vibration-harshness (including dynamic engine mounts). The fancier trim levels (Touring and Elite) get a very quiet, clever 10-speed transmission, one better than the standard nine-speed automatic.

Despite the extra gear ratio and even aerodynamic grille shutters to reduce aero drag, the Odyssey Elite’s mileage remains virtually unchanged at 19/28/22 mpg, city/highway/combined. Such are the asymptotes when you are dealing with a 4,593-pound hunk of huge with a naturally aspirated V6.

It does get up and go: 0-60 mph goes by in about 7.5 seconds. In interstate-cruise mode, the 10-speed Odyssey purrs along in super overdrive, turning about 2,200 rpm. The tow rating for Touring and Elite is a useful 3,500 pounds.

Given the envelope, the Odyssey was never going to look svelte. Honda settled for putting racing stripes on this manatee—the bent, geometrically unrelated accent lines along the flanks. The Elite’s exterior blazes with polished finishes and narrow-eyed LED lamps, in keeping with Honda’s current face-forward style. But the biggest gain aesthetically was the clever concealment of the door tracks under the lower lip of the rear-quarter glass. It’s a detail that cleans up presentation nicely.

My biggest complaint with the Odyssey just leaves me amazed. This company was once the seat-meister, with some of the smartest accommodations in the class. However, with the fifth-generation redesign, we meet the Magic Slide seats, which traverse on lateral tracks. This arrangement makes it possible to remove the center portion and push the outside captain’s chairs toward the middle, as needed, for what Honda calls “walk-in access.”

But these outboard units can’t slide forward or fold very far, and even less if there’s a child car seat in place. So it still takes a bit of doing to get past them and into the rear-seat area.

The title “best-selling minivan in America” is more than a strapline. It confers sociocultural significance. Whatever the Honda Odyssey is selling, Americans are buying. And while others may lament a generation lost in their digital amusements, I take comfort knowing there are still a lot of good people out there, indulging the hell out of their children. Peace be upon them.



2018 HONDA ODYSSEY ELITE

Type Front-engine, FWD eight-passenger minivan

Price, as tested \$47,610

Powertrain Direct-injection, naturally aspirated 3.5-liter V6 with variable valve timing/lift, cylinder deactivation and idle-stop; 10-speed automatic transmission with manual-mode paddle shifters; front-wheel drive

Power/torque 280 hp at 6,000 rpm/262 pound-feet at 4,700 rpm

Length/height/width/wheelbase 203.2/69.6/78.5/118.1 inches

Curb weight 4,593 pounds

0-60 mph 7.5 seconds

Towing capacity 3,500 pounds

EPA-estimated fuel economy 19/28/22 mpg, city/highway/combined



BLOCK PARTY These photos of this year’s Feb. 26 annular eclipse were taken using a DSLR camera, but a smartphone can capture the moment, too.

TOTAL ECLIPSE OF THE ART

Want to photograph the upcoming eclipse with an iPhone? Consider a few expert tips

THE AUG. 21 solar eclipse promises to be this year’s most photographed non-Trump phenomenon. But don’t expect your iPhone to capably capture the astronomical splendor—unless you follow these simple steps:

Score some shades. As you may know, you need special glasses to safely view the event. Turns out your iPhone can use a pair, too. Although Apple says photographing the eclipse won’t damage the iPhone’s camera, you’ll get a better shot by holding a pair of eclipse glasses directly in front of the lens as you snap the shutter. (Inexpensive cardboard specs work well for this.) According to NASA, the filter will eliminate the “sun blooming” effect—which results in a dis-

pointing photo of a bright blob.

Steady does it. Mounting your phone on a tripod, like the tiny Joby GripTight ONE GorillaPod (\$35, joby.com), will not only reduce blur, it will let you to take a time-lapse video, which is arguably the coolest way to document the event with an iPhone. Another jitter-busting tip: Connect a pair of headphones to your phone and use its in-line volume buttons to snap the shutter instead of tapping the screen.

Ride the exposure. Light levels will change continuously as the eclipse progresses. Although your phone will automatically adjust for this, you should know how to manually tweak the exposure settings: Tap the screen and hold your finger

there for a second, then slide your finger up or down. Another benefit: This also locks the camera’s focus.

Zoom in. Your iPhone was designed to capture wide shots—not celestial bodies—so even a tiny telephoto lens will help. Moment’s Tele Lens (\$100, shopmoment.com) offers stellar image quality.

Or zoom way in. The best option? Saddling up to a telescope. A mount like the Orion SteadyPix Pro (\$60, telescope.com) will steadily hold your phone right next to the eyepiece, which is very hard to do by hand. And basic telescopes aren’t as expensive as you might think. The Meade Eclipseview (meade.com) includes a solar filter and costs \$100.

—Geoffrey A. Fowler

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THE WALL STREET JOURNAL.

Lifts only go up and down inside buildings. But now that it has taken us up into the sky, it has become an ELEVATOR' —Roald Dahl

Friday - Sunday, August 11 - 13, 2017 | W7



GOING UP Bill and Valerie Sowles's incline elevator and house on Long Island in Maine's Casco Bay, above. Dyan Humes Nispel in the new incline elevator at her Malibu, Calif., property, below.

FROM TOP: TONY LUONG FOR THE WALL STREET JOURNAL; MICHAEL CZERNOWICK FOR THE WALL STREET JOURNAL

A Lift to Your Front Door

Private incline elevators benefit from two real-estate trends: the popularity of waterfront homes and the aging of the luxury home-buying population.

BY KATY MC LAUGHLIN

ON THE SUMMER RENTAL MARKET for \$150,000 a month, a luxurious property offers a two-bedroom house on a Malibu beach, plus a main home on Encinal Bluffs, the ridge where model Cindy Crawford and former Disney chairman Michael Eisner own estates.

Still, it is what the property doesn't have that justifies the top-tier price, says co-listing agent Adara Salim, a senior associate at Berkshire Hathaway Beverly Hills. "There's absolutely no hike," she says. Instead of schlepping up from the beach via 120-feet worth of stairs, this property boasts an incline elevator that can zip four people up the hill in 90 seconds.

"It's a scenic route" through a terraced organic farm and tropical landscaping on the 1½-acre property, adds owner Marcus Nispel, a movie director whose credits include "Conan the Barbarian," "Friday the 13th" and "The



Texas Chainsaw Massacre."

The Otis "vertical railway," a precursor to the incline elevator, was invented in the late 19th century, according to Patrick Carr, an elevator historian who is reopening the Elevator Museum in Boston this fall. These systems were typically used to transport patrons up to mountain resorts. By the 1920s, smaller, modernized versions started appearing in private homes, Mr. Carr says.

Now, incline elevators, which have improved over the years, are benefiting from two real-estate trends: the surging values of waterfront homes and the aging of the home-owning population. Nationally, waterfront homes are worth more than double the value of U.S. homes overall, according to a 2014 analysis by real-estate website Zillow; 20 years ago the difference was less than 65%. And many homeowners are aging out of stair-climbing, or are starting to host a gaggle of grandchildren, making those steep

Please turn to page W8

SUMMER, FROZEN IN TIME

On the rocky peninsula of Prouts Neck, Maine, tradition reigns and homes stay in the same families for generations; now, rising prices mean more public listings.



SHINGLE FILE On the market in June for \$3.5 million, this four-bedroom home is now under contract.

BY NANCY KEATES

'TRIBAL' IS A WORD residents of Prouts Neck, Maine, use, half joking, when they describe their tranquil, old-moneyed community.

Many of the families who summer in the 200 or so homes on this rocky peninsula have been going there for generations. Houses tend to get passed down. When they are sold, it's often done off-market to friends or the offspring of neighbors.

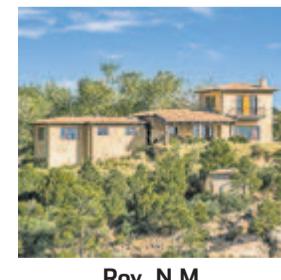
"We all grew up there, and our parents and grandparents grew up there," explains Lucy Foster Flight, a descendant of coal and oil magnate P.W. Sprague. She owns what was her mother's house in Prouts Neck.

That's why the recent public listing of a \$6.9 million compound is unusual. Ms. Flight, a realtor with Portland-based Town & Shore, is the agent for the sellers, who are her cousins and are among the community's most established families. The property has three homes: a 10-bedroom, five-

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An Art Deco-inspired Manhattan abode



Roy, N.M.
A New Mexico ranch on a canyon's edge



Malibu, Calif.
'Baywatch' co-creator lists beach house

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MANSION

THE LIFT TO YOUR FRONT DOOR

Continued from page W7

hillside treks increasingly difficult. When they purchased a lot on Long Island in Maine's Casco Bay 15 years ago, Bill and Valerie Sowles weren't troubled about the fact that the island is accessible only by boat, or that accessing a house would require many stairs. "It didn't give us pause, because we didn't think it through," says Mr. Sowles, a car dealer who lives in Yarmouth, Maine.

As the years went on, however, Mr. Sowles, 65, grew worried that old age would rob the couple of their enjoyment of the peaceful three-bedroom cottage they built there for roughly \$200,000.

The solution cost about \$80,000—or around 40% the cost of the house. To prepare the hillside for construction, a local contractor hauled 487 80-pound bags of concrete mix on a barge out to the island. Then in October, three employees of Hill Hiker, a manufacturer and installer of incline elevators in Orono, Minn., flew out for installation.

The couple's incline elevator probably wouldn't pay for itself at resale, says Chris Lynch, president of Legacy Properties Sotheby's International Realty in Portland, Maine. Mr. Sowles agrees, though he doesn't care: "I'm going to pass this on to the second generation," he says.

Incline elevators are expensive, ranging from \$50,000 to \$250,000. Costs rise with longer, steeper climbs and fancier materials and design, such as stainless-steel chassis framing parts or Brazilian hardwood carriages. The cost is also influenced by local permit costs—permitting on a given project can go as high as \$20,000—and municipal regulations that can affect cost of materials.

Bill MacLachlan, president of Hill Hiker, says the company builds about 40 incline elevators a year in private homes; half of those are in California. Hill Hiker's residential sales have roughly doubled compared with five years ago, primarily thanks to baby boomers looking for ease of movement as they age, Mr. MacLachlan says.

When Mr. Nispel and his wife, Dyan Humes Nispel, bought their Malibu property nearly 20 years ago, it came with an old incline elevator, which they quickly replaced. Their addition, installed by a local company, contributed to several adventures over the years, Mr. Nispel says.

"It was dodgy," says Mr. Nispel, 54, who launches into stories he calls "funicular funnies" (funiculars are similar railway systems). One incident: His head got trapped in the door of the cab and he nearly got pulled down the hill, shortly after he completed filming the gory horror movie "The Texas Chainsaw Massacre." "I could just see the headlines if I got decapitated!" Mr. Nispel says.

Earlier this year, that incline elevator finally skidded down the hill and crashed. An analysis by the insurance company revealed that despite the many thousands of dollars the Nispels had spent on maintenance, some of its parts had rusted in the salt air, causing them to fail, says Ms. Nispel.

In April, the couple, who built a main home up on the bluff four years ago, hired Hill Hiker to build a stainless-steel system loaded with safety features. They spent \$150,000, says Mr. MacLachlan—or "as much as a Bentley," Ms. Nispel says. Co-listing agent



NEED A LIFT? Bill and Valerie Sowles and their incline elevator on Long Island in Maine's Casco Bay. It probably wouldn't pay for itself at resale, but Mr. Sowles says he doesn't care: 'I'm going to pass this on to the second generation,' he says. The home, below.



Markus Canter, luxury-property director at Berkshire Hathaway Beverly Hills, says that without the system the property would rent for roughly 10% to 15% less, meaning that if the property rents for asking price (the rent falls to \$90,000 a month after the summer season) it will pay for itself in about a year. The Nispels, whose two sons have left for college, moved to the Bahamas earlier this month.

Incline elevator makers say technology hasn't changed dramatically over the years, but that small improvements in engineering and materials have made them safer and easier to repair.

John Sund, head of field operations for Incline Solutions, a Columbiaville, Mich.-based incline elevator and tram installer, says he spent 5½ years engineering a new product called the Incline Chair that will cost clients about \$50,000, about half as much as an elevator on a comparable site. It features two seats, exposed roughly like a ski lift, with a safety bar.

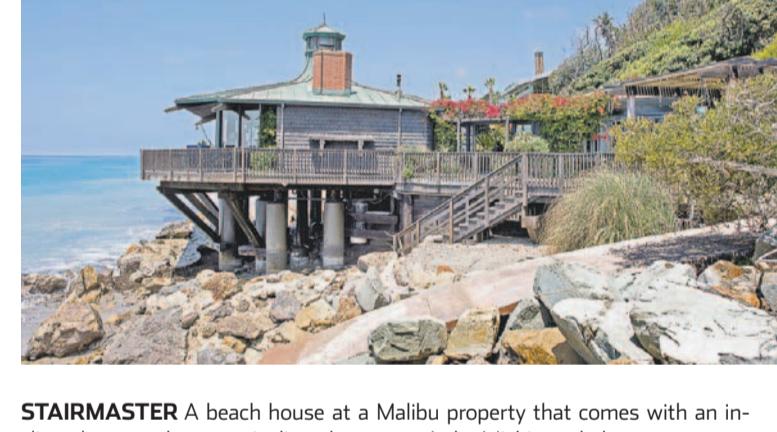
After two years of looking for a house close to the water on Lake Michigan, Douglas and Sherry DeHaan bought one in 2014 high up on a dune on which Incline Solu-

tions had already installed an incline elevator. In Holland, Mich., the 3,600-square-foot house, which they paid over \$1.5 million to buy and renovate, Mr. DeHaan says, sits 180 steps above the shoreline.

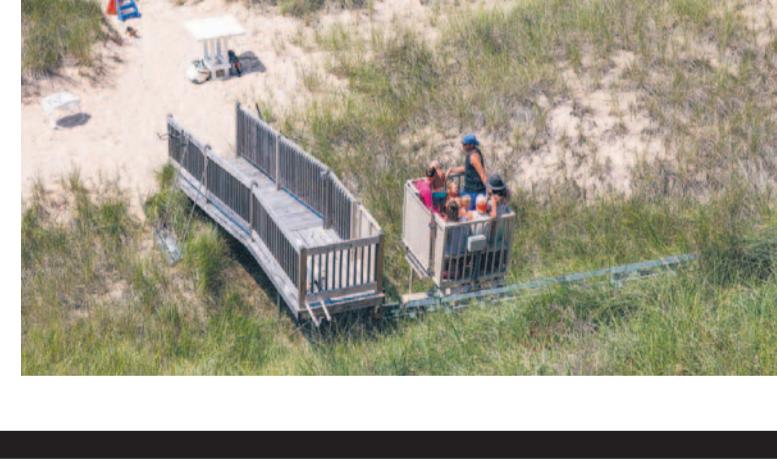
Mr. DeHaan, a 54-year-old custom-home builder, says he was turned off by incline elevators he had seen in the past. But he is impressed by the one he has now: At a cost of \$155,000 it boasts galvanized-steel rails, an aluminum carriage and a waterproofed deck. The system is quick, he says, turning the 160-foot climb into a roughly two-minute scenic ride.

Andrea Crossman, an agent who specializes in Lake Michigan with Coldwell Banker Schmidt, says it can be impossible to sell luxury properties with 300 or so steps if they don't have incline elevators, and that she is increasingly noticing that buyers eschew properties without them if there are just 100 steps.

Mr. DeHaan has since hired Incline Solutions to install incline elevators at three homes for clients, and is working on two more later this year. "It takes lots that previously weren't as desirable and makes them very desirable," he says.



STAIRMASTER A beach house at a Malibu property that comes with an incline elevator, above; an incline elevator on Lake Michigan, below.



PRIVATE PROPERTIES | CANDACE TAYLOR

Maroon 5 Rocker Buys L.A. Mansion for \$18 Million



Adam Levine, lead singer of the pop-rock band Maroon 5, has paid \$18 million for a Los Angeles mansion, according to people with knowledge of the transaction.

The musician bought a Holmby Hills property that first went on the market last year for \$27.5 million. It then experienced several price cuts, most recently seeking \$19.9 million.

Built in the 1960s, the Hollywood Regency-style house measures about 9,200 square feet and has five bedrooms. The gated estate sits on 1.2 acres, which includes a swimming pool, cabana with a bar, a three-

bedroom guesthouse, a four-car garage and a motor court, according to the listing. People familiar with the home said it needs renovation.

Mr. Levine and his wife, Behati Prinsloo, had a baby girl in September. Last summer they listed a smaller Beverly Hills home for \$17.5 million with Kurt Rappaport of Westside Estate Agency; the price was reduced to \$15.95 million before being taken off the market in March.

Mr. Levine declined to comment. Linda May of Hilton & Hyland represented the seller; Mr. Levine was represented by Mr. Rappaport in the purchase.

TONY LUONG FOR THE WALL STREET JOURNAL (3)

MICHAEL CERWONKA FOR THE WALL STREET JOURNAL (2)

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Sherry Fitzgerald



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Fly-fishing paradise near Yellowstone National Park. 3,640 sq. ft. home with views, lap pool, atrium, & chef's kitchen. Dawn Myrvik. Web ID: 219008 dawn@purewestproperties.com

PureWest Real Estate



CAÑAS, GUANACASTE, COSTA RICA
Hacienda La Pacifica, fully operational Ranch in Costa Rica. Boutique Hotel, Castle, Rice, Tilapia, Timber. \$35M. Robert F. Davey. Web ID: C58349 18776612060

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The Lake House - Beautifully situated estate with direct lake frontage and access. First class education options. Short walking distance to downtown. \$3.25M. Kathleen Coumou +1 212 468 7140

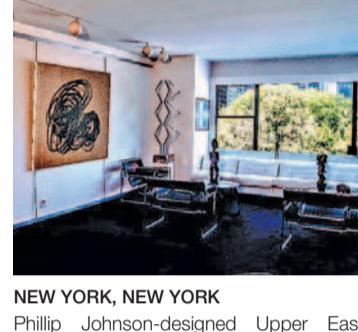
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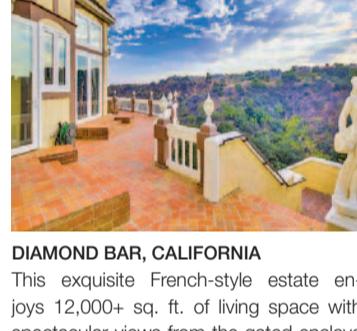
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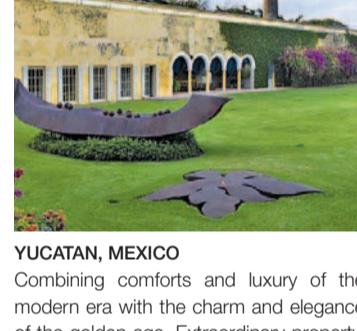
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Agenzia Romolini Immobiliare +39 335 6960 513



YUCATAN, MEXICO
Combining comforts and luxury of the modern era with the charm and elegance of the golden age. Extraordinary property, dates back to the 19th century. \$12M.

Rick Moeser +1 561 805 7327

Christie's International Real Estate



LAKE FOREST, ILLINOIS
Built in 1916 by estate architect Harrie T Lindeberg, this Norman-style home, situated on 8.5 acres, is where dreams are made for generations. Rachael Mann. +1 312 401 9588

CONLON: A Real Estate Company



SAVANNAH, GEORGIA
Owned by celebrity chef Paula Deen, named "Riverbend" for panoramic views over Wilmington River. Sited on a high bluff with 300 ft. of water frontage. \$8.75M.

Elaine Seabolt +1 912 233 6609

Seabolt Brokers



KAILUA-KONA, HAWAII
Big Island Estate - 90-acre estate on slopes of Hualalai with views of world-famous Kona coast. Two swimming pools, a driving range and spa. \$14.5M.

Carrie Nicholson. carrie@hawaiilife.com

Hawai'i Life Real Estate Brokers +1 808 896 9749



TANGIER, MOROCCO
Villa Putman - Villa overlooking the Mediterranean Sea from a cliff above the Strait of Gibraltar. Sea-view terraces from all 6 levels. €6M.

Marc Leon +212 524 422 229

Kensington Luxury Properties



SAINT-TROPEZ, FRANCE
Villa Salamanzar - A Provencal-style dream with chic Saint-Tropez flair, amid privacy and seclusion in the hills of Ramatuelle. €17.5M. Eric Raphaël. eric@michaelzingraf.com

Michaël Zingraf Real Estate +33 (0)4 94 97 97 97



MAUI, HAWAII
Magnificent, 13,000+ sq. ft. estate on the beach with 9 beds, 10 baths, pool, sun-deck, on 0.53 acres. Ideal, exclusive. \$28M. Zackary Wright. +1 310 385 2690

Christie's International Real Estate



SAN JUAN CAPISTRANO, CALIFORNIA
Newly constructed estate on 6+ equestrian-zoned acres with panoramic views from all 3 floors. 14,000 sq. ft. main home. 8 minutes to the beach. \$9.95M.

Rich Encinas. rjencinas@cox.net

First Team Estates +1 949 240 7979



FORT WORTH, TEXAS
A prized Texas architectural treasure and Landmark since 1978. Baldridge House possesses an artful balance of historic elegance and modern amenities. \$7.95M.

Eric Walsh +1 817 312 9586

Giordano Wegman Walsh and Associates



RIO DE JANEIRO, BRAZIL
One-of-a-kind oceanfront penthouse situated in a notable building designed by Oscar Niemeyer with ocean view of Ipanema beach. Price upon request.

Frederico Judice Araujo

Judice & Araujo Imóveis +55 21 2540 9999



LIGONIER AREA, PENNSYLVANIA
Galaxie Farm, a magnificent 504-acre equestrian estate. Fully renovated equine facility with 15 stalls. \$7.25M. Kathleen Coumou +1 212 468 7140. kcoumou@christies.com

Christie's International Real Estate



MONTAUK, NEW YORK
Malibu on the East Coast. 36-acre oasis of unparalleled privacy. Tea house-inspired residence with its own nature preserve. Secluded sand beach. \$48M.

Kathleen Coumou +1 212 468 7140

Christie's International Real Estate



QUEBEC, CANADA
St. Lawrence Estate - Luxury Chalet w/ access to World-Class Skiing. Perched sky high on a 500 m. promontory w/ majestic views. C\$2.5M. Guillaume L'Ecuier. glecuyer@profusionimmo.ca

Profusion Realty Inc. +1 418 998 3219



NEW YORK TRI-STATE AREA, USA
Discovery Stables - a world-class 160-acre horse farm and family compound. 32 stalls. Palatial 25,000 sq. ft. manor with 7 en suite bedrooms. \$35M.

Kathleen Coumou +1 212 468 7140

Christie's International Real Estate



ALEXANDRIA, VIRGINIA
Water's Edge - Half-acre waterfront property with over 5,000 sq. ft. of living space. Floor-to-ceiling windows with panoramic views of Potomac River. \$3.495M.

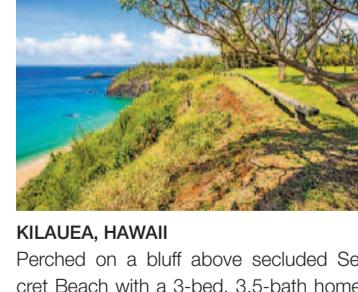
Elizabeth Lucchesi +1 703 683 0400

Long & Foster Real Estate, Inc.



PRINCETON, NEW JERSEY
Large Frank Lloyd Wright-inspired residence flooded with light. Set in a series of walled gardens. Short walk to Princeton University. \$5.995M. Alison E. Covello. acovello@glorianilson.com

Gloria Nilson & Co. Real Estate +1 609 240 8332



KILAUEA, HAWAII
Perched on a bluff above secluded Secret Beach with a 3-bed, 3.5-bath home, elevated, 28+ acre estate. \$29.5M.

Zackary Wright. +1 310 385 2690

Christie's International Real Estate

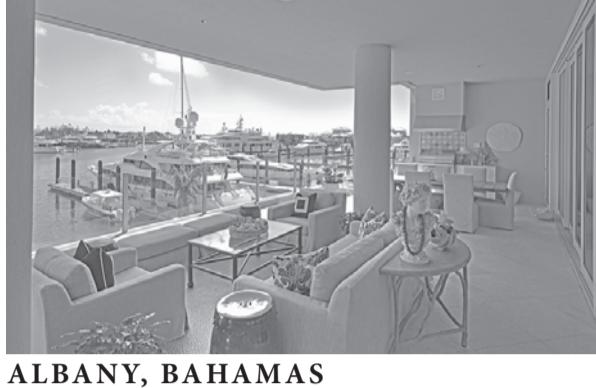


VICTORIA, CANADA
Architectural marvel. Waterfront w/ private beach access; 4,800+ sq. ft. infinity pool, giant master suite, chef's kitchen, dazzling views. C\$6.995M. Zackary Wright. zwright@christies.com

Christie's International Real Estate

Sotheby's
INTERNATIONAL REALTY

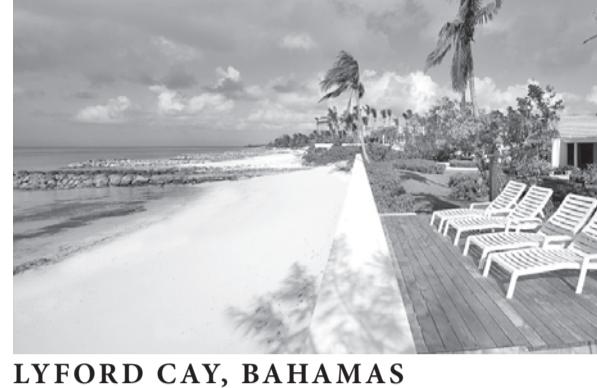
UNIQUE IMPRESSIONS WORLDWIDE SOTHEBYSREALTY.COM



ALBANY, BAHAMAS

Stunning 5 bedroom, 5.5 bath luxury condo overlooking Albany's mega-yacht marina. Spanning 6,299 sq. ft. with media room, Crestron Smart Home system, and designer furnishings. Resort amenities. WEB: 4ZV66Y. \$7,250,000 US. Lana.Rademaker@SIR.com

Damianos Sotheby's International Realty
+1 242.457.0406 | SIRbahamas.com



LYFORD CAY, BAHAMAS

Casually elegant courtyard house situated on a 1 acre lot with 180 ft. of private beach frontage. 5 bedrooms, 5.5 baths, pool and sundecks, within easy walking distance to the Lyford Cay Club. WEB: 3MLSY2. \$12,500,000 US. Nick.Damianos@SIR.com

Lyford Cay Sotheby's International Realty
+1 242.376.1841 | SIRbahamas.com



PARADISE ISLAND, BAHAMAS

Ocean Club Estates. Elegant 5 bedroom, 5.5 bathroom home with expansive golf course views and 7,100 sq. ft. of living space. Sold fully furnished and with a 45 ft. dock slip and boat lift at the Ocean Club Marina. WEB: NRQ7RQ. \$6,750,000 US. Nick.Damianos@SIR.com

Damianos Sotheby's International Realty
+1 242.376.1841 | SIRbahamas.com



ST. BARTH, CARIBBEAN

St. Barth's most spectacular estate. 9 bedrooms including a caretaker residence. Panoramic views including, the islands of Saba and Statia and year round sunsets. Private five bedroom main residence, two bedroom guest house, and two pools. \$46,000,000. tom@stbarth.com

St. Barth Properties Sotheby's International Realty
+1 508.570.4481 | sothebysrealty-stbarth.com



LA JOLLA, CALIFORNIA

16 exclusive residences. 4 limited edition penthouses. 1 unparalleled opportunity. A prestigious location, unrivaled panoramic views and truly exceptional design, Muse La Jolla is a trophy property that is incomparable. Prices upon request. Brett Dickinson and Deborah Greenspan.

Pacific Sotheby's International Realty
+1 858.204.6226 | pacificsothebysrealty.com



LARKSPUR, CALIFORNIA

Designed by renowned architect Ken Linstead, this shingled residence is located just two blocks from Downtown Larkspur. Built in 2005, the architectural masterpiece captures the best of easy living and luxury. \$3,895,000. C.J. Nakagawa and Susan Hewitt.

Golden Gate Sotheby's International Realty
+1 415.407.2151 | 11William.com



SAN DIEGO, CALIFORNIA

Newly constructed, private Mediterranean masterpiece on the bluffs of Del Mar. Extensive patios and spectacular outdoor living spaces take full advantage of the mesmerizing, panoramic views. \$25,900,000. Eric Lantorno, Clinton Selfridge and Lindsay Dunlap.

Pacific Sotheby's International Realty
+1 858.256.7005 | PacificSothebysRealty.com



SAN DIEGO, CALIFORNIA

One of a kind, three building compound overlooking the San Diego Harbor offering one of the best views of the city's skyline. Enjoy a charming, resort like feel with elegant finishes and modern conveniences throughout. \$13,900,000. Clinton Selfridge and Eric Lantorno.

Pacific Sotheby's International Realty
+1 858.256.7005 | PacificSothebysRealty.com



SAN DIEGO, CALIFORNIA

Gated craftsman estate designed by Alan Campbell to adapt to the contours of the 180 degree view parcel. Situated on nearly an acre, surrounded by lush mature landscaping. Designed for views of the ocean bay, Shelter Island, Coronado and downtown skyline. \$9,995,000. Eric Lantorno and Clinton Selfridge.

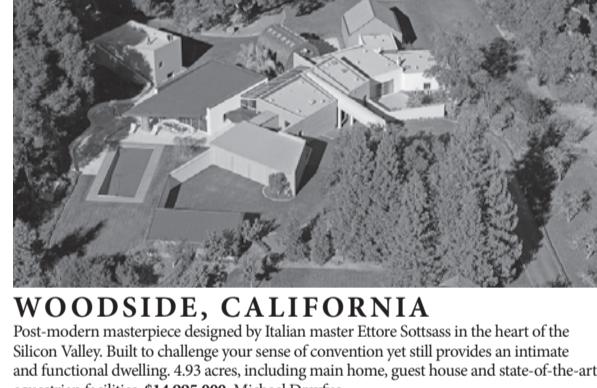
Pacific Sotheby's International Realty
+1 858.256.7005 | PacificSothebysRealty.com



TIBURON, CALIFORNIA

Extraordinary fusion of traditional Japanese architecture and 21st century luxury and technology surrounded by spectacular gardens, acres of forested open space and panoramic San Francisco Bay views. 5 bedrooms, 6.5 baths. \$6,500,000. Bill Bullock and Lydia Sarkissian.

Golden Gate Sotheby's International Realty
+1 415.517.7720 | globalestates.com

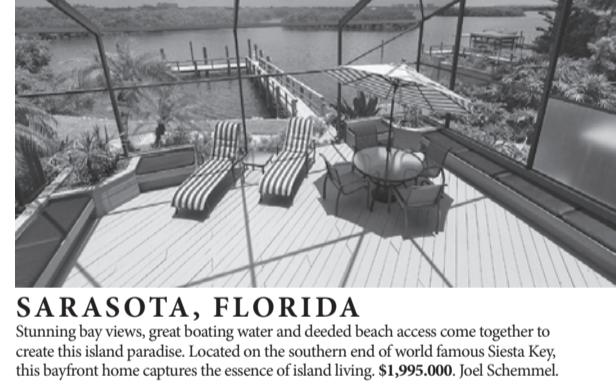


WOODSIDE, CALIFORNIA

Post-modern masterpiece designed by Italian master Ettore Sottsass in the heart of the Silicon Valley. Built to challenge your sense of convention yet still provides an intimate and functional dwelling. 4.93 acres, including main home, guest house and state-of-the-art equestrian facilities. \$14,995,000. Michael Dreyfus.

Golden Gate Sotheby's International Realty

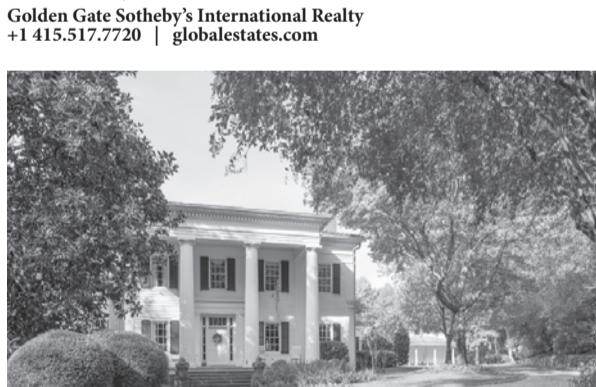
+1 650.485.3476 | 1250canada.com



SARASOTA, FLORIDA

Stunning bay views, great boating water and deeded beach access come together to create this island paradise. Located on the southern end of world famous Siesta Key, this bayfront home captures the essence of island living. \$1,995,000. Joel Schemmel.

Premier Sotheby's International Realty
+1 941.587.4894 | premiersothebysrealty.com



ROSWELL, GEORGIA

Designed by the late John Baxter, this exceptional estate on 3.69± wooded acres pays homage to the antebellum originals in historic Roswell. Tranquil and private, yet just minutes from shops and restaurants. \$2,395,000. Wes Vawter and Justin Moates. wes@atlantafinehomes.com

Atlanta Fine Homes Sotheby's International Realty
+1 404.237.5000 | atlantafinehomes.com



CHICAGO, ILLINOIS

Impressive, southeast corner unit with views of the lake and skyline. Custom cabinetry and built-ins throughout. Top of the line kitchen and baths. Hardwood floors, expansive rooms and a large balcony to enjoy Chicago's summer evenings. Full amenity building. \$1,269,000. Debbie Maue.

Jameson Sotheby's International Realty

+1 773.406.1975 | jamesonsir.com

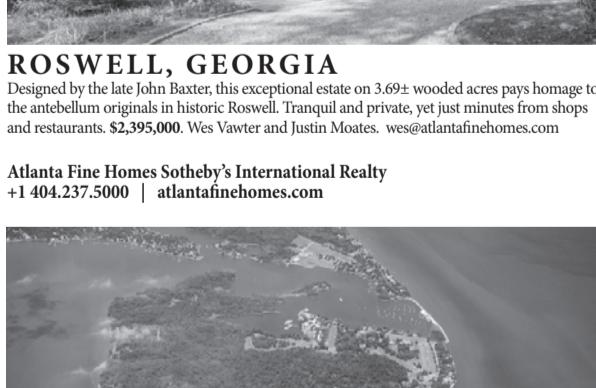


CHICAGO, ILLINOIS

The Penthouse at The Legacy: Situated on the 72nd floor with 360 degree views of Lake Michigan, Millennium Park, Chicago Yacht club and many of Chicago's landmarks. Secure elevator opens to this full floor home. Built with the finest finishes, no detail is left undone. Price upon request. Nancy Tassone.

Jameson Sotheby's International Realty

+1 312.929.1560 | jamesonsir.com



GIBSON ISLAND, MARYLAND

Private, gated, enchanting island in Chesapeake Bay with 200 homes (8 presently for sale), freshwater lake, one hour from Washington, 20 minutes from BWI/Amtrack, private country club (by invitation) with yachting, golf and more. Prices upon request. Sarah Kanne and Corey Burr.

TTR Sotheby's International Realty
+1 410.255.1341 | ttsir.com



GIBSON ISLAND, MARYLAND

636 Stillwater Road. Stunning lake waterfront Tuscan Manor, spectacular grounds, top-of-the-line finishes, on private secured island in Chesapeake Bay with 200 homes, one hour from Washington, 20 minutes from BWI/Amtrack station. \$3,297,000. Sarah Kanne and Corey Burr.

TTR Sotheby's International Realty
+1 410.255.1341 | ttsir.com



BOSTON, MASSACHUSETTS

Award-winning single family residence in Boston's prestigious Beacon Hill. Complete with an elevator, an au pair suite and a charming front garden entrance. Breathtaking views of Boston and the Charles River. \$3,750,000. Michael Carucci.

Gibson Sotheby's International Realty
+1 617.901.7600 | 125MountVernon.com

Sotheby's
INTERNATIONAL REALTY

UNIQUE IMPRESSIONS WORLDWIDE SOTHEBYSREALTY.COM



BOSTON, MASSACHUSETTS

Spacious 2 bedroom, 2 bath unit at the Four Seasons Residences. Expansive entertaining area and an oversized master bedroom with a custom walk-in closet and spa bath. 1 valet garage parking space and storage are included. **\$3,495,000.** Michael L. Carucci.

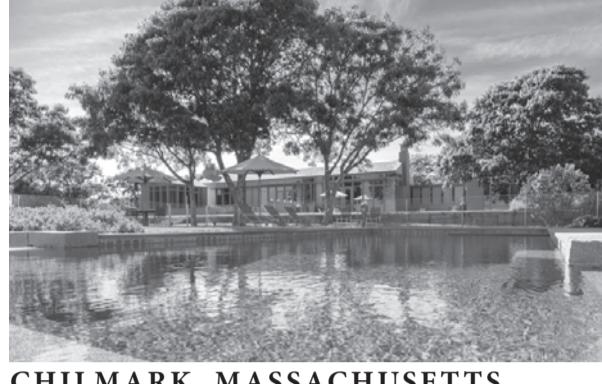
Gibson Sotheby's International Realty
+1 617.901.7600 | GibsonSothebysRealty.com



CAPE COD, MASSACHUSETTS

Private, 2 acre lot with views of Cape Cod Bay. Rare opportunity to build your dream home. Located in area of fine homes with direct access to bike trail, abutting 21 acres of conservation land. Close to Nickerson State Park. Not in flood zone. **\$2,485,000.** Daneen Law.

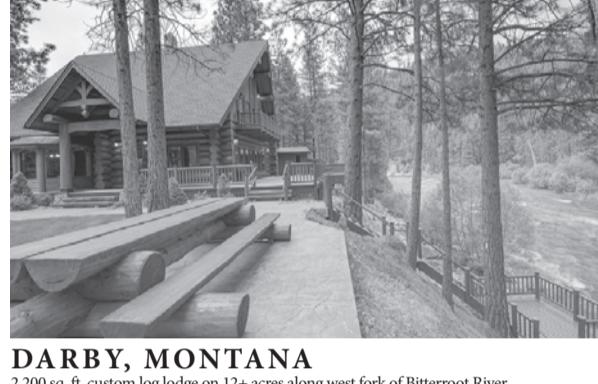
oldCape Sotheby's International Realty
+1 508.237.0977 | oldcape.com



CHILMARK, MASSACHUSETTS

Majestically perched 120 ft. above the Atlantic Ocean on Martha's Vineyard, the magnificent Chilmark House is an award-winning triumph of design and execution. A comfortable yet luxurious seaside retreat on 9.5 acres that celebrates panoramic ocean views of the South Shore. **\$17,750,000.** Thomas Wallace.

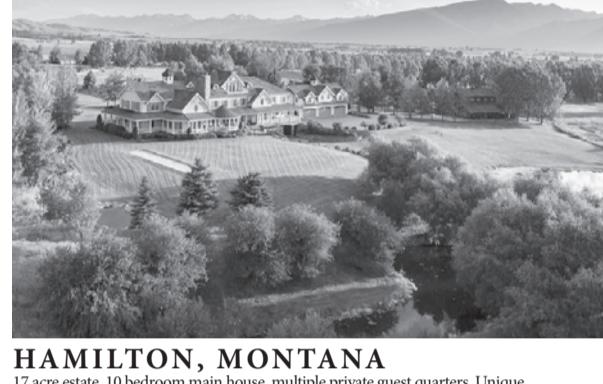
Wallace & Co. Sotheby's International Realty
+1 508.627.3313 | Wallacemv.com



DARBY, MONTANA

2,200 sq. ft. custom log lodge on 12+ acres along west fork of Bitterroot River. Private guest cottage, extensive decking, and breathtaking views. Fly-fisherman's paradise! **\$1,950,000.** Dawn Maddux.

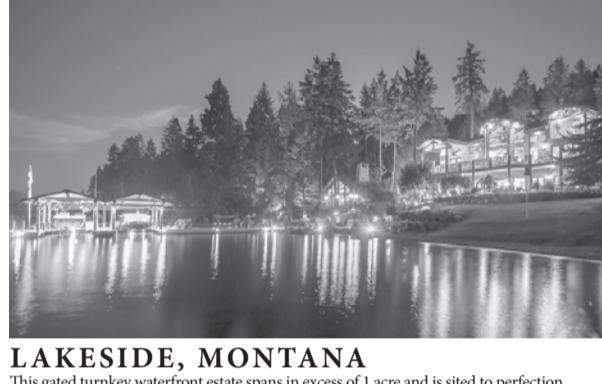
Glacier Sotheby's International Realty
+1 406.550.4131 | glaciersir.com



HAMILTON, MONTANA

17 acre estate, 10 bedroom main house, multiple private guest quarters. Unique features including a grotto style pool, underground shooting range and 4 stall horse barn. Exclusive/private Stock Farm amenities include Tom Fazio golf course. **\$27,500,000.** Dawn Maddux.

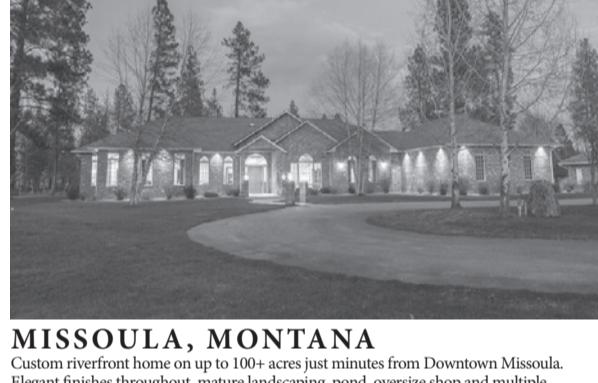
Glacier Sotheby's International Realty
+1 406.550.4131 | glaciersir.com



LAKESIDE, MONTANA

This gated turnkey waterfront estate spans in excess of 1 acre and is sited to perfection. Both the dramatic timber-framed main home and guest cottage offer effortless waterfront access with a rare 200 ft. of pebble beach on Flathead Lake. Amazing views! Price upon request. Amy Bain-Wilson.

Glacier Sotheby's International Realty
+1 406.370.9101 | glaciersir.com



MISSOULA, MONTANA

Custom riverfront home on up to 100+ acres just minutes from Downtown Missoula. Elegant finishes throughout, mature landscaping, pond, oversize shop and multiple guest quarters. Acreage options available. **\$3,695,000-\$3,995,000.** Dawn Maddux.

Glacier Sotheby's International Realty
+1 406.550.4131 | glaciersir.com



NEW YORK, NEW YORK

This gut-renovated, 5 bedroom family-friendly townhouse combines refined architecture with premium finishes. This landmark marries the historic and the new. Sale: **\$19,500,000.** Rent: **\$60,000/month.** cathy.taub@sothebyshomes.com

Sotheby's International Realty East Side Manhattan Brokerage
+1 212.606.7772 | 130east71.com



NEW YORK, NEW YORK

Sun-drenched, south-facing 20 ft. wide townhome. This all new state-of-the-art spectacular home defines luxury with its spacious and ultra-chic feel, flow and finish. **\$16,600,000.** Michael Sieger. michael.sieger@sothebyshomes.com

Sotheby's International Realty West Side Manhattan Brokerage
+1 917.533.8599 | 118w76.com



NEW YORK, NEW YORK

Pristine 2016 renovation of designer's own historic elevator townhouse. Superb proportions, spectacular terraces and views. Approx 6,615 sq. ft. **\$10,000,000.** Mark Thomas Amade and Roberta Golubock.

Sotheby's International Realty East Side Manhattan Brokerage
+1 212.606.7704 | sothebyshomes.com/00111333



NEW YORK, NEW YORK

This classic, grand scaled cooperative offers a gracious layout with well-proportioned rooms, high-beamed ceilings, hardwood floors, 2 wood-burning fireplaces, tree-lined views and preserved architectural details throughout. **\$4,995,000.** Jeremy V. Stein.

Sotheby's International Realty Downtown Manhattan Brokerage
+1 212.431.2427 | sothebyshomes.com/0139426



ASHEVILLE, NORTH CAROLINA

Perfect get-a-way 5 bedroom town home on the 8th fairway of the Jack Nicklaus Signature Golf Course in The Cliffs at Walnut Cove. Wellness center, swim pools, tennis, trails and more. Near Club house and golf facilities. Near airport, medical facilities and Asheville. **\$1,695,000.** cary.findlay@sothebysrealty.com

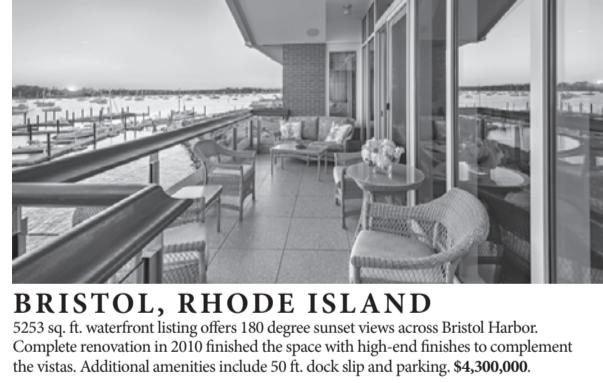
Premier Sotheby's International Realty
+1 828.808.4473 | premiersothebysrealty.com



ASHEVILLE, NORTH CAROLINA

Nestled in the woodlands in The Cliffs at Walnut Cove, this home is near the wellness center, swim pools, tennis, walking trails, the Jack Nicklaus Signature Golf Course and more. Perfect for the grandkids to visit. Near airport, medical facilities and Asheville. **\$1,625,000.** cary.findlay@sothebysrealty.com

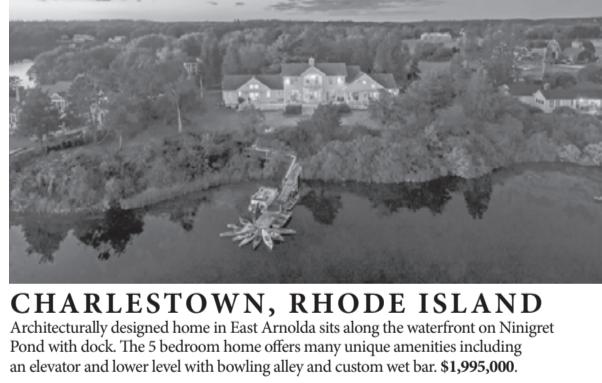
Premier Sotheby's International Realty
+1 828.808.4473 | premiersothebysrealty.com



BRISTOL, RHODE ISLAND

5253 sq. ft. waterfront listing offers 180 degree sunset views across Bristol Harbor. Complete renovation in 2010 finished the space with high-end finishes to complement the vistas. Additional amenities include 50 ft. dock slip and parking. **\$4,300,000.**

Mott & Chace Sotheby's International Realty
+1 401.245.3050 | mottandchace.com



CHARLESTOWN, RHODE ISLAND

Architecturally designed home in East Arnolds sits along the waterfront on Ninigret Pond with dock. The 5 bedroom home offers many unique amenities including an elevator and lower level with bowling alley and custom wet bar. **\$1,995,000.**

Mott & Chace Sotheby's International Realty
+1 401.884.5522 | mottandchace.com



AUSTIN, TEXAS

Located in prestigious Old Enfield, this estate features stunning views, cathedral ceilings, Pennsylvania Bluestone, custom fireplaces, media room, multiple outdoor terraces, bocce court and a stunning lap pool/spa. **\$4,175,000.** Kumara Wilcoxon. kumara@sothebysrealty.com

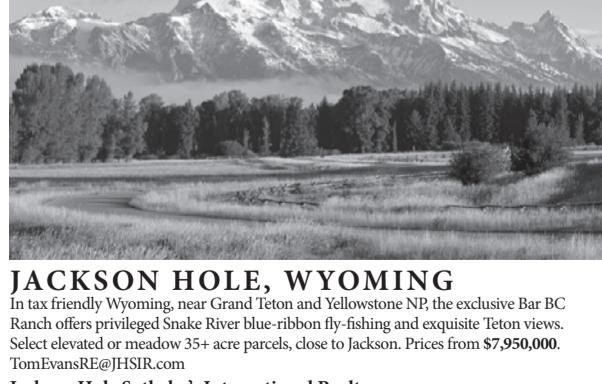
Kuper Sotheby's International Realty
+1 512.423.5035 | 2307windsor.com



AUSTIN, TEXAS

Down town luxury penthouse with stunning city and lake views. Remodeled with the highest end contemporary finishes. This spacious floor plan is ideal for entertaining. 4 reserved parking spaces. **\$2,495,000.** Kumara Wilcoxon.

Kuper Sotheby's International Realty
+1 512.423.5035 | fiftyfive3022.com



JACKSON HOLE, WYOMING

In tax friendly Wyoming, near Grand Teton and Yellowstone NP, the exclusive Bar BC Ranch offers privileged Snake River blue-ribbon fly-fishing and exquisite Teton views. Select elevated or meadow 35+ acre parcels, close to Jackson. Prices from **\$7,950,000.** TomEvansRE@JHSIR.com

Jackson Hole Sotheby's International Realty
+1 307.739.8149 | JHSIR.com

MANSION

HOUSE CALL | OTTO PENZLER

Rocky Road to a Stone Tudor House

The mystery editor offers clues to his passion for dramatic tales; a home library in Connecticut

The scariest story I knew as a child involved my family. In the mid-1930s, my mother, an American, married a German who was in the States illegally. In 1936, they moved to Hamburg, Germany, where I was born in 1942. We were trapped.

I recall few events from our time there under Nazi control. I remember British planes dropping bombs. I also remember emerging from a bomb shelter to find that our house was gone. We moved in with a neighbor.



cabin and saw the Statue of Liberty. I woke up my mom. As we looked together, she started to cry. So did I. My little brother saw us crying and he began to wail, too.

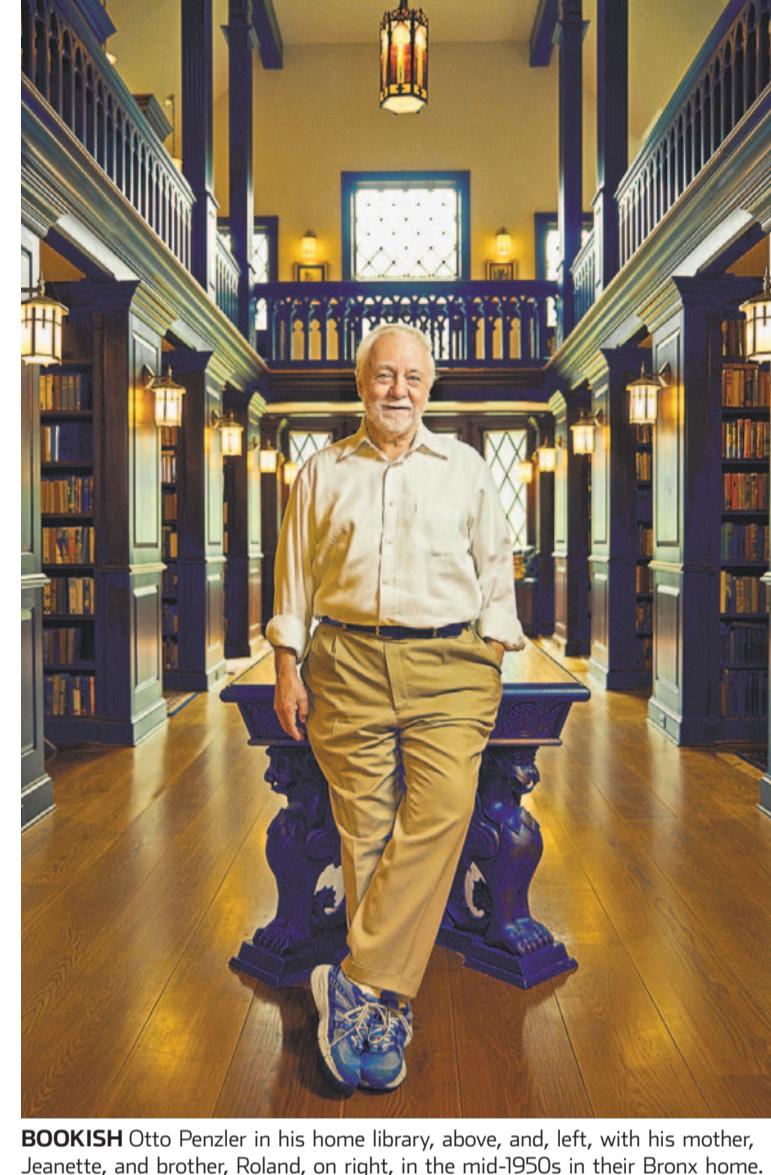
We moved into my grandmother's apartment in the Bronx. It was a railroad flat with just two bedrooms. My brother and I slept on the floor in my mother's room.

Living with my grandmother was horrible. She was cruel. We left in 1948 after my mother caught my grandmother hitting us. I thought my mother was going to kill her. That night we slept in the park.

The next day, she asked a relative in Jersey City, N.J., if we could move in. Her apartment was in a slum, and she was married to a drunk. We were isolated, and I had few friends.

My mother worked at a Woolworth's as a sales clerk. She also worked as a secretary and was a feet-legs-and-hands model. With the extra money, we moved into a rooming-house apartment nearby.

The woman who ran the place was vicious. When she baby-sat my brother and me, she put us on the fire escape and closed the window. She envied my mother's beauty and started sending her threatening mail.



MATT FURMAN FOR THE WALL STREET JOURNAL (HISTORICAL); OTTO PENZLER (HISTORICAL)

BOOKISH Otto Penzler in his home library, above, and, left, with his mother, Jeanette, and brother, Roland, on right, in the mid-1950s in their Bronx home.

In 1950, my mother met a guy named Johnny, and they married. We moved into his apartment in the South Bronx. It was on the top floor of a five-story walk-up in the same building as his German delicatessen.

My mother would never admit

it, but I think she sacrificed herself so we wouldn't go hungry again or be abused.

I was the smartest kid in my high school. I also was tall and became a good athlete, so I was popular. In the ninth grade, I discovered Sherlock Holmes and fell in

love with mystery fiction.

After high school, I went to the University of Michigan and my parents moved to a house in Yonkers. I had my own room there when I was home. After college, I worked as a sportswriter for the Daily News and soon began buying first editions of mysteries at used-book shops.

Then in the early 1970s, a friend, Chris Steinbrunner, asked me to co-write a book with him—the “Encyclopedia of Mystery and Detection.” I realized mystery fiction was serious literature, and I wanted to elevate the genre. I started the Mysterious Press in 1975, sold it to Warner Books in 1989 and reacquired it in 2009. I also founded the Mysterious Bookshop in 1979 in Manhattan.

Today, I have a small apartment on Park Avenue and 63rd Street and a spacious four-bedroom country house in Kent, Conn. In Kent, I have a 60,000-book library that's attached to the house. When I walk into the library, I still can't believe I live there.

The house has an interesting story. When I was little, I spent nearly every day with a best friend named Ted Kvell. One day, when I was 11, I was leafing through a magazine and saw a stone Tudor home in a Scotch whisky ad. I told Ted, “Someday I'm going to live here.”

My friend went on to become an architect. When I was 40, I began to make real money. I called Ted and said I wanted to build a house. He said, “The stone Tudor?” I said, “Yep.” In 1989, Ted designed the house and the library.

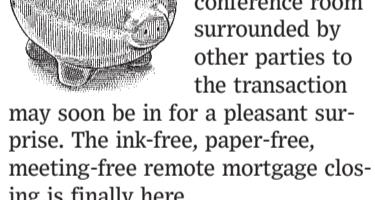
—As told to Marc Myers

Otto Penzler, 75, is an editor of mystery fiction and owner of the Mysterious Bookshop in New York. He most recently edited “Biblio-mysteries” (Pegasus), a collection of short stories.

JUMBO JUNGLE | ROBYN A. FRIEDMAN

CLOSINGS TAKE A BIG LEAP INTO THE DIGITAL AGE

A Chicago couple completes a fully digital mortgage closing in their kitchen, aided by new software, a webcam and a notary in another state



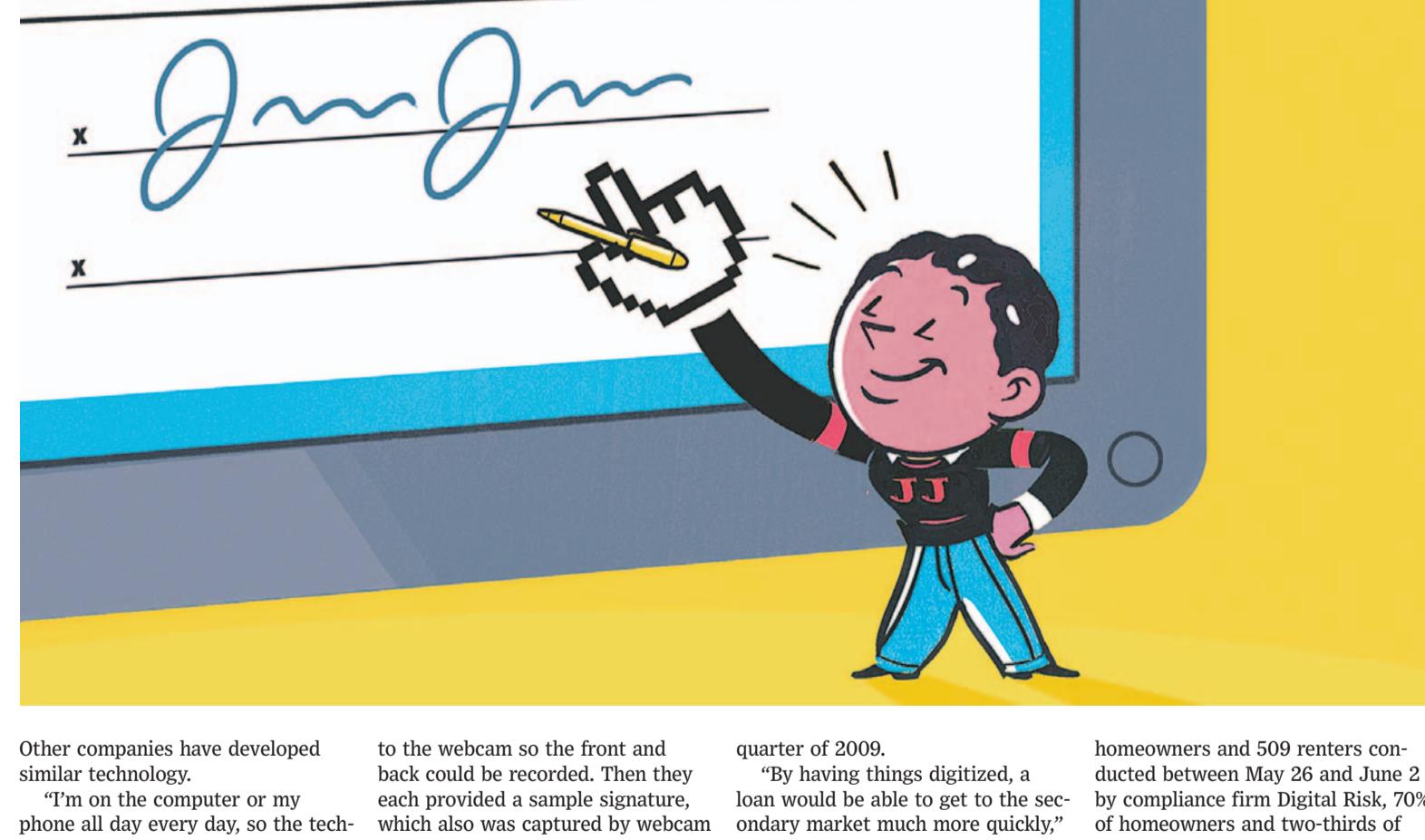
Borrowers used to closing on a mortgage in a conference room surrounded by other parties to the transaction may soon be in for a pleasant surprise. The ink-free, paper-free, meeting-free remote mortgage closing is finally here.

On July 28, Peter Mueller and his wife, Patty, refinanced the mortgage on their three-bedroom home in Chicago by signing all the required documents digitally on Mr. Mueller's MacBook. The closing heralds a new era that allows fully digital and remote mortgage transactions. The loan, from United Wholesale Mortgage in Troy, Mich., will soon be sold to Freddie Mac—also electronically.

“We've purchased thousands of what we call electronic mortgages or e-notes where it is paperless, but this is the first transaction that we're aware of where it was an entirely remote electronic online closing with all of the documents electronically signed,” says Samuel E. Oliver III, vice president, single-family business transformation management, Freddie Mac.

So-called eMortgages have been around for years, but prior closings involved the execution of closing documents on a tablet with a stylus, and still required the physical presence of a notary public. Other closings took place remotely, with an online notary public, but those weren't fully digital because the borrowers “wet signed” some documents in ink.

The closing two weeks ago, however, allowed the Muellers to close a loan from a lender in Michigan from their home in Illinois, working with a notary public in Virginia—all completely online, using a webcam and executing all documents digitally. The transaction was made possible by digital technology created by Arlington, Va.-based Notarize, an online notary service, that bridges all necessary parties to the transaction.



Other companies have developed similar technology.

“I'm on the computer or my phone all day every day, so the technical side of this transaction was intriguing,” says Mr. Mueller, 56, a property manager who previously refinanced his mortgage four times—all the old-fashioned way. “It turned out to be the easiest closing we've ever done.”

The closing on the \$290,000, 30-year, fixed-rate mortgage took place at the Muellers' kitchen table, with the couple and their mortgage broker present.

They began by logging onto Notarize's proprietary software and authenticating their identities by answering questions. Mr. Mueller, for example, had to identify a car he owned 20 years ago and the address of one of his children. After completing the authentication process, they held up their driver's licenses

to the webcam so the front and back could be recorded. Then they each provided a sample signature, which also was captured by webcam and digitized. That signature was then used to “sign” each closing document, with a click on the MacBook's touchpad.

The closing took a half-hour—about the same time it would have taken to sign the documents by hand, but minus the travel time.

Adam Pase, co-founder and chief operating officer of Notarize, says five states currently authorize remote notarization: Virginia, Texas, Nevada, Ohio and Montana.

While remote closings offer convenience to a borrower, they also help lenders operate more efficiently. The Mortgage Bankers Association says a lender's cost to produce a mortgage in the first quarter of 2017 averaged \$8,887, more than double the \$3,738 it cost in the first

quarter of 2009.

“By having things digitized, a loan would be able to get to the secondary market much more quickly,” says Mr. Oliver of Freddie Mac. He says in the future, mortgages could be delivered to an investor in as little as one day—a process that takes a median of 29 days now.

Here are a few things to consider if you're interested in closing remotely:

Not every lender. There are still few lenders that conduct remote digital closings. Notarize launched with just nine lending partners. Ask upfront if your lender participates.

“It's a novel concept,” says Mat Ishbia, United Wholesale Mortgage's president and chief executive officer.

Not for everyone. Many borrowers are still uneasy about using technology to eliminate paperwork.

According to a survey of 1,057

homeowners and 509 renters conducted between May 26 and June 2 by compliance firm Digital Risk, 70% of homeowners and two-thirds of renters stated they wouldn't be comfortable managing the mortgage process via a smartphone.

Review documents in advance. Disclosure forms and other mortgage documents are available for review before the actual digital closing. Make sure you review them and get your questions answered. Notaries can't give legal advice, and while a representative of the lender or title company is just a phone call away during your closing, the best bet is to get questions answered before you sit down to close.

As for the dramatic moment during the closing when the keys to the house are passed to the new owner—that will likely be replaced by a visit from your real-estate agent.

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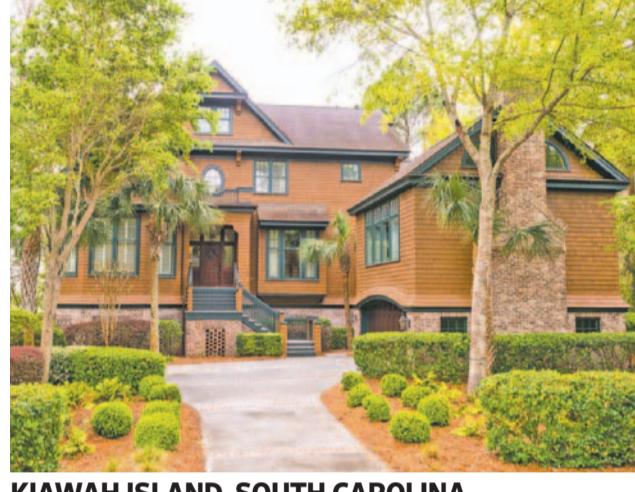
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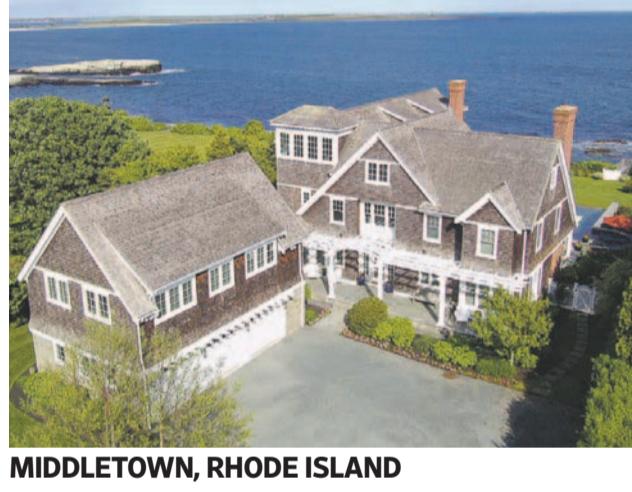
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MANSION



ROCKY SHORES The Prouts Neck shoreline, above; New York-based interior designer Leslie Rylee, below with her daughters, recently bought a five-bedroom house in Prouts Neck.

PROUTS NECK SUMMER, FROZEN IN TIME

Continued from page W7

and-a-half-bathroom circa 1900 mansion; a more modernized three-bedroom house and a two-bedroom guesthouse, respectively called the Walnuts, the Wasnuts and the Nutshell. The homes sit on 1.8 acres with a sweeping lawn down to the beach in the gated, private part of the community.

The decision to sell the house was hard because there are so many family memories, says Diana Hammond, 62, who owns the property with her three siblings; it's something they never would have considered while their parents were still alive. Ms. Hammond has been going there every summer of her life, even though she and her husband live in Australia. She was married there, as were her two daughters. Her parents lived at Wasnuts until they died, and their ashes are at the community's St. James Episcopal church. Ms. Hammond and her brother both recently bought their own homes in the community.

More Prouts Neck houses are starting to show up in the state multiple-listing service, or MLS, where homes are listed in a database set up by real-estate brokers, and on real-estate websites like Zillow and Realtor.com. Already this year, three properties listed have sold there, for \$2.73 million, \$1.5 million and \$1.4 million, and another, listed at \$3.5 million, is under contract. Last year, four MLS-listed homes sold, after only two sales in 2015, and two in 2014. The prices are high for Maine, where only six homes in the entire state listed on the MLS sold for over \$2 million in 2016, two of which were in Prouts Neck.

Listings are starting to "trickle in" more because the market is strong and prices are higher, says Karen Reiche, a principal with Portland-based LandVest. She says the more expensive homes need broader marketing exposure than just word of mouth.

More property buyers are now building their own new homes in Prouts Neck. In 2011, NFL Commissioner Roger Goodell bought two half-acre waterfront lots for \$5.9 million in a private, unlisted sale.



CHECKING IN

A group of 38 neighbors paid about \$20 million to buy the Black Point Inn, the only hotel on the peninsula. They reduced its size. Far right, a painting by artist Winslow Homer, a one-time Prouts Neck resident.



He tore down one house and built an 8,900-square foot, 19-room mansion with a guesthouse in 2013, according to the Maine public assessor's office.

Trevor Watson, head of architectural design at the design/build firm Eider Investments, says his firm has kept up a steady rate of about two new homes and two renovations a year for the past 15 years. He says what distinguishes Prouts Neck from other areas is that most of the new homes aren't enormous, but there are exceptions, including an 8,800-square foot, five-bedroom, six-bathroom mansion finished last summer on a 0.93-acre property that was

bought for \$1.5 million in 2013.

Prouts Neck has managed to keep its privacy, appearance and traditions remarkably intact. There is a bare-bones yacht club, little more than a white clapboard house, where the Sunday evening community sing-alongs known as "The Sing" take place. The golf course has no tee times and the country club is a modest wood building with no swimming pool. Kids fish off rocks and ride bikes everywhere on their own, balancing tennis rackets. The studio of 19th-century artist Winslow Homer, whose family was among the early homeowners, is preserved, facing the seascapes that



They wanted to know who I was related to," he says. Mr. Shaw now lives year-round at his house on Prouts Neck, which is about 12 miles from Portland.

Residents say the character of Prouts Neck will never change. "You could go a million places on the coast that are beautiful. What's special here is the community. Everyone wants to keep it casual," says Leslie Rylee, an interior designer based in New York who started going to Prouts Neck when she was a teenager. When she renovated the five-bedroom house and two-bedroom guest cottage she bought recently, she kept the design simple, with white walls, and chose not to winterize it.

The Prouts Neck Association, formed in 1910, hires three police officers to patrol the neighborhood, including one who often sits at the base of the peninsula's neck, just before the Black Point Inn, and tickets anyone driving over the 25 mph speed limit. Most of the windy roads, behind gates, are dirt and have killer speed bumps to discourage fast driving.

David Shaw, a technology investor who built a home in Prouts in 1999, says he is still considered a newcomer even though he has been going there about 20 years. "People are very friendly, but they were curious why I was there."

Mr. Bolton says the community has been able to keep its character because it has such deep roots. "You have to be nice to your neighbor. Chances are you're related," he jokes.

PRIVATE PROPERTIES

Fleetwood Mac's John McVie Sells Los Angeles Home

John McVie, bass guitarist of rock band Fleetwood Mac, has sold his Los Angeles home for its asking price of \$2.995 million.

Mr. McVie put the home on the market a few weeks ago. Listing agent Marcie Hartley of Hilton & Hyland attributed the quick sale to strong demand for homes in Brentwood, an affluent neighborhood on the city's Westside. Another factor is that the house was recently renovated. "There's big demand for this kind of house," Ms.

Hartley said, estimating that the value of the land is likely at least \$2.5 million.

Originally built in the 1920s, the two-bedroom house measures about 2,200 square feet.

There is also a detached guesthouse that Mr. McVie used as a music studio. Mr. McVie purchased the house in 2014 for \$2.53 million, public records show.

Mr. McVie and his wife, Julie, had been living primarily in Hawaii, and used the home as a pied-à-terre, Ms. Hartley said. They decided to sell because they recently bought a larger home with a swimming pool in the same neighborhood for \$6.775 million.

There were 1,806 closed sales in Los Angeles in the second quarter of 2017, up 25.1% from the same period of last year, according to a Douglas Elliman Real Estate market report.

—Candace Taylor

